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

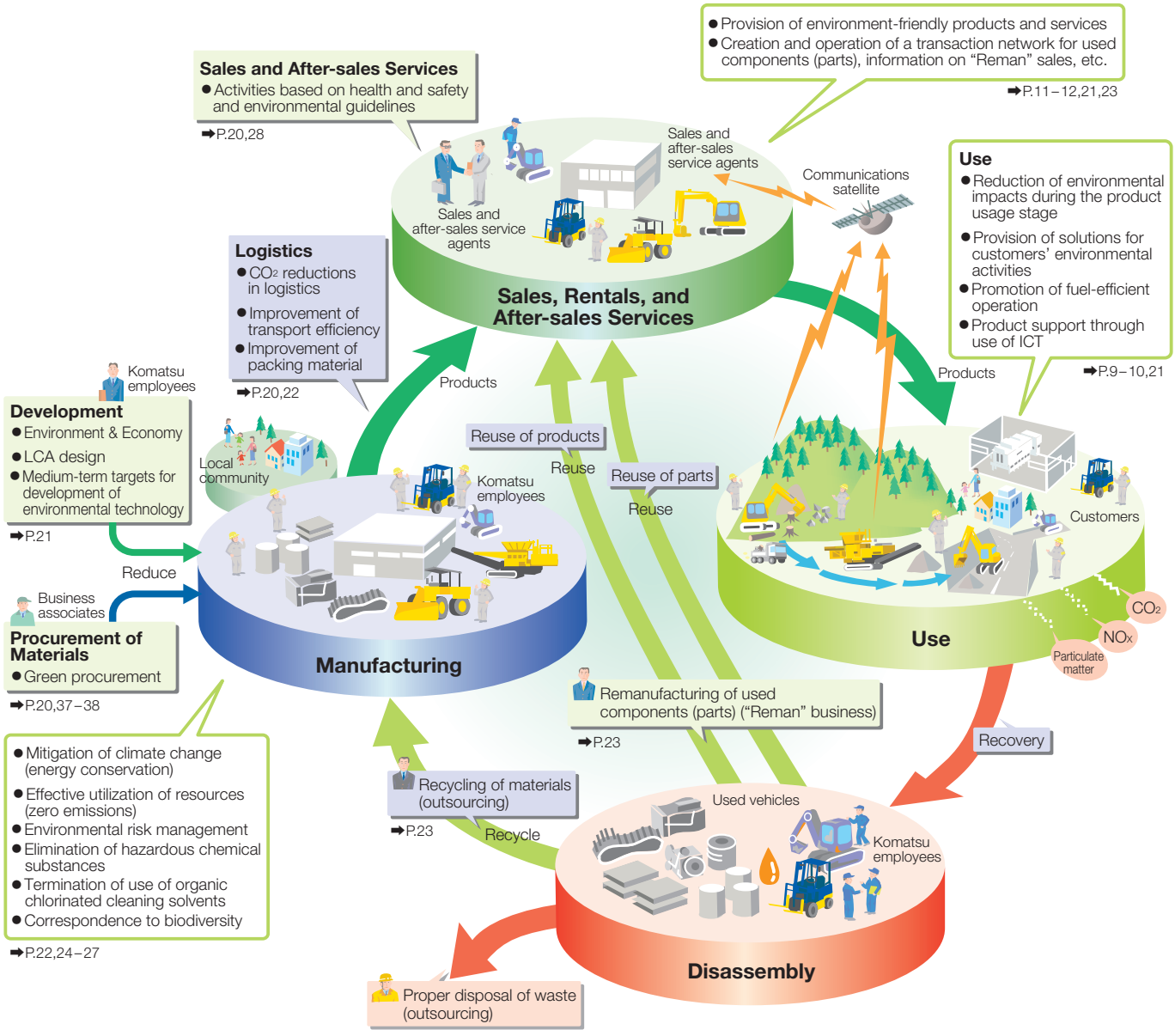
In recognition of the fact that our business activities deeply affect the environment on a regional and global level, we, at Komatsu, have placed the focus on the following four key areas:

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

In line with the Komatsu Earth Environment Charter revised in 2010, the Komatsu Group embarks on global initiatives across business areas guided by the fundamental principles of

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

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



Komatsu Earth Environment Charter (June 2010 revision)

< Corporate Principles >

1. Contributions to Realization of Sustainable Society

Mankind must not only promote the further growth of a rich and comfortable society but also pass down this indispensable environment of our planet earth to future generations in a sound and healthy condition.

We, at the Komatsu Group, define environmental conservation efforts as one of the highest priority management tasks, and endeavor to contribute to the sustainable growth of society by integrating advanced technologies into environmental conservation efforts in all our business activities. This is represented by our hybrid construction equipment which features a substantial reduction of CO_2 emissions while in operation and by our superior manufacturing.

2. Simultaneous Realization of Environmental and Economic Performance

We are committed to improving both environmental performance and economic efficiency, as a group of companies working toward superior manufacturing for customer satisfaction. To this end, we constantly take 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 promotes environmental conservation by not only complying with the applicable laws and regulations of the concerned host community, region and country but also by establishing its voluntary standards which consider global and local environmental concerns. Each company of the Group also strives to fulfill its corporate social responsibility by actively participating in local environmental conservation programs and thereby promoting close-knit communication with local communities, while striving to become a company trusted by all Komatsu stakeholders.

< Guidelines for Corporate Activity >

1. Basic Stances on Earth Environmental Problems

We, at the Komatsu Group, work for sustainable society and earth environment through our global business operations by addressing the following four environmental problems with the stances discussed below.

1) Climate Change

We will reduce the use of energy and emissions of greenhouse gas in all phases of our business activities ranging from research and development, procurement, production and logistics to sales and service as well as in the total life cycle of our products and services.

2) Establishment of a Sound Material-Cycle Society

Through our business processes, we work to minimize the use of natural resources, such as materials and water, promote their re-use or recycle them as much as possible, and expand Zero Emissions from our manufacturing activities around the world. At the same time we ensure the thorough management of waste materials in all our business domains, including our suppliers and distributors. We also continuously work to increase the recyclability rate of products at the time of disposal.

3) Conservation of Air, Water and Other Environments as well as Management of Chemical Substances

We comply with not only local laws and regulations but also with our established standards concerning the conservation of water quality, prevention of air pollution, noise and vibrations.

As much as possible, we also ensure the thorough management of chemical substances for use in our business activities, while continuously reducing the use of potentially harmful chemical substances or replacing them with alternative substances for discontinuation of their use.

4) Biodiversity

We recognize biodiversity as one of the important issues concerning the earth environment, evaluate, understand and analyze impact on it in all our business domains, and work on our tasks according to the criteria of the highest impact and/or the most effective actions.

2. Framework of Global, Group-wide Environmental Management System

The Komatsu Head Office, as well as the manufacturing facilities and main companies of the Komatsu Group, already with ISO certifications, will work to maintain and improve their environmental management system, while other manufacturing facilities and suppliers will also work to establish their environmental management systems and reduce their environmental impact.

The Komatsu Environmental Committee develops environmental action plans and common guidelines for the Komatsu Group. Based on these Group-wide plans and guidelines, each division or company sets up its own mid- to long-term targets, develops and implements specific action plans, reviews them regularly and works to continuously improve them.

3. Environmental Education and Communication

We believe that it is important to enhance the environmental awareness of each and every employee and thereby actively promote environmental awareness and education programs for all employees.

We will gather environment-related information concerning not only our manufacturing facilities but also other related entities, such as major affiliated companies and suppliers, and strive to disclose such information, thereby facilitating proactive communication with all our stakeholders, such as customers, employees, local communities and suppliers and further expanding the content of environmental communication.

Environmental Action Plan and Results for FY2010

To promote the Komatsu Earth Environment Charter, the company formulates environmental action plans (implementation policies) for each field, establishes action targets for each fiscal year, and steadily advances its policies, while following up on their implementation status.

◆Environmental Management

Implementation policies	Objectives for FY2010	Results for FY2010	Medium-and long-term objectives	Future information
1. Strengthen environmental management systems	Integrated certification of Komatsu House Ltd.	●Maintenance for the Integrated Certification of environmental management systems (EMSs) is in progress. ●Integrated certification of Komatsu House postponed to next FY	Acquisition of integrated certification by the Komatsu Group Manufacturing Facilities in Japan	P.19
2. Environmental education and training: Implement the education plan	Draw up and promote the education plan	●Held 13 courses with over 5,200 participants	Continue to organize courses and expand them to overseas locations	P.20
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 2010	Enhance the quality of the content; release report earlier than in previous years	—

◆Research and Development

Implementation policies	Objectives for FY2010	Results for FY2010	Medium-and long-term objectives	Future information
1. Reduce the environmental impact of construction equipment **●Develop low-emission construction equipment**	Develop vehicles compliant with Tier4-interim emission standards	●Developed a vehicle equipped with an engine compliant with Tier4-interim emission standards (130 – 560kW) (D65-17, PC220/240LC-10, WA380-7, HM300-3, etc.) ●Introduced an engine oil (low ash oil) developed specifically for KDPF equipped vehicles	Develop vehicles compliant with the Tier4 emission standards effective from 2011 in the U.S.A., Europe, and Japan	P.11 P.12
●Reduce CO_2 emissions from construction equipment (improve fuel efficiency of products)	Reduce CO_2 emissions of equipment compliant with Tier4-interim emission standards (hydraulic excavators: Δ 10% compared to existing models) and hybrid equipment (hydraulic excavators: Δ 25% compared to existing ordinary models)	●Achieved 10% reduction with a hydraulic excavator compliant with Tier4-interim emission standards ●Mass production of hybrid hydraulic excavators (HB205-1 and HB215LC-1)	10% reduction by 2015 compared to the 2007 level for vehicles compliant with Tier4 emission standards(hydraulic excavator) 35% reduction for hybrid vehicle (hydraulic excavator)	P.11 P.21
●Improve the recyclability rate of construction equipment	Achieve 99.5±0.5% for equipment compliant with the next emission standards	●Started indicating the substances contained in canned counterweights (according to the manuals by Japan Construction Equipment Manufacturers Association) ●Adopted chlorine-free hydraulic hoses (changeover underway) ●Established a recycling route for electric double-layer capacitors	Recyclability rate of 99.5±0.5% by 2015	P.23
●Strictly control and reduce substances of environmental concern in construction equipment	Maintain reduction of hazardous substances at 75% compared to 1998	●Achieved 75% reduction using a newly developed vehicle (strict control of continuous use of alminium radiators/rigorous management of packing materials for canned counterweights)	Maintain the reduction of hazardous substances at 75% compared to the 1998 level until 2015	—
	Reduce the use of mercury and lead in vehicles compliant with Tier4 emission standards	●Monitor panel of Tier4-compliant vehicles changed over to a mercury-free LCD panel	—	—
	Introduce a separate hazardous substances control system for each product type (to comply with REACH regulations)	●Conducted surveys of substances by product type in Japan and the EU for mass production ●The control system is being implemented outside Japan (with the exception of the EU)	100% hazardous substances control for parts destined for the EU by May 2011	P.26
2. Reduce the environmental impact of industrial machinery **●Market high-performance AC servo presses**	Expand business affiliations for AC servo presses	●Launched more compact AC servo presses	Expand AC servo press sales ratio	—
●Market high-efficiency wire saws for solar cells	Develop minor-change model	●Minor-change model of multi-wire saws for solar cells developed and released to the market	Expand business affiliations for high-efficiency wire saws	P.21
3. Promote reuse and recycling **●Promote the "Reman" business**	Expand and promote the "Reman" business	●Reorganized the "Reman" business globally (concentrate operations into ten Reman Centers in regions with a high demand for remanufactured parts)	Promote reuse and recycling through further improvements in recycling-related technologies for parts	P.23

Topics

Biodiesel Fuel Project —Completion of BDF Pilot Plant—

In 2009, the biodiesel fuel (BDF) project was started at the Adaro Mine in Kalimantan, Indonesia. The project provides for cultivation of the jatropha and other plants for production of BDFs and using these fuels to run Komatsu dump trucks in operation at the mine.

At the Adaro Mine, in 2010, Komatsu built a pilot plant for BDF production and a laboratory where the produced BDFs are analyzed to maintain quality. Komatsu, as the manufacturer, will from now on guarantee the quality of the dump trucks running on BDFs at the Adaro Mine.

The project is an example of a business model for local production of a carbon-neutral biodiesel fuel for local consumption. The future objective is to replace 20% of the kerosene consumed by 1,000 dump trucks with BDFs, with the goal of achieving a reduction in CO_2 emissions of approximately 200,000 tons, roughly the equivalent of the CO_2 emitted by Komatsu manufacturing facilities in Japan in the course of one year.

Pilot plant for BDF production

Local staff and the laboratory

◆Manufacturing

Implementation policies	Objectives for FY2010	Results for FY2010	Medium-and long-term objectives	Future information
1. Mitigation of climate change (energy conservation) ● Make 20% improvement by FY2010 in the amount of CO_2 emissions per unit of manufacturing value compared to the FY2000 level at the Komatsu Group manufacturing facilities in Japan	Improve 1% over the previous fiscal year	● Improved 27.0% from the FY2000 level; attained 3.8% improvement over the previous fiscal year ● Curbed total CO_2 emissions by 18% compared to 1990	40% reduction by FY2015 compared to 1990 level 43% reduction by FY2020 compared to the 1990 level	P.22
● Curb total CO_2 emissions to the 1990 level (Komatsu Group manufacturing facilities in Japan)				
2. Effective utilization of resources ● Maintain or make further progress in attaining zero emissions at the Komatsu Group manufacturing facilities in Japan	Attain a recycling rate of 99% or greater	● Attained a recycling rate of 99.0% across the Komatsu Group	By FY2015, Japan: Attain a recycling rate of 99.5% or greater Overseas: Attain a recycling rate of 95% or greater	P.24
● Achieve a reduction of more than 15% by FY2010 in the amount of waste generated per unit of manufacturing value compared to the FY2005 level at the Komatsu Group manufacturing facilities in Japan	Improve more than 15% compared to the FY2005 level	● Achieved 38.8% reduction in the amount of waste generated per unit of manufacturing value over the FY2005 level	20% reduction by FY2015 compared to the 2005 level	P.24
● Achieve a reduction of more than 10% by FY2010 in the amount of water used per unit of manufacturing value compared to FY2005 at the Komatsu Group manufacturing facilities in Japan	Improve more than 10% compared to the FY2005 level	● Achieved 30.3% reduction in the amount of water used per unit of manufacturing value over the FY2005 level	25% reduction by FY2015 compared to the 2005 level	P.24
3. Environmental risk management ● Implement voluntary reductions in the release of chemical substances Substitute reductions in the amount of VOCs released, which account for the majority of chemical substances released	Establish a control system for chemical substances and reduce the amount of released chemical substances	● Achieved 48.7% reduction in the amount of VOCs released per unit of manufacturing value over the FY2005 level	50% reduction compared to the FY2005 level	P.26
● Implement voluntary reductions in 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 compared to the FY2005 level				
● Undertake soil and groundwater remediation at the Komatsu Group manufacturing facilities in Japan	Continue the cleanup	● In progress	Complete the cleanup work	P.25
● Sequentially address each underground tank that has been in operation for 20 years or more at the Komatsu Group manufacturing facilities in Japan	No applicable underground tanks	● No applicable underground tanks	Sequentially address each underground tank that has been in operation for 20 years or more	P.25

◆Procurement and Logistics

Implementation policies	Objectives for FY2010	Results for FY2010	Medium-and long-term objectives	Future 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 support to member companies of the Komatsu "Midori-kai" for acquiring integrated certification of their environmental management systems (EMSs)	● Certification acquired within FY2010: 17 out of 17 member companies acquired certification (equal to the target)	Reinforce linkages with supplier EMSs	P.20
2. Environmental conservation in logistics ● CO_2 emissions per unit of net sales generated through shipping of products and components (Komatsu manufacturing facilities in Japan) (in the scope of revised Law concerning the Rational Use of Energy of Japan)	Improve by 14.4% over the FY2006 level	● Improve 10.7% over the previous fiscal year ● Achieved 38.0% improvement compared to FY2006	Improve CO_2 emissions per unit of net sales generated through shipping of products and components by 30.6% by FY2015 compared to the 2006 level (Komatsu manufacturing facilities in Japan)	P.22
● Shift to means of shipping with low environmental impact	Promote modal shifts in shipping from trucks to inland ferries or rail	● The Oyama and Koriyama Plants are increasingly emphasizing a shift to Japan Railway containers, raising the modal shift ratio to 3.6%. At the same time, Komatsu's overall modal shift ratio (including the use of domestic vessels) falls on 23.9%, remaining on the same level	Continue to promote modal shift	——
● To save resources, aim at reducing procurement of new packaging materials to zero and make all shipping containers returnable	Increase the packaging return ratio	● The Awazu Plant is focusing on the use of specially designed packaging for containers and has improved the packaging return ratio by 9.4%. The total packaging return ratio for shipments within Japan accounts for 45.1% of all export packaging	Reduce procurement of new packaging material to zero	P.22
● Promote reduction in shipping distances and improvements in shipping efficiency	Increase the size of shipped units to large lots	● Improved the cargo weight per shipment index by 13.1% by loading containers directly at the plant, improving the load ratio, increasing production at plants adjacent to ports, increasing the number of self-propelled vehicles and similar measures (11.6 tons/shipment -> 13.1 tons/shipment)	Promote these efforts with a focus on components	P.22
	Using nearby ports to shorten shipping distances by trucks	● The distance per shipment using truck trailers (average haul distance) was reduced by 13.3% (183 km/shipment ⇒158 km/shipment) across the Komatsu Group. Transfer of production to the Ibaraki and Kanazawa Plants, which are adjacent to ports, is ongoing to reduce shipping distances	Implement further improvements, including reducing the operating range of forklifts	P.22

◆Sales and After-sales Servicess

Implementation policies	Objectives for FY2010	Results for FY2010	Medium-and long-term objectives	Future 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	● Carried out activities for improvement through guidance provided during onsite visits to 107 sites ● Regularly issued the Safety and Environment Newsletter (24 editions published yearly)	Support environmental conservation activities by Komatsu Group sales agencies and rental companies in Japan based on the Group's environmental guidelines	P.20

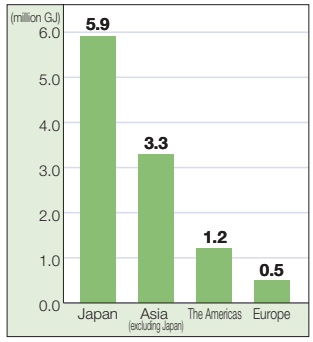
Relationship between Business Activities and the Environment

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.

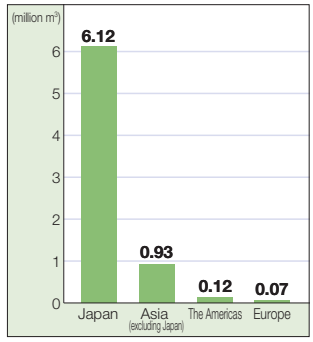
The Komatsu Group will continue to provide more highly value-added products and services while assessing the environmental impacts resulting from its business activities, formulating medium- and long-term objectives, and introducing measures to reduce such impacts.

◆Environmental Impact Indicators by Region

Energy



Water Resources



◆Environmental Impact Resulting from Business Activities of Komatsu Group Companies, including Facilities outside Japan (FY2010)

Input

Direct Materials	
Steel	938,591t
Indirect Materials	
Paints	1,225t*1
Lubricants	14,873kℓ*1

Energy	
Electricity	815GWh
Heavy oil A	13,000kℓ
Kerosene	6,000kℓ
Light oil	10,000kℓ
Natural gas	16million Nm³
LPG	7kt
Gasoline	500kℓ
LNG	14,000Nm3
Steam	33kt
Other	5MWh

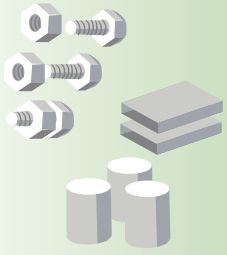
Water Resources	
Groundwater	5.9million m³
Industrial water	0.3million m³
Supply water	1.0million m³

Development

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

Procurement of Materials

- Green procurement



Manufacturing (36 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	0unit*2
Storage for PCB transformers	476units*2
Groundwater observation wells	123wells*2
Company on-site landfills	Closed

Product	
Product weight (construction, mining and Industrial equipment)	1,619kt
Number of products (construction, mining and Industrial equipment)	75,811vehicles

Output

Waste	
Total amount generated	112kt
Substances under the Pollutant Release and Transfer Register (PRTR) Law	98.5t*2
(Waste furnaces	1 unit stopped)

Waste Recycling	
Recycling amount	98kt

Use in other industrial sectors

Hazardous waste manifests

Waste Disposal	
Waste materials disposed by subcontractor	14kt
(Company on-site landfill of waste materials	0kt)

Atmospheric Discharges	
CO_2	561kt-CO_2
SOx	69t
NOx	177t*2
Substances under the PRTR Law	571.6t*2

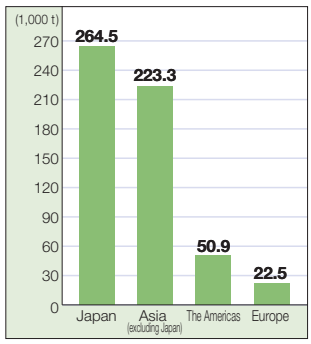
Noise and vibration

Water-based Discharges	
Wastewater	5.7million m³*2
BOD emissions	27t*2
COD emissions	18t*2
Substances under the PRTR Law (public water areas)	0t*2
Substances under the PRTR Law (sewerage)	0t*2

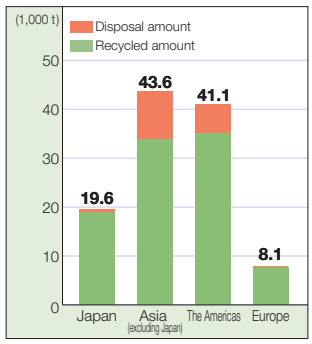
CO_2 emissions: Calculated by multiplying the electric power, heavy oil, etc. consumed (see Energy section of Input column) by the CO_2 emission coefficient (according to the Greenhouse Gas Emissions Calculation - Reporting Manual of the Ministry of the Environment based on the Act on Promotion of Global 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.

CO_2 Emissions by Scope

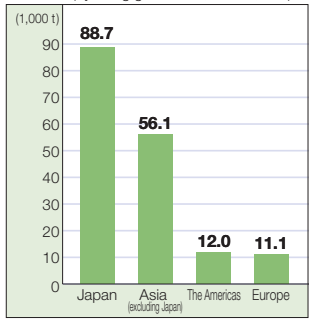
CO_2



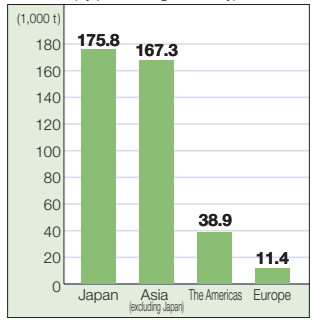
Waste

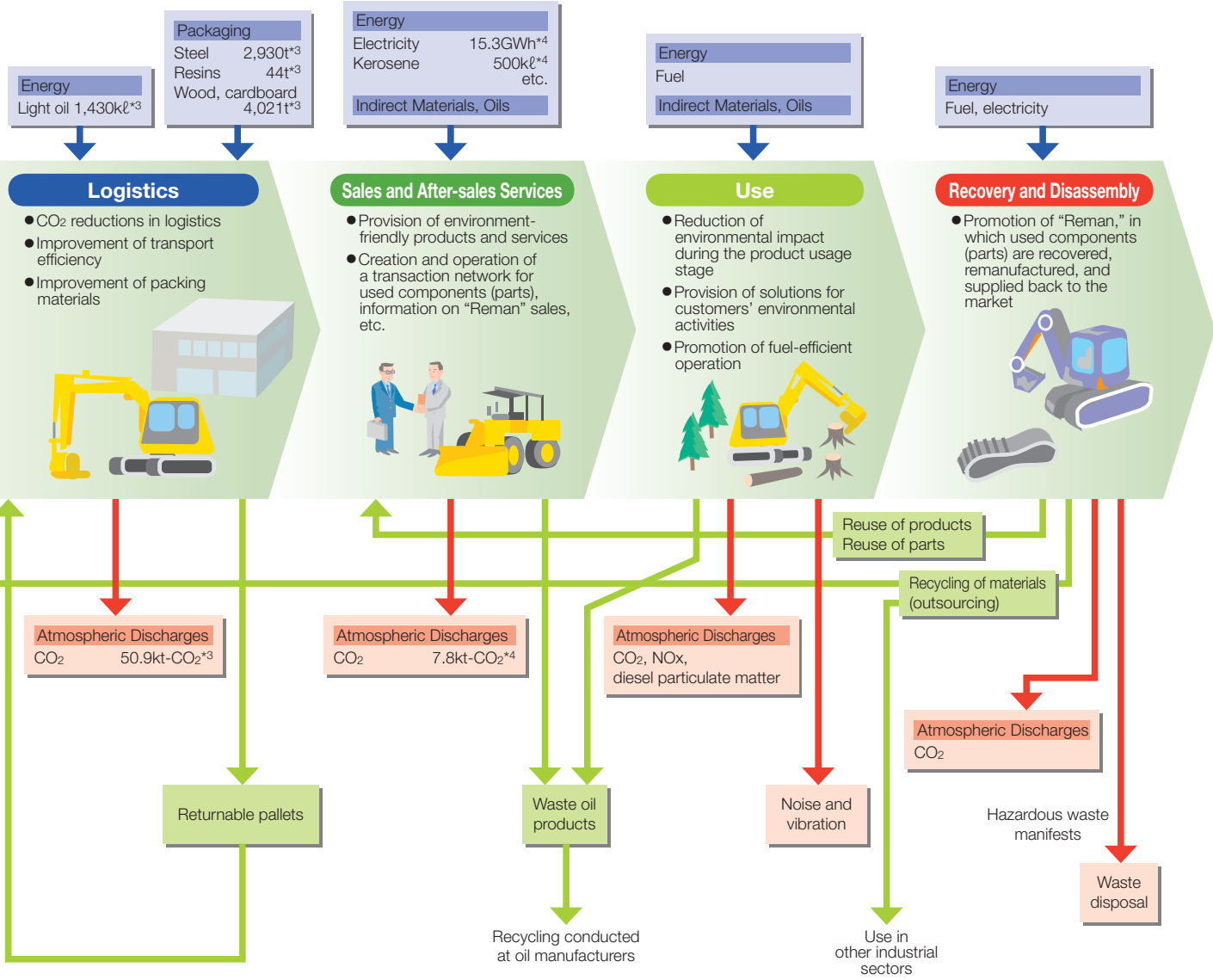


Scope1: CO_2 emitted directly by manufacturing facilities (by using generators, boilers, etc.)



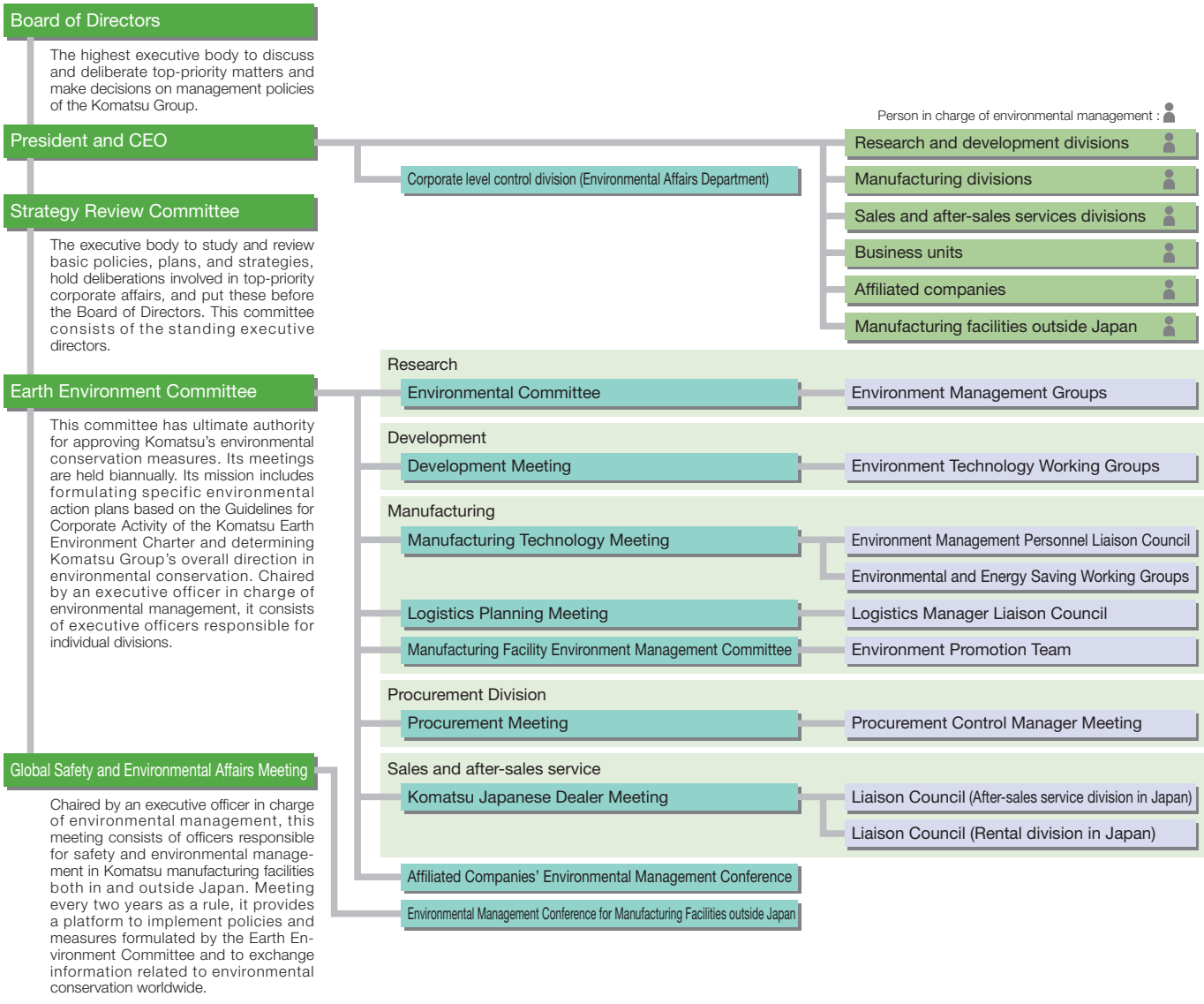
Scope2: CO_2 emitted indirectly by manufacturing facilities (by purchasing electricity)





Coverage of Data *1 : 7 Komatsu manufacturing facilities in Japan
*2 : 12 Komatsu Group manufacturing facilities in Japan
*3 : Logistics from procurement to sales related to construction equipment in Japan
*4 : Sales agencies and rental companies in Japan
(Komatsu Construction Equipment Sales and Service Japan Ltd. and Komatsu Rental Ltd.) were added

Organizational Chart of the Environmental Management Structure



Acquiring ISO14001

Komatsu has implemented a Group-wide initiative to acquire ISO14001 certification, an international standard for environmental management systems. The objective is to enhance management quality by strengthening systematic steps towards environmental conservation.

Since 1997, several manufacturing facilities both inside and outside Japan, received certification. In FY2005, the four plants belonging to Komatsu Ltd. (the parent company), the Awazu, Osaka, Mooka, and Oyama Plants, acquired integrated certification, As the second step, in FY2007 Komatsu added its major affiliates in Japan and yet-to-be-certified non-manufacturing facilities – notably the Head Office – to the above four plants, with integrated certification attained by the Group in Japan in May 2008.

Upon completing the April 2010 surveillance audit, Komatsu NTC Ltd. (Toyama and Fukuno Plant) was included in the integrated certification. The Group seeks to further expand the scope of its integrated certification in the future to cover its affiliates in Japan.

Four manufacturing facilities outside Japan, BKI (Bangkok Komatsu Industries Co., Ltd.), KUI (PT Komatsu Undercarriage Indonesia), Hensley (Hensley Industries, Inc.), and KIPL (Komatsu India Pvt. Ltd.) acquired certification in FY2009. Other manufacturing facilities overseas are also being encouraged to acquire ISO certification.

ISO14001 Integrated Certification

Global Logistics Meeting

The enactment of the revision to the Law concerning the Rational Use of Energy of Japan in FY2006 made Komatsu to promote more and more implementing measures to reduce CO_2 emissions associated with its logistics operation that had been implemented by desterilizing returns and joint transpotation with competitors. Starting in FY2011, these activities will be expanded to a global scale. In preparation for this expansion, a Global Logistics Meeting was convened in FY2010 to assess the status of CO_2 emissions and make improvements in logistics processes. Work started with assessing the CO_2 emissions of ten major overseas production facilities in the U.S.A., U.K., Germany, Brazil, China, Indonesia, and Thailand. Transport-related CO_2 emissions were calculated using the improved ton-kilometer method, resulting in detailed transport data comparable to that available in Japan. This was used to visualize the status and to make improvements.

Global logistics meeting
(at the Komatsu Head Office)

Environmental Education and Training

In Komatsu Group's basic education system, the parent company and individual divisions share the responsibility for education. The parent company develops educational materials and provides educational services on relevant academic issues for use by Komatsu Group companies. Individual divisions, on the other hand, provide instruction on more hands-on matters, including unique features particular to the individual divisions. Education and training is tailored to different occupational content, and includes lectures on the environment.

The FY2010 curriculum for environmental education was essentially the same as for FY2009. Special emphasis was placed on learning about environmental laws and regulations in relation to environmental risk management. Komatsu created its own textbook for teaching environmental laws and regulations, and dispatched a lecturer from inside the Company to teach the course at each business unit. To date, more than 200 employees have taken the lecture. In FY2011, the Company embarked on an awareness campaign for employees, to drive home the importance of conserving biodiversity.

Komatsu encourages employees to obtain an appropriate environment-related certificate that is recognized by public institutions.

Environmental Inspection at the Komatsu Subsidiary in India

Komatsu has established environmental protection guidelines, which are based on the Komatsu Earth Environment Charter, to improve the level of environmental conservation and reduce environmental risks in developing countries. After visiting subsidiaries in China in 2007, and Thailand and Indonesia in 2009, in this fiscal year Komatsu representatives visited two subsidiaries in India to inspect environment-related facilities and exchange views on environmental matters. The inspections also included the local waste disposal companies that the subsidiaries use. The representatives found that each of the business units was practicing energy savings, carrying out air and water quality measurements and waste separation, and had increased the ratio of green space on their plant premises. Moreover, there were no indications of serious environmental risks. Komatsu plans to continue environmental inspections in developing countries into the future, to raise the level of environmental protection for the Komatsu Group as a whole.

Measurement for exhaust gas emissions from the electrical generator (in Komatsu India Pvt. Ltd.)

Environmental Audit of Chinese Subsidiaries

Komatsu performs internal audits using the audit departments of regional headquarters (RHQs). In FY2010, three Chinese subsidiaries underwent environmental audits by Chinese auditors, with support from the Komatsu Head Office. The Head Office prepared check sheets, which were used to examine ISO14001 activities and observance of environmental regulations. The audits were performed under the guidance of an environmental expert from the Head Office to help reduce environmental risks and improve the level of the local auditors. Environmental audits at RHQs in countries other than China are planned in the future.

Supporting Environmental Activities at Komatsu Group Sales Agencies and Rental Companies

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

The Environmental Guidelines, distributed in April 2005, comprise points and standards that should be observed in relation to environmental issues that are of direct relevance to operations at sales agencies and rental companies. These include waste treatment, waste oil treatment, oil and grease management, and treatment of wastewater from vehicle washing. Komatsu assists sales agencies and rental companies in meeting the provisions of the Environmental Guidelines.

The Company also assists in the review of the environmental aspects of operations, conditions, and equipment at the relevant business sites of the agencies and companies, gives on-site guidance, and proposes remedial actions that are tailored to each site. This is done through joint visits to each of the sites by persons in charge of environmental management at Komatsu and at the sales agencies and rental companies. (In FY2010, 107 sites received this assistance.) As a result, awareness of the environment has risen at the agencies and companies and various improvements are underway.

Supporting Suppliers in Introducing Environmental Management Systems

To reinforce environmental management at our suppliers, Komatsu required the Komatsu "Midori-kai" group, which accounts for about 80% of the value of procurements, to have all its group companies acquire EMS certification. By FY2008, all 126 business associates in Japan had acquired EMS certification.

Of new member companies, 28 companies acquired certification between FY2009 and FY2010.