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Based on the Komatsu Earth Environment Charter, the company has built a system for environmental management to “provide environment-friendly products and services” and “be environment-conscious in manufacturing.” Through that system, we are endeavoring to reduce our environmental impact at every step of the way, from research and development to the manufacturing stage, as well as the use and disposal of the product.

**Outline of the Environmental Management System**

The Komatsu Group has identified environmental conservation as an important management issue, and in that regard, the Earth Environment Committee was established in 1991. The following year, we drew up the Earth Environment Charter as a means of putting that project into action. Currently, the Komatsu organization is carrying forward its environmental effort under the structure described below.

Management issues are discussed at the Strategy Review Board and Just Meet 21 Committee, while more specific, individual problems are examined at the Earth Environment Committee. Policies and measures determined at the Earth Environment Committee are disseminated among the respective functional divisions via executive officers, and their implementation is ensured under the supervision of personnel responsible for promoting environmental measures at each business unit. Furthermore, subcommittees of experts, key persons, and workgroups are as necessary formed in each functional division. This ensures that Komatsu's corporate-wide involvement will settle key environmental issues.

**Strategy Review Board**

The Strategy Review Board is a chief executive body charged with the study and review of basic policies, plans, and strategies involved in top-priority issues of management. The board is comprised of the standing executive directors.

**JM (Just Meet) 21 Committee**

In an aim to create a corporation that is open to society and its own employees, the JM21 Committee examines specific measures under the two issues described below. The committee is headed by the company president, while its membership comprises directors and executive officers.

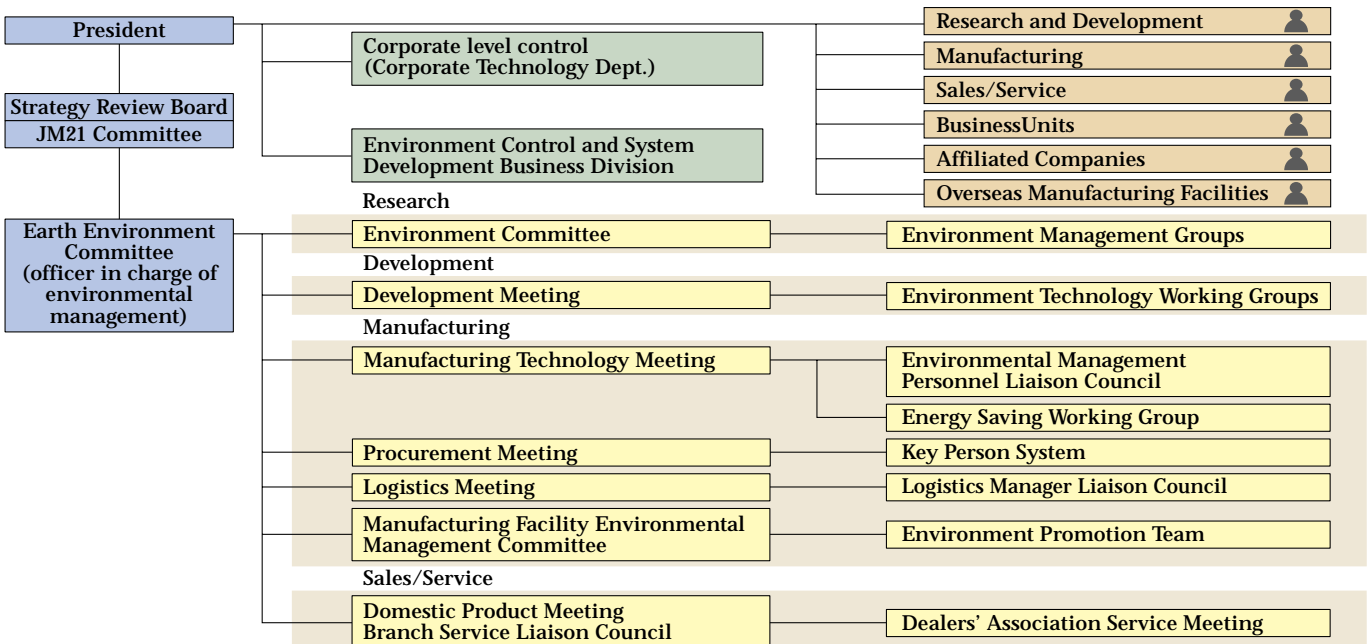
1. A better relationship between Komatsu and society
2. A better relationship between Komatsu and its employees

The committee has drawn up our Corporate Principle, which advocates “the steady and continuous promotion of environmental conservation activities from a global perspective.”

**Earth Environment Committee**

The Earth Environment Committee is an executive decision-making body governing a range of environmental measures to be taken by Komatsu. The committee is chaired by the officer in charge of environment management, while its membership consists of executive officers responsible for the supervision of individual divisions. The committee meets quarterly in order to map a clear direction for the environment-friendly approach to be taken by the Komatsu Group as a whole, such as the development of specific environmental action plans in accordance with the company's Earth Environment Charter.

**Organizational Chart for the Environmental Management System**



Environmental auditing is critical to the environmental management system and therefore to our overall assessment in environmental performance. At Komatsu, we are monitoring our environmental management activities at two stages—internal auditing and external auditing—in order to identify problem areas and ensure better performance.

**Employment of Optimal Auditing Methods for Various Business Units**

Komatsu’s plant at Oyama acquired ISO 14001 certification in 1997. Taking this as an opportunity to review our environmental auditing system, we established the following environmental auditing methods. In fact, they are optimal for any of the individual facilities, ISO14001-certified or not. The implementation drive is moving forward with the belief that a combination of internal audits and the strict, objective oversight of an outside specialist will enable us to better serve society.

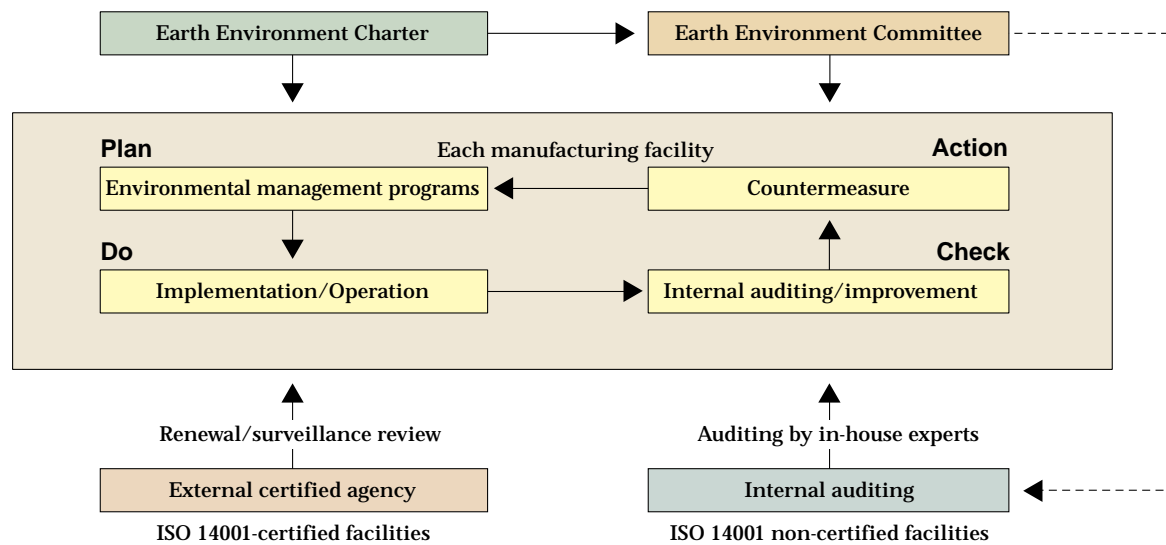
- ISO 14001-certified facilities: Subject to annual internal audit and external surveillance review by a certified agency twice yearly, along with renewal auditing every three years.
- ISO 14001 non-certified facilities: Subject to dual-phase environmental auditing—one by certified internal auditors (local audit) and the other by a team of expert corporate auditors (corporate internal audit) chosen from the Komatsu Group—in accordance with the decision of the Earth Environment Committee.

A specific plan was devised by which corporate internal audit could be conducted for all non-certified facilities during the three-year period beginning with 1997. The plan was accomplished in fiscal 1999 with the completion of auditing for the remaining four facilities (the Mooka plant, Field Testing Department, Koriyama plant of Komatsu Zenoah and Komatsu House). The results of the corporate internal audit are then submitted to the top management at each business unit, and are utilized for further improvement in the environmental management system.

Local audits also provide the participating internal auditors with an opportunity to share the proprietary expertise of different business units and thereby achieve improvements across the spectrum of operations. Komatsu offers a training course to its prospective internal auditors as the circumstances deem necessary.

Meanwhile, our goal for non-manufacturing divisions, particularly distributors in charge of sales and services, is for internal auditors to conduct a local audit beginning in fiscal 2000. Accordingly, in fiscal 1999 we provided the training needed to educate new internal auditors at our 44 distribution bases nationwide.

**Environmental Auditing Method**



In an effort to implement environmental conservation measures more consistently, Komatsu is promoting compliance with ISO 14001—the international standard for environmental management system at its facilities in Japan and overseas. As of the end of fiscal 1999, certifications under ISO 14001 have been acquired by all Komatsu manufacturing facilities and six Komatsu Group facilities in Japan, as well as six facilities overseas.

### ISO 14001 Certification Acquired by All Komatsu Manufacturing Facilities in Japan

Komatsu has been striving toward the development and implementation of its Environmental Management System (EMS), which is intended to promote the ongoing reduction of environmental impact caused by its business activities. This is being achieved through objective evaluations regarding the extent of that impact. In fact, during the course of this effort Komatsu has identified the ISO 14001 international standard as an effective tool for the strengthening of its environmental approach and the enhancement of environmental management.

The Komatsu Group has, for quite some time, encouraged all its manufacturing facilities to acquire ISO 14001 certification. Consequently, all Komatsu manufacturing facilities in Japan, including affiliated companies located within the facilities themselves, acquired ISO 14001 certification during the period from May 1997 through April 2000.

Seven Komatsu Group facilities \*1 were certified as being ISO 14001 compliant during the period from February 1998 through March 2000, and the remaining three facilities are expected to acquire ISO 14001 certification early in fiscal 2001. Moreover, six facilities overseas acquired ISO 14001 certification during the period from December 1998 through February 2000. The remaining twelve facilities are scheduled for ISO 14001 certification by the end of fiscal 2001.

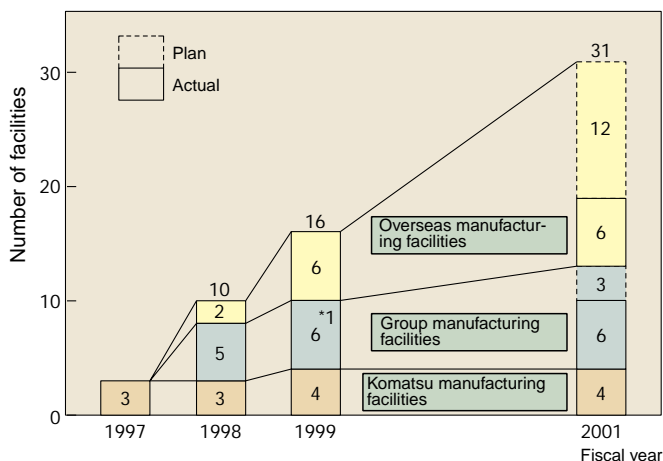


Examination for ISO 14001 Compliance at Mooka Plant (March 2000)

Komatsu, under the corporate policy of Quality and Reliability, has long endeavored to the PDCA (Plan-Do-Check-Action) cycle. Our commitment to the environment now serves as a further enrichment of Komatsu's corporate effort.

Komatsu supports its foreign affiliates through the introduction of an upgraded environmental management system and new environment-friendly technologies.

### Current Status and Plan for Acquisition of ISO 14001 Certification



\*1. Because Komatsu Forklift's Kobe plant was moved and consolidated after ISO 14001 certification, there are currently six certified Group manufacturing facilities.

### Status of ISO 14001 Acquisition in Manufacturing Facilities

Fiscal Year	1997	1998	1999
Domestic	Komatsu	<ul style="list-style-type: none"> <li>Oyama plant</li> <li>Awazu plant</li> <li>Osaka plant</li> </ul>	<ul style="list-style-type: none"> <li>Mooka plant</li> </ul>
	Group		<ul style="list-style-type: none"> <li>Tochigi plant of Komatsu Forklift Co., Ltd.</li> <li>Kobe plant of Komatsu Forklift Co., Ltd. *1</li> <li>Nagasaki plant of Komatsu Electronic Metals Co., Ltd.</li> <li>Hiratsuka plant of Komatsu Electronic Metals Co., Ltd.</li> <li>Miyazaki plant of Komatsu Electronic Metals Co., Ltd.</li> </ul>
Overseas		<ul style="list-style-type: none"> <li>Komatsu UK Ltd.</li> <li>Chattanooga Manufacturing Operation of Komatsu America International Company</li> </ul>	<ul style="list-style-type: none"> <li>Moses Lake plant of Advanced Silicon Materials, Inc.</li> <li>L&amp;T-Komatsu Limited</li> <li>Candiac plant of Komatsu America International Company</li> <li>Komatsu Changlin Foundry Corporation</li> </ul>

\*1. Komatsu Fork Lift's Kobe plant was moved and consolidated into the Tochigi plant of Komatsu Forklift Co., Ltd., in July 1999.

\*2. The Electronics Division and Komatsu Electronics Inc. were ISO-certified for the same site.

Environmental conservation activities cannot produce sufficient results without an understanding and effort throughout the entire corporation. For that reason, Komatsu is striving to educate its employees and foster a greater environmental awareness. Additionally, to those engaging in duties that imply a considerable impact on the environment, the company provides comprehensive instruction and training in the required procedures.

### Education and Training: Better Awareness and Effective Job Procedures

To gain a better understanding and ensure the implementation of environmental conservation activities, Komatsu is organizing a variety of educational programs for use at all levels of the organization. Education and training programs intended for all employees include the General Environmental Education class in the Vocational Training Course, along with other environmental education courses as listed in the table below.

Personnel involved in environmentally burdensome operations are receiving on-the-job training using manuals and hands-on emergency training.

Various environmental education courses are provided at the head office in order to meet the educational needs of individual group companies. These courses include a course for the training of factory environmental specialists, a one-day lecture on how to acquire ISO 14001 certification, a two-day course for training internal auditors for ISO 14001 compliance, and a half-day course for the training of



*On-Site Procedural Training in the Event of Water Contamination*

environmental administrators at sales and rental companies.

Additionally, the environmental management department at each plant offers a range of education courses such as basic courses intended to foster a deeper understanding of Komatsu's environmental activities and ISO 14001 requirements, along with courses covering environmental laws/regulations and filing procedures for various legal registrations.

In addition to the classroom courses described above, the supervisor at each workplace provides workers engaged in environmentally burdensome activities with on-the-job training and in-depth manuals. Through such training, the personnel thoroughly absorb the proper operating procedures and understand the risk of environmental impact posed by improper operations, as well as how to handle accidents and emergencies. Moreover, on-site training is provided in order to ensure that each worker can quickly and effectively deal with an unexpected situation.

### Courses in Environmental Education (excluding general environmental courses)

Venue	Course name	Target	No. of participants in fiscal 1999
Head office	Advanced Environmental Education (every three years)	Environmental specialists (Komatsu and affiliates)	18 (in fiscal 1998)
	Overview of the ISO14000s	Administrators (Komatsu and affiliates)	22
	Training for internal auditors	Environmental auditors (Komatsu and affiliates)	16
	Environmental education for distributors	Administrators (Komatsu sales companies)	117
The environmental management department at each plant	Basic Environmental Education	Administrators; general	561
	Introductory lecture on the ISO14000s	Administrators; general	946
	Training for internal auditors	Environmental auditors	108
	Environmental laws/regulations and filing procedures	General	32

### Number of Certified Environmental Experts

Name of certificates	No. of certified experts	Number required
Anti-pollution administrators	253	54
Energy administrators	37	15
Auditors for the environmental management system	11	-