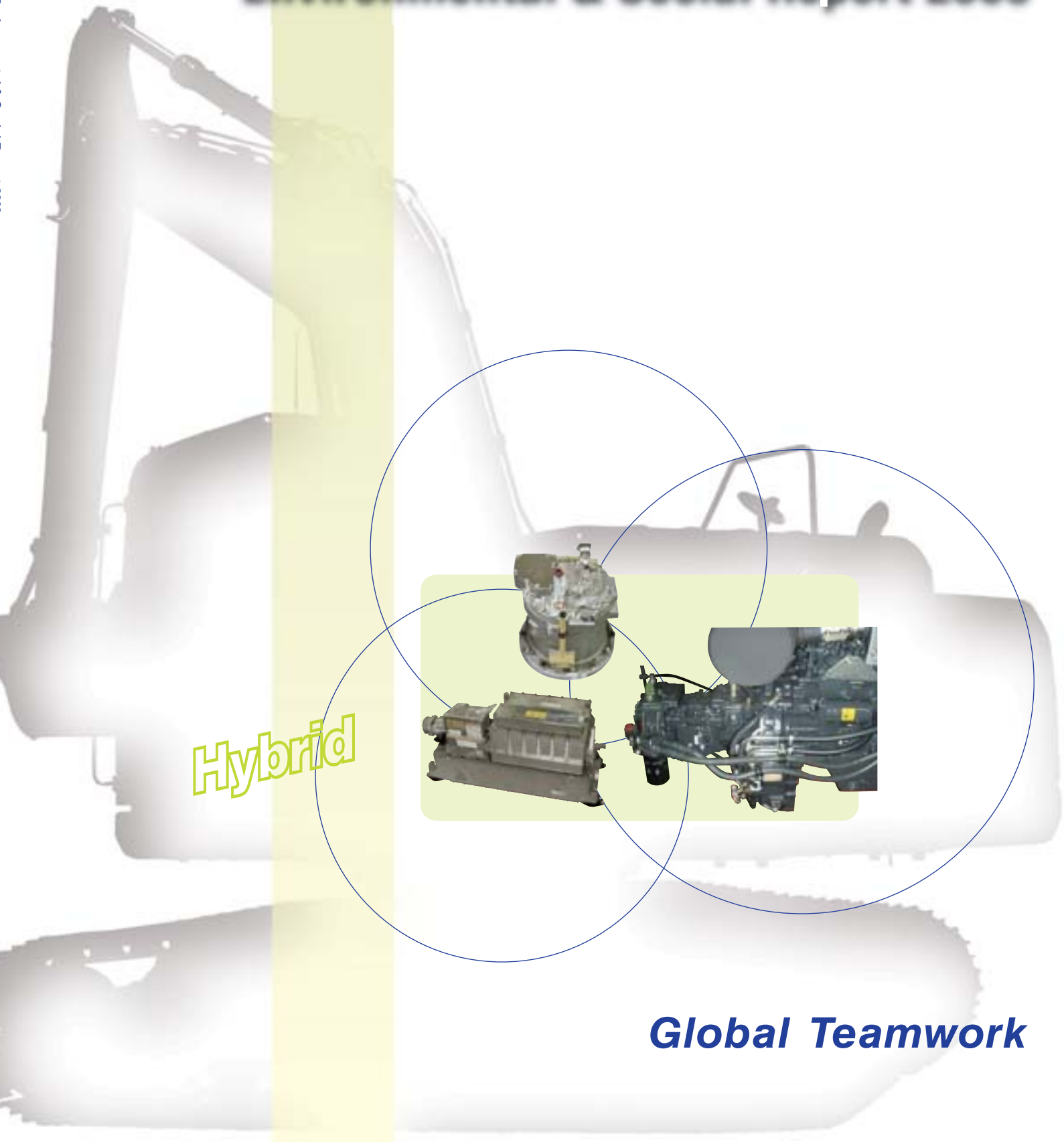
KOMATSU

Environmental & Social Report 2009



Global Teamwork

Komatsu is pursuing endeavors to mitigate environmental impact, by placing the environment among our highest management priorities.

Amidst the sudden changes in the global economic situation since autumn 2008, Komatsu inevitably experienced a significant correction in its sales and profits for FY2008. Nevertheless the Basic Stance of Management at the Komatsu Group remains squarely focused on enhancing Quality and Reliability and thereby maximizing corporate value. We consider corporate value to be the total sum of trust given to us by society and all stakeholders, and we pursue business operations firmly grounded in that philosophy.

Environmental activities

Even in the challenging management environment we now face, Komatsu places measures to mitigate global warming and initiatives to help build a resource recycling society among our highest management priorities. In our assertive endeavors on both the "offensive (proactive)" and "defensive (observant)" sides, we are proactively reducing carbon dioxide (CO_2) emissions in all aspects of business operations throughout product lifecycles, from product development to procurement, manufacturing, logistics, sales, and after-sales service, while observantly complying with the laws and regulations enacted in each country and region along with our internal environmental policies and standards set voluntarily. In product development, 30 hybrid hydraulic excavators have been introduced to the Japanese market, with average CO_2 emission reductions of some 25% during operations. These vehicles have been so well received in the market that we are confident in beginning a full-scale launch in the Chinese market in FY2009. Whether developing hybrid electric forklift trucks, AC servo presses, wire saws for making silicon wafers for solar cells, or other innovative products, we will maintain our commitment to delivering products with meaningfully lower environmental impact. We are also keen to pursue the utilization of biodiesel fuels for construction equipment and other future-oriented goals.

As for manufacturing operations, we decided to embark on a reorganization of our global manufacturing facilities, notably through the transfer of some manufacturing operations from the Mooka and Komatsu Plants to the Ibaraki and Kanazawa Plants, which are adjacent to ports. This transfer will reduce CO_2 emissions and logistics costs. We continuously strive for groundbreaking energy-saving manufacturing techniques that advance our CO_2 emission reductions during the manufacturing process, epitomized by a method for partially enlarging shaft diameters into appropriate sizes without grinding down rods.

Our ongoing environmental activities go beyond our achievements in CO_2 emission reductions. During product development we are

reducing or eliminating lead, mercury, and other substances of environmental concern and meeting the requirements of REACH, a new EU regulation on chemical management that has come into force in Europe. Komatsu has moreover succeeded in making the counterweights in hydraulic excavators recyclable, thanks to cooperation with the Japan Construction Equipment Manufacturers Association (CEMA). A number of environmental endeavors remain underway in manufacturing operations, such as a shift to returnable packaging and zero emissions activities, in which all wastes are recycled.

Maintaining strong cooperation with our subsidiaries worldwide, sales agencies and rental companies, and business associates around the world, we bolster our activities for reducing environmental impact based on still higher objectives.

Quality, safety, and compliance

"Quality and Reliability" is the fundamental approach for us as a manufacturer placing *Monozukuri* (manufacturing competitiveness) at the core. Komatsu strives to provide products, services, and systems that are safe and innovative from the perspective of the customer. This enables us to foster closer relations with customers as true partners. We are providing products that the customer can use with a sense of assurance for many years to come while offering customers recommendations rich in IT and other practical knowledge ideal for their operating sites, assisting them in heightening productivity and safety levels.

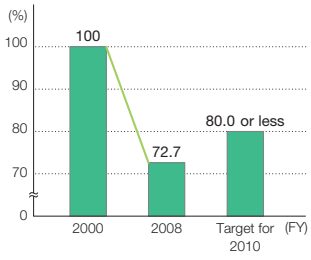
Quality and Reliability and safety extend beyond providing products and services that give customer satisfaction. They also impact the entire spectrum of the Komatsu Group's corporate structure, businesses, employees, and management. All Group employees champion ongoing reforms and improvements on the basis of the shared guiding principles of The KOMATSU Way.

In November 2008, Komatsu became a signatory to the United Nations Global Compact*. Komatsu has thoroughly implemented compliance throughout the Group based on *Komatsu's Code of Worldwide Business Conduct* formulated in 1998. Now that more than 75% of sales are recorded outside of Japan, we are attracting greater attention to our practices in regions where we operate. Komatsu will uphold the spirit of compliance across the Group, aspiring to maintain our standing as a responsible corporate citizen in full recognition of its commitments as a global corporation.

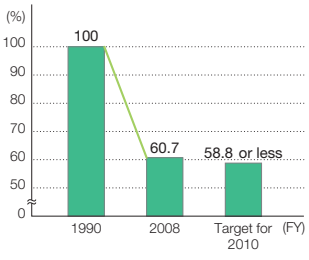
For Komatsu to receive the trust of society, we continually reinforce our corporate structure, disclose corporate information to society and all stakeholders, and engage in fully-fledged social contribution activities. We at Komatsu, from management to every employee around the world, value our relationship with our stakeholders and are determined to contribute to the realization of a sustainable society, fully recognizing the important obligation of fulfilling corporate social responsibility.

Kunio Noji
President and CEO

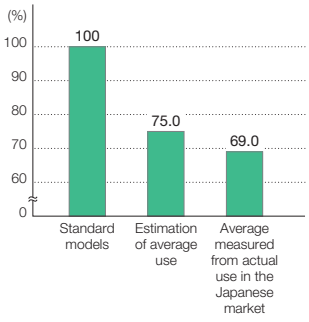
CO_2 Emission Reductions in Manufacturing Operations



CO_2 Emission Reductions in Logistics



Comparison of Fuel Consumption against Hybrid Hydraulic Excavators



*The United Nations Global Compact is a voluntary code of conduct in the four areas of human rights, labor, environment, and anti-corruption promoted by the United Nations for adoption by companies.

The Ten Principles of the Global Compact

Human Rights
- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment
- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

2008 Highlights

Introducing the Hybrid Hydraulic Excavator

The PC200-8 hybrid hydraulic excavator, the world's first hybrid construction equipment, achieves an approximately 25% reduction in fuel consumption compared to the standard model. Having launched sales in a limited number in June 2008, Komatsu intends to produce 100 vehicles per month starting in October 2009.

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Mitigating Climate Change in Manufacturing Operations

Komatsu has worked to achieve its medium- and long-term targets, aiming at a 20% or more reduction in CO_2 emissions per unit of manufacturing value in manufacturing operations by FY2010 compared to the FY2000 level. The company had already attained its targets in FY2006, and in FY2008 CO_2 emissions per unit of manufacturing value decreased still further, showing a significant improvement at 27.3% compared to the FY2000 level.

CO_2 emission reductions per unit of manufacturing value
(compared to FY2000)

Target for FY2010:
20% reductions

Results for FY2008:
27.3% reductions

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Acquiring ISO14001 Integrated Certification for the Komatsu Group in Japan

Komatsu acquired ISO14001 integrated certification, a widely accepted international standard for environmental management, for the Group in Japan in May 2008 by adding the Head Office, Research Division, and other non-manufacturing facilities not previously certified and major affiliates in Japan to its four plants that had already acquired certification.

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The Revolutionary Sigmadozer Digging Blade

The Sigmadozer blade is a digging blade with a shape derived from breakthroughs in excavation theory. It has brought 15% work capacity gains for models with this blade compared to those with conventional blades.

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Undertaking Projects to Remove Anti-personnel Landmines

In March 2009, Komatsu completed the "Project for Developing a Safe Village in Cambodia" being undertaken jointly with the Japan Mine Action Service (JMAS), a non-profit organization registered in Japan. This Special Story introduces a development project to remove landmines and reconstruct local communities.

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Opening the Human Resources Development Center in the Philippines

Komatsu places emphasis on developing human resources around the globe to reinforce its *Monozukuri*, or manufacturing competitiveness, and upgrading product support capabilities encompassing the Komatsu Group. This topic introduces one base fostering human resources, the Komatsu Human Resources Development Center in Manila, the Philippines.

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The Basic Stance of Management at the Komatsu Group is that corporate value is the total sum of trust given to it by society and all stakeholders. The Group conserves the environment in business operations, emphasizes compliance, holds dialogues with stakeholders, and contributes to society through assistance for disaster recovery and other means, all with the aims of sustained growth and maximization of corporate value.

Executive Officers Supervising the Environment and CSR
(from left):

Masao Fuchigami
Director and Senior Executive Officer, Supervising Environment, Research, Design & Development and Quality Assurance

Kenji Kinoshita
Director and Senior Executive Officer, Chief Financial Officer Supervising CSR and Corporate Communications & Investor Relations

Masakatsu Hioki
Senior Executive Officer, Supervising Compliance, Legal Affairs, Human Resources and Education and Safety & Health Care

Reducing CO_2 Emissions through Biodiesel Fuels

Komatsu is pursuing sustainable material cycles and local production for local consumption with a view to reducing CO_2 emissions through the utilization of locally produced biodiesel fuels for dump trucks operating at local mines.

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Providing Recovery Assistance after the Earthquake Disaster in Sichuan Province, China

Komatsu provides various types of assistance so that areas impacted by natural disasters can recover as quickly as possible. The company donates or lends construction equipment and facilities necessary for rescue and recovery activities. It also makes monetary donations. Komatsu assisted the areas affected by the great earthquake in Sichuan Province, China in May 2008 by providing monetary donations, construction equipment free of charge, and operators for the equipment.

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Contents

Cover Photos
Components of the Komatsu Hybrid System
Top left: Electric motor to swing the upper structure
Bottom left: Inverter, capacitor
Right: Power generation motor (between the engine and the hydraulic pump)
See P. 6 for more information on the configuration of this system.

Special Story 1

Mitigating Climate Change through Construction Equipment

The Day Hybrid Construction Equipment Becomes Standard

Construction equipment becoming hybrid—this is a tale not of the future, but of the here and now.

"Of course I had heard of hybrid cars." "But I had never even heard of hybrids in construction equipment." "I wonder if that sort of thing would even be possible." "Construction equipment that runs on both electricity and light oil…." These are the reflections of the operators about the day this equipment first appeared at construction sites.

In October 2008, a PC200-8 hybrid hydraulic excavator began working at a construction site about the size of an elementary school playground in the city of Sodegaura in Chiba Prefecture, Japan. Essentially, this is the construction equipment version of a hybrid car, just as the name suggests. Only 30 of these special hydraulic excavators exist anywhere in the world.

Directly in front of it, a truck carrying a load of dirt comes to a halt. Almost as if tapping lightly on someone's shoulder, the PC200-8 hybrid uses the tip of its shovel with great dexterity to carve out a shape. Next it rotates its arm and upper structure fully around, expertly gathering up the dirt that has toppled over.

In fact, electric energy is stored up during the series of movements in rotating. That is the secret of the hybrid. While it is using the stored electricity, the engine works less, making its fuel consumption drop dramatically. Carbon dioxide emissions can also be reduced. This means it is eco-friendly. While results may vary according to the jobsite or the type of operations, at the Sodegaura site, the hybrid needed to be refueled only about once every four days, an improvement over the normal rate of once every three days.

There is a small dock at this site, which is adjacent to Tokyo Bay. The dirt removed from construction sites in Tokyo and Yokohama is loaded onto ships carrying the loads of some 500 10-ton trucks and transported all at once by sea. Naturally, transporting this by truck would consume both time and fuel and might also be a cause of traffic congestion. Instead, this is an eco-friendly way of transport that decreases fuel consumption and reduces CO_2 emissions and costs. The yellow vehicle working silently seems to be saying, "See? I really have what it takes to work here."

Komatsu began developing hybrid construction equipment more than ten years ago, before eco-friendliness or the global-warming issue came to be highly publicized. Cycles of research, prototype making, and testing finally paid off in creating eco-friendly construction equipment that sacrifices neither performance nor power. The first 30 such vehicles are now on the job in Japan. In 2009, several hundred more hybrid excavators will join them, working at construction sites all around the world.

The vision sketched out so many years ago will soon come to be—the day hybrid construction equipment becomes standard.

Introducing a Limited Number of Hybrids in Japan in FY2008

As a leading manufacturer in construction equipment, Komatsu is determined to contribute to conserving the global environment through its commitment to reduce CO_2 emissions. The company was convinced that developing a hybrid model for the PC200-8 medium-sized hydraulic excavator series would be effective and make an impact, as this series enjoys the greatest demand.

The first 30 hybrids were introduced at customers and Komatsu Group rental companies in the Tokyo metropolitan area that cooperated in practical evaluations of the vehicles. A limited number were sold in Japan because FY2008 production was restricted in order to enable adjustments to the future manufacturing system in light of evaluations from the market*.

The operability and navigability of the PC200-8 hybrid are the same as those of the non-hybrid model, except for the slight difference in sound during rotation between the electric and hydraulic motors, and in fact customers using the hybrids have given equivalent evaluations to both types.

*The evaluation results of the vehicles introduced in limited numbers in Japan indicate 31% less fuel consumption than non-hybrid models.

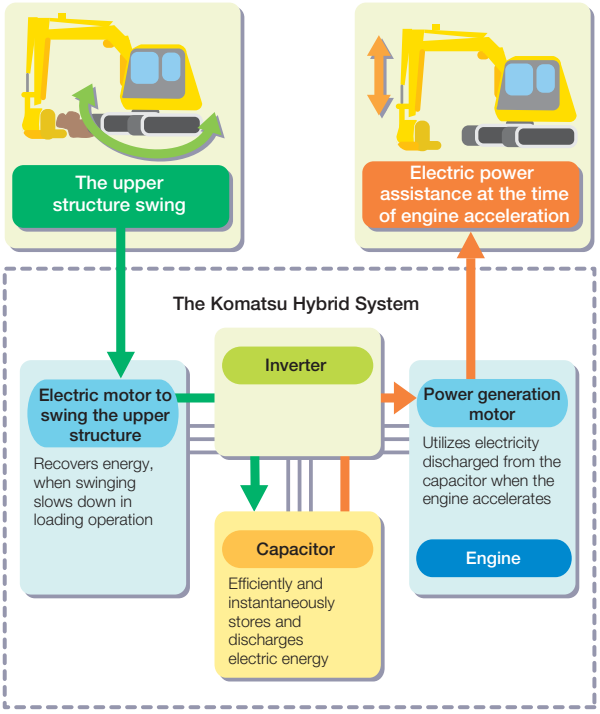
Pursuing Development outside Japan

More significant improvements in fuel consumption are expected outside Japan, as vehicles are typically in operation for more hours there than in Japan. In certain locations, fuel cost comprises an extremely high proportion of maintenance costs, leading to even greater economic benefits from the PC200-8 hybrid.

In FY2009, Komatsu intends to introduce the hybrid throughout the Japanese and Chinese markets, with test marketing to get underway in other regions across the globe.

Addressing Future Developments

Komatsu plans to produce 100 vehicles per month in Japan from October 2009 and 300 vehicles annually in China in future years. To respond to requests from society, the company is considering developing hybrids other than the hydraulic excavator and is currently moving forward with research and development in this area.



The proprietary Komatsu Hybrid System recovers energy generated when the upper structure reduces its speed while swinging, stores the energy in the capacitor, and uses it to assist the power of the engine *via* the power generation motor when the engine accelerates.

To ensure high reliability and durability, Komatsu manufactures all components of the Komatsu Hybrid System in-house, except for the capacitor cells.

The Shonan Plant, which manufactures components of the Komatsu Hybrid System

A first for Komatsu: The PC200-8 hybrid is recognized as the most outstanding product of 2008

The PC200-8 hybrid was recognized with the Nikkei Business Daily Award for Excellence in the 2008 Nikkei Superior Products and Services Awards (selected from 240 products featured in four newspapers owned by Nikkei Inc.)

Pursuing Environmental Management

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

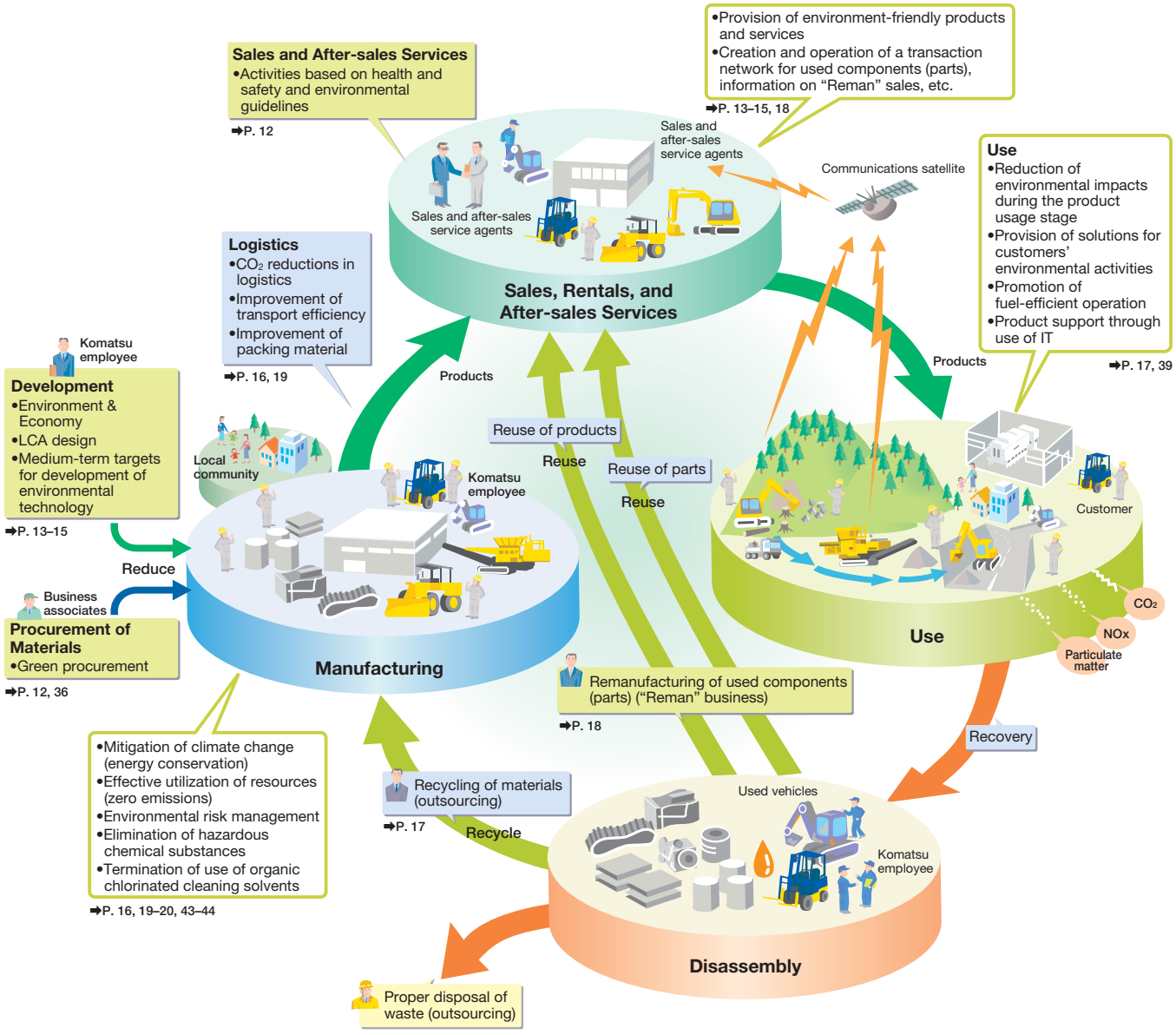
Komatsu's Relationship with the Environment

In recognition of the fact that its business activities affect a number of stakeholders, most notably the residents of the surrounding communities, the Komatsu Group is promoting activities that will reduce environmental impacts. The Group has focused on the following areas.

- Introducing environmental management systems (EMSs) centered on the Komatsu Head Office through ISO14001 integrated certification, a widely accepted international standard for environmental management
- Reducing environmental impact in all business stages, from development to manufacturing, logistics, sales, and after-sales service
- Offering DANTOTSU products featuring outstanding performance and hybrid construction equipment that drastically reduce customers' CO_2 emission amounts during the use stage as well as environment-friendly products that support customers' environmental conservation activities

In line with the Komatsu Earth Environment Charter revised in 2003, the Komatsu Group embarks on global initiatives across business areas, with subsidiaries responsible for implementation. The Group seeks to achieve the following fundamental principles: (1) Contributions to realization of a sustainable society; (2) Simultaneous realization of environmental and economic performance; and (3) Observance of corporate social responsibility.

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



Komatsu Earth Environment Charter (July 2003 revision)

Corporate Principles

1. Contributions to Realization of Sustainable Society

The Komatsu Group recognizes conservation of the earth's environment for a sustainable society as among the most important tasks for mankind in the 21st century.

The Komatsu Group endeavors to contribute to this task by actively integrating environmental conservation into all of its business activities. The Komatsu Group reaffirms its long-term commitment to this effort as an important management priority.

2. Simultaneous Realization of Environmental and Economic Performance

The Komatsu Group is committed to improving both environmental performance and economic efficiency, as a group of companies working toward superior manufacturing for customer satisfaction. To this end, the Group constantly takes up the challenge of advancing technologies to develop creative products that improve both environmental performance throughout the product's life cycle and the product's economic performance at the same time.

3. Observance of Corporate Social Responsibility

Each company of the Komatsu Group seeks to be a respected corporate citizen of the local community in nations around the world. Each company strives to fulfill its corporate social responsibility, including compliance with applicable laws and regulations on environmental conservation, as well as voluntary involvement and participation in community programs to address environmental concerns, and through dialogue and coordination with regulatory authorities, local leaders, and the public. Each of the individual Komatsu Group companies is responsible for fulfilling its independent legal obligations.

Guidelines for Corporate Activity

1. Framework for Global, Group-wide Environmental Management System

1) Production facilities of the Komatsu Group, already with ISO certifications, will work to maintain and improve their environmental management system, while other production facilities, yet to be certified, will strive to acquire ISO certifications as soon as possible.

   The Komatsu Group will also work to introduce and improve an environmental management system in all business domains other than production, and to implement a program of continuous improvement in environmental performance and in-house environmental auditing.

2) The Komatsu Environmental Committee develops environmental action plans for the Komatsu Group. Each division or affiliated company of the Komatsu Group is responsible for establishing its own mid- to long-term targets based on Group-wide action plans and for developing and implementing specific action plans.

   The Komatsu Environmental Committee also develops common guidelines for an environmental manual for the Komatsu Group, and based on them, each division and affiliated company is responsible for providing for its own rules and procedures in accordance with respective circumstances.

2. Development of Products and Technology with Superior Environmental Quality and Economic Performance

1) The Komatsu Group seeks to develop and provide to customers superior products with world-leading environmental quality and economic performance. The Komatsu Group seeks to meet or surpass emission control performance and other environmental requirements applicable to its construction and mining equipment products. The Komatsu Group establishes common mid-range technology development goals for each business domain, and each development center is responsible for promoting the development of such technologies in a planned manner.

2) The Komatsu Group seeks to develop and provide superior environmental products and systems designed to offer customers optimal solutions in their environmental conservation efforts.

3. Promotion of Zero Emissions

1) The Komatsu Group works to facilitate Zero Emissions manufacturing at all of its manufacturing facilities worldwide by extending such activities as piloted and achieved at its manufacturing facilities in Japan.

   The Komatsu Group also works to facilitate Zero Emissions and other environmental activities of its suppliers. To this end, the Komatsu Group seeks to expand its Green Purchase program and also offers technological support when suppliers may need to introduce environmental management systems.

2) The Komatsu Group promotes reduction of environmental impacts of its sales and product support activities. The Komatsu Group offers support to its distributor and affiliated rental companies in Japan by setting up model cases, providing environment-related information, establishing environmental management guidelines and undertaking other activities. For distributors and affiliated rental companies overseas, the Group also strives to extend similar activities, as appropriate considering their respective conditions.

3) The Komatsu Group works to improve life cycle assessment of its products and build a circulation-based business system designed to reduce environmental impact throughout product's life cycle.

4. Management of Environmental Risks and Observance of Corporate Social Responsibility

1) Each division and affiliated company of the Komatsu Group is responsible for observing applicable environmental standards and regulations of the country or region where it is located as well as its own internal policies and standards, and working to improve its capability to anticipate and address environmental impacts.

2) The Komatsu Group promotes the consciousness of Group employees to the importance of environmental conservation and the responsibility of employees to fulfilling the Komatsu Group's commitment to this principle. To this end the Group also promotes education on environmental conservation for employees and special training for environmental management and auditing personnel.

3) The Komatsu Group promotes disclosure of information concerning its performance of environmental conservation activities. Each division and affiliated company of the Group promotes such disclosure as appropriate based on local circumstances.

Environmental Action Plan and Results for FY2008

Environmental Management

Implementation policies	Objectives for FY2008	Results for FY2008	Medium- and long-term objectives	Further information
1. Strengthen environmental management systems	Acquire ISO14001 integrated certification for the Komatsu Group in Japan	•Acquired integrated certification for Komatsu Group in Japan, including the Komatsu Head Office •Expanded the scope of companies in Japan included in integrated certification (Komatsu Logistics Corp., Komatsu Cabtec Co., Ltd.)	Further expand the scope of companies in Japan included in integrated certification	P. 11
2. Environmental education and training: •Carry out compliance and risk audits	Audit seven Group companies in Japan not included in the ISO14001 integrated certification	•Audited seven Group companies in Japan not included in the integrated certification	Transition into cross-auditing to meet requirements of integrated certification	P. 35
•Implement the Plan	Draw up and promote the Plan	•Held 13 courses with over 7,300 participants	Continue to organize courses	P. 43
3. Environmental communication: Publish an environmental & social report	Formulate a communication plan and publish the report	•Published the Japanese version in July and the English version in August	Enhance quality of content; release report earlier than in previous years	—
4. Environmental accounting: Manage operations using standard indices for assessing environmental impact	Apply standard indices to Komatsu Group facilities	•Compared the development of Komatsu's four manufacturing facilities by applying standard indices for assessing environmental impact	Apply standard indices across Group manufacturing facilities	P. 51

Research and Development

Implementation policies	Objectives for FY2008	Results for FY2008	Medium- and long-term objectives	Further information
1. Reduce the environmental impact of construction equipment •Develop low-emission construction equipment	Develop engine compliant with Tier 4 emission standards	•Worked to increase the types of equipment with engines compliant with Tier 3 emission standards •Engine compliant with Tier 4 emission standards under development	Develop engine and equipment compliant with Tier 4 emission standards in the U.S., Europe, and Japan, effective 2011	P. 13
•Meet noise and vibration standards	Meet 2008 EU vibration standards •Whole-body vibration: 0.5 m/sec2 •Hand-arm vibration: 2.5 m/sec2	•Achieved vibration exposure values for all types of equipment •Whole-body vibration: 0.5 m/sec2 •Hand-arm vibration: 2.5 m/sec2	Maintain compliance with EU Stage II standards on noise emissions from outdoor equipment, effective 2006, and standards on noise exposure for operators; maintain compliance with 2008 EU vibration standards	—
•Reduce CO_2 emissions from construction equipment (Improve fuel efficiency of products)	Develop hydraulic excavators, wheel loaders, bulldozers, etc.	•Main achievements: •WA470, 480 medium-sized wheel loaders: 15% reductions •D65 medium-sized bulldozer: 25% reduction (Fuel consumption reduced 10%; work capacity enhanced 15%)	Reduce CO_2 emissions by 10% by FY2010 compared to the FY1998 level	P. 13
•Improve recyclability rate of construction equipment	Improve overall recyclability rate of construction equipment	•Recycling of canned counterweights: Became able to be classified as recyclable (thereby increasing the recyclability rate of medium-sized hydraulic excavators from 78% to 98–99% •Use of chlorine-free hoses: Currently being improved	Achieve recyclability rate of 99.5% by FY2010	P. 17 —
•Strictly control and reduce substances of environmental concern in construction equipment	Reduce hazardous substances in construction equipment by 50% compared to the FY1998 levels Ban use of chromium (VI), cadmium Introduce separate hazardous substances control system for each product type (to comply with REACH regulations)	•Achieved a 50% reduction in existing models •Made all newly designed products chromium (VI)- and cadmium-free •Initiated a control system for REACH-regulated substances that covers global manufacturing facilities	Achieve a 75% reduction by FY2010 (for construction equipment under development, in compliance with upcoming standards) Ban from January 2010 Launch system by end of 2010	— P. 43
2. Reduce the environmental impact of industrial machinery •Develop environment-friendly forge rolling machines	Improve energy efficiency of AC servo presses	•Developed energy charge module (ECM) Power consumption: Reduced up to 4% Capacity of transformers for presses: Reduced as much as 40%	Expand number of AC servo press models	P. 15
3. Reduce the environmental impact of industrial vehicles •Develop environment-friendly forklift trucks	Expand number of hybrid electric forklift truck models	•Expanded number of models beyond 1-ton class into 2-ton class models	Further expand number of models	P. 14
4. Provide solutions for customers' environmental activities •Promote on-site recycling using mobile crushers/recyclers/tub grinders	Expand scope of application and promote social recognition of on-site recycling engineering	•Promoted on-site recycling of construction residuals at point of generation by mobile crushers/recyclers/tub grinders	Expand range of machines in the mobile crusher/recycler/tub grinders; expand areas of applicability	P. 17
5. Promote reuse and recycling •Promote "Reman" business	Expand and promote "Reman" business	•Reorganized the "Reman" business globally (concentrated operations into five Reman Centers in regions with high demand for remanufactured parts) •Expanded the range of items covered under "Reman" operations to include wheel motors, hydraulic cylinders, etc.	Promote reuse and recycling through further improvements in recycling-related technologies for parts	P. 18

Manufacturing

Implementation policies	Objectives for FY2008	Results for FY2008	Medium- and long-term objectives	Further information
1. Mitigation of climate change (energy conservation) •Make a 20% or more improvement by FY2010 (average results from FY2008 to FY2012) in the amount of CO_2 emissions per unit of manufacturing value from the level of achievement in FY2000 at the Komatsu Group manufacturing facilities in Japan	Improve 1% over previous fiscal year	•Improved 27.3% from the level of achievement in FY2000; attained a 7.3% improvement over the previous fiscal year	Set and achieve new targets	P. 16
•Curb the amount of CO_2 emissions to the FY1990 level at the Komatsu Group manufacturing facilities in Japan		•Attained a 15% reduction in the total amount of CO_2 emissions compared to the FY1990 level		
2. Effective utilization of resources •Maintain or make further progress on attainment of zero emissions at the Komatsu Group manufacturing facilities in Japan	Attain recycling rate of 99% or more	•Attained recycling rate of 99.0% across the Komatsu Group	Maintain zero emissions; attain zero emissions at the Komatsu Group manufacturing facilities outside Japan	P. 19
•Achieve a reduction of more than 15% by FY2010 in the amount of waste generated per unit of manufacturing value from the level of achievement in FY2005 at the Komatsu Group manufacturing facilities in Japan	Improve 3% over previous fiscal year	•Accomplished a 10.3% reduction in the amount of waste generated per unit of manufacturing value from the level of achievement in FY2005	Achieve by FY2010	P. 19
•Achieve a reduction of more than 10% by FY2010 in the amount of water used per unit of manufacturing value from the level of achievement in FY2005 at the Komatsu Group manufacturing facilities in Japan	Improve 2% over previous fiscal year	•Accomplished a 17.8% reduction in the amount of water used per unit of manufacturing value from the level of achievement in FY2005	Further promote reductions	P. 19
3. Environmental risk management •Implement voluntary reductions on the release of chemical substances Substitute reductions in the amount of VOCs released, which accounts for the majority of the amount of chemical substances released	Establish a control system for chemical substances and reduce amount of released chemical substances	•Accomplished a 21.2% reduction in the amount of VOCs released per unit of manufacturing value from the level of achievement in FY2005	Achieve by FY2008 and FY2010	P. 20 P. 44
•Implement voluntary reductions on VOCs Achieve reductions of more than 20% and 50% by FY2008 and FY2010, respectively, in the amount of VOCs released per unit of manufacturing value from the level of achievement in FY2005				
•Undertake soil and groundwater remediation at the Komatsu Group manufacturing facilities in Japan	Complete all scheduled remediation work	•Completed remediation work of all soil and groundwater issues that had been identified by FY2007	Cleanup completed	P. 20
•Implement permanent measures required to renovate underground tanks in operation for 20 or more years by the end of FY2001 at the Komatsu Group manufacturing facilities in Japan	One tank requiring renovations	•Discontinued use of the underground tank after the conversion of a kerosene boiler to a gas-fired type (scheduled to be removed in the latter half of FY2009)	Address sequentially all underground tanks in operation for 20 or more years	P. 20

Procurement and Logistics

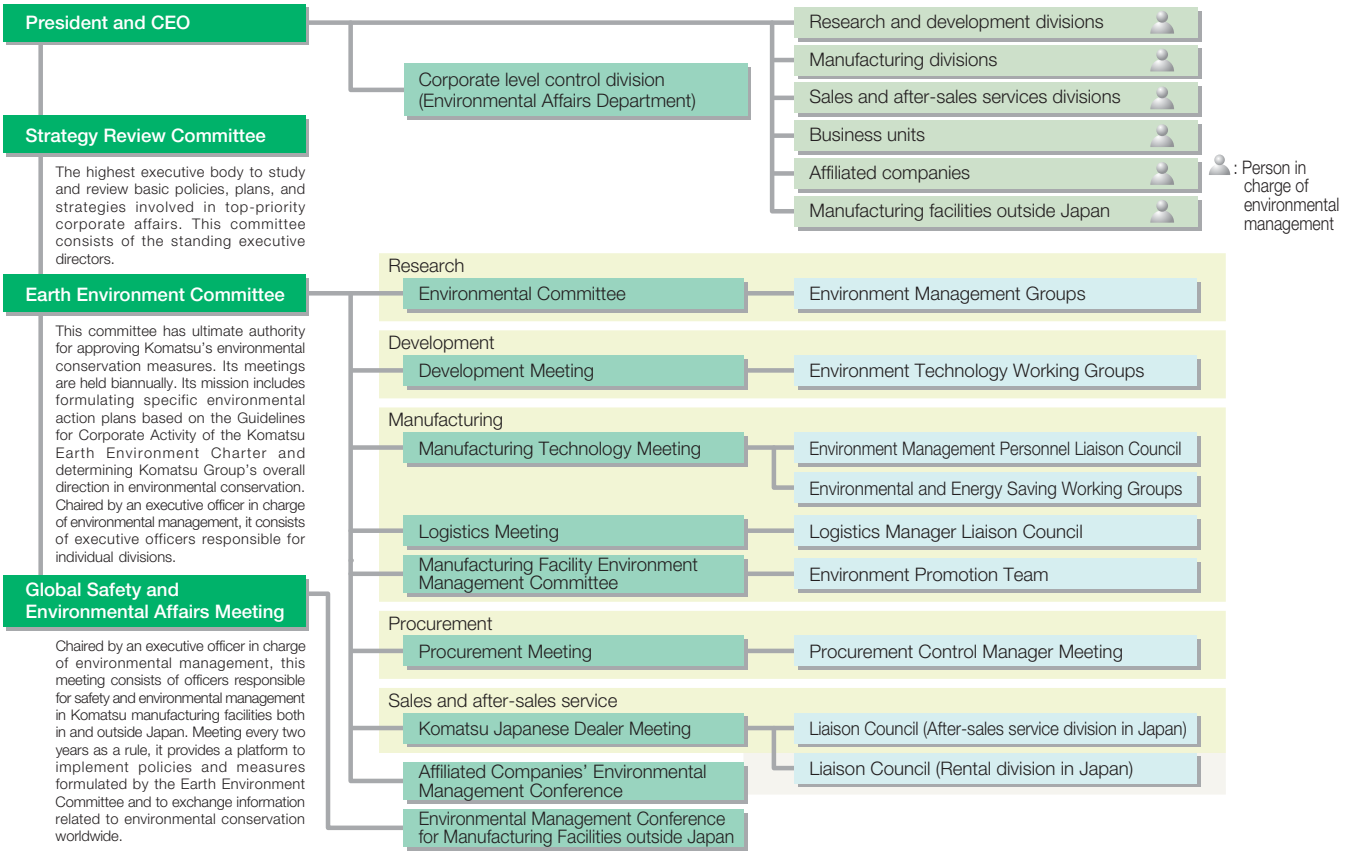
Implementation policies	Objectives for FY2008	Results for FY2008	Medium- and long-term objectives	Further information
1. Green procurement •Promote improvements at suppliers through the establishment of environmental management systems and by specifying matters that require environmental consideration	Provide guidance and assistance for the acquisition of environmental management system (EMS) certification at all suppliers in Japan	•EMS certification acquired in FY2008 at all of the 126 business associates in Japan that had been requested by Komatsu in FY2006 to pursue certification	Reinforce linkages with suppliers' EMSs	P. 12
2. Environmental conservation in logistics •Promote reductions in traveling distances and improvements in shipping efficiency •Shift to means of shipping with low environmental impact •Promote "zero packaging"	Begin construction on Kanazawa Plant No. 2 and improve product shipping from new plants (increase the size of shipping lots)	•Commenced construction of the new Kanazawa Plant No. 2 adjacent to the port of Kanazawa in Ishikawa Prefecture, Japan, aiming at launch of manufacturing operations in August 2009 •Increased the size of shipping lots by 4.3% by making use of the Ibaraki, Kanazawa, and Rokko Plants, which are adjacent to ports	Reduce CO_2 emissions generated through shipping and increase the size of shipping lots by launching manufacturing operations at the Kanazawa Plant No. 2 (currently under construction) and transferring some manufacturing operations to the Ibaraki and Kanazawa Plants, which are adjacent to ports	P. 16 P. 20
	Promote modal shifts in shipping from trucks to inland ferries or rail	•Improved modal shifts in shipping across the entire company by 1.4%, including through the launch of inland shipping for transport from the Rokko Plant to Osaka port in Osaka Prefecture, Japan	Continue to promote modal shifts	P. 16
	Increase the packaging return ratio	•Increased the packaging return ratio by 15% by making improvements in cardboard containers and large-sized boxes for shipping containers	Make improvements to achieve "zero packaging"	P. 19
	Shift to electric-powered forklift trucks	•Shifted to either hybrid electric or standard electric-powered forklift trucks for logistics in plants and increased the percentage of electric-powered vehicles by 4%; adopted more hybrid electric vehicles	Reduce the number of gasoline-powered forklift trucks in use; adopt more hybrid electric forklift trucks	P. 16

Sales and After-sales Services

Implementation policy	Objective for FY2008	Results for FY2008	Medium- and long-term objective	Further information
1. Encourage Komatsu Group sales agencies and rental companies in Japan to reduce their environmental impact	Enhance awareness of the environment through education and training based on the Group's environmental guidelines	•Conduct education and training at two companies •Carried out activities for improvement through guidance provided during onsite visits to 178 sites in total •Regularly issued the *Safety and Environment Newsletter*	Support environmental conservation activities by Komatsu Group sales agencies and rental companies in Japan based on the Group's environmental guidelines	P. 12

Environmental Management Structure

Organizational Chart of the Environmental Management Structure



Acquiring ISO14001

Komatsu has been engaged in a Group-wide initiative to acquire ISO14001 certification, an international standard for environmental management systems, with a view to enhancing management quality through strengthening systematic steps towards environmental conservation.

Since 1997 the Oyama Plant and other manufacturing facilities both inside and outside Japan have been certified individually. In FY2005, Komatsu Ltd.'s (the parent company's) four plants (the Awazu, Osaka, Mooka, and Oyama Plants) acquired integrated certification managed by the General Manager of manufacturing division. This represented the first step towards integrated certification for the entire Group. As the second step, in FY2007 Komatsu added its major affiliates in Japan and non-manufacturing facilities not previously certified—notably the Head Office, Research Division, Techno Center, and Field Testing Department—to the above four plants, with integrated certification attained by the Group in Japan in May 2008.

Upon completing the renewal audit in March 2009, Komatsu Cabtec Co., Ltd. and Komatsu Logistics Corp. were included in the integrated certification. The Group seeks to expand the scope of its integrated certification still further, covering Komatsu NTC Ltd. (including Lossev Technology Corporation, Toyama Kiko Corporation, and D.S.K. Co., Ltd.), Komatsu House Ltd., Komatsu Construction Equipment Sales and Service Japan Ltd., and Komatsu Rental Japan Ltd. in the future.

Environmental Education and Training

The Komatsu Group's fundamental education system distributes the responsibility for education such that the parent company develops educational materials and provides educational services on commonly relevant academic issues for use by Komatsu Group companies, whereas instruction regarding more hands-on matters, including unique features and points particular to individual divisions, are conducted by relevant divisions.

In FY2008, Komatsu administered the curriculum for environmental education and training in the same manner as in FY2007. Additionally, the company organized an environmental training program for manufacturing engineers and an experience-oriented session that also offered employees an environmental volunteering opportunity*. Komatsu encourages employees to obtain a suitable environment-related certificate recognized by public institutions.

*For example, some 120 employees of the Mooka plant worked as volunteers to maintain the local forest in cooperation with the city of Moka's environmental affairs section.

Holding the Fourth Global Safety and Environmental Affairs Meeting

Komatsu convened the Fourth Global Safety and Environmental Affairs Meeting in Japan from September 9 through 12, 2008. The meeting was attended by 25 persons in charge of safety and environmental management representing 22 subsidiaries in 12 countries outside Japan along with managers at Komatsu Ltd. Awazu, Osaka, and Mooka Plants and Komatsu Castex Ltd. Himi Plants in Japan.

The two-day meeting at the Head Office devoted, for the first time, one day to occupational health and safety and another to environmental conservation for facilitating exchanges of views on concrete themes.

After the meeting at the Head Office, participants toured the Mooka and Ibaraki Plants on the third day and the Research Division in the city of Hiratsuka, Kanagawa Prefecture on the fourth day, where they could observe advanced research facilities for emissions and noise reduction, among others.

The Komatsu Group intends to use this Meeting as an opportunity to form more robust frameworks for exchanges of views at the global level.

Meeting at the Head Office in Tokyo

Tour of the Mooka Plant

Supporting Environmental Activities at Komatsu Group Sales Agencies and Rental Companies in Japan

Komatsu supports the environmental activities at Group sales agencies and rental companies in Japan through education and guidance on ways to enhance their environmental management.

In April 2005, Komatsu introduced the *Environmental Guidelines: A Manual for Komatsu Sales Agencies and Rental Companies* by distributing it to its 33 sales agencies and 25 rental companies in Japan at the time. These guidelines compiled points and standards to be observed for environmental issues directly pertinent to operations at sales agencies and rental companies such as waste treatment, waste oil treatment, oil management, and treatment of wastewater from washing vehicles.

In order to have all sales agencies and rental companies comply faithfully with these guidelines, Komatsu held two sessions at agencies and companies that had implemented the guidelines in FY2008 in continuation of sessions held in FY2007, finishing the series of sessions at all relevant agencies and companies.

Komatsu provides cooperative assistance in reviewing the environmental aspects of operations, conditions, and equipment at relevant business sites of agencies and companies, giving on-site guidance and proposing remedial actions tailored to each site. This is done through joint visits to each of these sites by persons in charge of environmental management at Komatsu and its sales agencies and rental companies. In FY2008, 178 sites received this assistance. Komatsu also gives advice on the introduction or improvement of facilities to support agencies and companies in making their facilities more environment-friendly. A *Safety and Environment Newsletter* and other means are used to provide them with environment-related information on a regular basis.

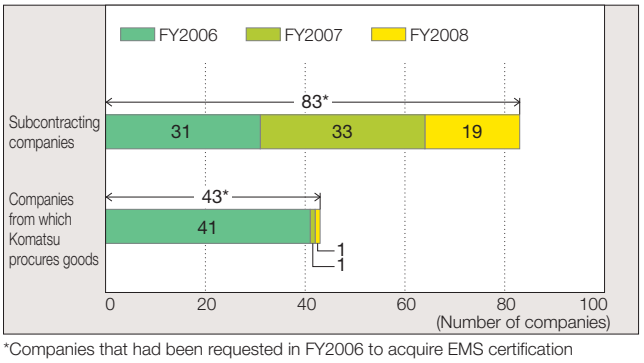
As a result of this assistance, awareness of the environment has risen at agencies and companies and various improvements have been underway.

A station for washing vehicles with high walls to minimize the impacts on the surrounding community of the sound and water during washing (Fukuoka Nishi branch of Komatsu Rental Japan Ltd.)

Supporting Suppliers in Introducing Environmental Management Systems

To reinforce environmental management at suppliers, Komatsu required its business associates to acquire certification in ISO 14001 or an alternate environmental management system (EMS) by FY2008. Thanks in part to support from the procurement division at Komatsu, all of the 126 business associates in Japan that had been requested by Komatsu in FY2006 to pursue EMS certification had acquired it by FY2008.

EMS Certification Acquisition by Major Business Associates in Japan



*Companies that had been requested in FY2006 to acquire EMS certification

Mitigating Climate Change

Komatsu works to reduce CO_2 emissions generated through its business activities while also delivering fuel-efficient products that help customers promote their environmental activities.

Mitigating Climate Change through Products and Services

D65PX-16/D65EX-16 Medium-sized Bulldozer

Reducing Fuel Consumption and Streamlining Operations Substantially

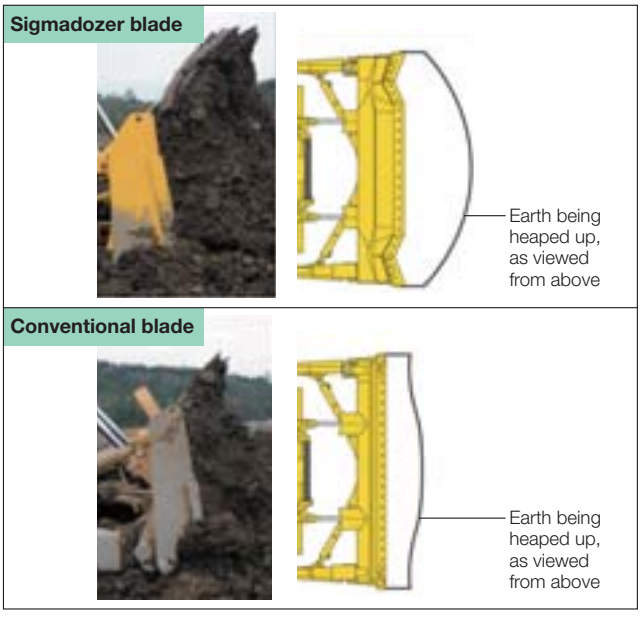
The D65PX-16/D65EX-16 medium-sized bulldozer adopts an automatic gear shifting power line with a lockup function. This power line has the ultimate level of transmission efficiency, bringing substantial reductions in fuel consumption. The automatic transmission, which eliminates gear shifting shocks, selects the appropriate level of transmission speed for the operation being undertaken, making it possible to run the dozer with the greatest efficiency at all times. These features culminate in a 10% reduction in fuel consumption* for the D65PX-16/D65EX-16 compared with previous Komatsu models.

Raising Work Capacity Dramatically

The D65EX-16 features the Sigmadozer blade, a breakthrough digging blade in which the middle section of the blade excavates and heaps up earth. The Sigmadozer blade increases the volume of dirt concentrated at the central part of the blade and reduces the volume falling away at the far ends of the blade. It also reduces the digging resistance, making the movement of the dirt smoother and enabling large-volume dozing using only less power. Sigmadozer's features have brought 15% work capacity gains* for the D65EX-16 compared with previous Komatsu models.
(Sigmadozer blade available as an option)

D65EX-16 medium-sized bulldozer

The Sigmadozer breakthrough digging blade



WA470-6/WA480-6 Medium-sized Wheel Loader

The WA470-6/WA480-6 medium-sized wheel loader offers superior productivity and economy. The latest fuel conservation technologies are fully utilized to carry out highly efficient operations, through the concept of the machine controlling itself optimally in keeping with its operating conditions.

The newly designed hydraulic system reduces hydraulic losses while state-of-the-art "ecot3" diesel engine technology lowers NOx and PM emissions and decreases fuel consumption. The wheel loader adapts a large-capacity torque converter, a mode selection system for choosing engine-output settings and shift timing based on types and conditions of operations undertaken, and an automatic transmission that is changed in line with axle pedal forces. These features have improved fuel efficiency even during V-shape loading operations and while moving. By combining such technologies and features, fuel efficiency has improved 15%* for the WA470-6/WA480-6 compared with previous Komatsu models.

Using aluminum for the radiator has also enhanced the recyclability rate, with 98.9% of the vehicle's total components now recyclable.

*Internal test results compared with previous Komatsu models. Results may vary during actual operations, according to operating conditions.

WA480-6 medium-sized wheel loader

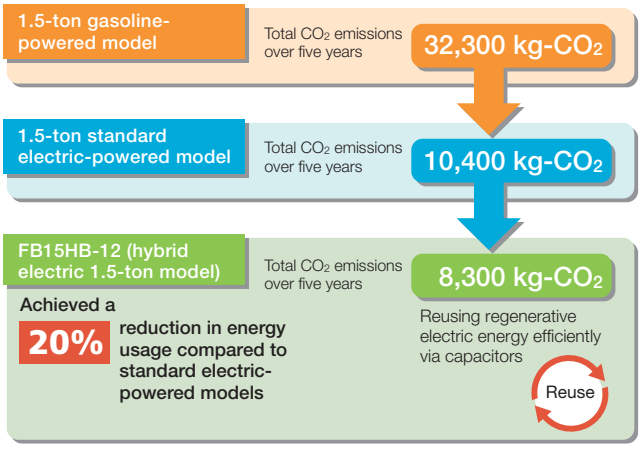
Hybrid Electric Forklift Trucks

The world's first hybrid electric forklift truck features two electric power systems, conventional batteries and capacitors. By effectively storing and reusing regenerative energy derived from deceleration and F/R gear shifting, these systems can reduce power consumption by up to 20% for 1-ton class models and up to 30% for 2-ton class models compared to Komatsu's standard electric-powered forklift trucks. Its inverter-type high-speed battery charger and sealed battery have eliminated the shortcomings found in standard electric-powered vehicles (for example, decreasing power as energy is consumed, short operating times between charges, and cumbersome maintenance requirements), achieving significant energy conservation and superior performance capacity and functionality.

Hybrid electric forklift truck 2.5-ton model

This forklift truck also features Komatsu's proprietary hybrid driving system, demonstrating outstanding durability and reliability even in the most challenging operating environments. Its compact design makes it the same size as a standard electric-powered vehicle for its load capacity. Four hybrid electric models are now available in Japan: the 1.5-ton and compact 2.0-ton models in the 1-ton class and the 2.0-ton and 2.5-ton models in the 2-ton class. As of March 31, 2009, over 400 vehicles are in operation in Japan. Komatsu is marketing these models with a view to future introduction in markets outside Japan.

Degree to which the Hybrid Electric Forklift Truck Conserves Energy



***Comparison using 1.5-ton forklift trucks**
The CO_2 coefficient has been taken from guidelines devised jointly by the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure and Transport of Japan (April 2006), for operating times of 4 hours/day, 240 days/year, for 5 years. Komatsu test data has been used for fuel consumption volumes and vehicle load conditions. CO_2 emission amounts may vary according to customers' operating conditions.

Topic

Reducing CO_2 Emissions through Biodiesel Fuels (BDFs)

Komatsu's efforts to reduce CO_2 emissions extend to using biodiesel fuels (BDFs) made from plant oils for its construction and mining equipment. BDFs are produced from plants that absorb CO_2 during their growing stage, meaning they do not increase the amount of CO_2 in the atmosphere.

Komatsu has been helping to regenerate the tropical forests in Indonesia since 1993, primarily through reforestation of approximately 270 hectares of dipterocarp trees (mainly lauans). Applying those reforestation techniques, the company is planting and cultivating jatropha and other plants that will become sources of BDFs on reclaimed mining sites, harvesting their fruit for processing at a plant to produce BDF. Confirmation testing is expected to begin in FY2009 at a mine in Indonesia to examine among other objectives whether the fuel results in damage or degradation to the engine. In the testing, Komatsu uses a fuel combining light oil and the BDF produced from jatropha seeds and other nonfood plants for dump trucks for mining (maximum load capacity 90-ton class). In the future, by substituting BDFs for 20% of the light oil to be used by about 1,000 trucks, Komatsu hopes to achieve approximately 200,000 tons of CO_2 emission reductions, the rough equivalent of the CO_2 emitted by Komatsu Ltd. manufacturing facilities annually.

Jatropha fruit

Dump trucks for mining in operation

Developing the Energy Charge Module (ECM) System

Komatsu's AC servo presses utilize a power source regeneration approach that returns the motor's regenerative energy to the power unit. These presses can attain reductions in energy consumption during intermittent operations by up to 40% compared with conventional power presses with clutch brakes. Komatsu developed an energy charge module (ECM) system for servo presses in September 2008, yielding further improvements in regenerative energy efficiency. The company is planning to market the ECM system as the standard option for its future servo presses.

An ECM system recharges a condenser module with regenerative energy derived from the motor. It supplies that energy when a large amount of instantaneous power is required, enabling the press to cut peak power while curbing the amount of regenerative energy returning to the power unit and utilizing electric energy efficiently within the press. Once the condenser has finished recharging, the regenerative energy from the motor is returned to the power unit as usual, so that the number of condenser modules mounted can be adjusted in line with customers' power needs.

Installing an ECM system allows for reductions in energy consumption of up to 4% compared with conventional systems, while the capacity of transformers for the press can be reduced by as much as 40%.

Large AC servo press

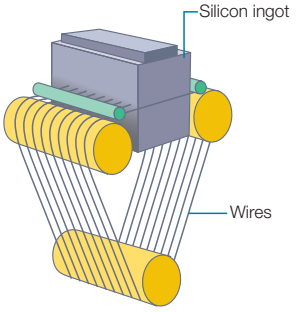
ECM system for servo presses

Developing Wire Saws for Solar Cells

Solar cells commonly use thinly sliced silicon wafers, and these wafers are made with a device that cuts silicon ingots to high precision by running a wire called a "multi-wire saw*" at great speeds. Komatsu NTC Ltd. enjoys the top market share in multi-wire saws for solar cells both in Asia and worldwide, with shares of roughly 35% and 30% in those markets, respectively. Its latest models can slice wafers at customers' desired thickness with a high yield rate. Komatsu NTC's technology contributes to the manufacturing of high-quality solar cells, whose demand are expected to expand further in the future partly due to world trends in environmental policies.

*While generally referred to as "wire saws," Komatsu calls them "multi-wire saws" for their capabilities in slicing multiple wafers simultaneously.

The Cutting Mechanism



Slices an ingot by running the wires at high speeds

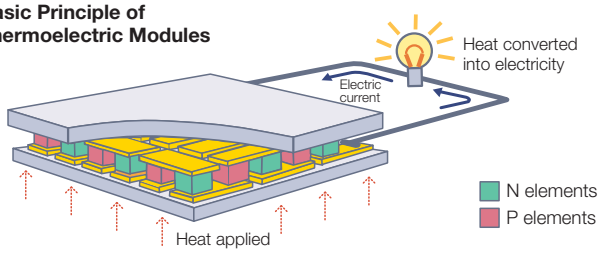
MWM442DM wire saw for solar cells

Developing the World's Most Efficient Thermoelectric Module

Thermoelectric modules are devices that apply the Seebeck effect, in which electric current runs between two pieces of different metals that are connected and which have a temperature difference applied to them at their point of contact. Komatsu displayed these modules at the nano tech 2009 International Exhibition & Conference held at the Tokyo Big Sight international exhibition center in Japan in February 2009, at which time Komatsu Group company KELK Ltd. began marketing them.

Thermoelectricity has attracted a great deal of attention as a next-generation renewable energy. Using this technology, the enormous amount of waste heat given off by factories, power generation stations, furnaces, and other facilities can be recovered as electric energy. In particular, waste heat generated constantly by factories may be able to be used as renewable energy, a cheaper alternative than solar power. As this technology comes into practical use in various fields in the future, reductions are expected in emissions of CO_2, which contributes to global warming.

Basic Principle of Thermoelectric Modules



Thermoelectric module

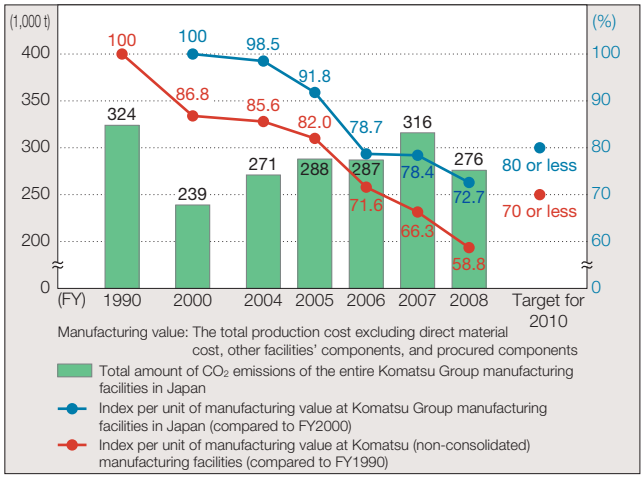
Mitigating Climate Change in Business Operations

Reducing CO_2 Emissions in Manufacturing Operations

To mitigate climate change, Komatsu has adopted as an indicator CO_2 emissions per unit of manufacturing value with regard to electricity, fuel gas, fuel oil, and any other type of energy used in its manufacturing operations. From 2007, the company has established even more stringent medium- and long-term targets, setting a target of a 20% or more reduction in CO_2 emissions by FY2010 compared to the FY2000 level.

In FY2008, Komatsu implemented improvements throughout the company, guided primarily by the All Komatsu Energy Saving Working Group. As a result, CO_2 emissions per unit of manufacturing value have decreased by 27.3% compared to the FY2000 level. Once again Komatsu achieved its medium- to long-term targets ahead of schedule.

CO_2 Emissions



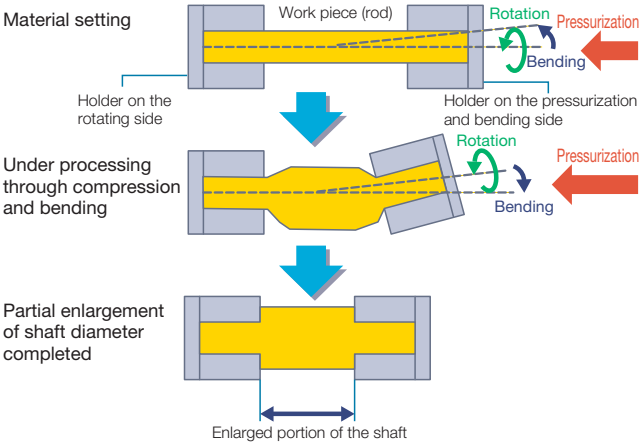
Main Initiatives in Manufacturing Division

Demand side	•Cutting stand-by electricity of manufacturing equipment •Upgrading to high-efficiency production lines •Upgrading from cupola furnaces to electric furnaces •Refining drying processes (using low-pressure air blowers) •Introducing inverter-controlled pumps and motors •Adopting high-efficiency lighting to a greater extent
Supply side	•Upgrading to high-efficiency facilities with utility features through Energy Service Company (ESCO) services •Distributing compressors •Changing the fuel for large-scale cogeneration facilities to natural gas •Dismantling monogeneration facilities not implementing heat recovery

Adopting Partial Diameter Enlargement Processing Technology (JIKUHIDAI)

In conventional methods of manufacturing gear shafts, a rod the same size as the greatest dimension of the gear section is ground down to the appropriate size, generating a large amount of wasted materials and requiring a long processing time. In a newly adopted processing technology for partially enlarging the diameter of a shaft, only the gear section of a narrow rod matched to the diameter is enlarged to the size of the gear diameter. By adopting this technology, narrower materials can be used and reductions can be achieved in grinding costs, processing times, and energy for processing.

Partial Diameter Enlargement Processing Technology (JIKUHIDAI)

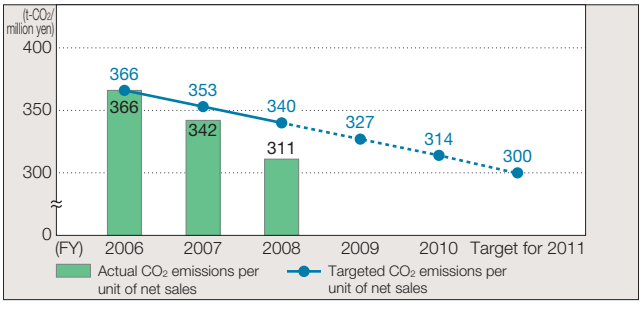


Reducing CO_2 Emissions in Logistics

Improving Product Shipping from New Plants adjacent to Ports and Promoting Modal Shifts

In 2007 Komatsu completed the construction of its Ibaraki Plant adjacent to the port of Hitachinaka in Ibaraki Prefecture, Japan and Kanazawa Plant No. 1 adjacent to the port of Kanazawa in Ishikawa Prefecture, Japan. In 2008 the company expanded the Rokko Plant and adapted more barges for inland shipping to transport products shipped from Osaka port, thereby reducing CO_2 emissions through the shortening of shipping distances within Japan and increasing the size of shipped units to large lots. As a result, the amount of CO_2 emissions per unit of net sales generated through shipping decreased by 9% in FY2008 compared to the FY2007 level, achieving a 15% reduction compared to the 2006 reduction target base year under the revised Law concerning the Rational Use of Energy of Japan.

Targeted and Actual CO_2 Emissions per Unit of Net Sales Generated though Shipping



Reducing CO_2 Emissions in Production Logistics

Komatsu has shifted types of forklift trucks for loading and unloading items during manufacturing operations at plants from conventional gasoline-powered models to either standard electric-powered or hybrid electric models. The percentage of vehicles having low environmental impact increased by 4% year over year. The company has vigorously adopted more of the hybrid electric forklift trucks that Komatsu developed first in the world, which require low amounts of energy. This helps improve work environments and the global environment.

Creating a Resource Recycling Society

Komatsu contributes to the creation of a resource recycling society by promoting on-site recycling through mobile crushers/recyclers/tub grinders, recovering and remanufacturing used components (parts), and effectively utilizing waste derived from manufacturing operations.

Providing Solutions for Customers

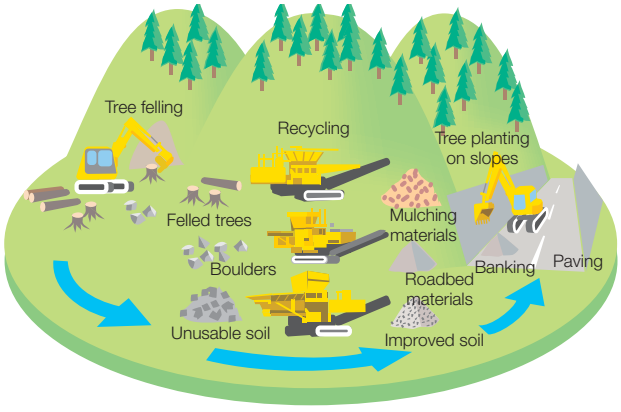
Promoting On-site Recycling

Komatsu offers high-quality, efficient solutions that harmonize with the environment to address environmental concerns facing society.

Promoting On-site Recycling through Mobile Crushers/ Recyclers/Tub Grinders

Komatsu's mobile crushers/recyclers/tub grinders process lumps of concrete, exhumed earth, discarded wood, and other residuals generated at construction sites there onsite. Reusing these processed residuals within the construction site has multiple merits. The volume of waste generated can be reduced, cutting costs for transport and disposal; fewer new materials need to be purchased, saving costs in resources and materials; and wastes are crushed and reduced in volume, curbing CO_2 emission and costs during transport.

Komatsu's mobile crushers/recyclers/tub grinders are now in operation at a large number of construction sites, helping solve the environmental and cost challenges facing customers at one stroke.



Mobile crusher

Effective Utilization of Resources in the Development of Products

Advancing the Recycling of Canned Counterweights in Hydraulic Excavators

Since 1999, Komatsu has been working towards targets for three environmental indicators of (1) the rate of CO_2 emission reductions, (2) the recyclability rate, and (3) the rate of reduction in the amount of hazardous substances. Yet, canned counterweights in hydraulic excavators had negatively impacted the degree of attainment of overall recyclability rate for excavators (less than 80%, compared to the FY2010 target of 99.5%).

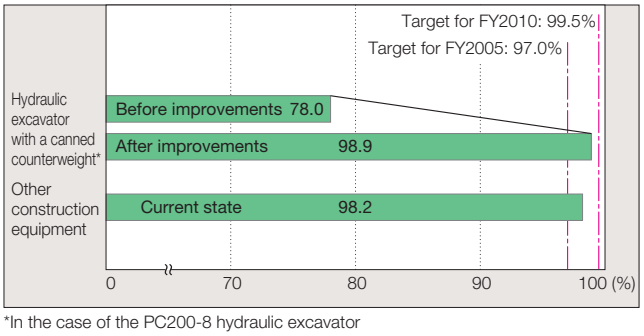
The company has considered various ways to address this issue, such as proposals to use only iron-based recyclable materials for packing contents or to establish a route for collecting used counterweights. However, none of these ideas had been implemented.

The Japan Construction Equipment Manufacturers Association (CEMA), of which Komatsu is a member, recently prepared a manual that specified means for indicating packing contents of canned counterweights, dismantling the counterweights, and separating out and reusing the packing contents, with a view to promoting the recycling of canned counterweights. The canned counterweights about which the company had been concerned are now able to be classified as "recyclable" through these newly established means. The CEMA is currently certifying treatment companies capable of processing these items in accordance with the manual. Extending the number of certified companies will improve the actual rate of recycling of canned counterweights.

While this process currently remains limited to Japanese operations, Komatsu intends to manage packing materials rigorously, giving consideration to the EU REACH and other regulations.

Demonstration test of counterweight dismantling
Left: Dismantling using a LaBounty shear; right: dismantling using a guillotine shear

Improvements in Recyclability Rate



*In the case of the PC200-8 hydraulic excavator

Reuse and Recycling Activities

Promoting the Reman Business

In its "Reman" business, the Komatsu Group remakes used engines, transmissions, and other key components of construction and mining equipment into "remanned" components (parts) having the same quality as newly manufactured ones and provides them back to the market. The Group is promoting the "Reman" business at five Reman Centers around the world, with those in Indonesia and Chile serving as global centers.

"Reman," an abbreviation of "remanufacturing," offers customers the following benefits.

- Quality and performance guaranteed to be the same as those of new components
- Lower cost for "remanned" components than new ones
- Reduced construction equipment idle time through proper inventory levels of "remanned" components
- Resource conservation and waste reduction through the reuse and recycling of components

PT Komatsu Reman Indonesia Tbk (KRI), established in 2007 in Jakarta, Indonesia, has begun to provide "remanned" components globally, further bolstering the Group's reuse and recycling activities.

PT Komatsu Reman Indonesia, established in Jakarta, Indonesia

Providing Reman-related Information

The Komatsu Group has set up "Reman-Net," networking Komatsu Reman Centers around the world. The Group is actively using this network to develop "Reman" operations for reusing and recycling components at the global level. IC tags and two-dimensional codes are employed to manage items' remanufacturing history and track their quality and durability information. This important information is provided as feedback to the Group for developing components with appropriate life spans.

Acquiring ISO14001 Certification for Reman Centers

The five Komatsu Reman Centers around the world have been pursuing ISO14001 certification to further environmental conservation. Three of the centers have been certified and the remaining two centers in South Africa and Indonesia are working to attain it. These centers advance environmental conservation through daily operations and inspections for maintaining and renewing certification.

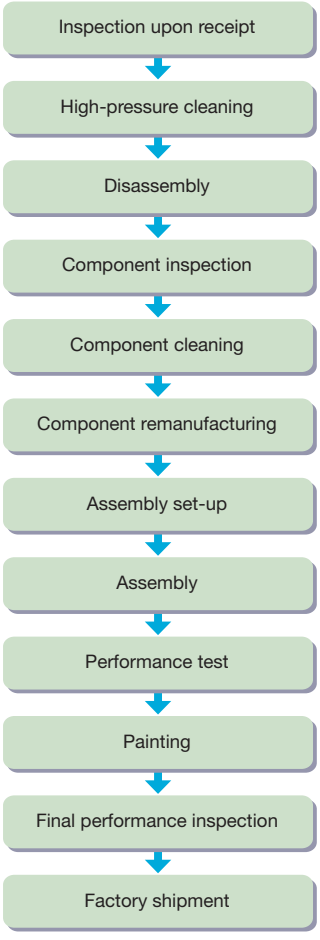
Future Steps

To further increase the reuse rate of used components (parts), the Komatsu Group is reducing the amount of disposed parts through

- expanding the range of items covered under its "Reman" operations to include wheel motors, hydraulic cylinders, etc. for electric dump trucks
- further improving the usage rate of remanufactured parts through the development of parts made to suitable sizes or those designed exclusively for future remanufacturing use, and
- developing recycling-related technologies such as spraying technologies.

The Group is carefully considering the future of the "Reman" business in China, Russia, India, and other regions not currently covered by its existing Reman Centers to further advance recycling and reuse.

Reman Process



Component remanufacturing

Assembly

Final performance inspection

Effective Utilization of Resources in Business Operations

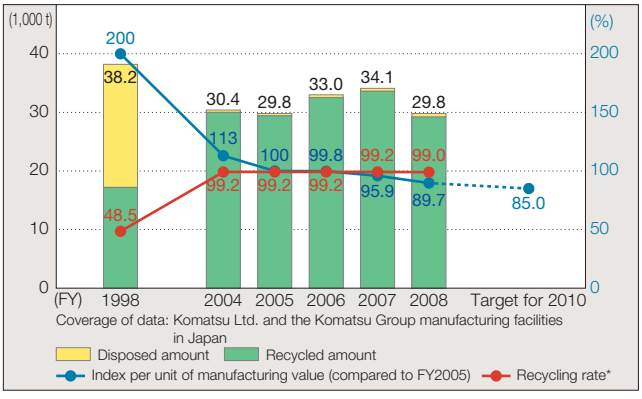
Effective Utilization of Resources in Manufacturing Operations

Waste

In tandem with reducing the amount of waste generated during manufacturing operations, Komatsu conducts zero emissions*1 activities to use waste materials as resources. The company continued to achieve zero emissions in FY2008 through strict waste separation and utilization of waste materials as valuables*2, boasting a recycling rate of 99.0%. Komatsu reduced by 10.3% the amount of waste generated per unit of manufacturing value compared with FY2005 (a 6.5% reduction compared with the previous fiscal year), attaining its single-year target. In FY2009 Komatsu will encourage its Group companies to redouble their waste separation efforts, with an aim to achieving the company's medium-term target of reducing by FY2010 the amount of waste generated per unit of manufacturing value by more than 15% from the 2005 level.

*1 Komatsu defines "zero emissions" as a waste material recycling rate of 99% or more.
*2 "Valuables" in this report refers to materials that can be sold to external companies.

Amount of Waste Generated by Komatsu and the Komatsu Group Manufacturing Facilities in Japan

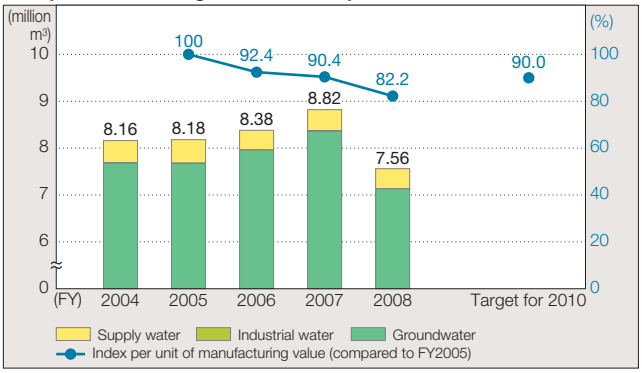


*Recycling rate is calculated by dividing the amount recycled (including valuables) by the amount generated (including valuables).

Conserving Water Resources

Since FY2006 Komatsu has taken up a new medium-term target of achieving a 10% or more reduction by FY2010 in the amount of water used per unit of manufacturing value compared with the FY2005 level. The company has attained its medium-term target by reducing the amount of water used per unit of manufacturing value by 17.8% compared with FY2005 through the reuse of water during processing and the elimination of wasteful day-to-day practices. In particular, the Oyama Plant introduced equipment to circulate cold water for engine testing, reducing its usage amount by 54% per unit of manufacturing value in FY2008 compared with the previous fiscal year. In the years to come Komatsu will make further attempts to reduce the amount of water resources used.

Amount of Water Resources Used by Komatsu and the Komatsu Group Manufacturing Facilities in Japan



Effective Utilization of Resources in Logistics

Improving Packaging

In FY2008 Komatsu kept up its efforts in returning and reusing general-purpose containers, along with the shift to specialized shipping containers that has been underway for years. In addition to conventional returnable containers, a greater number of returnable, reusable containers were used for replacement parts instead of disposable cardboard containers. Returned recyclable cardboard was also employed as protective and cushioning material for parts, significantly lowering the amount of newly procured cardboard containers and cushioning material.

General-purpose containers destined for plants outside of Japan have been introduced in a size tailored to the dimensions of the container modules and consequently increased the packaging return ratio.

The packaging return ratio of both specialized and general-purpose shipping containers has jumped by 15.5%. In FY2009 Komatsu will continue to enhance its return and reuse practices and expand the range of items to be packed with returned recyclable cardboard. The company will at the same time increase the packaging return ratio of general-purpose containers destined for plants outside of Japan.

A returnable, reusable container

Topic

Commencing Construction of Kanazawa Plant No. 2

At the Kanazawa Plants adjacent to the port of Kanazawa in Ishikawa Prefecture, Japan, construction was launched on Plant No. 2 in 2008 next to Plant No. 1, which began its operations in January 2007. Manufacturing operations at Plant No. 2 are expected to begin in August 2009. The Kanazawa Plants will assemble medium-sized and large presses and manufacture the largest super-large hydraulic excavators that Komatsu makes in Japan.

Manufacturing these machines on a site adjacent to the port will reduce overland shipping costs and CO_2 emissions during transport substantially.

Environmental Risk Management

To minimize environmental risks accompanying manufacturing activities, Komatsu is committed to thoroughly implementing pollution mitigation and prevention measures in strict compliance with the legal requirements of national and local authorities.

Promoting Compliance and Pollution Mitigation and Prevention

Komatsu Group companies are responsible for reporting environmental measurement results periodically and archiving them in strict compliance with applicable laws and regulations of national and local authorities. In FY2008, the Komatsu Group experienced three minor environmental infractions in Japan and for all cases corrective measures have been completed. The Group had no major accidents in which the environment was polluted in Japan.

Managing PCB Wastes

Komatsu conducts proper storage and management of PCB wastes such as transformers in accordance with Japan's Law Concerning Special Measures Against PCB Waste and its Waste Disposal and Public Cleansing Law.

With the Japan Environmental Safety Corporation (JESCO) starting PCB waste treatment in Japan in FY2008, Komatsu entrusted treatment of its 79 drums of condensers containing PCBs to JESCO. This figure includes 56 drums from the Head Office, eight from the Mooka Plant, and 15 from the Komatsu Utility Tochigi Plant. The company intends to arrange for early treatment of the remaining PCB wastes in FY2009 and thereafter at JESCO's various locations.

As of March 2009, the Komatsu Group as a whole possessed 596 drums of PCB wastes, including those in low concentrations.

Addressing Soil and Groundwater Contamination

The Earth Environment Committee has established guidelines in Japan for investigating the state of soil and groundwater. Komatsu commences investigations in accordance with applicable laws and regulations at business units that are planned to be sold, closed, or demolished and, if necessary, takes suitable measures under the supervision of the local authority concerned. Komatsu also performed voluntary investigations at business units currently in operation to check for contamination by organic chlorine-based chemical compounds (VOCs), which had in previous years been used in cleaning solvents and otherwise.

In 2005 Komatsu began surveying VOC contamination of soil and groundwater in Japan at Group manufacturing facilities as well as at its Research Division and other non-manufacturing facilities, with all investigations completed by FY2008. All business units at which contamination was detected began remediation work. The company chose remedial methods that could clean up the sites in as short a timeframe as possible.

Komatsu will execute reliable cleanup measures and maintain its monitoring of site boundaries to ensure that groundwater exceeding environmental standards is contained within the premises.

Status of Soil Cleanup in Japan

Business unit		Cleanup method	Cleanup status
Komatsu Ltd.	Awazu Plant	Excavation and removal, soil vapor extraction, groundwater withdrawal and aeration, bioremediation	In process
	Komatsu Plant	Excavation and removal, groundwater withdrawal and aeration, bioremediation	In process
	Osaka Plant	Soil vapor extraction, air sparging, groundwater withdrawal and aeration, bioremediation	In process
	Oyama Plant	Excavation and removal, bioremediation	Scheduled for completion in FY2009
	Shonan Plant	Excavation and removal, groundwater withdrawal and aeration	In process
Komatsu Utility Tochigi Plant		Excavation and removal, bioremediation	Remediation work in process

Surveys revealed no contamination for the following business units in Japan: Komatsu Ltd. Mooka and Koriyama Plants, Research Division in Hiratsuka, Techno Center in Izu, Field Testing Department in Nozu, Komatsu Utility Kawagoe Plant, and No. 1 and No. 2 Plants of Komatsu Castex.

Renovating Underground Tanks in Japan

Komatsu is systematically replacing underground tanks in Japan in operation more than 20 years with double-walled aboveground tanks and eliminating or consolidating them. In FY2008 one tank subject to renovation at a Group company was taken out of use after the conversion of a kerosene boiler to a gas-fired type. This underground tank is scheduled for removal in the latter half of FY2009. Komatsu will address sequentially underground tanks that newly pass the 20-year mark.

Sadao Nozawa of the Oyama Plant Recognized with the Agency for Natural Resources and Energy Director-General's Award in Japan

Sadao Nozawa of the General Affairs Department at the Oyama Plant was presented with the Agency for Natural Resources and Energy Director-General's Award at the FY2008 Month of Energy Conservation awards ceremony in Japan. This award is in recognition of his efforts at the Oyama Plant, namely, dramatic reductions in energy consumption through utilities improvements and other achievements made through the assertive use of Energy Service Company (ESCO) services; contributions to the energy savings attained by the Komatsu Group by arranging company-wide energy-saving working groups; and contributions to energy conservation among numerous companies and organizations by allowing external visitors to tour the plant.

Promoting Local Production for Local Consumption at Company Cafeterias

Komatsu has been promoting the local consumption of locally produced foods in menu offerings at the company cafeterias of the Head Office and business units in Japan through the use of ingredients grown nearby. This initiative aims at promoting local industry and reducing CO_2 emissions through improvements in logistics. The Head Office planned a special menu under the theme of "a sampling of tasty dishes from Japan's Kanto region" while business units offered dishes featuring locally harvested rice and vegetables seasoned with locally produced condiments. The Head Office's *anago tendon* (rice topped with deep-fried conger eels) was awarded the Judging Committee's Special Prize (School and Company Cafeteria Category) in the Local Production for Local Consumption Menu Contest sponsored by the Ministry of Agriculture, Forestry and Fisheries of Japan.

Anago tendon offered at the Head Office cafeteria

Special Story 2

Activities to Remove Anti-personnel Landmines

Completing the "Project for Developing a Safe Village in Cambodia" Spanning Eight Months

Since January 2008 Komatsu has been supporting a community development project being undertaken by the Japan Mine Action Service (JMAS), a non-profit organization registered in Japan. This project ranges from landmine removal to community reconstruction in areas suffering from the impacts of anti-personnel landmines. In March 2009 the company completed its first joint initiative carried out with JMAS, the "Project for Developing a Safe Village" in Battambang District, Cambodia.

A local child approaches a JMAS leader measuring a road and asks with curiosity "What are you doing?" (Location of photo is not an area with mines)

Overview of Komatsu's Social Contributions in Anti-personnel Landmine Removal to Date

March 1999	The Ottawa Treaty enters into force (total prohibition of the use, stockpiling, production, and transfer of anti-personnel mines)
August 2002	The Government of Japan indicates that demining machines for anti-personnel landmines are exempt from Japan's Three Principles on Arms Exports and other restrictions
March 2003	Komatsu applies for public subsidies from Japan's Ministry of Economy, Trade and Industry and The New Energy and Industrial Technology Development Organization (NEDO) and launches development of demining machines for anti-personnel landmines
2004–2006	Komatsu conducts onsite testing in Afghanistan and Cambodia with support from Japan's Ministry of Foreign Affairs
July 2007	Komatsu delivers its first demining machine to Afghanistan (delivered to a local NGO in Afghanistan on the basis of Japanese government ODA)
January 2008	Komatsu signs an agreement with Japan Mine Action Service (JMAS), a non-profit organization registered in Japan
March 2008	Komatsu delivers its second demining machine to Cambodia (introduced to the local site through a training grant from the Japanese government)
June 2008	Komatsu delivers its third demining machine to its Cambodia project (in the village of Reak Smey Sangha, Battambang District; see this Special Story for more details)
October 2008	Komatsu delivers its fourth demining machine to its Angola project (in the village of Mabubas, Bengo Province)
Early summer 2009	Komatsu to launch its Cambodia project (in the village of Kilo, Battambang District)

Komatsu's D85MS demining machine for anti-personnel landmines

The Project Launched in 2008

The village of Reak Smey Sangha in the Battambang District, Cambodia is home to 300 people in 73 families. Other than the roads, the entire village has been surrounded by mined fields. Some people have made their living growing corn despite knowing that the fields had landmines, because they did not want to leave the land where they have lived for generations. A project was launched in July 2008 to remove the landmines buried in the extensive approximate 41 hectares surrounding the village by combining the operations of a Komatsu's demining machine for anti-personnel landmines with manual mine clearance, to be followed by the reconstruction of a safe village.

For the project JMAS stationed a project leader and staff members in the area to work in cooperation with some 35 personnel from the Cambodia Mine Action Centre (CMAC), which has a track record of manual demining. Komatsu provided free of charge a demining machine for anti-personnel landmines and other related equipment such as a hydraulic excavator and bulldozer for earth excavation and ground leveling work. The company also donated funds for relevant operations and provided product support through training the JMAS and CMAC personnel in how to operate and maintain the equipment.

In the eight months since the project began, 49 anti-personnel landmines were removed by the demining machine and 62 were

Training for CMAC personnel in how to maintain a demining machine for anti-personnel landmines through a detailed demonstration and hands-on work

(Left) An elementary school surrounded by mined fields. After demining, a new school building and school grounds were constructed. (Right) The new school building is made of concrete and its foundation is raised off the ground, enabling the children to study without worry even in the rainy season.

Demining operations using the demining machine for anti-personnel landmines. After demining, the land was reborn as farmland thick with corn.

removed manually. Demined land was converted into farmland and ten ponds were built to retain water for agriculture. Roads aligned with the farmland were newly constructed or repaired, improving access both within the village and with neighboring villages. The irrigation system was upgraded by laying pipes to existing ponds to cope with the water that inundates the roads during downpours, and the elementary school—a landmark of the village—was reconstructed.

Formulating a Manual for Demining

This project was a first attempt for both JMAS and Komatsu to create a safe village through mechanization, from demining to developing the infrastructure necessary for daily life. The operation process and its management are critical in carrying out safe and effective demining and infrastructure development. Ensuring the safety of workers and local residents was a priority because incorrect usage of the demining machine and the construction equipment can be a cause for danger in operations. It was also necessary to consider the environment and the desires of the local residents during the course of operations. Work plans were made to avoid the rainy season, since this area receives so much rain that operations become impossible. As corn, a mainstay for the lives of the local residents, was being grown in the mined fields, demining operations could not be launched until the corn was harvested.

A model case for process management based on practical demining procedures was established as a result of considering the circumstances specific to the area while moving forward with the project. JMAS formulated a manual incorporating process management methods for safe and effective demining and post-demining infrastructure development. This manual also features overviews of how to operate and maintain demining machines in ways appropriate for various types of terrain and climate, making the contents usable in other geographical areas.

Cooperation from Village Residents

When the project was launched, response from village residents was weak and cooperation was minimal. With the demining and civil engineering work involving dangerous and backbreaking physical labor, even the village mayor showed reluctance to having the project employ local residents. However, through interaction with village residents it became clear that villagers were keenly aware of the importance of developing schools and roads, which would enhance the children's education and their daily lives. Cooperation from village residents came gradually. First, the children began picking up refuse, then their parents voluntarily built the school fence, and other villagers later contributed to the infrastructure development work. Over time, the local residents came to the realization that they themselves would need to maintain the roads and other facilities from now on.

Revitalizing the Village

Progress in reconstruction caused the flow of people and goods within the village to change remarkably. Construction of the elementary school led the grounds in front of the school to become a place for the villagers to congregate. Developing the roads made the number of children attending school to increase. Trucks transporting goods could now enter the village, leading to the creation of a storage area for corn. As interaction with residents of neighboring villages increased, more general stores were built, with the village residents bustling all around.

Pursuing Future Development

The project team succeeded in completing dangerous civil engineering work using a demining machine and construction equipment without a single accident. This achievement brought confidence to the local residents while heightening the motivation of CMAC personnel. The experience and know-how gained through this model project will be utilized in a comparable way in the Angola project now underway by JMAS as well as the reconstruction project scheduled to begin in the village of Kilo in Battambang District, Cambodia early in the summer of 2009.

Komatsu will continue to provide support to areas where reconstruction has come to a halt due to the impacts of landmines, making them safe and then assisting in their development.

Children playing on demined land where a school is to be constructed. In the past a landmine had been found a mere ten meters from the school. The man on the left holding the jump rope is JMAS project leader Koji Ideta.

The market attracting people and goods, which has become the center of the village of Reak Smey Sangha since demining was completed.

Masahiro Sakane, Chairman of the Board of Komatsu, participated in the ceremony to commemorate the completion of the project.

Special Story 3

Creating Places Renowned for Cherry Blossoms and Beautiful Local Environments

Flower viewing has been a greatly anticipated delight for the Japanese since ancient times, with a history stretching back as far as the Heian era a thousand years ago. While people consider it only natural for cherry trees, the trees central to flower viewing, to bloom every spring, these trees are in fact quite delicate. Cherry blossoms burst forth in spring as if mustering all at once the power they stored up over the previous year, then fall to the ground a short time later. With such quiet but extreme fluctuations, these trees require ongoing care, much like professional athletes.

As one of its contributions to society, Komatsu has been supporting the Flower Association of Japan, which nurtures cherry blossom viewing places and cultivates local environments rich in flowers, thereby fostering local areas of beauty and abundant greenery.

A yae-beni-shidare (*Prunus pendula* "Pleno-rosea") blooming in the Komatsu Head Office rooftop garden in Tokyo, Japan

The Flower Association of Japan, Founded in 1962

The Flower Association of Japan was established in 1962 to, among various aims, nurture cherry blossom viewing sites under its goal of using flowers to uplift people in some way. Over the past 47 years, the Association has grown more than 2.2 million cherry saplings, donating them to parks, streets, schools, and many other recipients all over the globe to help create beautiful local environments.

The Association also utilizes its accumulated expertise in these trees to preserve and revitalize them in cooperation with local residents who love cherry trees.

Preserving the Environment in Cooperation with Local Residents

Cherry trees in the city of Kunitachi in Tokyo, Japan that the local residents regard with great pride had become weaker owing largely to recent changes in the environment. The Flower Association of Japan was consulted on how to help the trees recover their vigor.

Cherry trees lose vitality when their roots are stepped on, because the roots are less able to absorb nutrients. To bring back the trees' vibrancy, the Association recommended the planting of Chinese violet cress (blooming from March to April) around the roots to prevent people from stepping on them. In the summer, after the Chinese violet cress has finished blooming, it is cut back and placed around the bases of the cherry trees as compost, and in the autumn, sulfur cosmos (blooming from June to September) is then planted. In this way, the Association's advice provides for year-round management of the cherry trees while also fostering the aesthetics of the surrounding environment. The local volunteer group Kunitachi Sakuramori continues to take care of the cherry trees.

Local volunteers from Kunitachi Sakuramori taking care of the cherry trees

One of the Largest Cherry Tree Exhibition Gardens in the World

The 83,000 m^2 Yuki farm in the city of Yuki in Ibaraki Prefecture, Japan produces some 30,000 cherry saplings annually, making it one of the major locations in fostering the creation of cherry blossom viewing sites. The farm boasts one of the largest cherry tree collections in the world, with 350 types under cultivation in its onsite exhibition garden.

Over the course of cultivation at the farm, the saplings are observed to discover what type of environment is ideal for each variety of cherry tree and which varieties are best suited for particular cherry blossom viewing sites. When requests arrive from local areas hoping to create a viewing site, the Association selects and provides appropriate varieties of saplings after considering the environment and how the trees will be used. Most types of these cherry trees have been developed through crossing with wild cherry trees. The farm is operated on the premise that it is important to sustain cherry tree genes so that as many varieties can be enjoyed by the public as possible while also ensuring the preservation of the descendents of varieties that have been admired since antiquity.

The farm offers visitors hands-on opportunities for planting, managing, mixing varieties, and other practical aspects of creating cherry tree viewing sites. One community group that took home a sapling remarked, "We started out cultivating our tree wondering if that single sapling would really grow, but after one year it bloomed, and after five years that cherry tree has become truly uplifting for us, with all of us sharing the happiness." A single sapling has engendered the sense of community shared by local residents.

Preserving the genes of cherry trees that have evolved for as much as a thousand years is also protecting assets with a deep link to Japanese culture. It can give comfort and foster bonds among local residents that have been weakening against the backdrop of urbanization. Mindful of this importance, Komatsu will continue to support the Flower Association of Japan.

The Yuki Farm

A major location in fostering cherry blossom viewing sites

The exhibition garden nurtures 350 varieties of cherry trees planted by types. Visitors can enjoy cherry blossoms of different varieties from March through December.

Grafting is used to propagate and raise the cherry saplings. Grafted saplings in their first year of growth are shipped throughout Japan after reaching 1 meter in height.

Research is underway to produce cherry saplings from tissue cultures. The farm is accumulating techniques for large-scale production of saplings.

Special Story 4

Komatsu's Social Contribution Activities Around the World

In this era of significant change, sustainable growth can be achieved when a company aims to improve its business performance and when the company undertakes activities which bring about trust from society along with it. A global company is expected to fulfill its social responsibility as a good corporate citizen in the regions it operates in. Komatsu works to be of assistance to society in ways practicable for the company in communities around the world by reflecting local circumstances and listening to voices of stakeholders.

Case 1 India

Community Health Care and Education to Help People Live Safe and Anxiety-free Lives

L&T-Komatsu Limited (LTK) believes that helping the children of local communities live safe and happy lives is the most important aspect in social contribution. For this reason, the company focuses on education, health, and safety, based on its policy to support various community welfare programs in health care, education, and rural development. The company has been working on school development and community welfare programs in health care at Dyavarahalli village since 2006. In March 2008, health examinations for general health and vision testing were conducted for 125 residents of the village.

In December 2008, LTK Ladies Club, of which wives of LTK employees are members, was established. The Club conducted health examinations for children who were unable to receive adequate health care due to economic circumstances and for 54 women who live in Dyavarahalli.

Dyavarahalli School building on which construction work was finished in September 2008

School desks donated by LTK

A commemorative tree was planted at the time computers and desks were donated

Ceremony marking the commencement of health examinations by LTK Ladies Club in January 2009

A child being examined

Health examination for women and children of Dyavarahalli

Case 2

South Africa

Update on Social Contribution through Educational Support

The Komatsu DenRon Community Development Centre, located in the suburbs of Plettenberg in southern South Africa, was established in 2007 by Komatsu Southern Africa (Pty) Ltd. (KSAf) and its customer and materials/stone quarry company DenRon. DenRon was experiencing a chronic shortage of skilled workers, and the center was built as a solution to this problem by providing educational opportunities to the local unemployed people who did not receive satisfactory primary education or who were unable to go to school during the apartheid era, and bring them to the minimum level necessary for employment.

Today, local recruiting agencies regularly contact the Centre with a view to assist in placing the students. The Centre is establishing itself in helping to improve the unemployment rate. Since inception, the following has been achieved in terms of employment for the graduates:

- 16 learners worked for a major department store as casual employees with five now being permanently employed
- two are permanent employees of a liquor distribution company
- two work for a franchise fast food outlet
- three have become permanent employees of DenRon
- three have become permanent employees of a hotel chain, one of whom regularly attends the Centre's certificates awards ceremony and gives motivational talks to the students
- three commenced temporary employment with a local laundry
- one has opened his own driving school and this is running successfully to date
- one has started his own car wash in the local township
- one has been permanently employed by the Department of Arts and Culture as an actor and is part of the cast that presents educational plays.

From April 2008 to February 2009, the Centre issued a total of 313 certificates for numeracy, communication, and basic computer skills.

The students are appreciative for the support from Komatsu and DenRon, and they insist on expressing this gratitude at every prize giving and at the end of last year. One of the students composed a beautiful song which was sung at the ceremony.

Song Composed by a Student

You Are the Best

You are the best
Nobody can go astray,
You lifted me from nowhere
You made me what I am.

You brought me joy,
And made this world
A better place for me.
Thank you very much.

DenRon ndiyabonga
Komatsu ndiyabonga

The ball is now in my court
The key in my palm,
The fuel in my lamp has been filled
You're the steppin' stone, the apple of my eye
The wind in my sail.

Lyrics composed by Vuyokazi Nyhaba, 2008

Case 3

United Kingdom

Providing Vocational Training and Support to People with Disabililties

Northern Pinetree Trust (NPT) is a charity and community business, which was established almost 20 years ago under a partnership led by Komatsu UK Ltd. (KUK), to provide training and support to help people with disabilities. The trust is based in the Pinetree Centre, which is a building located at the front of the KUK site. NPT works across the North East of England and helps people who have a physical, mental, or learning disability and those who are disadvantaged in the labor market because of their circumstances. It helps people to consider working for themselves in a small business where they can work around their disability. The trust provides a range of support for its clients including coaching training and access to a special loan fund. Over the years, NPT has helped over 1,000 local people to start up their own businesses, and the work of NPT within the community was recognized in 2008 with an award from Her Majesty Queen Elizabeth II (The Queen's Award for Enterprise Promotion).

KUK did not require the whole of the building, and so arrangements were made for the upper floor of the building to be utilized to provide low cost office accommodation to help the work of NPT. Employees of KUK are proud to work for an employer who recognizes the value of social contributions and social responsibility.

People receiving support and training

Developing Together with Employees

Komatsu endeavors to foster a safe and comfortable work environment by implementing measures to reduce workplace risks and administering a personnel system that accurately reflects the abilities and achievements of employees, an extremely important corporate asset.

Komatsu's Relationship with Employees

Enhancing the Quality and Reliability of Employees

For a business, it is said that people, goods, money, information, and time are valuable assets and resources. Even if the other elements remain constant, if "people" change, the results will be different. Thus, people—the employees of Komatsu Group companies—are an irreplaceable asset for the Group. Komatsu recognizes the role of the personnel system in enhancing the quality and reliability of the company's human resources. It therefore endeavors to foster a work environment with opportunities for challenges and creativity. The company works to maximize the sum of trust given to it by its employees.

Basic Policy on Global Human Resources

Personnel systems reflect the history and culture of each particular region. It is therefore important to recognize and correctly understand those differences. At the Komatsu Group, the basic policies for personnel systems common to all Group companies around the world are found in *Komatsu's Code of Worldwide Business Conduct* as stated below. Each region uses these policies to formulate a personnel system that has a competitive edge over other companies.

Chapter 5 of *Komatsu's Code of Worldwide Business Conduct*

(1) The uniqueness, character and privacy of individual employees shall be respected.

(2) Employees shall be fairly appraised and treated. They will not be unjustly discriminated against for reason of national origin, race, religion, age, sex, disability or other factors. Should any form of violation be discovered, such as sexual harassment or any other unlawful employment practices, it will be investigated and appropriate actions will be taken.

(3) In developing and implementing personnel policies, accordance with the understanding of employees must be ensured. Human resource policies and procedures shall be disclosed to the employees as appropriately and fully as possible.

(4) In each region, the Komatsu Group will comply with the ordinances concerning the rights of employees.

In addition to these policies, the Group also prohibits the use of child labor, which is a problem in certain regions around the world.

Komatsu has set forth Komatsu's Five Principles for Hiring, namely: (1) the company does not consider age or gender in hiring decisions; (2) the company does not consider national or regional origins in hiring decisions; (3) the company does not consider religious affiliation or beliefs in hiring decisions; (4) the company does not consider the existence of disabilities that are not job performance-related in hiring decisions; and (5) the company gives significant consideration to work experience at other companies or in other industries in hiring decisions. Komatsu conducts its hiring practices based on these five principles, which are disclosed on its website.

Komatsu's Initiatives

Personnel System that Accurately Reflects Employees' Abilities and Achievements

Personnel systems in Japan are typically based on the assumption that employees will work for a single company for many years. Therefore, when designing a system, a company must keep in mind the degree to which continuous employment should be considered. Komatsu believes that personnel systems emphasizing length of service do not necessarily reflect employees' abilities and achievements fairly. Instead, Komatsu has always strived to accurately evaluate the performance of employees as individuals, incorporating employees' achievements and abilities into its personnel system as the basis for fair evaluations.

Komatsu has been reinforcing this approach since 2003, revising its systems for salaries, bonuses, retirement allowances, and other personnel schemes accordingly.

Formulating The KOMATSU Way and Extending TQM Training Company-wide

As Komatsu has grown and developed, there has emerged a clear sense of the corporate strengths that are "quintessentially Komatsu." The values and stances that support those strengths and the style by which the company puts them into practice were set down in writing in 2006 as The KOMATSU Way. Komatsu wants all Group companies including those outside Japan to share these guiding principles. The KOMATSU Way highlights the continuous reforms towards greater Quality and Reliability, the importance of the individual workplace (*genba*), and the ability of employees at each level to swiftly implement management policies and transfer them into practice. Komatsu has long utilized Total Quality Management (TQM) training to support employees in improving these capacities. The company will expand TQM and The KOMATSU Way as common educational tools that are shared by all employees globally.

Developing Human Resources Globally

The development of global human resources is an ongoing theme for the Komatsu Group. The KOMATSU Way states that Komatsu recognizes anew that one of its vital strengths dwells in human resources development and employee vitality. It stipulates that based on this recognition, Komatsu should educate and train its employees globally to enhance their capabilities. All managers have substantial responsibilities appropriate for their level. Top management must foster their future successors; managers must train the people working under them.

A basic principle in human resources development is for individual employees to aim towards higher objectives and advance their own careers. The personnel division establishes systems and infrastructure to help employees attain their personal goals while assisting them in shaping their careers through education and training and scheduled job rotations. The Komatsu Group intends to develop human resources on a global, Group-wide basis by further bolstering investment in people who can sustain corporate growth over the years. In particular, the Group is organizing programs aimed at training employees of Group companies outside Japan as well as those of business associates, enhancing employees' technical and technological capabilities, and improving their abilities to address operational issues through Total Quality Control (TQC) training.

Creating a Safe and Comfortable Work Environment

For a company to create a safe and comfortable work environment, it must treat employees fairly. Komatsu has already changed its personnel system to the kind described earlier that better incorporates abilities and achievements. To ensure fair and appropriate evaluations for each individual employee, in April 2004 the company organized refresher training for all managers on how to conduct evaluations. Since then, evaluation training has been given to newly appointed managers, backed by e-Learning based follow-up education. An evaluation committee has been established jointly with the labor union at each business unit to confirm that evaluations are conducted properly. Komatsu has provided individual feedback on evaluations to managers since 1998 and to non-managerial employees since 2001. The company has also set up a consultation office through which employees can express complaints and concerns.

Komatsu seeks to build a basis upon which employees can take on greater challenges. The internal posting of personnel vacancies was introduced in 1986, with positions now posted twice annually at regular intervals. Additionally, Komatsu is fortifying the educational programs that employees can participate in voluntarily both inside and outside the company.

Further Enhancing Diversity in the Workplace

Gender-equal Opportunity

Currently the number of women in managerial positions is low compared with the number of men, and Komatsu recognizes this as an issue to be addressed. Childcare leave and shorter working hours are among the working conditions that would contribute to an environment that facilitates productive careers, particularly for women. In 2007, Komatsu acquired the Japanese Ministry of Health, Labour and Welfare mark designating companies that assist in the growth of the next generation. Since then, the company has advanced discussions on working conditions through the appointment of seven female employees to a newly launched Panel on Fostering Future Generations. The four major recommendations from the Panel were incorporated into labor agreement revisions for FY2007, further improving the company's approach in this area. These recommendations were: (1) allocating five days of special leave in cases of pregnancy by the employee, delivery by the employee's wife, and childcare (such as to take care of a sick baby or toddler) by the employee; (2) extending the eligibility period of shorter working hours from March 31 after the child turns age four to the child's completion of the third grade at elementary school; (3) providing monetary allowances for childcare leave beyond the amount required under the law; and (4) providing financial support to offset the costs of nursery schools and babysitters.

The number of female managers increased from 19 in March 2009 to 20 as of April 2009, and the number of employees taking advantage of the system for childcare leave increased from 25 in FY2007 to 31 in FY2008. Komatsu will continue to aim to bring about working conditions that take into account the needs of working parents.

Enhancing a Work-Life Balance

Reducing the total number of actual working hours is one of key aspects in achieving a healthy work-life balance for employees. Komatsu has worked in coordination with labor unions on this issue to formulate numerical targets. The company has brought down to an average level the workload of divisions that are chronically shouldering intense levels of operations by hiring more employees, both newly graduated and experienced, and investing in necessary facilities and equipment. Komatsu has each workplace formulate concrete action plans in order to have it to seriously address working hours management. These plans enforce appropriate numbers of working hours by reducing overtime and encouraging employees to take more paid annual leave.

Employing Persons with Disabilities

As of April 2009, 1.64% of employees at Komatsu were persons with disabilities, a figure lower than the legal standard of 1.8%. Recognizing the need to enhance its hiring rate of persons with disabilities, in April 2008 Komatsu established within the personnel division a Business Creation Center designed exclusively to increase the hiring of persons with mental disabilities. Ten such people are now employed at this Center, raising the rate of employment for persons with disabilities compared to the previous year. Komatsu is determined to work to employ more disabled persons in the years to come.

Accommodating the Lay Judge System in Japan

To accommodate the lay judge system in Japan that commenced in May 2009, Komatsu introduced a system for special leave in 2007 and held internal explanatory sessions for all managers in November 2008 before the first notices for lay judge candidates were sent out. A total of 12 explanatory sessions were held at ten business units across Japan, with about 1,200 managers participating. The company clarified its stance of proactively supporting employees selected for service to participate in proceedings without worry and requested each workplace to make preparations in assisting them.

Based on the principles set out below, Komatsu will lighten the burden of employees selected as lay judges and support them in amply fulfilling these socially significant duties.

- Komatsu shall enhance employees' knowledge of the system as a whole, including such elements as not disclosing publicly that one has been selected as a lay judge (or lay judge candidate) and maintaining the confidentiality of deliberations.
- Komatsu shall manage information that an employee has been selected as a lay judge (or lay judge candidate) strictly at the relevant personnel section and shall not use it for any purpose other than to allocate special leave.
- Komatsu shall give proper attention to mental health care for such employees once service as a lay judge has been completed and shall take appropriate steps in collaboration with an industrial health medical advisor when necessary.

Topic

Komatsu's Human Resources Development Rooted in Local Communities: Strongholds for Developing Global Human Resources

Komatsu has established bases for fostering human resources around the globe. The company is reinforcing its *Monozukuri*, or manufacturing competitiveness, and upgrading product support capabilities encompassing the Komatsu Group while contributing to local development and employment.

Chile

Establishing an Apprentice School to Provide Specialized Technical Training to Young People

Komatsu Cummins Chile Ltda. (KCC) has established an apprentice school to train young people as technicians specialized in mining equipment, covering both product knowledge and product support skills. The three-year course has already graduated 43 trainees, all of whom are now employed at KCC.

KCC also conducts a program in which students studying electronics engineering visit KCC's Reman Center and interact with professionals at the center's electronic shop. Students are able to acquire practical and worldwide state-of-the-art technologies, while KCC has the opportunity to train "from the cradle" those technicians that have future potential with the organization.

The Philippines

Upgrading the Technical Knowledge of Service Engineers

At the Komatsu Human Resources Development (HRD) Center in Manila, the Philippines, Komatsu is providing training to upgrade the technical knowledge of Filipino service engineers working for Komatsu at various sites worldwide. The center adopts a medium- to long-term viewpoint in systematically fostering service engineers who can work around the world by recruiting new college graduates and helping them to master product support skills from a basic level. The curriculum includes Komatsu's quality control and quality assurance system, expertise in knowledge of products, and technical service skills.

Courses are run in a facility owned by the Construction Manpower Development Foundation (CMDF), an auxiliary organization of the Department of Trade and Industry (DTI) of the Philippines. The Komatsu HRD Center further enhances the technical service skills of CMDF trainers, dispatches instructors to CMDF, and organizes training programs for operators and mechanics jointly with CMDF, thereby contributing to the Philippines' human resources development program.

Collaborating with Educational Institutions

Industry-Academia Collaboration

Komatsu has concluded industry-academia collaboration agreements to pursue leading-edge technologies collaboratively with four universities in China and Japan, namely Shandong University in China and Yokohama National University, The Graduate School of Engineering of Osaka University, and Kanazawa University Graduate School of Natural Science & Technology in Japan. The company also held the Osaka University-Komatsu Joint Research Symposium in cooperation with The Graduate School of Engineering of Osaka University and a series called Lectures in Cooperation with Society jointly with the School of Engineering of The University of Tokyo. In convening these fora, Komatsu aims to research technologies for an increasingly diverse society while also nurturing human resources who will advance academic and societal developments.

Dispatching Lecturers to Universities and Engaging in Joint Research in Japan

Komatsu dispatches lecturers upon request to instruct university students in technology development and corporate management being practiced at Komatsu. The company is also involved in joint research to pursue state-of-the-art and future-looking technologies, after discussing the intersection of Komatsu's "needs" and the university's "seeds."

Hosting Plant Tours for Elementary and Junior High School Students in Japan

Komatsu hosts social studies-related study tours for local elementary and junior high school students and organized tours for families affiliated with The Japan Society of Mechanical Engineers to provide children opportunities to see its plants and recycling operations and learn more about construction equipment (see "Contributing to Local Communities" on P. 32 for details).

Health and Safety

Message from the Komatsu President Regarding Health and Safety

Komatsu has been disseminating the Message from the Komatsu President regarding Health and Safety throughout the entire Komatsu Group. President and CEO Kunio Noji delivered the message that, for the Komatsu Group to foster companies and workplaces with no safety incidents or illness, all employees must cooperate, managing health and safety proactively and responding to relevant issues in a prioritized and timely fashion. The major points of his address were as follows.

(1) The Komatsu Group shall, first of all, strive to "ensure a safe and comfortable work environment" and "maintain and promote employees' 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 as top priority tasks the above two matters and shall take the initiative in demonstrating the execution of daily duties accordingly.

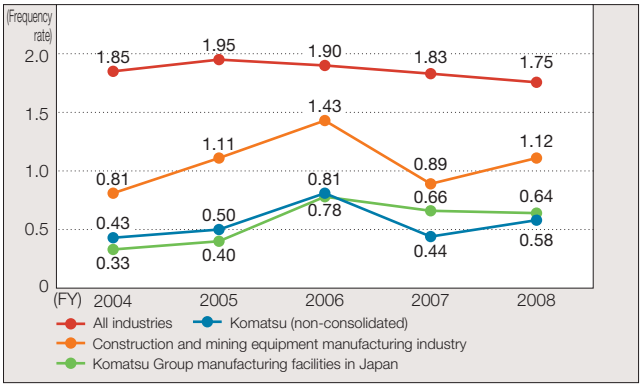
Overview of Health and Safety System

	Komatsu Head Office	Group companies and Komatsu divisions
Organization	•Safety and Health Administration Department (Centralized Group-level office) •Health Promotion Center •Human Resources Department (Centralized Group-level office with consultative services)	•Plant managers, division head (managers supervising overall health and safety) •Division head supervising general affairs and human resources •Industrial health medical advisors, industrial health care staff, etc. •Section head supervising health and safety •Managers supervising health and safety in each division, persons assigned to the promotion of health and safety, persons overseeing health and safety, etc. •Employees
Meetings	•Group Health and Safety Committee •Group Safety Supervisor Meeting •Group Safety and Health Conference	•Health and Safety Committee

Occupational Safety

In FY2008 the Komatsu and Mooka Plants acquired Occupational Safety & Health Management System (OSHMS) certification, following upon acquisition by the Awazu and Osaka Plants in FY2007. The Komatsu Group has carried out assessments to anticipate risks mainly through workplace small-group activities on safety aiming at "zero accidents." The Group as a whole has been conducting compliance and risk audits on safety to confirm the state of compliance with relevant laws and regulations. In FY2009 the Group will steadily implement OSHMS at plants already certified and promote acquisition of OSHMS certification at other Komatsu plants, while simultaneously fostering occupational safety mainly through "zero accidents" small-group activities and upgrading safety-related education and training. The Komatsu Group is working to eradicate occupational accidents throughout the entire Group.

Incidence Rate of Occupational Accidents (Frequency rate of missed work)



Health and Safety Management at Komatsu Group Sales Agencies and Rental Companies in Japan

In FY2004 Komatsu Group sales agencies and rental companies in Japan began creating management systems for occupational safety and health. In FY2008 Komatsu continued follow-up activities to support them in this area.

Persons overseeing occupational health and safety at Komatsu and its agencies and companies provided guidance on areas for improvement through visits to relevant offices, maintenance factories, and rental shops to verify firsthand the state of safety management onsite. At agencies and companies where occupational accidents had occurred, Komatsu gave assistance in determining the causes and formulating countermeasures and applied these measures to other agencies and companies across Japan. Through joint efforts in safety education and training and risk anticipation the Komatsu Group succeeded in reducing occupational accidents in FY2008, continuing the decline achieved in FY2007.

Health Care

Physical Health Care

Besides the health checks for lifestyle-related diseases the company has long provided, Komatsu has been taking further steps to prevent these diseases since FY2007, launching computer-based diagnostic interviews and expanding the range of health checks. Beginning in FY2008, Komatsu has been working to improve the health of employees in cooperation with its health insurance association to deliver health-related guidance and awareness education and through the use of external specialized institutions.

Mental Health Care

Over the years, the Komatsu Group has introduced mental health education and awareness-raising programs while also providing counseling from mental health professionals and the Employee Assistance Program (EAP), which makes use of external specialized institutions to assist employees and their families throughout the Group in finding solutions to their concerns. Komatsu will revamp the EAP in FY2009, launching the Komatsu Health Consultation Hotline to provide all-encompassing support by unifying physical and mental health care services. The company has continued its computer-based stress diagnoses and stress awareness education for self-recognition begun in FY2007. In FY2009 Komatsu intends to utilize the results of stress diagnoses to improve work environments still further.

Communication with Stakeholders

Komatsu takes advantage of various opportunities to communicate with stakeholders. As a responsible corporate citizen, the company has undertaken social contribution programs to help bring about an enriched society.

Communication with Stakeholders

Communication with Shareholders

Along with striving for high managerial transparency, Komatsu discloses information in a proper and timely manner through constructive approaches to investor relations (IR) around the world. On the same day that quarterly business results are announced, the company holds explanatory sessions in Japan for institutional investors and securities analysts and also releases this information on its website. Corporate representatives visit institutional investors outside Japan, primarily in the U.S. and Europe, to explain recent business performance and other critical information.

Shareholders' Meetings

To furnish an opportunity to communicate with individual shareholders, Komatsu convenes shareholders' meetings in major cities in Japan two to three times annually, with top management explaining the company's performance and management strategy. Shareholders' meetings were held in December 2008 in the cities of Sapporo in Hokkaido Prefecture and Fukuoka in Fukuoka Prefecture with some 400 and 600 shareholders attending, respectively. A wide range of questions was answered, covering such topics as the business environment surrounding Komatsu and the company's business performance and social contribution activities. Since their launch in 1997, these meetings have been convened 27 times, with over 9,000 shareholders participating to date.

Shareholders' meeting convened in Sapporo in December 2008

Plant Tour for Shareholders

Komatsu held plant tours in Japan for individual shareholders at the Osaka Plant in Osaka Prefecture in September 2008 and the Awazu Plant in Ishikawa Prefecture in March 2009, drawing about 60 and 100 participants, respectively. Attendees deepened their understanding of Komatsu by touring assembly plants for bulldozers, hydraulic excavators, motor graders, and other types of equipment and watching demonstrations at the testing areas.

Plant tour for shareholders held in Osaka in September 2008

Communication with the Local Community

Each of the business units of Komatsu tries to harmonize its interests with the local community and make itself open to society as a responsible corporate citizen. They host regular opportunities to interact with representatives of residents' associations from the surrounding community. For the community to gain a better understanding of their business activities, business units welcome representatives from the city and prefecture to plant tours and meetings.

Communication with Employees

Two or three times a year, the President and CEO convenes a "Meeting with the President" at each business unit in Japan. Komatsu top management explains the state of the company to all employees at the unit, employing an active question and answer format. These meetings are opportunities for top management and employees to interact with each other directly. The content of these meetings held at the Head Office in Tokyo is simultaneously transmitted by TV broadcast to other business units in Japan and later published on the company Intranet in English to share it with Komatsu Group employees around the world.

Meeting with the President held at the Head Office in April 2009 on the day after the announcement of term-end business results

Social Contributions

Basic Stance on Social Contributions

Komatsu holds the firm conviction that contributing to society leads to raising its corporate value over the long term and the Group as a whole proactively engages in social contribution activities on a continuing basis to fulfill one part of its corporate social responsibilities.

Komatsu's basic stance on social contributions (the purpose and the five basic principles concerning social contributions) is as follows.

Purpose

The Komatsu Group and its employees will contribute to society as members of the local community.

Basic Principles

Contributions shall be:

- Consistent
- In the public interest
- Voluntary
- Acceptable by employees
- Not aimed at advertisement.

Major Areas of Activities

Komatsu's main activities for social contributions are in the following areas.

- Supporting the Flower Association of Japan (see Special Story 3 on P. 23 for details)
- Promoting culture and education and local community developments
- Promoting sports
- Providing humanitarian assistance and recovery from disasters

Contributing to Local Communities

Making Business Units Open to the Public

In addition to opening up its gymnasium, field, tennis courts, and various other recreational facilities, Komatsu hosts various events so as to foster harmony and a spirit of coexistence with local communities.

Holding "Open House" Day

Komatsu convenes "open house" days at its business units on a regular basis, taking advantage of various events to enhance the local community's understanding of its business operations.

Running Kids' Tour of Working Vehicles at the Komatsu Techno Center

Twice a year, the Komatsu Techno Center in the city of Izu in Shizuoka Prefecture, Japan runs a Kids' Tour of Working Vehicles, which allows the children to come into direct contact with large construction equipment. Through this tour Komatsu hopes to foster children's dreams and furnish an opportunity for parents and children to play together, thereby encouraging deeper understanding towards construction equipment and Komatsu's corporate ideal.

Kids' Tour of Working Vehicles at the Komatsu Techno Center

Promoting Sports

The Komatsu Women's Judo Club was founded in April 1991 to commemorate the company's 70th anniversary. The club has won the championship of the All Japan Company Judo Club Competition seven times to date. Members of the club have also demonstrated a record of excellence in individual competitions both in and outside of Japan. The club gladly offers non-Japanese teams opportunities to practice with its members, thereby contributing to the spread and development of judo around the world.

Ayumi Tanimoto participated in the under-63 kg class at the Beijing Olympics in the summer of 2008, winning her second consecutive gold medal, beginning with the Athens Olympics in 2004.

The Komatsu Women's Judo Club

Providing Recovery Assistance in Areas Impacted by Natural Disasters

Komatsu provides various types of assistance so that areas impacted by natural disasters can recover as early as possible. The company donates or lends construction equipment necessary for rescue and recovery activities. Komatsu also dispatches personnel and makes monetary donations.

Providing Assistance after the Earthquake Disaster in Sichuan Province, China

Komatsu Ltd., Komatsu (China) Ltd., and other subsidiaries in China provided a total of 150 million Japanese yen in assistance towards the great earthquake disaster that struck Sichuan Province, China on May 12, 2008. This assistance incorporates among other things monetary donations from these companies and local employees in China and the provision of construction equipment and materials along with operators for the equipment.

Ceremony in May 2008 to mark the shipping of the equipment to assist with disaster recovery

Providing Assistance after the Earthquake Disaster in Central Italy

The Komatsu Group provided assistance for recovery and reconstruction in the wake of the earthquake that struck Central Italy on April 6, 2009, primarily through its European subsidiaries and sales and after-sales service agents.

Komatsu Europe International N.V. (Komatsu's regional headquarters in Europe) and Komatsu Utility Europe S.p.A. (its manufacturing base in Italy) contributed 220,000 euros (approx. 28.6 million Japanese yen) through the Red Cross. Komatsu's sales and after-sales service agents in Italy also gave useful support to rescue operations at the disaster site by lending three construction vehicles free of charge.

The Basic Stance of Management

As the cornerstone of its management, the Komatsu Group has been committed to enhancing Quality and Reliability through strengthening corporate governance and *Monozukuri*, or manufacturing competitiveness, in order to maximize corporate value.

The Basic Stance of Management

As the cornerstone of its management, the Komatsu Group is committed to enhancing Quality and Reliability in order to maximize corporate value. Komatsu considers corporate value to be the total sum of trust given to it by society and all corporate stakeholders.

This principle of Quality and Reliability not only applies to the Komatsu Group's products and services that bring satisfaction to customers, but also extends to all other aspects of the Group, including organizations, businesses, employees, and management.

Enhancing Quality and Reliability

In particular, the Komatsu Group has been working to strengthen corporate governance and *Monozukuri* to enhance Reliability, a source of Komatsu's strength.

Strengthening Corporate Governance

To increase its corporate value to the greatest possible extent, it is important for the Komatsu Group to design a framework in which the Group can enhance its corporate value in a steadfast manner. This task calls for maximizing the total market value of Komatsu shares and working to expand sales and profits as the company strives to fully satisfy a broad range of stakeholders, especially customers.

Top managers of Komatsu Group companies are expected to provide, through full awareness of corporate social responsibility (CSR), solid management that avoids risk while continuously ensuring Quality and Reliability in management. Moreover, managers are stepping up the revitalization of the Board of Directors—the core body for corporate governance—and the establishment of an internal controls system while enhancing the transparency and soundness of management.

All employees of Komatsu Group companies are expected not to postpone but to promptly work on solutions and corrections when they discover issues and/or problems related to the rules in all business areas and domains.

Strengthening *Monozukuri*

It is critical for Komatsu as a manufacturer to promote reform based on the *Monozukuri* concept in order to enhance its competitiveness.

Monozukuri means that the Komatsu Group has to rise to every challenge in creating safe and innovative products in the spirit of unified teamwork. This teamwork incorporates every division and partner related to the value chain—the chain of entities through which added value emerges—spanning from research, development, procurement, manufacturing, sales, and after-sales service divisions to the management division as well as to business associates and sales agents. The Group also emphasizes environmental friendliness in all activities throughout the product lifecycle.

The KOMATSU Way

The KOMATSU Way is a statement of values that all workers in the Komatsu Group including those at every level of management should pass down in a lasting way at their workplaces and worksites. By holding these values in common, the Group can build global teamwork that transcends nationalities and generations to amass and fortify the Komatsu Group's "workplace (*genba*) capabilities"—the dynamism of all workers and the entire organization plus the ability to improve their own workplaces and worksites. This in turn further enhances Quality and Reliability, heightening the trust given to the Group by society and all stakeholders.

Disseminating The KOMATSU Way and Developing Human Resources

The Komatsu Group has been disseminating The KOMATSU Way and incorporating it into human resources development in each Group company around the world, with The KOMATSU Way Division spearheading these activities.

To facilitate understanding of The KOMATSU Way, the Group convenes explanatory sessions at Group companies around the globe, with the President and CEO and other executive officers in charge visiting locations and providing explanations in person. The Group has made a video collecting employees' personal experiences related to The KOMATSU Way for Group personnel all around the world to view online. Each business unit promotes "The KOMATSU Way dissemination month" to enliven communication among workers, ensuring they take this spirit to heart.

The KOMATSU Way is based on corporate strengths that Komatsu Ltd., a Japanese company, has embraced for years. To foster it at Group companies outside Japan, Komatsu makes The KOMATSU Way easy to understand and relevant to local conditions mindful of differences among customs and cultures.

As concrete ways to strengthen worldwide employees' ability to improve their performance, the Komatsu Group uses the Total Quality Management (TQM) nourished in the Group over the years along with education and training to raise the level of such professional capabilities as specific technological or specialist skills and managerial ability. Practical training is also developed through debriefing sessions held at each employee rank, with participants reporting on the skills they have improved. Such sessions help employees to more fully acquire the content of their education and training and utilize these newly acquired skills during operations. In this way, the Group continues to nurture human resources capable of responding rapidly to changes in their operational environments.

Global Management Seminar held in November 2008. Company executives from Komatsu Group subsidiaries outside Japan gathered to discuss and reassess how to spread The KOMATSU Way and incorporate it into human resources development. Participants each finalized a plan to foster practical training once they returned to their home countries.

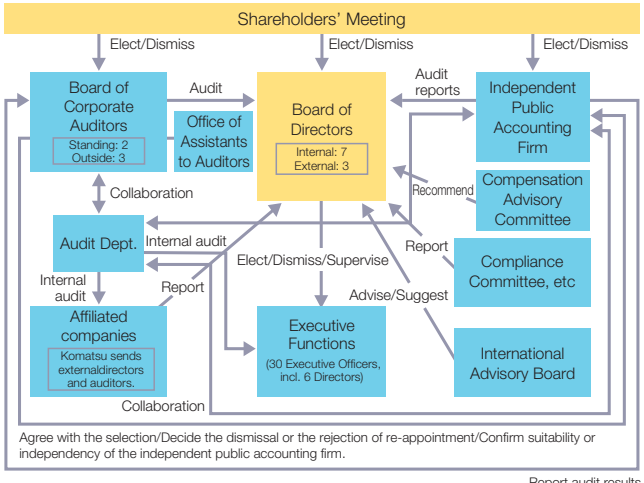
Enhancing Corporate Governance, Compliance, and Risk Management

Komatsu is strengthening corporate governance Group-wide to become a company that enjoys even greater trust from all its stakeholders. Under the principle of "compliance comes first," the company has established a framework to ensure thorough compliance with best practices in business.

Organizational Profile

In 1999 Komatsu Ltd. introduced the Executive Officer System and has been working to separate management decision-making and supervisory functions from executive functions within the confines of the law. At the same time, the Company has maintained the Board of Directors with a small number of members and appointed outside directors and auditors. To improve the effectiveness of discussions in Board meetings, we have promoted reforms in the operational aspect of Board meetings to ensure thorough discussions of important management agendas and quick decision-making.

Corporate Governance of Komatsu



Board of Directors and Directors

The Board of Directors meets every month and more often as needed. [The Board met 15 times in the fiscal year ended March 31, 2009.] In Board meetings, directors make decisions on management policies of the Komatsu Group, review and resolve important management matters, and strictly control and supervise the execution of management duties by all executive management personnel including the representative directors. At present, of the 10 directors on the Board, there are three outside directors. When performing their duties, outside directors offer opinions and suggestions from an independent position, based on their insight and rich experience. Their attendance rate at Board meetings is high, making contributions to ensure transparent and sound management through their active participation in discussions.

Board of Corporate Auditors and Auditors

Komatsu Ltd. ensures that the number of outside corporate auditors represents at least half of the Board of Corporate Auditors. There are five corporate auditors, of whom three are outside auditors. The Board of Corporate Auditors makes decisions concerning audit policies, duty assignments and other relevant matters. Each corporate auditor attends Board of Directors meetings and other important meetings, audits the execution of duties by directors, and conducts appropriate audits by meeting every month and hearing the conditions of execution of management duties from the directors. [The Board of Corporate Auditors met 15 times in the fiscal year ended March 31, 2009.]

When formulating an audit plan, corporate auditors exchange views with independent public accounting firm regarding audit policies, key matters, and main points with the aim to executing an effective and efficient audit. Corporate auditors create opportunities to exchange audit-related information with the independent public accounting firm as appropriate, including by attending audits of business units, affiliated companies, and other entities carried out by the independent public accounting firm, deepening their mutual collaboration and making auditing flexible.

Collaboration between Corporate Auditors and the Internal Audit Department

The Internal Audit Department, in cooperation with other related departments, regularly audits business bases and affiliated companies both in Japan and overseas, evaluates the effectiveness of their internal control, reinforces their risk management, and works to prevent frauds and errors. Corporate auditors observe audits by the Internal Audit Department, form their own audit opinions, and give advice and recommendations to the Internal Audit Department.

In addition to reporting the audit results above to the Board of Corporate Auditors, the Internal Audit Department maintains close and substantive collaborations with corporate auditors, for example, by providing information to them on a routine basis.

Remuneration for Directors and Corporate Auditors

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Corporate Auditors are deliberated by the Compensation Advisory Committee, which consists of four external members and one internal member. Taking its recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Corporate Auditors is determined by discussions by the Corporate Auditors, respectively. The remuneration shall be subject to the resolution of the General Meeting of Shareholders, which is required under the Corporation Act. With regards to remuneration levels, comparison of other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its recommendations.

The remuneration for Directors is composed of a fixed, monthly remuneration and a variable remuneration linked to Komatsu's consolidated performance and stock price fluctuations. The variable remuneration is made up of the annual bonus, reflecting business results, and stock options, granted to give Directors the same perspective on earnings as shareholders, both of which have the purpose of motivating them to manage with the aim of enhancing corporate value. The remuneration for Corporate Auditors only consists of a fixed, monthly remuneration designed to support their independent position with authority to audit the execution of duties by the Directors without getting fettered by the movements of corporate performance of the Company.

International Advisory Board

In 1995 we established the International Advisory Board (IAB) to receive objective advice and suggestions from outside experts for what Komatsu should work for as a global company. As a general rule, it meets twice a year to discuss and engage in information exchange.

Improvement of Internal Control

System to Ensure Directors' Execution of Duties

To ensure the efficient execution of duties by directors, we implement the following:

1) The Board of Directors meets every month and more often as needed. It strives to maintain transparency and soundness of management through the participation of outside directors. We have also established the Regulations of the Board of Directors and the Standards for Agenda of Board Meetings, thereby clarifying the matters on which the Board of Directors should make decisions.
2) Together with the introduction of the Executive Officer System, we have defined the separation of duties for directors, executive officers and senior managers, and set up internal rules including the Regulations of Decision-Making Authority, to ensure appropriate and effective execution of duties.
3) To promote efficient management of the Board of Directors, we have established the Strategy Review Committee consisting of senior executive officers and senior managers. Based on the reviews of the Committee, executive officers and senior managers execute their duties within the authority delegated by the Board of Directors.

Framework to Ensure Appropriateness of Business Operations of the Komatsu Group

1) We have established the Regulations of Affiliated Companies and relevant rules to contribute to proper and efficient operation of Group management while respecting the independence of the management of affiliated companies. We have also positioned the *Komatsu Code of Worldwide Business Conduct* as the code applicable to all companies

affiliated with the Company. Based on these regulations and the code of business conduct, each company of the Komatsu Group stipulates various regulations for the proper promotion of duties.

2) Important committees of the Company, including the Compliance Committee, Risk Management Committee and Export Control Committee, take actions with the entire Group in view, and allow representatives of affiliated companies to take part in their meetings as needed.
3) The Company makes particularly important affiliated companies regularly report to the Board of Directors of the Company on the status of business, including risks and compliance.
4) The Internal Audit Department of the Company audits each division of the Company and implements or supervises auditing of major affiliated companies that belong to the Komatsu Group. It also monitors and instructs each affiliated company so that it will build its structure in conformity with the Company's internal control and operate it correctly.

Basic Policy Pertaining to the Elimination of Antisocial Forces

It is the basic policy of the Company to prohibit the Komatsu Group from having any relation whatsoever with antisocial movements or groups that threaten the order and security of civil society from the perspectives of social justice and corporate social responsibility.

1) This policy is provided in the *Komatsu Code of Worldwide Business Conduct* and diffused throughout the Company as well as each company of the Komatsu Group.
2) The Company works with police and other relevant external organizations to prevent the involvement of antisocial movements or groups in its management and quell any harmful effects they may bring about.
3) The Company is doing its utmost to collect information and receive education training from external organizations, and shares information throughout the Komatsu Group.

Promoting Compliance

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 Code of Worldwide Business Conduct

The company has formulated *Komatsu's Code of Worldwide Business Conduct* (established in 1998 and revised six times to date) as a compilation of best business practices to be observed by officers and employees of Komatsu Group companies all around the globe. The code addresses fair business practices, non-discriminatory personnel systems, endeavors for the global environment, appropriate information management, internal control structure, and other topics. The text of the code has been released to the public in its entirety.

Upholding Thorough Compliance

In order to achieve continual awareness among employees about 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 fully engages in awareness-raising initiatives through a permanent web page dedicated to compliance on its intranet along with well-developed compliance-related education and training tailored to employees' ranks and the types of operations for which they are responsible. The Group pursues early detection of risks and reforms at Komatsu business units and Group companies through monitoring during the course of financial audits and compliance and risk audits. This monitoring covers areas ranging from compliance with best practices in business to 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 Business Rule Consultation Offices, to respond to consultations or reporting from Group company employees pertaining to best business practices or questionable actions. The Group fosters active consultations and reporting by clearly stating in *Komatsu's Code of Worldwide Business Conduct* and Group companies' workplace rules that employees using the reporting system will not be penalized.

The State of Compliance in FY2008

During FY2008, the Komatsu Group experienced no substantial compliance-related infractions or incidents.

Implementing Risk Management

Basic Principles and Structure for Risk Management

As Komatsu continues to make efforts to increase its corporate value, it recognizes as major risks those risk factors that could threaten the company's sustained growth, particularly compliance issues, environmental issues, product quality concerns, accidents, and information security problems. The company has adopted the following measures to counter these risks.

- Komatsu has established Risk Management Rules to correctly recognize and manage risks. The company has appointed personnel to oversee individual risks, further promoting the build-up of a solid foundation for risk management.
- Komatsu has established a Risk Management Committee to devise relevant policies for the entire Komatsu Group, evaluate and improve upon risk measures in place, and take control of risks when they arise. The Risk Management 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.

Implementing a Business Continuity Plan for Komatsu

Komatsu has formulated a Business Continuity Plan (BCP)* to carry out major operations without suspension, or restore them after only a short suspension, should a disaster or accident occur. The company conducted training drills at the Head Office, assuming an earthquake occurring directly beneath the Greater Tokyo Metropolitan area. These drills aimed to empower employees to take appropriate actions in the event of an actual emergency. Komatsu's manufacturing plants have used their BCPs to strengthen the ability of buildings and equipment to withstand earthquakes and step up measures to cope with concentrated torrential rainfalls. Komatsu has established a committee to respond to the incidence and spread of pandemic influenza. To help employees cope with the disease, an action manual has been developed covering prevention and outbreak periods, with education and training also underway to ensure more thorough understanding.

*A plan that systematizes major operations across the entire company such that they can continue without suspension or can be brought back after only a brief suspension.

Promoting Risk Management throughout the Group

To reinforce the risk management structure across the Group, Komatsu is refining the level of management at each Group company through explanatory meetings and study sessions on risk management and BCPs. Additionally, Komatsu is strengthening its Group-wide system for communications in times of emergency by introducing emergency contact and safety confirmation systems, broad-area wireless devices, and other useful tools.

Consolidating Information Security

With the Information Security Committee established in 2005 at the core, Komatsu is developing a structure for information security for the entire Group and implementing various control measures. The company distributes an Information Security Guidebook to all employees with a view to raising their consciousness of thorough compliance with rules. The company has also inaugurated explanatory sessions, education and training (e-Learning), and similar awareness-raising activities at its business units. Komatsu revised its policy for personal information protection in February 2008, reinforcing its appropriate handling of such information.

Working Together with Business Associates and Customers

The Komatsu Group considers partnerships with business associates (suppliers) as the foundation for its business operations. On another front the Group does its utmost to transform customers' diverse aspirations into reality.

Working Together with Business Associates

Partnerships with Business Associates

Relationships of trust with business associates (suppliers) form the foundation of the Komatsu Group's manufacturing operations. Komatsu considers its business associates to be equal partners. Throughout a long history of collaboration, the company and its business associates have overcome various difficulties by jointly addressing issues to realize solutions.

Organizations Facilitating Collaboration

The Komatsu "Midori-kai" group, an association of the company's business associates in Japan, has 162 member companies, which supply roughly 70% of Komatsu's total procurement in Japan.

Komatsu holds various events to foster communication with Midori-kai group members, convening general conferences, round-table discussions for managers, and New Year's informal business functions. These three annual meetings are attended by representatives from each Midori-kai group company as well as Komatsu's top management, providing a forum for interaction and exchanges of opinions. In addition to the Komatsu Shantui Midori-kai group in China that is already active, European and North American Midori-kai groups have been launched, bringing total participation to more than 150 companies outside Japan. Komatsu intends to establish an association of business associates in Asia (other than Japan and China) and strengthen global partnerships with business associates.

Supporting Suppliers in Introducing Environmental Management Systems

Komatsu's support for suppliers in introducing environmental management systems is covered in detail on P. 12.

Representatives of the European and North American Midori-kai groups participated in the round-table discussions for managers held in November 2008.

Compliance, Health, and Safety

Komatsu's commitment to thorough implementation of CSR procurement throughout the supply chain leads the company to ask all business associates to comply with *Komatsu's Code of Worldwide Business Conduct*. Komatsu is continually working to assess the state of safety and quality at business associates through visits and other means for careful fact-finding and close communication, and providing recommendations as necessary.

Nurturing Business Associates

Komatsu holds goals in common with its business associates, together aiming to achieve ever-higher levels of quality, cost, and delivery (QCD) through tireless endeavors for improvement. The company provides education and training in quality control (QC) activities and manufacturing technologies. It also allows employees of Midori-kai group companies to participate in the technical training provided to Komatsu's own employees, assisting these companies in fostering future management. In taking a long-term perspective rather than seeking temporary results, Komatsu takes an "agricultural" approach to procurement, nurturing companies of excellence much the way that farmers raise crops. Ultimately, this will give rise to stability in product quality at Komatsu.

Working Together with Customers

One of Komatsu's primary missions is to enable customers, which the company considers as partners, to realize their aspirations by providing advanced technologies and sharing the value of new products that incorporate such technologies. Towards that end, information technologies factor heavily in the solutions Komatsu offers.

Developing an Autonomous Haulage System Revolutionizing Mining Operations

Komatsu's Autonomous Haulage System (AHS) allows for unmanned operations of multiple super-large dump trucks. AHS can improve the safety and productivity levels of mining operations while lowering overall costs and enhancing environment-friendliness for customers.

A fleet control center monitors dump trucks featuring high-precision global positioning systems (GPS) and autonomous running functions akin to those of a robot. The center specifies the destination of each truck, and by receiving directions wirelessly, the vehicles run autonomously along targeted hauling courses at the proper speed. At the site for loading ore, a dynamic course generating system known as a "path planner" is mounted on hydraulic excavators and other loading equipment, guiding the trucks to the location at which they are to be loaded. Information about the course is also transmitted to the site for dumping the ore, enabling the trucks to dump it at a designated location with certainty. Optimal fleet operations under the AHS enable customers to lower their maintenance costs, energy consumption, and CO_2 emissions.

To ensure safety, the fleet control system prevents collisions with manned vehicles in the same operating area. Should another vehicle or a person happen to come within the vicinity of an autonomous dump truck as it is running, the sensor for obstacles will activate and the vehicle will come to an emergency stop.

Running a manned truck for mining around the clock requires four to five operators per vehicle. Furthermore, many of the world's mines are located in harsh and remote areas for people to work in. Through automation, AHS saves a substantial number of worker-hours and stabilizes operations even in harsh regions such as highlands and deserts.

AHS is one of Komatsu's proprietary advanced technological products, addressing the customers' requirement to stabilize the amount that can be transported per hour. Eleven dump trucks with AHSs have been introduced to Codelco's Gaby mine in Chile and five to Rio Tinto's West Angelas mine in Australia, running without interruption around the clock.

Autonomous dump truck being loaded with 300 tons of copper ore

Quality and Reliability

To enhance Quality and Reliability, Komatsu has established a structure for providing high-quality products and services that are innovative and safe, taking to heart the opinions of customers.

Enhancing Quality and Reliability

The fundamental principle of *Monozukuri* (manufacturing competitiveness) lies in Komatsu's commitment to Quality and Reliability in order to provide products—both hardware and software—that customers are happy to own. To achieve this, Komatsu puts the customer first as one of its Basic Managerial Policies, with the pursuit of maximum customer satisfaction at the foundation. The company carries out a continuous process of reform and refinement with all divisions responsible for putting this policy into practice, whether in development, manufacturing, sales, after-sales service, or administration.

In practical implications, Komatsu includes the global environment, quality assurance, and the education and training of human resources within the scope of its quality management and uses indices to promote such management.

Komatsu's Principles Governing Quality Assurance

Komatsu has established the following principles on quality in its products and services, which all subsidiaries and employees are responsible for putting into practice.

Principles that Increase Quality and Reliability

Provide products, services, and systems that are environment-friendly, safe, and innovative from the perspective of the customer.

Definition of Quality Assurance

The company has a responsibility to take actions that will ensure it is able to provide products and services that the customer can purchase and use with a sense of assurance and satisfaction and use for many years to come.

Principles Governing Quality Assurance

(1) Putting customers first, being receptive to the views of the customer, and responding appropriately to the customer, thereby earning the customer's satisfaction, are fundamental to the job of every employee and constitute the responsibility of every employee.

(2) Complying with international standards and the legal requirements particular to individual countries as a matter of course, and providing products and services that, from the perspective of the customer, have incorporated proper regard for safety and a sense of assurance and that do not easily malfunction, are fundamental to the job of every employee and constitute the responsibility of every employee.

(3) Providing products and services that incorporate proper regard for global environmental conservation is fundamental to the job of every employee and constitute the responsibility of every employee.

(4) Providing products and services that are creative and provide benefits to the customer is fundamental to the job of every employee and constitute the responsibility of every employee.

(5) Giving the customer a sense of safety, assurance, satisfaction, and the ability to use the product for many years to come is a source of happiness for every employee.

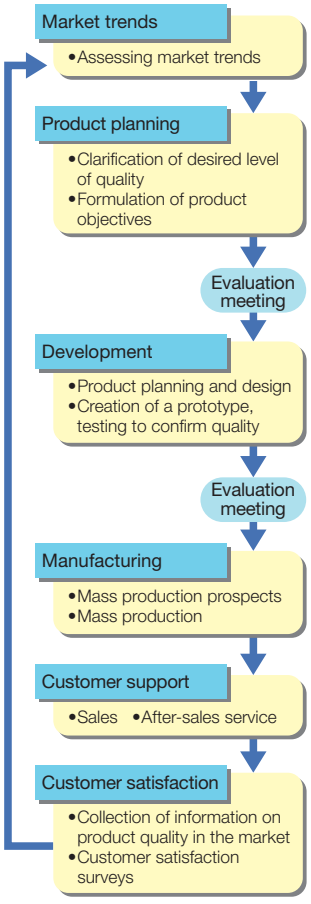
Mechanisms for Quality Assurance

At Komatsu, all employees in each division, from product planning to development, manufacturing, sales, and after-sales service, share a sense of working as a single unit to continually develop products that are safe, innovative, and of high quality. Through a strengthening of Komatsu's unique *Monozukuri* system, the company is able to introduce competitive DANTOTSU products to the market and provide services and systems with substantial features.

At each step of the development and manufacturing system, meetings are held to consider and evaluate the product. The product's suitability is then assessed and enhanced until the ultimate goal is attained. In this way, the company conducts quality assurance activities that firmly ensure Quality and Reliability.

Through such approaches the company is able to strengthen safety assurance and satisfaction for customers while simultaneously providing products and services that take the global environment into account and comply with both international specifications and the regulatory requirements of individual countries.

Komatsu's Mechanisms for Quality Assurance



Structure for Quality Assurance

The majority of Komatsu's products—construction and mining equipment, presses, and forklifts—are used as manufacturing equipment at customers' sites of operation. These products are expected to contribute to customers through a higher rate of operation and productivity over long hours every day. In reflection of these product characteristics, sales and after-sales service personnel at Komatsu visit customers to give detailed recommendations on products and their usage and conduct maintenance activities. They then provide feedback to relevant divisions regarding the views and requirements that the customers have for these products. The company has created a system to increase customer satisfaction through rapid responses to such information.

Moreover, Komatsu maintains a database on product quality in the market so that the company can respond rapidly upon discovering a quality-related problem and have all the company's sales and after-sales service divisions able to access the information they need to help remedy the issue.

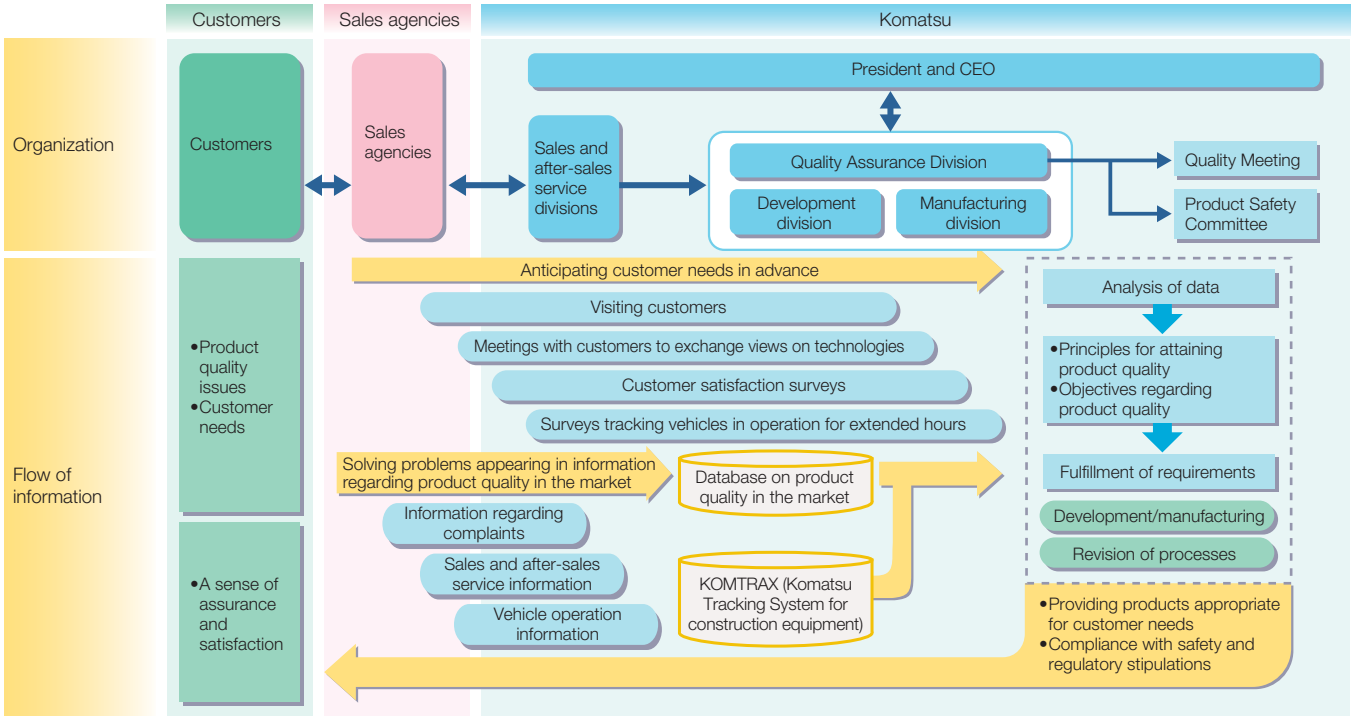
Increasing the Degree of Customer Satisfaction

Based on its Principles Governing Quality Assurance, Komatsu has piloted a variety of initiatives to increase customer satisfaction.

First, Komatsu believes it is extremely important to give serious consideration to customers' views and examine them on a continuous basis. Consequently the company conducts regular customer satisfaction surveys, including post-launch field surveys. Komatsu uses the results to improve both the products themselves and the structure promoting quality assurance. The surveys help furnish new value to customers as the company develops DANTOTSU products that anticipate customer needs in advance and delivers services with distinct features.

Komatsu is able to raise the level of customer satisfaction through these approaches.

Komatsu's Structure for Quality Assurance



Post-launch Field Surveys and Feedback of Results

Komatsu's post-launch field survey is part of its system for comprehensively assessing customers' degree of satisfaction, with company personnel visiting purchasers of newly launched products to request product evaluations.

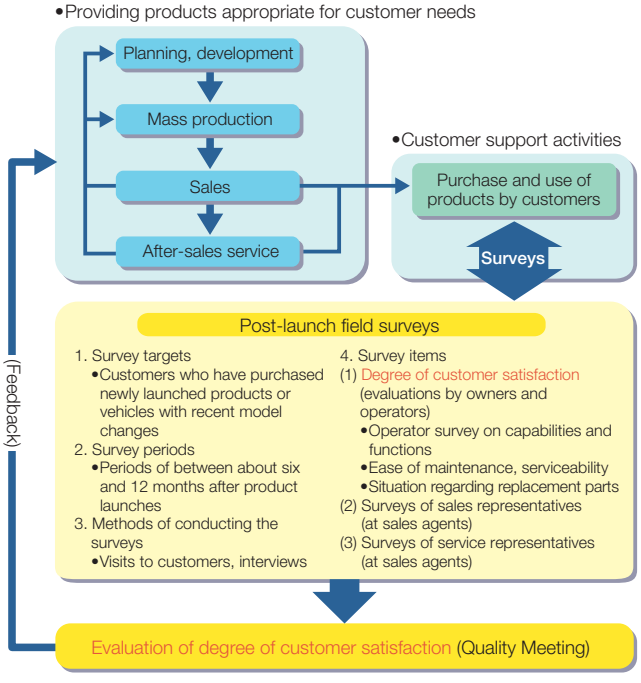
In concrete terms, these personnel listen to customers' feedback on a day-to-day basis regarding the degree of satisfaction towards the quality and reliability of its products. The company pays careful attention to the evaluations, views, and requests concerning its sales and after-sales service and replacement parts. Komatsu processes and analyzes the gathered data to decide upon objectives for improvement. The resulting information is shared across the company, notably with top management, and provided as feedback to divisions at every step in the process, including development, manufacturing, and sales and after-sales service. With the means to improve upon problems and revise the quality assurance system, the company can deliver products and services that satisfy customers.

Surveys Tracking Vehicles in Operation for Extended Hours*

Komatsu pursues improvements in product durability and reliability through a system of surveys tracking vehicles in operation for extended hours. This allows the company to provide products satisfying the customer and consuming fewer resources. Komatsu personnel physically take apart vehicles that have been in operation for extended hours at customers' worksites in order to investigate durability, reliability, and economic efficiency and analyze any reductions in capability and functionality. The company assesses whether or not the results satisfy customers' expectations and the degree to which their demands match product quality objectives at Komatsu. The company designs proposals to rectify areas not achieving desired quality levels, later integrating these proposals into product revisions or the development of new products. This process increases product durability and reliability and thus extends product lifecycles, leading to greater customer satisfaction and less resource consumption and waste.

*Defined as vehicles with an operating history of 5,000 hours or more

System for Assessing the Degree of Customer Satisfaction



Using IT to Support Customers throughout the Product Life Cycle

Komatsu uses IT-based remote vehicle management systems known as the Komatsu Tracking System (KOMTRAX) for conventional construction equipment and the Vehicle Health Monitoring System (VHMS) for large mining equipment to indicate the current state of the vehicle's "health," its operating status, and other key information. Using this information to improve vehicle quality or assess customer needs for after-sales services, Komatsu provides customers support throughout the product lifecycle by increasing vehicles' rates of operation while decreasing their maintenance costs.

Quality Assurance Activities at the Global Level

Komatsu provides products of the highest quality at every location throughout the world by fully implementing quality assurance activities globally. For this purpose, the company aims for uniform technical drawings, manufacturing systems, inspection methods, information collection, and quality management across the globe.

Komatsu labels as "mother plants" certain global manufacturing locations with product development capabilities. These plants serve at the center of worldwide development and manufacturing activities, with their leading-edge technologies and techniques then transferred to other manufacturing locations around the world. This improves technology and enhances product quality, making them uniform throughout the company.

Promoting Product Safety to Ensure Customer Safety and Assurance

Komatsu puts safety and assurance at the forefront in its quality assurance activities. The company has formulated Standards for Product Safety and associated Principles and has all employees comply with them in order to deliver products that are safe, provide a sense of assurance, and can be used for many years.

Information System for Product Safety and Services

In seeking to get information on problems with product safety as early as possible, Komatsu has established an information system for product safety and promptly deals with issues.

It continuously strives to make improvements so that the company, including top management, can respond quickly through coordinated actions, including (1) assessing the cause of the incident and procedures to be taken, (2) contacting the relevant governing authorities, (3) deciding to take remedial measures such as a recall of products still on the market.

Standards for Product Safety

(1) Compliance
The provision of products and services that comply with international standards and the legal requirements particular to individual countries is fundamental to the job of every employee and constitutes the responsibility of every employee.

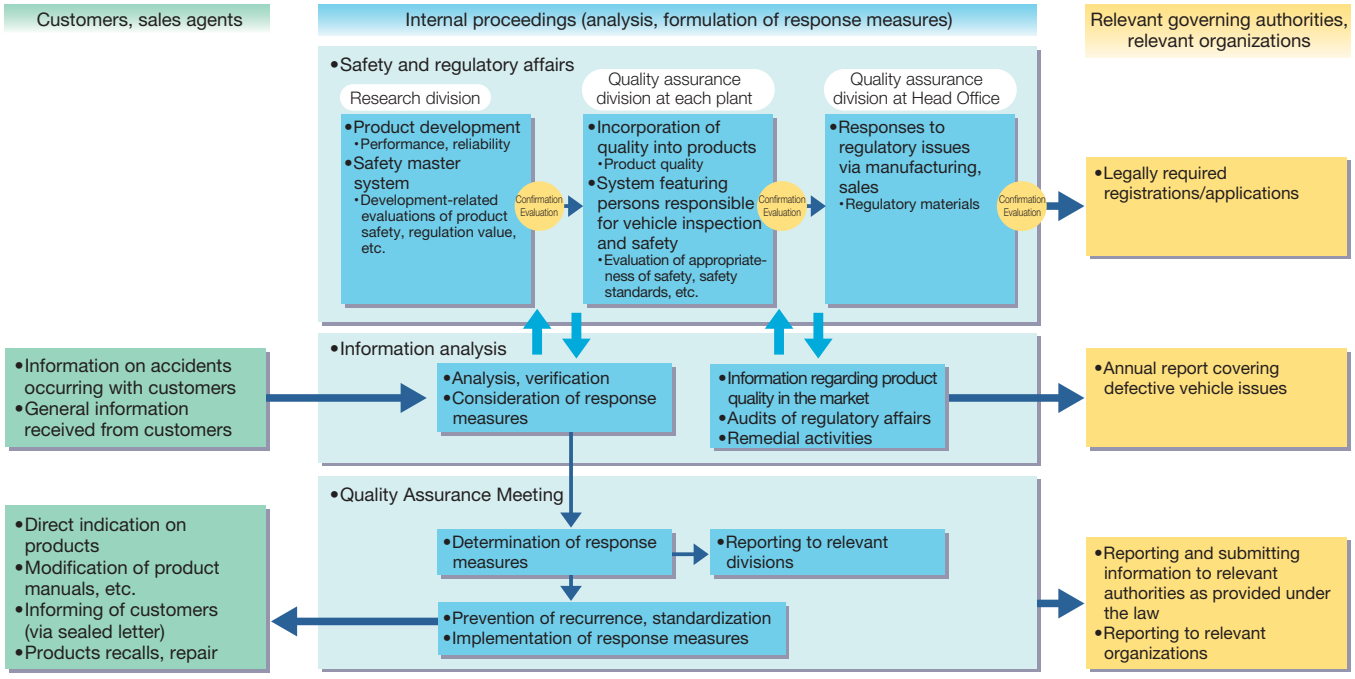
(2) Safety via prevention
The provision of products and services that are safe and provide a sense of assurance, and do no harm to the customer is fundamental to the job of every employee and constitutes the responsibility of every employee.

(3) Security regarding accidents
The provision of products and services that minimize any injury that might occur to a customer who has an accident is fundamental to the job of every employee and constitutes the responsibility of every employee.

(4) Transparency
The ongoing provision of advance safety warnings after receiving information from the customer and, in the case of a defect arising in a product or service, prompt response measures and the provision of information, are fundamental to the job of every employee and constitute the responsibility of every employee.

(5) Improvement of organizational climate
In order to create a corporate climate in which product safety is emphasized, the standardization of the safety management system and safety techniques as well as ongoing efforts to improve them are at all times fundamental to the job of every employee and constitute the responsibility of every employee.

The Komatsu Information System for Product Safety



Providing Product Safety Information to Customers

Komatsu meets legal requirements for providing safety information to customers through (1) direct indication on products or in user's manuals, (2) direct explanations by sales and after-sales service personnel, and (3) telephone consultations with sales and after-sales service divisions at plants. The company seeks to address each particular situation, with, for example, engineers or top management visiting customers as the situation might require.

System for Dealing with Recalls

In recent years, customers have become more concerned about product safety in general and product recalls in particular. To help ensure product safety in the market, Komatsu is reinforcing its recall-related organizational strength, comprehensive response capabilities, procedures for prompt corrective measures, and proactive information disclosure while employing increasingly rigorous monitoring.

Procedure Governing Recalls

(1) Proposal for rectification of the situation based on information regarding the defect; decision regarding what measures the company will take towards the market
(2) File notice with relevant authorities as provided under the law
(3) Inform customers by appropriate means
(4) Take appropriate corrective measures, including, for example, repair, replacement, or refund

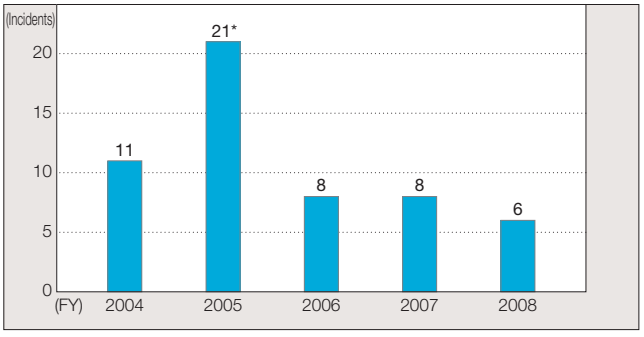
Means for Preventing Recalls

(1) Strengthening of system for collecting information on product quality in the market
(2) Promotion of technical verification of the problem involved in the recall and timely decision-making
(3) Strengthening of check system that features persons responsible for vehicle inspection and safety
(4) Regular auditing of recall-related operations

Number of Incidents with Recall Notices Filed

Komatsu strictly oversees compliance with legal requirements. Should a defect somehow be found in its products or services, the company initiates prompt correction measures and moves forward with proactive information disclosure. The graph below indicates the number of incidents in which recall notices were filed. The company will continue to pursue safety to the greatest extent possible in the years to come.

Number of Incidents with Recall Notices Filed (for construction equipment sold in Japan)



*The number of incidents shows an increase in FY2005, when Komatsu thoroughly investigated product quality information from the previous five years and decided voluntarily to file notices and take remedial action for ensuring the safety of vehicles for transporting goods by road.

Data on Environmental Impact Resulting from Business Activities

Relationship between Business Activities and the Environment

The Komatsu Group procures various parts and materials and, through the manufacturing process, utilizes the earth's resources, including raw materials, water, energy, and chemical substances, among others, to provide products to customers. Such business activities impact the environment at each stage in the process.

The Komatsu Group will continue to provide more highly value-added products and services while assessing the environmental impacts resulting from its business activities, formulating medium- and long-term objectives, and introducing measures to reduce such impacts.

Environmental Impact Resulting from Business Activities of Komatsu Group Companies, including Facilities outside Japan (FY2008)

Input

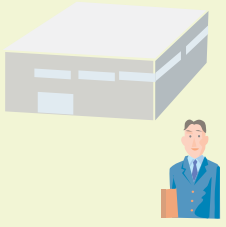
Direct Materials
Steel 856,800 t

Indirect Materials
Paints 1,830 t*1
Lubricants 12,441 kℓ*1

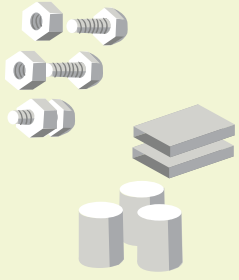
Energy
Electricity 698 GWh
Heavy oil A 10,000 kℓ
Kerosene 6,000 kℓ
Light oil 12,000 kℓ
Natural gas 12 million Nm^3
LPG 7,000 t
Gasoline 500 kℓ
LNG 7 million Nm^3
Coke 5,000 t

Water Resources
Groundwater 7.3 million m^3
Industrial water 0.2 million m^3
Supply water 0.9 million m^3

Development
- Environment & Economy
- LCA design
- Medium-term targets for development of environmental technology



Procurement of Materials
- Green procurement



Manufacturing
(27 Komatsu Group Manufacturing Facilities in and outside Japan)
- Mitigation of climate change (energy conservation)
- Effective utilization of resources (zero emissions)
- Environmental risk management
- Elimination of hazardous chemical substances*1
- Termination of use of organic chlorinated cleaning solvents*2

Environmental Risks (Air, soil, and groundwater pollution)

Measures for underground oil tanks	Completed*1
Storage for PCB transformers	591 units*2
Groundwater observation wells	99 wells*2
Company on-site landfills	Closed

Product
Product weight (construction and mining equipment) 1,302,000 t
Number of products (construction and mining equipment) 62,116 vehicles

Output

Waste
Total amount generated 125,000 t*2
Substances under the Pollutant Release and Transfer Register (PRTR) Law 78.3 t*2

Waste Recycling
Recycling amount 100,000 t*2

Hazardous waste manifests

Use in other industrial sectors

Waste Disposal
Waste materials disposed by subcontractor 25,000 t*2
(Company on-site landfill of waste materials 0 t)

Atmospheric Discharges

CO_2	449,000 t-CO_2
SOx	107 t
NOx	280 t
Substances under the PRTR Law	979.6 t*2

Noise and vibration

Water-based Discharges

Wastewater	7.5 million m^3*2
BOD emissions	17 t*2
COD emissions	22 t*2
Substances under the PRTR Law (public water areas)	0.0 t*2
Substances under the PRTR Law (sewerage)	0 t*2

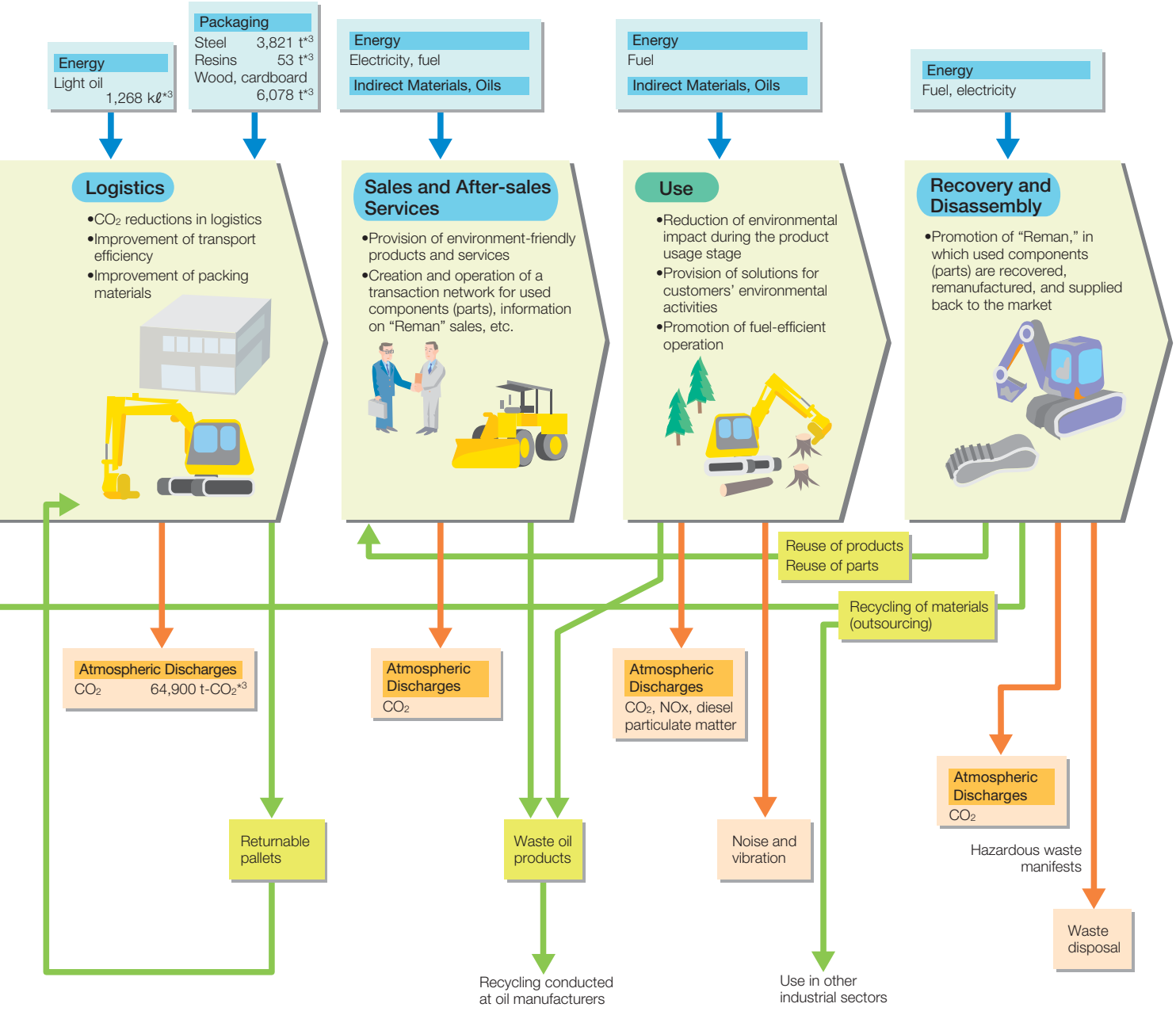
Coverage of Data
*1 Komatsu manufacturing facilities
*2 Komatsu Group manufacturing facilities in Japan
*3 Logistics from procurement to sales related to construction equipment in Japan

CO_2 emissions: Calculated by multiplying the amounts of electricity, heavy oil, etc. used (see Energy section of Input column) by the "CO_2 coefficient" in each area. (In Japan, the coefficient for fuel is calculated in keeping with the Law concerning the Rational Use of Energy [Revised] and the Mandatory Greenhouse Gas Accounting and Reporting System that entered into force in April 2006. The coefficient for electricity is calculated in keeping with the guidelines for calculation stipulated by the Ministry of the Environment of Japan in FY1999, which are based on the Act on Promotion of Global Warming Countermeasures.)

SOx emissions: Calculated by multiplying the "S content by percentage" (based on element tables of suppliers) by the amounts of heavy oil, kerosene, light oil, and coke used.

NOx emissions: Calculated by multiplying the "nitrogen oxide emissions units" (obtained at each Komatsu facility) by the amounts of heavy oil, kerosene, light oil, natural gas, and LPG used.

Emissions and transfer of substances covered by the PRTR Law: Calculated by the "content ratio of specific chemical substances" contained in indirect materials multiplied by the "discharge or transfer rate." This calculation is based on the PRTR Law, which was designed to mandate the disclosure of the amount of specific chemical substances released into the environment to promote the management of such substances.



Environmental Education and Training

Courses in Environmental Education and Training in Japan (excluding general environmental courses)

Organizer	No.	Course name	Target	Participants			
				FY2005	FY2006	FY2007	FY2008
Head Office	1	Advanced environmental education (held every two years)	Environmental specialists (Komatsu and affiliates)	28	—	19	—
	2	Overview of the ISO14000 series	Administrators (Komatsu, affiliates, and business associates)	42	29	36	32
	3	Training of internal auditors/Refresher courses	Environmental auditors (Komatsu, affiliates, and business associates)	30	60	51	41
	4	Development and manufacturing (introductory)	Development and manufacturing staff (for second-year employees)	56	73	97	139
	5	Environmental training for manufacturing engineers	Assistant foremen, foremen, manufacturing engineers, students of Komatsu Institute of Technology		50	50	66
	6	Training new employees	New recruits	89	125	186	227
	7	Lectures on the environment, experience-oriented education	Komatsu Group managers and employees		468	308	1,329
	8	Education for enhanced environmental understanding (e-Learning)	Komatsu Group managers	1,294	767	—	—
	9	Education to refresh environmental understanding (e-Learning)	Komatsu Group managers and employees		4,675	191	164
Divisions overseeing environmental management at plants	1	Education in the basics of auditing	Managers and employees	269	241	371	153
	2	Overview of the ISO14000 series	Managers and employees	62	0	2,138	302
	3	Training of internal auditors	Environmental auditors	232	76	30	59
	4	Training new employees	New recruits	707	418	666	675
	5	Regulatory education and personnel exchange	Managers and employees	590	1,084	788	1,276
	6	Specialist training	Environmental conservation practitioners (persons involved in regulatory affairs, etc.)	553	277	113	1,776

In addition to the education and training courses listed in the chart above, Komatsu also held explanatory sessions in Japan at business associates regarding the introduction of environmental management systems and at sales agents regarding the Group's environmental guidelines (see P. 12).

Number of Persons Having Environment-related Certificate

Certificate name	Number of persons with certificate*			
	FY2005	FY2006	FY2007	FY2008
Pollution control administrators	247 (60)	209 (53)	192 (51)	195 (49)
Energy administrators	49 (11)	42 (14)	39 (14)	40 (13)
Environmental management system auditors	8	7	8	8

*Figures in parentheses indicate the number of officers required.

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

Responding to the increase in environmental conservation awareness around the world, Komatsu has been making efforts from an early stage to reduce the use of asbestos, lead, and other substances of environmental concern. In FY1999, using chemical substances banned under Japan's Law Concerning the Examination and Regulation of Manufacture of Chemical Substances Control and other regulations in developed countries as a base, Komatsu stipulated its own list of substances banned from use and substances approved for use only in limited circumstances (see chart at left) and began comprehensive control of substances of environmental concern. The company has already reduced its dependence on substances approved for limited use in keeping with its medium- and long-term targets for development of environmental technology.

In response to the enactment of the EU regulation addressing Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) in 2007, Komatsu reviewed the list of substances approved for limited use and revised the designation of certain substances to be "reduced" or "banned" as appropriate. Through cooperation with suppliers, the company has initiated a system to strengthen control of substances of environmental concern in products.

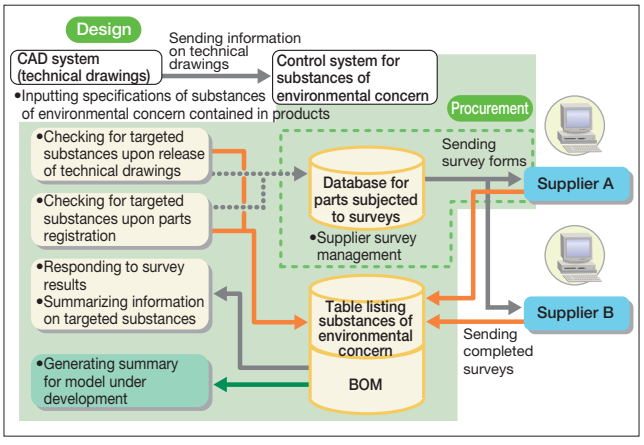
Substances of Environmental Concern Banned or to Be Reduced for Use in Products

Designation	Number of substances	Name of substance
Banned	14	•PCBs •Asbestos •Specified chlorofluorocarbons, hydrochlorofluorocarbons (HCFCs) •Trichloroethylene •Triethanolamine •Chromium (VI)*1 •Cadmium*1 •Polybrominated biphenyl (PBB)*1, polybrominated diphenyl ether (PBDE)*1 •Polycyclic aromatic hydrocarbons*1 •Perfluorooctanesulfonic acid (PFOS)*2 •Short chain chlorinated paraffins*2 •Bis (tributyltin) oxide*2
To be reduced (subject to limited use)	11	•Lead •Mercury •Arsenic •Selenium •Hydrofluorocarbons (HFCs) •Hexabromocyclododecane (HBCDD)*2 •Methanol •Hexachlorobenzene •Bis (2-ethylhexyl) phthalate (DEHP)*2, dibutyl phthalate (DBP)*2, benzyl butyl phthalate (BBP)*2
Substances of Very High Concern (SVHC) under the EU REACH regulation	(15)	Komatsu is currently examining whether to designate the following substances, which may be used in Komatsu products, as substances to be reduced. •Lead arsenate, diarsenic pentaoxide, diarsenic trioxide, triethyl arsenate •Bis (2-ethylhexyl) phthalate (DEHP)*2, dibutyl phthalate (DBP)*2, benzyl butyl phthalate (BBP)*2 •Short chain chlorinated paraffins*2 •Bis (tributyltin) oxide*2

*1 Scheduled to be banned from January 2010

*2 Substances newly banned or to be reduced

Control System for Substances of Environmental Concern



Chemical Substance Control and Pollution Mitigation and Prevention

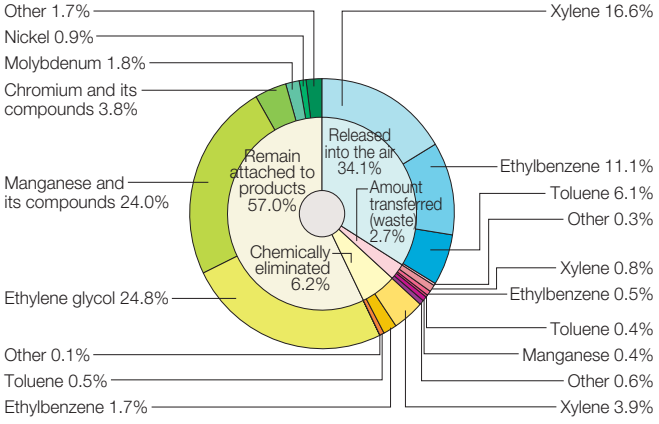
Names of Class I Specific Chemical Substances and the Amounts Released and Transferred by Komatsu and the Komatsu Group Manufacturing Facilities in Japan (Handled amount of 1 ton or more)

(Unit: tons)

Number under the PRTR Law	Name	Amount handled	Amount released				Amount transferred		Chemically transformed or eliminated	Amount contained in products
			Air	Water	Soil	Buried	Sewerage	Disposed		
43	Ethylene glycol	716.6	0.1	—	—	—	—	5.5	—	710.9
311	Manganese and its compounds	700.4	1.1	—	—	—	—	11.1	0.0	688.2
63	Xylene	616.6	477.0	—	—	—	—	23.8	111.7	4.2
40	Ethylbenzene	379.3	316.9	—	—	—	—	13.2	48.3	0.9
227	Toluene	206.3	173.7	—	—	—	—	11.4	14.8	6.4
68	Chromium and chromium (III) compounds	111.2	0.0	—	—	—	—	1.3	—	109.8
346	Molybdenum and its compounds	49.8	0.0	—	—	—	—	0.0	0.0	49.8
231	Nickel	26.9	0.0	—	—	—	—	0.2	—	26.6
224	1,3,5-trimethylbenzene	19.6	8.1	—	—	—	—	0.2	0.7	10.6
69	Chromium (VI) compounds*	14.1	0.0	—	—	—	—	3.4	—	—
266	Phenol	11.2	0.0	—	—	—	—	0.0	—	11.2
100	Cobalt and its compounds	8.9	—	—	—	—	—	0.5	—	8.4
30	Bisphenol A type epoxy resin (liquid)	4.4	—	—	—	—	—	1.4	—	3.0
243	Barium and its water-soluble compounds	3.8	—	—	—	—	—	3.5	—	0.2
310	Formaldehyde	1.9	0.0	—	—	—	—	—	—	1.9
299	Benzene	1.9	0.0	—	—	—	—	—	0.5	1.3
16	2-aminoethanol	1.5	—	0.0	—	—	—	1.5	0.0	—
230	Lead and its compounds	1.4	—	—	—	—	—	0.6	—	0.8

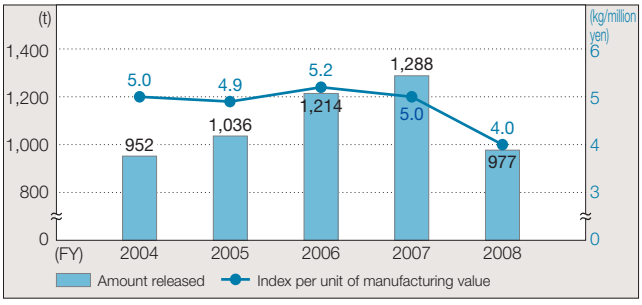
*During chrome plating, chromium (VI) compounds become chromium (III) compounds. Therefore, the amount transferred and the amount contained in products are totaled in "chromium and chromium (III) compounds."

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



Note: Substances handled in quantities of 1 ton or more

Changes in the Amounts of PRTR-related Substances Released* by Komatsu and the Komatsu Group Manufacturing Facilities in Japan

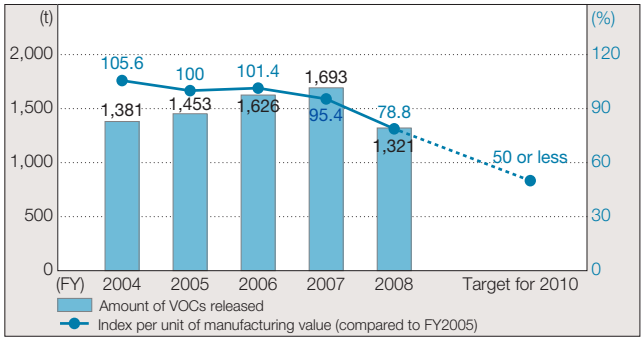


*Substances handled in quantities of 1 ton or more

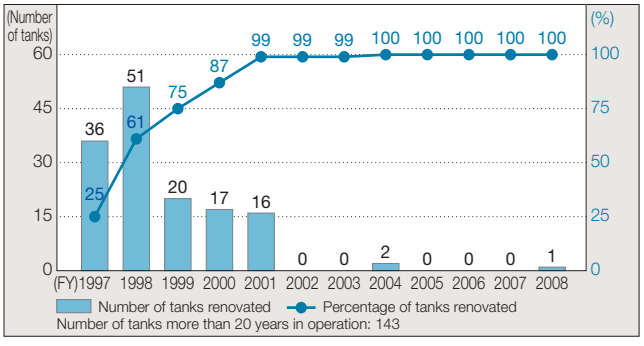
Control Based on the Komatsu Guidelines for the Control of Chemical Substances

Prohibited substances	Substances to be reduced	Substances to be controlled properly
1,742	2,336	1,336

Amount of VOCs Released by Komatsu and the Komatsu Group Manufacturing Facilities in Japan



Renovation of Underground Tanks in Operation More Than 20 Years at Komatsu and the Komatsu Group Manufacturing Facilities in Japan



Environmental Data by Manufacturing Facility in Japan

Overview

Manufacturing facility	Awazu Plant (established in 1921)	Osaka Plant (established in 1952)	Mooka Plant (established in 1971)
Location	Komatsu, Ishikawa Prefecture	Hirakata, Osaka Prefecture	Mooka, Tochigi Prefecture
Main products	Small and medium-sized bulldozers, small hydraulic excavators, small and medium-sized wheel loaders, motor graders, large presses, armored vehicles, etc.	Large bulldozers, medium-sized and large hydraulic excavators, mobile crushers/ recyclers/tub grinders (crushers, soil stabilizers, tub grinders, etc.)	Large wheel loaders, dump trucks, axles
Site/building area (1,000 m²)	971/225	554/120	492/88
Number of employees	4,565	1,565	1,563
Date of ISO14001 certification acquisition	September 1997	July 1997	April 2000

*The number of employees includes those working for Komatsu affiliates on the premises.
*Established year means as Komatsu Group.

Major Performance

Environmental impact

*Refer to the Data on Environmental Impact Resulting from Business Activities (PP. 41–42) for details on the methods used to calculate amounts.
*Total emissions of waste are expressed as a composite of the amount recycled (excluding valuables) and the amount disposed.
*Recycling rate is calculated by dividing the amount recycled (including valuables) by the amount generated (including valuables).
*Total emissions of BOD and COD are calculated by multiplying the average concentration by the amount of wastewater.

Item	Actual value	Item	Actual value	Item	Actual value
Total CO_2 emissions	51,352 t-CO_2	Total CO_2 emissions	38,532 t-CO_2	Total CO_2 emissions	13,373 t-CO_2
NOx total amount	18,794 kg	NOx total amount	4,922 kg	NOx total amount	73,544 kg
SOx total amount	2,816 kg	SOx total amount	0 kg	SOx total amount	561 kg
Total emissions of waste	3,647 t	Total emissions of waste	2,991 t	Total emissions of waste	818 t
Amount recycled	3,624 t	Amount recycled	2,990 t	Amount recycled	818 t
Recycling rate	99.5 %	Recycling rate	100 %	Recycling rate	100 %
BOD emissions	6,272 kg	BOD emissions	142 kg	BOD emissions	78 kg
COD emissions	10,244 kg	COD emissions	646 kg	COD emissions	425 kg
Wastewater	2,900,221 m³/year	Wastewater	122,877 m³/year	Wastewater	36,208 m³/year

Energy consumption

*The heat energy conversion factor is calculated in keeping with the guidelines for calculation stipulated by the Ministry of the Environment of Japan in FY1999, which are based on the Act on Promotion of Global Warming Countermeasures.

Item	Actual consumption	Converted to calorie equivalents (GJ)	Item	Actual consumption	Converted to calorie equivalents (GJ)	Item	Actual consumption	Converted to calorie equivalents (GJ)
Electricity	94,754 MWh	924,630	Electricity	76,092 MWh	739,567	Electricity	25,153 MWh	250,775
Heavy oil A	3,076 kℓ	120,283	Heavy oil A	203 kℓ	7,937	Heavy oil A	270 kℓ	10,557
Kerosene	14 kℓ	506	Kerosene	65 kℓ	2,386	Kerosene	25 kℓ	881
Light oil	387 kℓ	14,787	Light oil	404 kℓ	15,433	Light oil	913 kℓ	34,915
LPG, et al.		92,973	LPG, et al.		156,838	LPG, et al.		8,799
Total		1,153,179	Total		922,161	Total		305,927

*Data for the Awazu Plant include data for the Komatsu and Kanazawa Plants and Komatsu Engineering Corp. (Awazu).
*Data for the Osaka Plant include data for the Rokko Plant.
*Data for the Mooka Plant include data for the Ibaraki Plant.

Compliance Conditions to Major Regulations

Air

Item	Unit	Facility	Regulated value	Actual value	Facility	Regulated value	Actual value	Facility	Regulated value	Actual value
Nitrogen oxides (NOx)	ppm	Boiler	180	98	Boiler	150	17	Boiler	180	67
	ppm	Heating furnace	180	30	Metal furnace	180	105	Diesel engine	950	470
	ppm	Diesel engine	950	660	Paint drying furnace	230	15			
	ppm									
Sulfur oxides (SOx)	—	K-value regulation	17.5	1.59	Regulation of total emissions (Nm³/h)	1.573	0.002	K-value regulation	8.0	1.73
Soot and dust	g/Nm³	Boiler	0.3	0.003	Boiler	0.03	0.0056	Boiler	0.3	0.005
	g/Nm³	Heating furnace	0.2	0.001	Metal furnace	0.1	0.013	Diesel engine	0.1	0.074
	g/Nm³	Diesel engine	0.1	0.008	Paint drying furnace	0.1	0.013			
	g/Nm³									

*Regulated values are in accordance with the Air Pollution Control Law and local regulations.

Wastewater

Item	Regulated value according to the Water Pollution Control Law Unit	Regulated value	Actual value Maximum	Minimum	Average	Regulated value	Actual value Maximum	Minimum	Average	Regulated value	Actual value Maximum	Minimum	Average
pH	5.8–8.6	5.8–8.6	7.6	6.5	7.1	5.8–8.6	7.8	7.4	7.5	5.8–8.6	7.5	6.9	7.1
BOD	160 mg/ℓ	80	56	ND	9.0	25	1.9	0.5	1.2	25	4.2	ND	2.2
COD	160 mg/ℓ	80	69	1.1	7	25	7.8	3.1	5.3	120	30	3.8	11.7
Suspended solids (SS)	200 mg/ℓ	120	37	ND	3	80	3.2	1.6	2.1	50	ND	ND	ND
Mineral oils	5 mg/ℓ	5	2.1	ND	0.6	3	0.2	ND	0.2	5	ND	ND	ND
Copper	3 mg/ℓ	3	ND	ND	ND	3	ND	ND	ND	3	ND	ND	ND
Zinc	2 mg/ℓ	2	0.3	ND	0.1	2	0.18	ND	0.12	2	0.1	ND	0.1
Nitrogen	120 mg/ℓ	120	36	1.4	8.0	120	4.9	4.7	4.8	120	16.0	14.0	15.0
Phosphorus	16 mg/ℓ	16	4.1	0.02	0.67	16	0.37	0.03	0.20	16	3.8	2.7	3.3
Cadmium	0.1 mg/ℓ	0.1	ND	ND	ND	0.01	ND	ND	ND	0.1	ND	ND	ND
Lead	0.1 mg/ℓ	0.1	ND	ND	ND	0.01	ND	ND	ND	0.1	ND	ND	ND
Chromium (VI)	0.5 mg/ℓ	0.5	ND	ND	ND	0.05	ND	ND	ND	0.1	ND	ND	ND
Trichloroethylene	0.3 mg/ℓ	0.3	0.011	ND	0.004	0.03	ND	ND	ND	0.3	ND	ND	ND
Tetrachloroethylene	0.1 mg/ℓ	0.1	ND	ND	ND	0.01	0.0008	ND	0.0007	0.1	ND	ND	ND
Dichloromethane	0.2 mg/ℓ	0.2	ND	ND	ND	0.02	ND	ND	ND	0.2	ND	ND	ND
1,1,1-trichloroethane	3 mg/ℓ	3	0.007	ND	0.001	1	ND	ND	ND	3	ND	ND	ND

*Regulated values are in accordance with the Water Pollution Control Law and local regulations.
*ND is considered to be the lower limit of detection when calculating the average.
*ND ("not detected") indicates a value below the lower limit of detection.
*Other items are confirmed to be below the regulated value.

Oyama Plant (established in 1962)	Koriyama Plant (established in 1995)	Shonan Plant (established in 1966)	Research Division (established in 1985)
Oyama, Tochigi Prefecture	Koriyama, Fukushima Prefecture	Hiratsuka, Kanagawa Prefecture	Hiratsuka, Kanagawa Prefecture
Engines for construction/industrial machinery, diesel generators, hydraulic equipment, excimer lasers, etc.	Hydraulic cylinders, swivel joints, gear pumps	Control equipment for construction and mining equipment, hybrid components, thermoelectric modules, temperature control equipment, etc.	R&D on business fields of the Komatsu Group
591/113	296/19	40/2	195/0
2,500	391	546	191
May 1997	July 2002	March 2000	May 2008

Item	Actual value
Total CO_2 emissions	72,493 t-CO_2
NOx total amount	65,621 kg
SOx total amount	98 kg
Total emissions of waste	6,482 t
Amount recycled	6,482 t
Recycling rate	100 %
BOD emissions	2,005 kg
COD emissions	4,811 kg
Wastewater	568,800 m³/year

Item	Actual value
Total CO_2 emissions	11,530 t-CO_2
NOx total amount	63,563 kg
SOx total amount	3,929 kg
Total emissions of waste	1,110 t
Amount recycled	1,110 t
Recycling rate	100 %
BOD emissions	60 kg
COD emissions	230 kg
Wastewater	18,902 m³/year

Item	Actual value
Total CO_2 emissions	2,154 t-CO_2
NOx total amount	0 kg
SOx total amount	0 kg
Total emissions of waste	117 t
Amount recycled	117 t
Recycling rate	100 %
BOD emissions	1,905 kg
COD emissions	0 kg
Wastewater	17,358 m³/year

Item	Actual value
Total CO_2 emissions	2,546 t-CO_2
NOx total amount	612 kg
SOx total amount	23 kg
Total emissions of waste	135 t
Amount recycled	117 t
Recycling rate	86 %
BOD emissions	8 kg
COD emissions	23 kg
Wastewater	5,097 m³/year

Item	Actual consumption	Converted to calorie equivalents (GJ)
Electricity	100,878 MWh	979,165
Heavy oil A	271 kℓ	10,596
Kerosene	4,064 kℓ	149,149
Light oil	2,744 kℓ	104,859
LPG, et al.		304,496
Total		1,548,264

Item	Actual consumption	Converted to calorie equivalents (GJ)
Electricity	11,423 MWh	113,887
Heavy oil A	2,358 kℓ	92,198
Kerosene	0 kℓ	0
Light oil	0 kℓ	0
LPG, et al.		12,600
Total		218,685

Item	Actual consumption	Converted to calorie equivalents (GJ)
Electricity	5,539 MWh	55,224
Heavy oil A	0 kℓ	0
Kerosene	0 kℓ	0
Light oil	0 kℓ	0
LPG, et al.		573
Total		55,797

Item	Actual consumption	Converted to calorie equivalents (GJ)
Electricity	4,741 MWh	45,783
Heavy oil A	18 kℓ	704
Kerosene	83 kℓ	3,046
Light oil	47 kℓ	1,776
LPG, et al.		6,738
Total		58,047

*Data for the Shonan Plant include data for KELK Ltd.

Facility	Regulated value	Actual value
Diesel engine	950	890
Gas turbine	70	21
Boiler	180	81
Annealing furnace	200	40
K-value regulation	7.0	2.81
Diesel engine	0.1	0.050
Boiler	0.3	0.003
Annealing furnace	0.25	0.01
Electric furnace	0.2	0.001

Facility	Regulated value	Actual value
Cogeneration engine	760	640
K-value regulation	6.42	0.38
Tempering (electric) furnace	0.2	0.003 or less
Baking (electric) furnace	0.2	0.003 or less
Cogeneration engine	0.2	0.071

Facility	Regulated value	Actual value
N/A	—	—
N/A	—	—

Facility	Regulated value	Actual value
Service generator	624	240
Cold/hot water generator	390	62
K-value regulation	11.5	0.2
Service generator	0.1	0.041
Cold/hot water generator	0.2	0.001

Regulated value	Actual value		
	Maximum	Minimum	Average
5.8–8.6	7.4	7	7.2
25	6.4	1.3	3.5
25	15.6	3.9	8.5
50	16.0	3.2	8.4
5	0.7	ND	0.5
3	ND	ND	ND
2	0.12	ND	0.06
—	—	—	—
—	—	—	—
0.1	ND	ND	ND
0.1	ND	ND	ND
0.1	ND	ND	ND
0.3	ND	ND	ND
0.1	ND	ND	ND
—	—	—	—
3	ND	ND	ND

Regulated value	Actual value		
	Maximum	Minimum	Average
5.8–8.6	7.6	6.3	7.0
25	5.1	0.8	3.2
40	15	8.7	12.2
50	7.9	1.7	4.5
1	ND	ND	ND
2	ND	ND	—
2	0.07	0.07	—
120	25	25	—
16	2.6	2.6	—
0.1	ND	ND	—
0.1	ND	ND	ND
0.1	ND	ND	ND
0.3	ND	ND	—
0.1	ND	ND	—
0.2	ND	ND	—
3	ND	ND	—

Regulated value	Actual value		
	Maximum	Minimum	Average
5.0–9.0	8.5	6.0	7.6
600	220	ND	67
—	—	—	—
600	120	ND	26
5	5	ND	1.3
3	ND	ND	ND
2	0.03	ND	0.03
—	—	—	—
—	—	—	—
0.1	ND	ND	ND
0.1	ND	ND	ND
0.5	ND	ND	ND
0.3	ND	ND	ND
0.1	ND	ND	ND
0.2	0.002	ND	0.002
3	ND	ND	ND

Regulated value	Actual value		
	Maximum	Minimum	Average
5.8–8.6	7.7	7.4	7.6
10	2	1	1.5
25	6	2	4.5
65	13	2	5.8
5	1	1	1
1	ND	ND	ND
1	ND	ND	ND
120	—	—	—
16	—	—	—
0.1	ND	ND	ND
0.1	0.05	0.05	0.05
0.5	0.05	0.05	0.05
0.3	ND	ND	ND
0.1	ND	ND	ND
0.2	ND	ND	ND
3	0.002	0.002	0.002

Overview

Manufacturing facility	Komatsu Utility Co., Ltd. Tochigi Plant (established in 1968)	Komatsu Utility Co., Ltd. Kawagoe Plant (established in 1965)	Komatsu Castex Ltd. Himi Plant (established in 1952)
Location	Oyama, Tochigi Prefecture	Kawagoe, Saitama Prefecture	Himi, Toyama Prefecture
Main products	Forklift trucks, mini wheel loaders, peripheral equipment for logistics	Mini excavators	Iron castings, steel castings, molds for casting, etc.
Site/building area (1,000 m²)	215/48	107/32	403/63
Number of employees	1,213	7	801
Date of ISO14001 certification acquisition	February 1998	July 2002	January 2000

*The number of employees includes those working for Komatsu affiliates on the premises.

*Komatsu Castex Ltd. is the successor company of the former Komatsu Ltd. Himi Plant established in 1952.

Major Performance

Environmental impact

*Refer to the Data on Environmental Impact Resulting from Business Activities (PP. 41–42) for details on the methods used to calculate amounts.
*Total emissions of waste are expressed as a composite of the amount recycled (excluding valuables) and the amount disposed.
*Recycling rate is calculated by dividing the amount recycled (including valuables) by the amount generated (including valuables).
*Total emissions of BOD and COD are calculated by multiplying the average concentration by the amount of wastewater.

Item	Actual value	Item	Actual value	Item	Actual value
Total CO_2 emissions	8,587 t-CO_2	Total CO_2 emissions	2,582 t-CO_2	Total CO_2 emissions	65,488 t-CO_2
NOx total amount	6,498 kg	NOx total amount	34,253 kg	NOx total amount	12,115 kg
SOx total amount	2,432 kg	SOx total amount	821 kg	SOx total amount	5,845 kg
Total emissions of waste	1,808 t	Total emissions of waste	263 t	Total emissions of waste	10,102 t
Amount recycled	1,791 t	Amount recycled	263 t	Amount recycled	9,838 t
Recycling rate	99.5 %	Recycling rate	100 %	Recycling rate	99.0 %
BOD emissions	973 kg	BOD emissions	436 kg	BOD emissions	3,169 kg
COD emissions	709 kg	COD emissions	409 kg	COD emissions	4,445 kg
Wastewater	146,246 m³/year	Wastewater	41,714 m³/year	Wastewater	1,059,000 m³/year

Energy consumption

*The heat energy conversion factor is calculated in keeping with the guidelines for calculation stipulated by the Ministry of the Environment of Japan in FY1999, which are based on the Act on Promotion of Global Warming Countermeasures.

Item	Actual consumption	Converted to calorie equivalents (GJ)	Item	Actual consumption	Converted to calorie equivalents (GJ)	Item	Actual consumption	Converted to calorie equivalents (GJ)
Electricity	11,828 MWh	114,983	Electricity	2,346 MWh	22,501	Electricity	122,049 MWh	1,216,829
Heavy oil A	1,008 kℓ	39,413	Heavy oil A	418 kℓ	16,344	Heavy oil A	2,591 kℓ	101,308
Kerosene	6 kℓ	220	Kerosene	0 kℓ	0	Kerosene	1,429 kℓ	52,444
Light oil	92 kℓ	3,514	Light oil	88 kℓ	3,362	Light oil	0 kℓ	0
LPG, et al.		17,545	LPG, et al.		5,321	LPG, et al.		134,586
Total		175,675	Total		47,528	Total		1,505,167

Compliance Conditions to Major Regulations

Air

Item	Unit	Facility	Regulated value	Actual value	Facility	Regulated value	Actual value	Facility	Regulated value	Actual value
Nitrogen oxides (NOx)	ppm	Small boilers*	(260)	110	Cogeneration engine	950	650	Annealing furnace	200	37
	ppm				Hot water boiler	180	100	Annealing furnace (small)	180	12
	ppm							Calciners	220	1 or less
Sulfur oxides (SOx)	—	K-value regulation	7.0	1.37	K-value regulation	9.0	0.8	K-value regulation	17.5	5 or less
Soot and dust	g/Nm³	Small boilers*	(0.5)	0.004	Cogeneration engine	0.1	0.044	Fuel sulfur (%)	0.96	0.13
	g/Nm³				Hot water boiler	0.3	0.017	Annealing furnace	0.25	0.01 or less
	g/Nm³							Annealing furnace (small)	0.2	0.01 or less
	g/Nm³							Calciners	0.15	0.01 or less
	g/Nm³							Arch furnace	0.1	0.01 or less

*Regulated values are in accordance with the Air Pollution Control Law and local regulations. *Regulated values of NOx, soot and dust are in accordance with self-regulatory measures, because these boilers are small.

Wastewater

Item	Unit	Regulated value according to the Water Pollution Control Law	Regulated value	Actual value Maximum	Minimum	Average	Regulated value	Actual value Maximum	Minimum	Average	Regulated value	Actual value Maximum	Minimum	Average
pH		5.8–8.6	5.8–8.6	7.3	6.9	7.2	5.0–9.0	7.8	6.8	7.3	5.8–8.6	8.3	7	7.5
BOD	160 mg/ℓ	25	25	11.2	2.1	6.7	600	130	1	29	25	3.2	1.8	2.7
COD	160 mg/ℓ	25	25	11.4	2.8	4.9	600	48	1.5	18.3	120	7.1	2.2	4
Suspended solids (SS)	200 mg/ℓ	50	50	14.8	2	5.4	600	220	ND	27.9	100	52	ND	10.0
Mineral oils	5 mg/ℓ	5	5	ND	ND	ND	5	2.4	ND	1.7	5	0.9	ND	0.5
Copper	3 mg/ℓ	3	3	ND	ND	ND	3	ND	ND	ND	1	ND	ND	ND
Zinc	2 mg/ℓ	2	2	0.38	ND	0.11	2	0.2	ND	0.18	1	ND	ND	ND
Nitrogen	120 mg/ℓ	20	20	5.4	5.0	3.0	240	220	2.5	71.3	60	16	2.5	8.75
Phosphorus	16 mg/ℓ	2	2	0.36	0.28	0.30	32	2.5	ND	0.6	8	0.22	ND	0.12
Cadmium	0.1 mg/ℓ	0.1	0.1	ND	ND	ND	0.1	ND	ND	ND	0.1	ND	ND	ND
Lead	0.1 mg/ℓ	0.1	0.1	ND	ND	ND	0.1	ND	ND	ND	0.1	ND	ND	ND
Chromium (VI)	0.5 mg/ℓ	0.1	0.1	ND	ND	ND	0.5	ND	ND	ND	0.5	ND	ND	ND
Trichloroethylene	0.3 mg/ℓ	0.3	0.3	ND	ND	ND	0.3	ND	ND	ND	0.3	ND	ND	ND
Tetrachloroethylene	0.1 mg/ℓ	0.1	0.1	ND	ND	ND	0.1	ND	ND	ND	0.1	ND	ND	ND
Dichloromethane	0.2 mg/ℓ	0.2	0.2	ND	ND	ND	0.2	ND	ND	ND	0.2	ND	ND	ND
1,1,1-trichloroethane	3 mg/ℓ	3	3	ND	ND	ND	3	ND	ND	ND	3	ND	ND	ND

*Regulated values are in accordance with the Water Pollution Control Law and local regulations. *ND ("not detected") indicates a value below the lower limit of detection.
*ND is considered to be the lower limit of detection when calculating the average. *Other items are confirmed to be below the regulated value.

Komatsu Cabtec Co., Ltd. (established in 1918)	Komatsu NTC Ltd. (established in 1945)	Komatsu House Ltd. (established in 1971)
Ryuou-cho, Gamou, Shiga Prefecture	Nanto, Toyama Prefecture	Shinshiro, Aichi Prefecture
Cabs for construction equipment	Machine tools, sheet-metal machines, semiconductor manufacturing equipment	Prefabricated structures for businesses
52/22	182/89	31/10
380	692	48
December 2007	June 1999	March 2002

Item	Actual value	Item	Actual value	Item	Actual value
Total CO_2 emissions	3,218 t-CO_2	Total CO_2 emissions	6,229 t-CO_2	Total CO_2 emissions	825 t-CO_2
NOx total amount	144 kg	NOx total amount	— kg	NOx total amount	184 kg
SOx total amount	1 kg	SOx total amount	12 kg	SOx total amount	123 kg
Total emissions of waste	297 t	Total emissions of waste	2,024 t	Total emissions of waste	106 t
Amount recycled	109 t	Amount recycled	1,936 t	Amount recycled	106 t
Recycling rate	96 %	Recycling rate	97 %	Recycling rate	100 %
BOD emissions	545 kg	BOD emissions	1,246 kg	BOD emissions	32 kg
COD emissions	406 kg	COD emissions	— kg	COD emissions	57 kg
Wastewater	97,554 m^3/year	Wastewater	2,492,062 m^3/year	Wastewater	6,471 m^3/year

Item	Actual consumption	Converted to calorie equivalents (GJ)	Item	Actual consumption	Converted to calorie equivalents (GJ)	Item	Actual consumption	Converted to calorie equivalents (GJ)
Electricity	5,661 MWh	56,440	Electricity	15,881 MWh	156,519	Electricity	724 MWh	7,215
Heavy oil A	0 kℓ	0	Heavy oil A	0 kℓ	0	Heavy oil A	72 kℓ	2,815
Kerosene	78 kℓ	2,863	Kerosene	12 kℓ	440	Kerosene	0 kℓ	0
Light oil	116 kℓ	4,431	Light oil	32 kℓ	1,222	Light oil	8 kℓ	298
LPG, et al.		9,136	LPG, et al.		270	LPG, et al.		5,552
Total		72,870	Total		158,452	Total		15,881

*Data for Komatsu NTC Ltd. include data for the Toyama and Fukuno Plants and Technical Center.

Facility	Regulated value	Actual value	Facility	Regulated value	Actual value	Facility	Regulated value	Actual value
N/A			N/A			Boiler	250	46
K-value regulation	17.5	0.033				K-value regulation	17.5	0.3
N/A			N/A			Boiler	0.3	0.003

Regulated value	Actual value			Regulated value	Actual value			Regulated value	Actual value		
	Maximum	Minimum	Average		Maximum	Minimum	Average		Maximum	Minimum	Average
5.8–8.6	7.2	6.7	6.9	5.8–8.6	7.5	6.3	6.7	5.8–8.6	7.6	6.6	7.0
20	10	2	5.6	160	ND	ND	ND	160	22	0.5	5.9
20	6.9	1.4	4.2	—	—	—	—	160	60	2.4	15.1
20	9.7	0.9	3.1	200	7	ND	2.1	200	20	ND	4.0
—	—	—	—	—	—	—	—	5	1.0	ND	1.0
0.1	0.01	ND	0.01	—	—	—	—	—	—	—	—
0.5	0.15	0.01	0.05	—	—	—	—	—	—	—	—
8	6.3	0.9	3.3	—	—	—	—	120	36	0.7	10.4
0.6	0.5	ND	0.2	—	—	—	—	16	13	0.1	2.2
—	—	—	—	—	—	—	—	—	—	—	—
0.03	ND	ND	ND	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—

Environmental Data by Manufacturing Facility outside Japan

The Americas

Overview	Manufacturing facilities	CMO	CANDIAC	PEORIA	NMO	KMX	KDB	Hensley
		Komatsu America Corp.				Komatsu Mexicana S.A. de C.V.	Komatsu do Brasil Ltda.	Hensley Industries, Inc.
		Chattanooga Manufacturing Operation	Candiac Manufacturing Operation	Peoria Manufacturing Operation	Newberry Manufacturing Operation			
	Location	Tennessee, U.S.A.	Quebec, Canada	Illinois, U.S.A.	South Carolina, U.S.A.	Sahagún, Mexico	São Paulo, Brazil	Texas, U.S.A.
	Main products	Hydraulic excavators, motor graders	Wheel loaders	Large wheel loaders, large dump trucks	Utility equipment (small construction equipment)	Attachments for construction and mining equipment	Hydraulic excavators, bulldozers	Buckets, teeth, edges and adapters
	Number of employees	283	259	502	136	176	857	503
	Date of ISO14001 certification acquisition	April 1998	October 1999	March 2002	March 2004	September 2001	January 2002	—
Energy consumption	Electricity MWh	7,833	7,181	20,680	2,015	2,780	27,564	41,758
	Heavy oil, light oil, et al. kℓ	268	—	73	—	15	458	153
	Natural gas thousand m^3	1,200	629	2,765	15	—	—	3
	LPG, et al. t	—	—	LPG 26	LPG 10	LPG 19	LPG 472	—
	Total energy consumption GJ	134,188	49,482	291,465	20,968	27,997	172,943	417,128
Environmental impact	CO_2 t-CO_2	7,258	1,289	24,526	1,157	1,505	3,827	23,114
	Water consumption t	10,796	8,361	38,214	411	11,930	28,166	93,861
	Total emissions of waste t	723	1,117	3,838	143	6	11,207	37,780

Europe

Overview	Manufacturing facilities	KUK	KOHAG	KMG	KUE	KFAB
		Komatsu UK Ltd.	Komatsu Hanomag GmbH	Komatsu Mining Germany GmbH	Komatsu Utility Europe S.p.A.	Komatsu Forest AB
	Location	Birtley, United Kingdom	Hannover, Germany	Düsseldorf, Germany	Este (PD), Italy	Umeå, Sweden
	Main products	Hydraulic excavators	Wheel loaders, compactors	Ultra-large hydraulic excavators	Utility equipment (small construction equipment)	Forestry equipment
	Number of employees	476	656	410	661	402
	Date of ISO14001 certification acquisition	December 1998	September 2000	July 2002	November 2001	October 2003
Energy consumption	Electricity MWh	5,494	5,852	7,355	3,494	2,890
	Heavy oil, light oil, et al. kℓ	334	6	9	—	—
	Natural gas thousand m^3	967	679	1,474	449	—
	LPG, et al. t	—	—	—	—	—
	Total energy consumption GJ	94,031	81,538	123,570	41,422	12,742
Environmental impact	CO_2 t-CO_2	4,628	4,675	7,018	2,795	162
	Water consumption t	12,533	5,791	11,879	9,562	7,878
	Total emissions of waste t	816	1,016	5,203	1,315	367

Asia

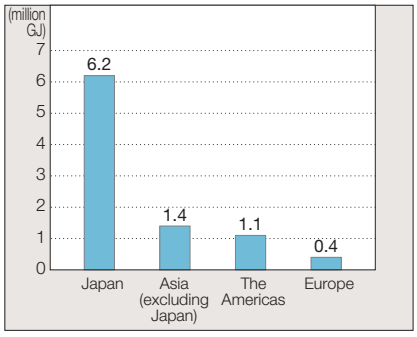
Overview	Manufacturing facilities	KI	BKC	LTK	KIPL	KSC	KCCM	KCF
		PT Komatsu Indonesia Tbk	Bangkok Komatsu Co., Ltd.	L&T-Komatsu Limited	Komatsu India Pvt. Ltd.	Komatsu Shantui Construction Machinery Co., Ltd.	Komatsu (Changzhou) Construction Machinery Corp.	Komatsu (Changzhou) Foundry Corporation
	Location	Jakarta, Indonesia	Chonburi, Thailand	Bangalore, India	Chennai, India	Shandong, China	Jiangsu, China	Jiangsu, China
	Main products	Hydraulic excavators, bulldozers, wheel loaders	Hydraulic excavators	Hydraulic excavators	Dump trucks	Hydraulic excavators	Wheel loaders, hydraulic excavators, motor graders	Iron castings and foundry molds for construction and mining equipment
	Number of employees	783	444	677	120	417	247	291
	Date of ISO14001 certification acquisition	June 2000	September 2001	June 1999	—	December 2000	September 2000	December 1999
Energy consumption	Electricity MWh	40,331	6,433	8,643	474	8,723	2,905	23,231
	Heavy oil, light oil, et al. kℓ	2,530	657	506	133	1,133	1,276	334
	Natural gas thousand m^3	—	—	—	—	41	—	—
	LPG, et al. t	LPG 282	LPG 81	LPG 105	—	—	LPG 48	Coal, LPG 5,698
	Total energy consumption GJ	497,986	98,397	106,174	9,593	118,589	75,850	449,185
Environmental impact	CO_2 t-CO_2	29,425	6,741	4,973	532	8,999	5,485	34,613
	Water consumption t	122,421	47,759	60,079	27,063	145,852	42,581	128,954
	Total emissions of waste t	9,573	835	3,017	121	984	1,181	16,172

Notes
1. All data, except the number of employees, were derived from performances of all manufacturing facilities during FY2008. The number of employees was based on the companies' data as of March 31, 2009.
2. Conversion to CO_2 and total energy consumption were based on statistical data of each region, country, and that of IEA for 2000.
3. Total emissions of waste are expressed as a composite of the amount recycled and the amount disposed.

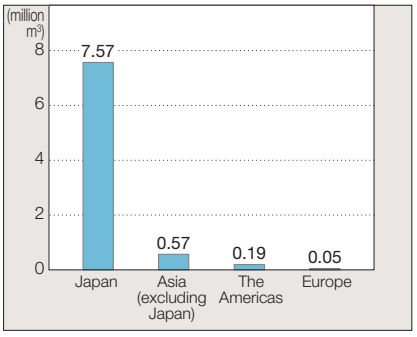
Environmental Impact Indicators by Region

Environmental Impact Indicators and Environmental Accounting, Broken Down by Region

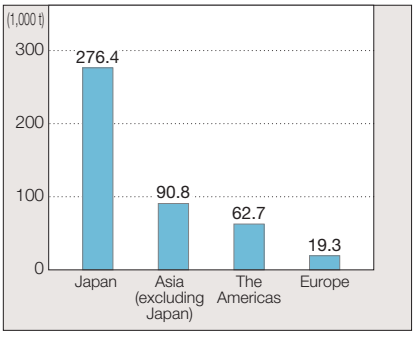
Energy



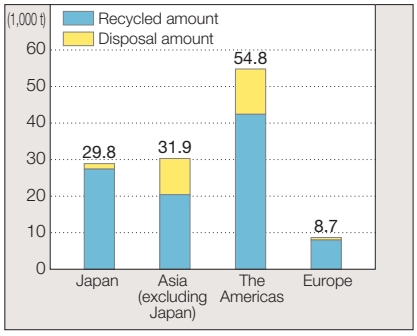
Water Resources



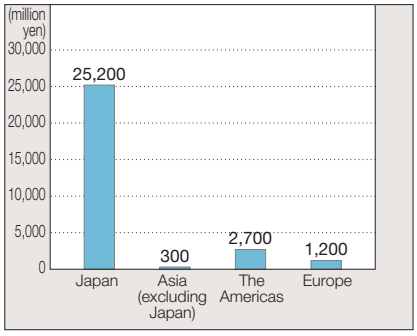
CO_2



Waste

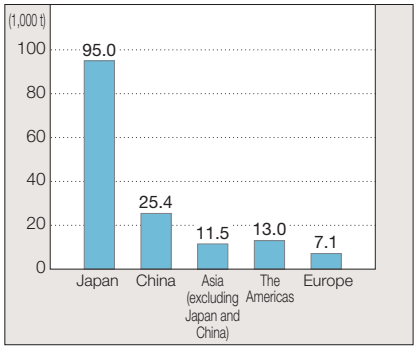


Environmental Accounting (Expenses)



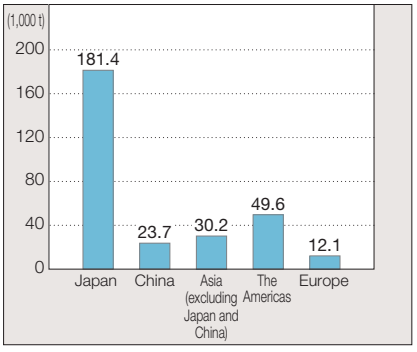
CO_2 Emissions by Scope

Scope 1



Scope 1: CO_2 emitted directly by manufacturing facilities (by using generators, boilers, etc.)

Scope 2



Scope 2: CO_2 emitted indirectly by manufacturing facilities (by purchasing electricity)

Environmental Accounting

Environmental Costs (Investments and expenses)

Top figure: Komatsu and Komatsu Group manufacturing facilities in Japan (excluding Komatsu NTC Ltd. and Komatsu Cabtec Co., Ltd.)
Bottom figure: Komatsu Group manufacturing facilities outside Japan (excluding Komatsu India Pvt. Ltd.)

Category	Investment			Expenses		
	FY2007	FY2008		FY2007	FY2008	
	Investment* (millions of yen)	Investment* (millions of yen)	Contents	Expenses* (millions of yen)	Expenses* (millions of yen)	Contents
(1) Business area cost	821 923	1,793 809		3,413 2,305	4,158 2,004	
1. Pollution prevention cost	502 587	785 333	•Investment for installation and conversion of pollution mitigation/prevention facilities (installation of effluent processing facilities, conversion of coating booths, etc.)	1,031 610	935 540	•Cost of maintaining equipment for mitigation/prevention of air and water pollution and for noise and vibration prevention (labor and depreciation costs)
2. Global environmental conservation cost	222 312	877 466	•Investment for implementing energy conservation measures (installation of new ventilation systems, etc.)	1,082 482	1,344 688	•Cost of maintaining energy conservation facilities, such as cogeneration systems (labor and depreciation costs)
3. Resource circulation cost	97 25	132 9	•Investment for reducing the volume of waste materials (conversion of recycling facilities, introduction of equipment for separating waste, etc.)	1,300 1,213	1,880 776	•Waste materials processing cost
(2) Upstream/downstream cost	0 65	1 17		280 902	226 955	•Reduction of the environmental impact of components, etc. when shipping to outside Japan •Reduction of the environmental impact of mass-production units
(3) Administration cost	14 0	18 0	•Investment for beautifying manufacturing sites	668 594	630 308	•Cost of maintaining environmental management systems •Cost of creating green spaces and beautifying manufacturing sites
(4) R&D cost	43 246	349 14	• Investment in research facilities for reduction of environmental impact	15,590 678	18,444 873	•Cost of R&D activities to reduce the environmental impact of products •Cost of R&D activities to develop environment-friendly equipment
(5) Social activity cost	11 8	0 0		5 25	8 13	
(6) Environmental remediation cost	0 0	0 0		1,264 45	1,722 49	•Cost of conducting surveys and remedial countermeasures related to soil and groundwater contamination
Total	888 1,243	2,162 840		21,221 4,548	25,188 4,202	

*All figures are rounded off to the nearest million yen.

Environmental Effects

Top figure: Komatsu and Komatsu Group manufacturing facilities in Japan (excluding Komatsu NTC Ltd. and Komatsu Cabtec Co., Ltd.)
Bottom figure: Komatsu Group manufacturing facilities outside Japan (excluding Komatsu India Pvt. Ltd.)

Environmental impact reduction effects		
Items of environmental impact	Reduction amount (t/year)	Rate of year-on-year changes (%)
CO_2 emissions	39,443 17,631	–12.8 –9.3
Water consumption	1,078,978 –6,453	–17.8 0.8
Waste materials generation	4,157 –13,202	–13.1 16.1

Economic benefits				
Tangible benefits			Avoidance benefits of environmental risks (see Note below)	Contribution to profits (see Note below)
Type	Monetary value* (millions of yen)	Major activities		
Energy conservation	677 51	•Energy conversion, etc.	•There were no accidents or pollution in Japan during FY2008 that led to violations of the law. •No litigation costs were required in Japan during FY2008.	•Proceeds from mobile recycling equipment •Proceeds from value added due to reduced environmental impact of products (engines) •Proceeds from "Reman" business
Resource conservation	1 18			
Waste materials reduction	21 132	•Promotion of recycling through thoroughgoing sorting		
Gain on sale of valuables	419 312	•Reuse of furnace slag for roadbed materials		
Other	7 9			
Total	1,125 522			

*Figures are rounded off to the nearest million yen.

Note: Komatsu used statements instead of numeral figures to describe the "Avoidance benefits of environmental risks" and the "Contribution to profits." The company will further develop concepts and ways to understand effects in these categories. The sales amounts of businesses for content presented in "Contributions to profits" in FY2008 are as follows:
- Mobile recycling equipment business: 8.6 billion yen
- Engine business: 90.0 billion yen (Total for intra-Group sales from the Engine & Hydraulics Business Division)
- "Reman" business: 30.1 billion yen (Worldwide "Reman" business sales from April 2008 to March 2009)

Effects on Society during the Product Use Stage*

Environmental impact reduction effects	Tangible benefits
•Environmental impact reduction resulting from on-site recycling methods •Environmental impact reduction resulting from product operation •Waste components reduction resulting from "Reman" business	•Reduction of expenses for processing waste materials •Savings in operating and maintenance costs •Reduction of repair costs

*Concerning the effects on society derived from product use by customers, the major items of qualitative information are shown here as a reference.

Overview of Komatsu's Environmental and Social Activities to Date

1962
- Began continuous support for the Flower Association of Japan since its founding

1990
- Annual Directors' Caravan for Inter-office Communication launched

1991
- Earth Environment Committee established
- Company name changed in Japanese public relations to "Komatsu," with new corporate brand logotype

1992
- Komatsu Earth Environment Charter and Environmental Action Plan formulated

1994
- First *Environmental Report* published
- Board of Corporate Auditors established

1997
- Oyama Plant becomes first in Japanese construction equipment industry to acquire ISO14001 certification

1998
- Ethics Committee established
- First edition of *Komatsu's Code of Worldwide Business Conduct* published

1999
- Executive Officer system established; Board of Directors reorganized
- Compensation Council established

2000
- All four Komatsu manufacturing facilities acquire ISO14001 certification
- First Global Environmental Affairs Meeting convened
- *Environmental Report* again published; published annually thereafter

2001
- Compliance Department established; Ethics Committee renamed as Compliance Committee

2002
- All seven Komatsu Group manufacturing facilities in Japan acquire ISO14001 certification
- All four Komatsu manufacturing facilities attain zero emissions

2003
- Environmental Affairs Department established
- Komatsu Earth Environment Charter revised

2004
- Corporate Social Responsibility Department established

2005
- First European Health, Safety, and Environment Meeting convened

2006
- GALEO series environment-friendly construction equipment put on the market, satisfying Tier 3 emission standards, which became effective that year
- All Komatsu Group manufacturing facilities in Japan attain zero emissions
- The KOMATSU Way explicitly defined and promotion activities launched

2007
- Seventh edition of *Komatsu's Code of Worldwide Business Conduct* published
- FB15HB-12 hybrid electric forklift truck put on the market

2008
- Agreement signed with Japanese NPO Japan Mine Action Service (JMAS)
- Environmental education and training conducted in Japan for personnel at Chinese subsidiaries
- Biodiesel fuel project launched
- The Komatsu Group in Japan acquire ISO14001 integrated certification
- Development of PC200-8 hybrid hydraulic excavator announced
- Signed the United Nations Global Compact
- Participated in Japan's Experimental Introduction of an Integrated Domestic Market for Emissions Trading

2009
- Completed the "Project for Developing a Safe Village in Cambodia" with JMAS
- PBZ and PAS series of press brakes acquire MF Eco machine Certification*

*The MF Eco machine Certification System is an eco-label established by the Japan Forming Machinery Association.

External Commendations and Evaluations on Komatsu's Environmental Conservation and Social Activities

2008

Jun.
- Honored with an 85th Robotics and Mechatronics Division Award from The Japan Society of Mechanical Engineers Received the Robotics and Mechatronics Technological Achievement Award for the Komatsu Tracking System for construction equipment (KOMTRAX), IT-assisted construction system utilizing high-precision GPS, autonomous haulage system (AHS), and other technological advancements in the field
- PC26MR-3 mini hydraulic excavator named Product of the Year in the European Rental Association (ERA)'s European Rental Awards 2008 appearing in the magazine *International Rental News*
- Shinichi Kobayashi, Environmental Manager in the General Affairs Department at the Oyama Plant in Japan, recognized an award from the Minister of the Environment of Japan in the Ministry of the Environment of Japan's recognition of Contributors to Environmental Conservation, etc. in FY2008

Jul.
- D51 medium-sized bulldozer recognized as Silver Winner in the Industrial Design Excellence Awards (IDEA) co-organized by the Industrial Designers Society of America (IDSA) and *Business Week* magazine

Sept.
- Ranked 44th among 422 companies in Japan in Nihon Keizai Shimbun newspaper's 2008 Most Pleasant Companies to Work For

Nov.
- Chairman of the Board Masahiro Sakane awarded the Deming Prize for Individuals by the Union of Japanese Scientists and Engineers (JUSE)

Dec.
- Ranked 47th among 1,796 manufacturers in Japan in Nihon Keizai Shimbun newspaper's 12th Nikkei Environmental Management Ratings
- Komatsu Head Office's cafeteria awarded the Judging Committee's Special Prize (School and Company Cafeteria Category) in the Local Production for Local Consumption Menu Contest sponsored by the Ministry of Agriculture, Forestry and Fisheries of Japan

2009

Jan.
- Ranked 17th among 100 companies in Japan in Nikkan Kogyo Shimbun Ltd.'s Fifth Annual Corporate Performance Rankings

Feb.
- Sadao Nozawa, Manager of the Environment and Energy Conservation Group in the General Affairs Department at the Oyama Plant in Japan, recognized with the Agency for Natural Resources and Energy Director-General's Award in the FY2008 Month of Energy Conservation organized by the Ministry of Economy, Trade and Industry (METI) of Japan
- PC200-8 hybrid hydraulic excavator given the Nikkei Business Daily Award for Excellence in the 2008 Nikkei Superior Products and Services Awards sponsored by Nikkei Inc.

Mar.
- Received the Seventh Annual Award for Broadening of Individual Shareholder Base in Tokyo Stock Exchange, Inc.'s 2008 TSE Awards for Listed Companies

Komatsu Ltd. is included in the Socially Responsible Investing (SRI) indexes indicated below.

Dow Jones Sustainability Indexes Member 2008/09

MS-SRI モーニングスター社会的責任投資株価指数 Morningstar Socially Responsible Investment Index

(As of September 2008)

Company Profile

Company name:	Komatsu Ltd.
Established:	May 13, 1921
Head Office:	2-3-6, Akasaka, Minato-ku, Tokyo 107-8414, Japan
Representative:	President and Chief Executive Officer Kunio Noji
Capital:	Consolidated ¥67,870 million (US$686 million*) as of March 31, 2009
Net sales: (for the fiscal year** ended March 31, 2009)	Consolidated ¥2,021,743 million (US$20,422 million*) Non-consolidated ¥787,028 million (US$7,950 million*)
Main lines of business (Komatsu Group):	Manufacture and sale of construction and mining equipment, utility equipment (small construction equipment), forestry equipment, industrial machinery, etc.
Komatsu Group profile: (as of March 31, 2009)	Number of companies (consolidated subsidiaries) 164

*U.S. dollar amounts are converted at the rate of ¥99 = US$1.00, the prevailing rate announced by the Federal Reserve Bank of New York on March 31, 2009.
**Komatsu's fiscal years end on March 31. "FY2000," for example, means from April 1, 2000 to March 31, 2001.

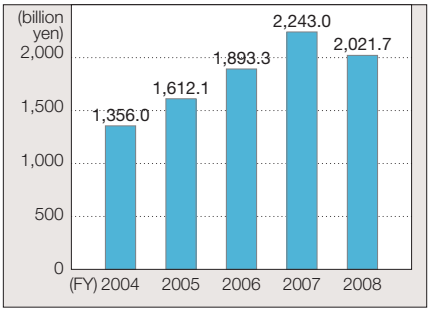
Number of employees: (as of March 31, 2009)

Consolidated	39,855
Non-consolidated	7,818
Consolidated subsidiaries in Japan	19,355
Consolidated subsidiaries outside Japan	20,500

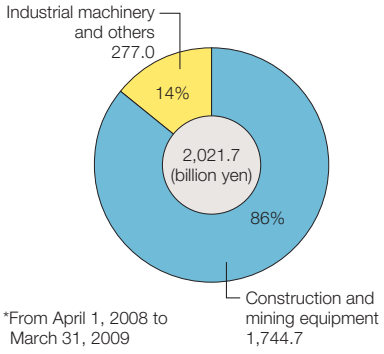
Number of employees by region: (as of March 31, 2009)

Japan	19,355
The Americas	8,720
Europe and CIS	3,502
China	2,892
Asia (excluding Japan and China) and Oceania	4,328
The Middle East and Africa	1,058

Changes in Consolidated Sales

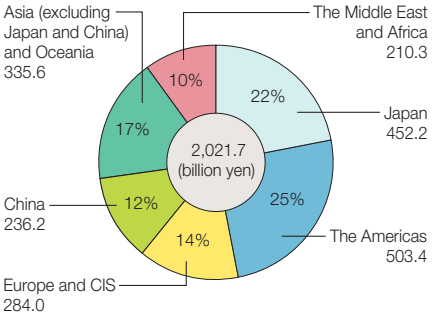


Sales by Operation (FY2008*)



*From April 1, 2008 to March 31, 2009

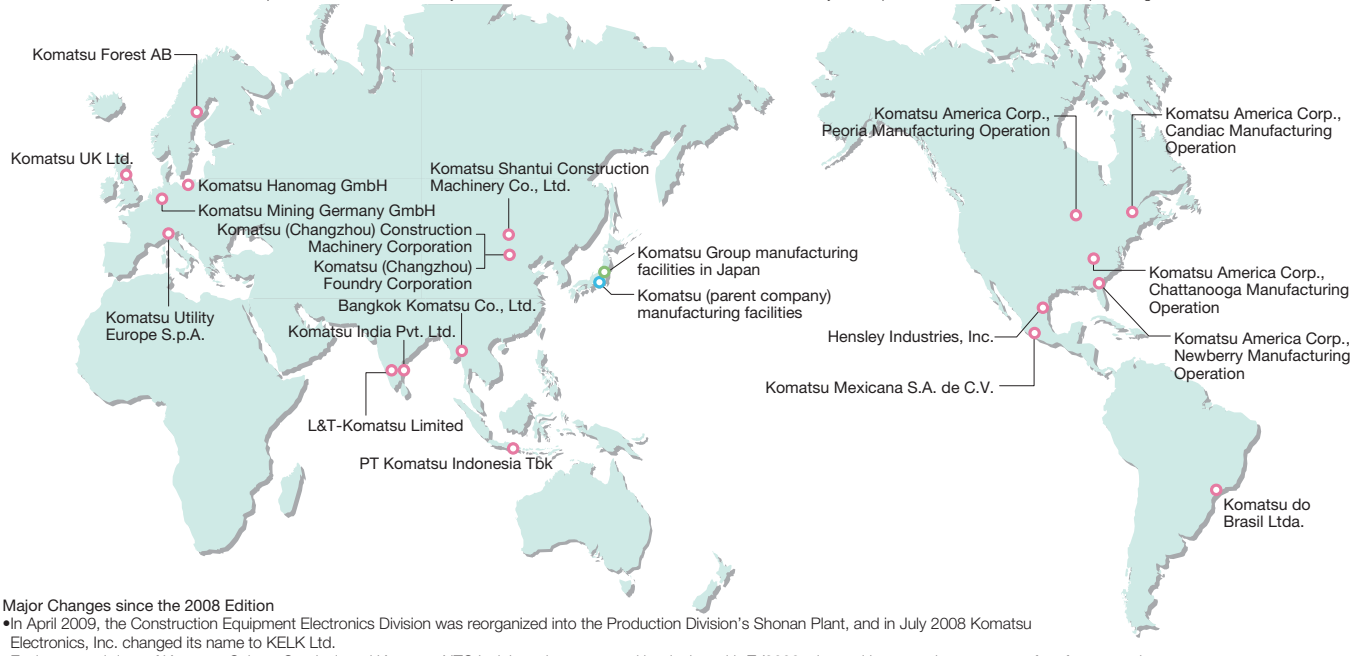
Sales by Region (FY2008)



Scope of This Report

- **Komatsu (parent company) manufacturing facilities,** specifically the following five plants:
  The Awazu Plant (including the Defense Systems Division, Industrial Machinery Division [Komatsu Plant, Kanazawa Plant, and Komatsu Machinery Corporation), the Osaka Plant, the Oyama Plant (including the Koriyama Plant, Komatsu Cummins Engine Co., Ltd., Industrial Power Alliance Ltd., Komatsu Castex Ltd. [Oyama Plant], and GIGAPHOTON, Inc.), the Mooka Plant (including the Ibaraki Plant), and the Shonan Plant (including KELK Ltd.).
- **Komatsu Group manufacturing facilities in Japan,** specifically the above five plants and the following seven business units:
  Komatsu Utility Co., Ltd. (Tochigi Plant, Kawagoe Plant), Komatsu Engineering Corp. (Awazu Plant), Komatsu House Ltd., Komatsu Castex Ltd. (Himi Plant), Komatsu Cabtec Co., Ltd., and Komatsu NTC Ltd. (including Lossev Technology Corporation, Toyama Kiko Corporation, and D.S.K. Co., Ltd.)
- **Komatsu Group manufacturing facilities outside Japan,** specifically the 19 business units appearing in the world map below.

*Komatsu carries on business operations directly and through 164 subsidiaries and 43 equity method affiliates organized under the laws of countries throughout the world. In this report on environmental and social activities, "Komatsu" and "Komatsu Group" are at times used informally to refer to the activities of all or some of the Komatsu family of companies, without regard to their separate legal identities.



Major Changes since the 2008 Edition
- In April 2009, the Construction Equipment Electronics Division was reorganized into the Production Division's Shonan Plant, and in July 2008 Komatsu Electronics, Inc. changed its name to KELK Ltd.
- Environmental data of Komatsu Cabtec Co., Ltd. and Komatsu NTC Ltd. have been covered beginning with FY2008, along with retroactive coverage of performance data.
- Environmental data of Komatsu India Pvt. Ltd. have been covered beginning with FY2008.

*With regard to activities for society, activities of Komatsu Group companies not mentioned above are also included.

Independent Review on *Environmental & Social Report 2009*

Regarding the Independent Review

Komatsu views the independent review process as crucial for ensuring the integrity and objectivity of its *Environmental & Social Report*. For that reason, Komatsu has received an independent review from Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd., a member of the Deloitte Touche Tohmatsu Group. The results are as represented below with regard to the information appearing in the *Environmental & Social Report 2009*.

http://www.tohmatsu.com/teco/

(TRANSLATION)

Independent Review Report

June 23, 2009

Mr. Kunio Noji
President and CEO, Komatsu Ltd.

Deloitte Tohmatsu Evaluation and
Certification Organization Co., Ltd.
Chief Executive Officer Hiroshi Inanaga

1. Scope of the Review
We have reviewed the "Environmental & Social Report 2009" prepared by Komatsu Ltd. ("Company"). The purpose of our review was to provide limited assurance from an independent practitioner about whether the quantitative environmental information for the period from April 1, 2008 to March 31, 2009 included in p1-2, p5-20, p41-53 of "Environmental & Social Report 2009" (hereinafter refer to as "the Quantitative Environmental Information") was accurately measured and calculated, referring to the Environmental Reporting Guidelines - Year 2007 version (issued by the Japanese Ministry of the Environment) and GRI Sustainability Reporting Guidelines 2006, in accordance with calculation methods adopted by the Company.

2. Responsibility of the Management
"Environmental & Social Report 2009" is the responsibility of the Company's management. Our responsibility is to provide our limited assurance with respect to the review performed on the Quantitative Environmental Information from an independent practitioner.

3. Summary of Review
To obtain an adequate and valid standard of basis for providing limited assurance with respect to our conclusions, we performed our review with reference to the International Standard on Assurance Engagements (ISAE) 3000 (issued by the International Federation of Accountants in December 2003) and the Proposed Environmental Report Review Standard (issued by the Japanese Ministry of Environment in March 2004).
The review procedures performed for the Quantitative Environmental Information consisted of; 1) agreeing information to summary tables and supporting documents on a sample basis; 2) interviewing the responsible personnel and the persons in charge; 3) reviewing and agreeing information to the relevant minutes, the Company's regulations, and ISO related documents and so on; 4) site visits; and 5) comparing information with other available supporting internal and external materials.

4. Conclusions
On the basis of the review procedures described in the preceding paragraph, nothing has come to our attention that caused us to believe the Quantitative Environmental Information was not accurately measured or calculated, referring to the Environmental Reporting Guidelines - Year 2007 version (issued by the Japanese Ministry of the Environment) and GRI Sustainability Reporting Guidelines 2006, in accordance with calculation methods adopted by the Company.

5. Special Interests
There are no interests between the Company and Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd. or its engagement personnel, requiring disclosure referred to the provisions of the Certified Public Accountants Law of Japan.

Supplementary Explanation regarding the Conducting of Independent Review Procedures

As a supplementary explanation, the following provides an overview of the review procedures conducted during an independent review.

Supplementary explanation regarding independent review procedures

Step 1: Formation of plan for review process
- Confirmation of items to be included in the report
  (1) Scope of information
  (2) Information collection process
  (3) Information collection method
  (4) Level of importance of individual pieces of information
- Finalization of items to be reviewed and review methodology

Step 2: Execution of review
- Review of offices and persons in charge
- Inspections of business units

Step 3: Reporting on review results
- Reporting results of review (revisions and suggestions)

Step 4: Check of final version of report
- Follow-up on issues identified during Step 3

Step 5: Submission of independent review report
- Submission of independent review report


Executing a review at the Head Office (with persons in charge of CSR in photo)


Executing a review at the Shonan Plant


Executing a review at the Oyama Plant

Supplementary explanation regarding site visits to business units

1. Business units visited in this review:
   - Komatsu Ltd. Head Office
   - Shonan Plant
   - Oyama Plant
2. Visits to business units take place in a planned rotation. Records for business units not visited during this review were reviewed at the Komatsu Ltd. Head Office.

Notes from the Editor

■Editorial Policy for the FY2009 Report

Komatsu published its first *Environmental Report* in 1994 and has been publishing one annually since FY2000, renaming it the *Environmental & Social Report* in FY2004. Komatsu has been publishing this report to disclose information about its activities to both conserve the global environment and fulfill its responsibilities to the greater society.

In the *Environmental & Social Report 2009*, Komatsu takes care to have continuous coverage throughout the report, adopting the four key terms of "CO_2," "global," "balance," and "social responsibility." Along with one "Special Story" on the environment, the FY2008 report features three Stories focused on social contributions to stimulate greater interest among the readers, a move forward from previous editions that had one article on each topic. The current edition also aims at increasing readability by reducing the amount of text.

■Period Covered

This report in principle covers the data for the period from April 1, 2008 to March 31, 2009, though information for the period after April 1, 2009 is also included in part.

■Guidelines Used

- "Environmental Report Guidelines 2007" (Ministry of the Environment of Japan)
- "The 2006 Sustainability Reporting Guidelines" (Global Reporting Initiative [GRI])

■Subsequent Reporting Schedule

- Japanese version: Expected July 2010
- English version: Expected August 2010

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

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Komatsu has been participating in the national movement in Japan to mitigate climate change known as “Team Minus 6%.”

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