

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 (CO₂) 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 CO₂ 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 CO₂ emissions and logistics costs. We continuously strive for groundbreaking energy-saving manufacturing techniques that advance our CO₂ 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 CO₂ 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, busi-

nesses, 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.

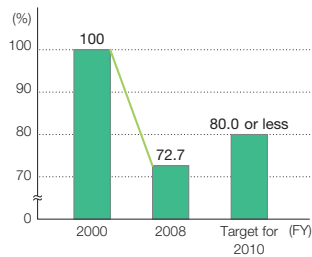
For Komatsu to receive the trust of society, we continually reinforce our corporate structure, disclose corporate information to society and all stakeholders, and engage in fully-fledged social contribution activities. We at Komatsu, from management to every employee around the world, value our relationship 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

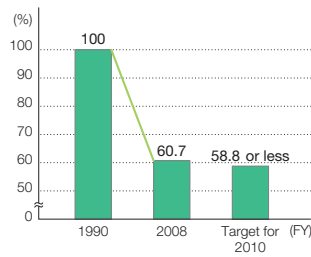
President and CEO



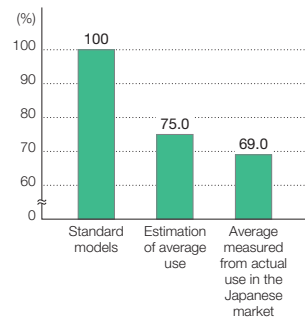
CO2 Emission Reductions in Manufacturing Operations



CO2 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.