

ENVIRONMENTAL CONSERVATION



Promoting Environmental Conservation Efforts

We have defined environmental issues as one of our important management tasks and organizationally promoted our efforts early on. In 1991, we built our environmental management framework by creating the Earth Environment Committee chaired by the president (currently the director responsible for supervision of environment). In the following year, we established the Komatsu Earth Environment Charter and embarked on our efforts to reduce environmental impact in our business operations, centering on our mainstay business of construction and mining equipment, as the matters that Komatsu can and must do.

In July 2003, we revised this charter and set three new principles: 1) contributions to realization of sustainable society, 2) simultaneous realization of environmental and economic performance, and 3) observance of corporate social responsibility. Simultaneously, we created the Environmental Affairs Department to expand our environmental conservation efforts in all our business operations and promote environmental management on a consolidated basis, including overseas manufacturing subsidiaries.

Voluntary Audit: Working to remove environmental risks

Since 1997, the Komatsu Group had audited its manufacturing facilities in Japan by qualified auditors of the Group for the main objective of ISO14001 certification. As a result, all our manufacturing facilities in Japan had acquired ISO14001 certification by the end of March 2003. However, those audits based on ISO14001 are primarily designed to inspect functional effectiveness of the environmental management system at each facility, and thus they are not necessarily capable of identifying potential environmental risks at the facility. In 2004, we restarted voluntary audits with more focus on the contents of environmental performance. Internal auditors of the Komatsu Group evaluate facilities other than their own by using the Komatsu Environmental Check Sheets and findings are shared for further improvements for not only the audited facility but also on a Groupwide basis.

During the fiscal year under review, our Awazu and Osaka plants as well as the Nagasaki Plant of Komatsu Electronic Metals Co., Ltd. were inspected by our auditors, and all received high marks. In particular, Komatsu Electronic Metals' Nagasaki Plant attained almost perfect scores, although the plant uses a large amount of chemical substances in the production of silicon wafers.

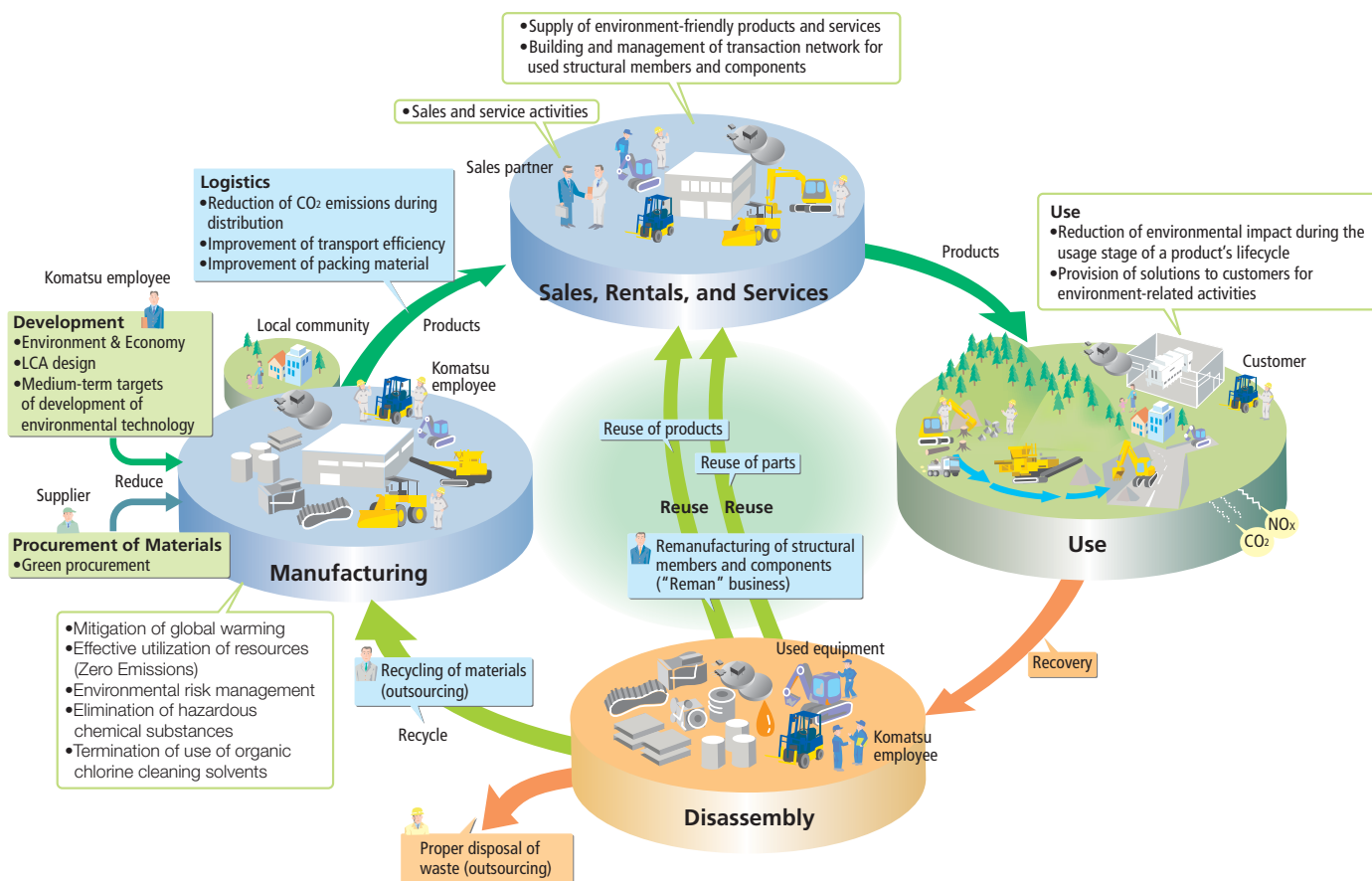


Looking ahead, we are going to extend this voluntary audit program to overseas plants of the Komatsu Group by incorporating their needs to the Komatsu Environmental Check Sheets, in addition to ISO14001 audits.

For the details such as figures and goals related to Komatsu

Group's environmental measures as well as environmental accounting, please refer to our *Environmental & Social Report 2005* to be issued in July 2005. The web version is available at <http://www.komatsu.com/>

Relationship Between Komatsu Group's Business Activities and the Environment and Society





The Second Global Environmental Affairs Held in Tokyo Head Office: Stepping up global, Groupwide efforts

To step up our efforts in environmental management on global and Groupwide bases, we called in 11 people in charge of environmental affairs at our overseas manufacturing subsidiaries operating in 10 countries around the world. On January 25, 2005, the first day of their 4-day meeting, President, Director in charge of environmental affairs, and managers from production, development, logistics and other related divisions explained Komatsu’s stance and ongoing efforts concerning environmental conservation, followed by active questions and answers with participants from overseas. On the second day, all participants made presentations on environmental conservation efforts at their companies and exchanged opinions about the differences in regulations by country, the status of industrial waste disposal/treatment as social infrastructure, their measures, future tasks and other matters. On the third day, all participants toured our Mooka and Oyama plants in Tochigi Prefecture, where they observed treatment of waste water, energy saving activities, recycling of cast sand and other conservation efforts. On the final day, they observed an assembly line for large equipment, where computer-programmed large screens are installed to display assembly instructions for given tasks, paint booth during their tour of the Osaka Plant. While they gained a better understanding of Japanese innovations and facilities during their plant tours in Japan, they also introduced ideas and measures in place at their plants.

To facilitate information and personnel exchanges among overseas subsidiaries operating in the same regions and further strengthen collaboration of the entire Komatsu Group, we are planning to hold regional environmental affairs meetings in the United States, Europe and Asia where the Komatsu Group engages in production.

Highlights of Presentations by Overseas Members

Company*	Business Segment	ISO14001	Highlights
BKC (Thailand)	Construction & Mining Equipment	Certified in September 2001	Employing its own standards which are stricter than legal requirements for air and water emissions.
FKS (Taiwan)	Electronics (Silicon wafers)	Certified in March 2001	Working to achieve Zero Emissions.
Hensley (U.S.A.)	Construction & Mining Equipment	Planned for 2005	Preventing the leakage of rainwater to the adjacent creek from the plant even when it rains hard.
KAC (U.S.A.)	Construction & Mining Equipment	Chattanooga: Certified in April 1998 Candiac: October 1999 Peoria: March 2002 Newberry: March 2004	Having an external audit twice a year.
KDB (Brazil)	Construction & Mining Equipment	Certified in January 2002	Reducing the amount of SOx by changing the fuel for casting from heavy oil to LPG
KFAB (Sweden)	Construction & Mining Equipment	Certified in October 2003	Increasing procurement from ISO14001-certified suppliers
KI (Indonesia)	Construction & Mining Equipment	Certified in June 2000	Placing special emphasis on regular inspection and repairs of gas pipes which are adjacent to the ocean.
KOHAG (Germany)	Construction & Mining Equipment	Certified in September 2000	Separating rainwater from waste water to wash equipment before shipment. Checking on suppliers for their environmental measures every two years.
KUE (Italy)	Construction & Mining Equipment	Certified in November 2001	Launched LCA program in 2004. Studying the use of powdered paint which is more environmentally friendly than regular paint.
KUK (U.K.)	Construction & Mining Equipment	Certified in December 1998	Publishing environmental reports annually since 2001. Internal auditor inspects important items twice a year and other items once a year.
LTK (India)	Construction & Mining Equipment	Certified in June 1999	Built a management system which integrates environmental conservation, safety and health in 2004.

Note: *Full company names for the above abbreviations are as follows (in order of presentations): BKC, Bangkok Komatsu Co., Ltd.; FKS, Formosa Komatsu Silicon Corporation; Hensley, Hensley Industries, Inc.; KAC, Komatsu America Corp.; KDB, Komatsu do Brasil Ltda.; KFAB, Komatsu Forest AB; KI, PT Komatsu Indonesia Tbk; KOHAG, Komatsu Hanomag GmbH; KUE, Komatsu Utility Europe S.p.A.; KUK, Komatsu UK Ltd.; and LTK, L&T-Komatsu Limited.