

OUR APPROACH TO CSR

We define our CSR priorities by understanding where our business activities intersect with our contributions to society.

From how we deliver our products to our customers to how we develop fruitful relationships with our people and the communities where we do business, our CSR priorities provide us with the foundation to create lasting business and social value.

In 2009, Komatsu reflected on our company history and recognized that many of our activities over the past 20 years met the needs of both our business and society, staying true to our core belief that “Our corporate value is measured by the degree of trust placed in us by society and our stakeholders.” We also recognized that to meet the sustainability challenges of the future, we needed to define our CSR priorities based on their relevance to our business and their importance to our stakeholders.

FOCUSING ON MATERIAL ISSUES — Define a set of global CSR themes —

This year, with the support of Business for Social Responsibility (BSR), a nonprofit organization, Komatsu undertook a materiality assessment to accomplish the following objectives:

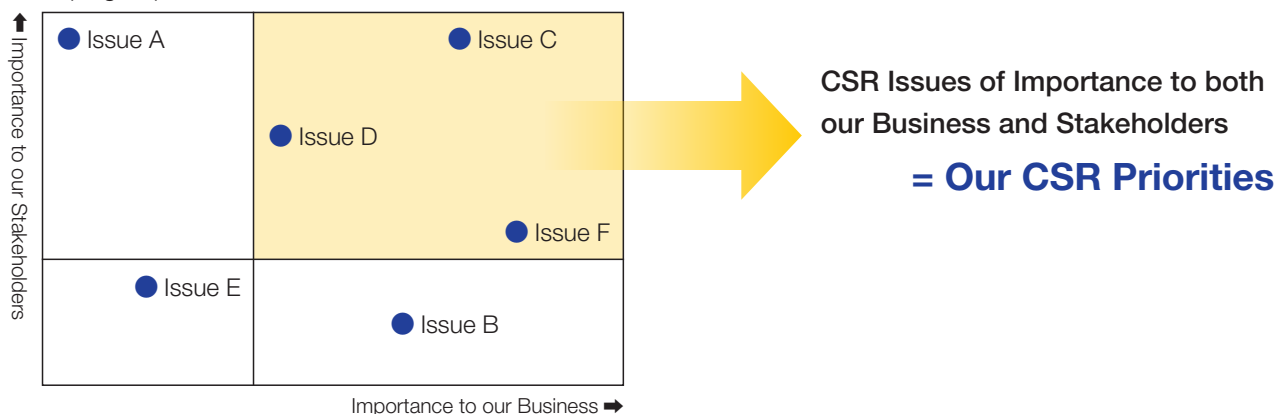
1. Identify a set of CSR issues and prioritize these CSR issues by their relevance to our business and their importance to our stakeholders
2. Define a set of global CSR themes and activities

1. Identifying a set of CSR Priorities Relevant to our Core Business

From a list of many CSR issues, we selected those relevant to Komatsu as a construction/mining and industrial equipment manufacturer. We then evaluated CSR issues on their importance to our business. To understand the relevance of CSR issues to our business, we interviewed senior executives across our company, including leaders of regions outside Japan. These interviews helped us to understand the degree to which CSR issues interact with our business priorities and operations. We then evaluated CSR issues on their importance to our stakeholders. To understand the relevance of CSR issues to our stakeholders, we reviewed external reports, viewpoints, and public statements published by governments and policy makers, issue experts and advocates, media, suppliers, and customers. We also took into consideration BSR’s view of stakeholder importance.

◆ Evaluating CSR Issues

We evaluated CSR issues based on the degree of importance to our business shown on the horizontal axis, and the degree of importance to our stakeholders shown on the vertical axis. The CSR issues important to both businesses and stakeholders came to the top right quadrant.



We narrowed our focus to sixteen material issues across six categories. By focusing on the material issues that are most important to our business and our stakeholders, we believe we are in a strong position to leverage our core strengths as an equipment manufacturer and create lasting social impact going forward.

◆ OUR CSR Priorities

Products, Services, and Customers
Products that enhance safety
Responsible marketing and customer care

Employees
Human resource development
Safety and health
Respecting employees

Ethics and Governance
Cooperation with stakeholders
Corporate governance and compliance
Compliance with social norms including business partners

Environment
Environmentally-friendly products
Environmental efficiency (facilities, such as plants, and operation sites)
Remanufacturing

Human Rights
Respecting human rights
Equal employment

Local Community
Development of local communities
Disaster relief
Improving local residents' quality of life

2. Defining a set of Global CSR Themes

By developing a set of themes around our most important material issues, we implement CSR and meet the needs of our business and our stakeholders. By going through a process of engaging officers in discussions on “What we should do to pursue CSR Priorities” as well as taking in consideration BSR’s view as a third party, we established three core CSR themes to guide our strategy and implementation:

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

To support these core themes, we developed key business activities for each theme that outline specifically how we are pursuing CSR at Komatsu. These business activities promote our CSR themes and priorities, and they also support our three-year mid-range management plan, which we began in April 2010 under the title “Global Teamwork for Tomorrow.”

◆ Komatsu’s CSR Themes and Key Business Activities

■ **Enhancing Quality of Life** — Providing products required by society —

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

■ **Developing People**

- Contributing to human resource development in local communities
- Enhancing our employees and suppliers through The KOMATSU Way
- Enhancing our employees and distributors through “Brand Management”

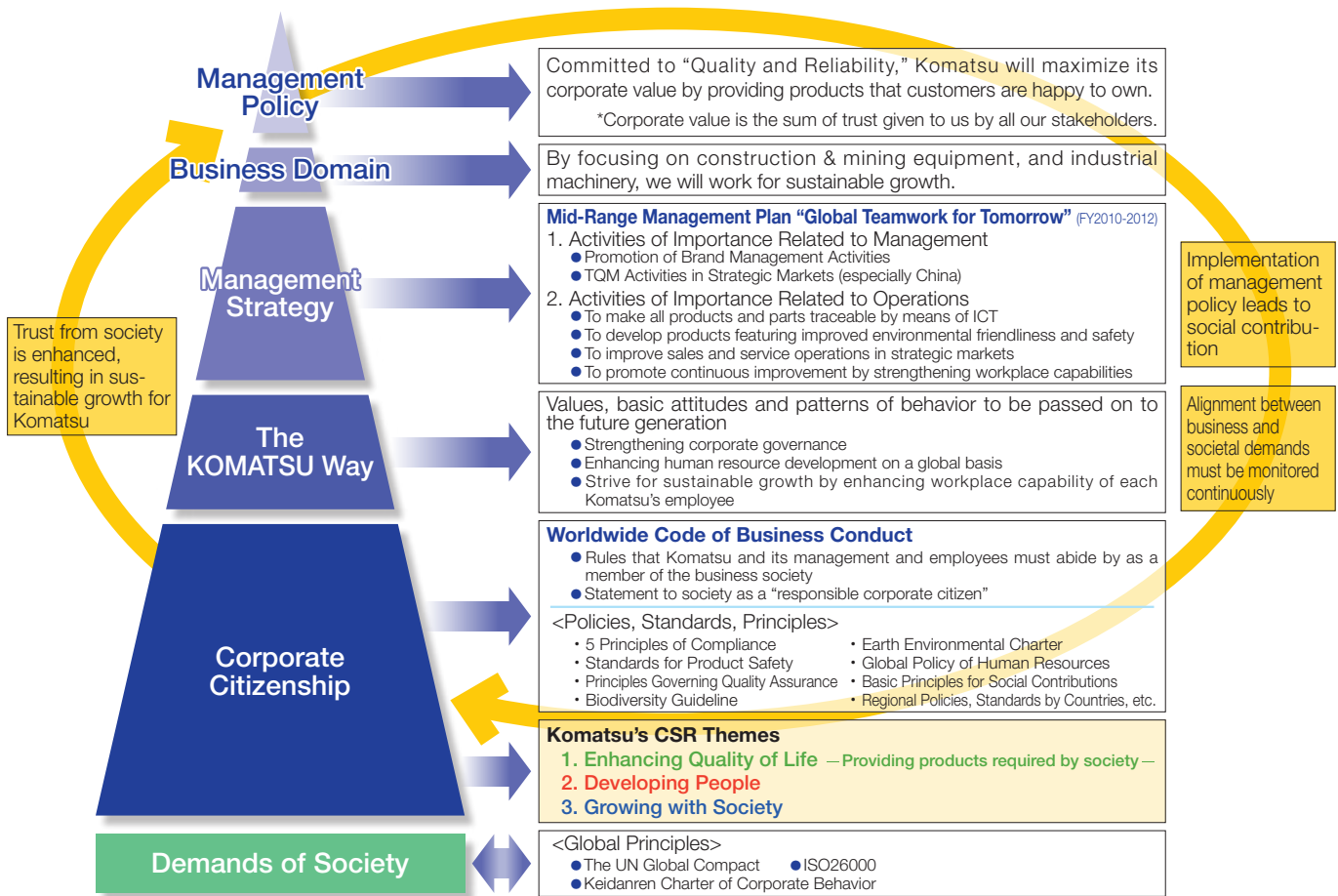
■ **Growing with Society**

- Engaging in dialogue with our stakeholders
- Providing social contributions through the use of our core technologies and resources (e.g., disaster relief or activities to remove antipersonnel land mines)
- Contributing to our local communities where we do business
- Strengthening our corporate governance and compliance
- Promoting compliance with environmental, labor, and social norms within our group and among business partners

INCORPORATING CSR INTO MANAGEMENT

An important aspect of implementing CSR is how we incorporate it into our overall management framework.

For this reason, we have created a cycle for implementing CSR that ensures alignment between our CSR priorities and our company's core management philosophy, strategies, and policies.



- We believe that a corporation is a social entity with a responsibility to implement management policy which leads to social contribution.
- We also believe that a corporation must continuously check whether its business activities are aligned with the demands of society. We bolster our CSR review cycle by engaging and listening to our stakeholders, reviewing external trends in business and sustainability, and adhering to regional, national, and international guidelines and principles, such as those provided by the UN Global Compact, the International Organization for Standardization (ISO), and the Keidanren (Japan Federation of Economic Organizations).
- Through responsible corporate behavior, trust from society is enhanced, resulting in sustainable growth for our corporation.

Editorial Policy

This report presents, in an easy-to-understand manner, the most important aspects of CSR, based on the CSR Themes determined in the course of FY2010.

Furthermore, the title was changed from "Environmental & Social Report" to "CSR & Environmental Report."

Report based on CSR Themes

- The report details the contents of the three CSR themes through interviews with the executive officers in charge.
- In selecting a "Special Story" for each theme, we tried to include aspects that are currently perceived by society and by Komatsu as being important.
- In each theme, we presented the main initiatives or something of a topical nature.

Printed report and Web posting

- The written report presents information that should be reported to all stakeholders, because it is highly important, new, or has been revised.
- The website is used to release (1) general information, such as policies and general rules, (2) information on ongoing activities and initiatives, and (3) a comprehensive disclosure of detailed and incidental information.

Website

<http://www.komatsu.com/CompanyInfo/csr/2011/>

Independent Review



Director, Advisory Services
Business for Social Responsibility (BSR)

Mr. Raj Sapru

Komatsu joined BSR in June 2010 and partnered with us in establishing strategic priorities and creating an approach to identify Komatsu's most important sustainability issues—steps we believe are critical to CSR leadership.

To this end, BSR worked with Komatsu to undertake a series of investigative and planning activities during 2010, including:

- Engaging in a series of in-depth interviews with senior executives within Komatsu, including Komatsu's regional presidents in strategic markets around the world
- Providing our view on where Komatsu's CSR approach could be enhanced
- Undertaking a materiality exercise (described on page 3) to identify the CSR issues of greatest significance to Komatsu and its stakeholders
- Establishing, from the materiality exercise, a set of CSR themes for Komatsu to provide a framework for managing CSR activities and performance

We've been impressed by Komatsu's desire to focus on top strategic priorities, and we commend the company for the care it has taken to create a pathway towards making a positive difference. We are also impressed with the integration of The KOMATSU Way, a set of foundational values, principles, and practices, across all its business activities and operations.

Looking forward, we hope that Komatsu will continue to manage its approach to CSR with an ambition that is equal to the size and global scope of the company and the scale of the challenges we face as a society. CSR requires commitment and engagement, and we believe Komatsu is better positioned today to follow through on its commitment to sustainability and social responsibility.

Guidelines Used

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

Period Covered

This report in principle covers the data for the period from April 1, 2010 to March 31, 2011, though information for the period after April 1, 2011 is also included.

Subsequent Reporting Schedule

- Japanese version: Expected July, 2012
- English version: Expected July, 2012

Contents

Message from Top Management	1
OUR APPROACH TO CSR	3

CSR Theme 1 Enhancing Quality of Life —Providing products required by society— 7

Special Story 1 KOMTRAX for Accurate Servicing and Reduced Environmental Impact	9
Special Story 2 Development Story of Tier4-compliant Vehicles/Engines	11
Pursuing Environmental Management	13
Mitigating Climate Change	21
Creating a Resource Recycling Society	23
Environmental Risk Management	25
Biodiversity	27
Enhanced Safety in the Workplace	28

CSR Theme 2 Developing People 29

Special Story 3 Training Field Engineers in the Philippines for Worldwide Duty	31
Developing Together with Employees	33
Nurturing Leaders and Global Management	34

CSR Theme 3 Growing with Society 35

Special Story 4 Together with Business Partners	37
Communicating with Stakeholders	39
Living in Harmony with Local Communities	40
Removing Anti-personnel Landmines	41
Disaster Relief	42

Data

Environmental Data by Manufacturing Facility in Japan	43
Environmental Data by Manufacturing Facility outside Japan	47
Environmental Management and Environmental Accounting	48
Company Profile, Environmental and Social Activities to Date & External Commendations	49
Independent Review on CSR & Environmental Report 2011	50

Photo on the cover

The images in the small and medium-sized circles show jatropha plants grown on a vacant lot of the Adaro Mine in Indonesia, the one in the large circle shows jatropha fruit from which biodiesel fuel is produced. The dump truck shown is an HD785 model running on biodiesel fuel at the Adaro Mine. You will find the related story on page 15.