

Growing with Society

CSR Themes 3



Continuing the Reconstruction of Areas Stricken by the Great East Japan Earthquake

Serving the Changing Needs of Disaster Areas, Step by Step

Komatsu has continued to offer support through its core business that directly serves the changing needs of areas affected by the Great East Japan Earthquake.

In the immediate aftermath of the earthquake, we set up our Tohoku Operation Department in Sendai City, Miyagi Prefecture. This led to a cooperative effort with governments in the affected areas to identify the needs and support reconstruction, primarily by meeting requests for rent-free construction equipment and temporary housing. Currently, support and cooperation for full-scale reconstruction are essential, and we continue to provide practical, step-by-step support as the situation requires.



●● The Tohoku Operation Department served as a base for evaluating local needs and providing quick support.



Providing Direct Support and then Facilitating the Recovery of Local Communities

■ First Stage Direct support for earthquake and tsunami victims

Immediately after the earthquake, the most urgent challenges were to remove the scattered debris and restore damaged roads. To aid in these efforts, Komatsu gathered 264 pieces of construction equipment from around the country and loaned them free of charge. In addition, 671 employees from the sales and support divisions helped operate the equipment at 55 sites in the disaster-stricken prefectures of Iwate, Miyagi and Fukushima.

■ Second Stage Recovery of local communities

As finding a "space to pursue everyday life" became a top priority for residents of the disaster-stricken areas, Komatsu began contributing to local recovery efforts by providing temporary container houses and prefabricated housing free of charge. Local communities are using these facilities as schools, kindergartens, post offices and clinics.



●● Hydraulic excavator in operation in Onagawa, Miyagi Prefecture, where removal of debris was a pressing need



●● Temporary post office provided by Komatsu in Rikuzentakata City, Iwate Prefecture

Today: Supporting Full-Scale Reconstruction

We are now in the third stage of assisting in the full-scale reconstruction. Komatsu donated forklifts to the NPO "Signal of Hope" to support the recovery of local industry. About 60 forklifts are now in service at damaged fisheries facilities. We also established the Komatsu Safety Training Center, Miyagi Center and cover half of the tuition to train much needed construction equipment operators and assist disaster victims' in finding employment. More than 4,700 students have already participated in the training, many of whom are now demonstrating their skills at recovery and reconstruction sites.

Providing aid to students who will play important roles in manufacturing is another endeavor we are currently involved with. As part of this initiative, we provide "Komatsu Scholarships" through the Institute of National Colleges of Technology, Japan to students of national technical colleges in the Tohoku and Northern Kanto regions, which were stricken by the disaster. In addition, we established the "Rio Tinto-Komatsu Scholarship" in collaboration with the mineral resource mining company Rio Tinto and a Komatsu customer, and provided them to students at National University Corporation Tohoku University.



●● Forklift donated to support the recovery of the fisheries industry



●● Komatsu Safety Training Center, Miyagi Center, in Natori City, Miyagi Prefecture

Harnessing Our Advanced Technology as a Manufacturer to Support Reconstruction

Komatsu is supporting reconstruction efforts by harnessing our advanced technology, which we have developed as a manufacturer of construction machinery. Komatsu sent radio-controlled equipment to remove rubble and debris at the Fukushima Daiichi Nuclear Power Station. Regarding the removal of radioactive materials, there are strong expectations for computer-aided bulldozers that utilize ICT to automatically excavate surface soil to a fixed, preset depth.

Construction equipment on ships cannot be used at many reconstruction sites, such as shallow areas of rivers, debris-cluttered riverbanks and small fishing ports. In order to reach these sites, we refurbished our amphibious bulldozer for the first time in 20 years. The bulldozer was developed in 1971 as an alternative to mounting construction equipment on boats for work in shallow waters at the mouths of rivers or in bay areas, but its production has since been discontinued. We selected and upgraded one of five amphibious bulldozers still in service and then dispatched it for use in a recovery effort on a bridge that had been damaged by the earthquake. This radio-controlled bulldozer can be used not only on land but also as deep as seven meters underwater, and is currently being operated at reconstruction sites that are difficult for ships to reach.

Looking ahead, we will continue to support full-scale reconstruction efforts by leveraging the Komatsu Group's management assets.



●● Amphibious bulldozer in operation in the Natori River in Miyagi Prefecture

Voice

Return of the Amphibious Bulldozer

Leading the recovery and reconstruction of damaged fishing ports, bays and rivers

Mr. Masaki Umakakeba,

Civil Engineering Technology Dept., Aoki Asunaro Construction Co., Ltd.



I was speechless as the current of the Natori River reversed and swallowed nearby houses. The tsunami was of unprecedented size! At a little after 3 p.m. on March 11, 2011, a stunning scene was unfolding before me on a monitor in the lobby of New Chitose Airport. Although two years have passed since that day, the coastal areas of Sanriku, Miyagi and Fukushima seem far from recovery.

Since the first amphibious bulldozer was developed in 1971, I have been involved in construction work for breeding zones, fishing ports, bay areas and riverbanks on the northern coast of Iwate Prefecture, which was devastated by the tsunami. The five amphibious bulldozers still in service, however, were worn out from long use and required one repair after another. Two years ago, the people at Komatsu stood up for earthquake reconstruction and completed a major refurbishment of the bulldozer. Komatsu factory staff who worked on the repairs were amazed at the sophisticated technology used in 1971.

We are still receiving requests to dispatch equipment to construction sites for recovery and reconstruction and for use in shallow waters and the sea. With help from my good partners at Komatsu, I hope to pass along the amphibious bulldozer and its outstanding performance to the next generation.

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CSR Themes 3



Dialogue with Our Stakeholders

In addition to maintaining a dialogue with all of our stakeholders, including employees, business partners, investors, shareholders and local communities, we also invite stakeholders from outside the company to voice their opinions on Komatsu's management and business.

Global Dialogue with Our Stakeholders

In February 2012, we invited stakeholders from international non-profit organizations as well as local governments and universities in Japan to a dialogue at our Osaka Plant. Under the theme of "Envisioning the manufacturing base of the 21st century," participants discussed issues such as "What does society expect from the Osaka Plant, which we call the 'mother plant' of Komatsu's global production?" and "How can we continue to contribute to society over the long term?" Valuable insights we gained from stakeholder opinions included the importance of maintaining transparent communication and conducting CSR activities throughout the supply chain.



●● Stakeholder dialogue at the Osaka Plant

Exchange between Industry-Academia Collaboration Partners

While partnering with major universities in Japan, Komatsu also promotes industry-academia collaborations in China with Shandong University and Tongji University through joint research, internships and other projects. In April 2012, we invited Tongji University faculty members involved in research, career guidance and student internships to Komatsu (Changzhou) Construction Machinery Corp. and the KC Techno Center in Changzhou. We provided an overview of our construction equipment and held a dialogue between Komatsu and guests on developing skilled human resources through efforts such as offering specialized courses, providing student internship procedures and sharing laboratory resources.

In November 2012 and March 2013, meetings were held to present the joint research results of Komatsu's partner universities and the company. The researchers shared technical reports and engaged in a discussion that included student participation.

The proposals and opinions solicited through these discussions are both helpful and unique, and we will make efforts to see them reflected in our business and operations.



●● Tour of the KC Techno Center



●● Presentation of joint research results from Tongji University and Komatsu

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Together with Business Partners

– Initiative for CSR Procurement –

Business partners that supply materials, parts and components are important in helping to sustain Komatsu's manufacturing activities. Komatsu encourages its partners to abide by social norms while working toward CSR procurement.

Establishment and Dissemination of the CSR Procurement Guidelines

Komatsu has consistently worked with its business partners on environmental and workplace safety-related activities. Following the release of the ISO26000 international guidelines on corporate social responsibility in November 2010, we established our CSR Procurement Guidelines in August 2011 to explain the priority CSR issues we would like our business partners to address.

These guidelines are intended to deepen the awareness of our business partners about corporate social responsibility so that we can mobilize the entire supply chain to accelerate the pace of CSR activities.

■ CSR Procurement Guidelines
Komatsu Criteria for Selecting and Evaluating Suppliers



The Komatsu Midori-kai group is an association of 164 major business partners in Japan that supply roughly 75% of the products Komatsu purchases within Japan. Top management at these companies regularly gather for meetings, including general conferences, roundtable discussions for managers and informal New Year's business functions. On each occasion, we emphasize the importance of CSR under our CSR guidelines to build greater awareness of CSR management.



●● CSR Communication, published twice a month for business partners in Japan since May 2011, with a total of 46 issues released by the end of FY2012 (March 31, 2013).

In addition, we have begun publishing CSR Communication, a periodic journal that introduces specific examples of CSR case studies to member companies of the Komatsu Midori-kai group and other domestic business partners. Since May 2011, CSR Communication has been posted twice a month on our website for business partners in an effort to consistently promote CSR.

Overseas Activities

Midori-kai groups have also been organized outside Japan by our major business partners in North America, Europe and China. There are currently 37 member companies in North America, 51 in Europe and 62 in China. Overseas group members participate as observers in the general conference held by the Midori-kai group in Japan, and an exchange between members from different regions is already taking place. We expect overseas members to draw upon the actions of the Japanese Midori-kai group to develop their own CSR activities that reflect the characteristics of each region.



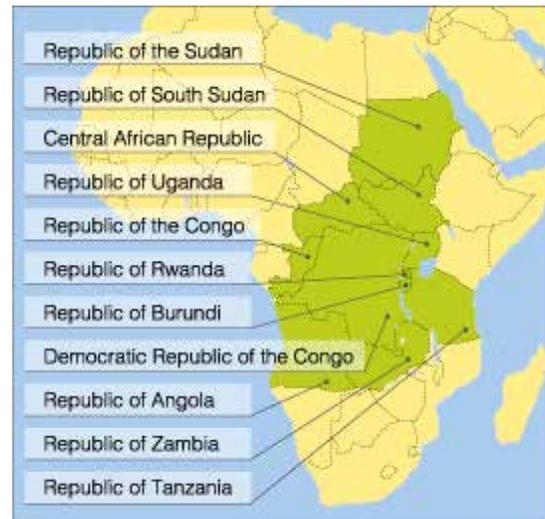
●● Member companies attended a meeting with other construction equipment companies in June 2013 in Detroit, U.S.A. and delivered a presentation on conflict minerals

Topics

Initiative on Conflict Minerals

■ Background on Regulations against Conflict Minerals

The term "conflict minerals" is used in reference to four minerals - tin, tungsten, tantalum and gold (abbreviated as "3TG"). Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in July 2010 mandates that companies listed on U.S. stock exchanges report to the Securities and Exchange Commission when conflict minerals from the Democratic Republic of Congo (DRC) or its neighboring countries are necessary for the functionality or production of a product. The act is directed at cutting off sources of funding for military groups in the DRC, which has been ravaged by domestic conflict since 1996.



●● Countries Associated with Conflict Minerals

■ Komatsu's Policy on Conflict Minerals

Komatsu has adopted a policy of not using conflict minerals produced by the DRC or its neighbors (Angola, Central African Republic, Republic of the Congo, Rwanda, Southern Sudan, Tanzania, Uganda and Zambia) modeled after the U.S. Wall Street Reform and Consumer Protection Act and from our corporate social responsibility perspective.

During the regular meetings we hold with our suppliers at each Komatsu plant in Japan, we explain this policy as well as Komatsu's response to the conflict minerals issue and related requests to our suppliers. With the cooperation of suppliers, we are now conducting a country-of-origin survey to determine the location of origin of the conflict minerals we use.

Looking ahead, we will conduct a more detailed survey that includes refineries in its scope and continue taking steps to prevent the use of conflict minerals from the DRC and its neighbors and thereby restrict funding for military groups.

Growing with Society

CSR Themes 3



Project for Creating Safe Villages

– Turning a Field of Mines into a Place Fit to Live.
We Help People Sustain Themselves and Thrive. –

Using its expertise in construction equipment technology, Komatsu is supporting demining work in areas plagued by anti-personnel landmines. Komatsu also participates in community development projects to revitalize affected areas.

Restoring Safety to the Land and Supporting the Construction of Basic Infrastructure toward Self-Reliance and Development of Communities

Since 2008, Komatsu has been working jointly with the Japan Mine Action Service (JMAS), an incorporated non-profit organization (NPO), on a community-development project to demine and rebuild areas affected by anti-personnel landmines in Cambodia and Angola.

Komatsu provides demining and construction machinery, developed through our expertise and Monozukuri (manufacturing) knowledge as a construction equipment manufacturer.

After demining, we begin development of the safe land for agricultural use utilizing our construction equipment. We also implement community rejuvenation and reconstruction projects that include digging detention basins, building elementary schools, and repairing and building roads and bridges to support the construction of basic infrastructure so that communities will be able to sustain themselves and thrive.



●● Komatsu demining machine for removal of anti-personnel mines



●● Komatsu construction equipment for building infrastructure

Project for Creating Safe Villages in Cambodia

Over the past five years, we have completed demining efforts and rejuvenated areas spanning five villages. We have also removed landmines from an area of approximately 450 ha, repaired and built roads stretching 20 kilometers, dug around 40 detention basins, created settlements for 500 families and constructed four elementary schools. As a result, minefields have been resuscitated into farmland and distribution routes have



●● Cornfields spread out across the safe land and the Komatsu School



●● Children at a settlement

Project for Rebuilding Communities in Angola, Africa

Since FY2009 we have also been participating with JMAS in a demining and community rebuilding project in Angola, West Africa. We have demined approximately 100 ha and offered support to the local people, including cleanup activities and efforts to improve their perception of agriculture. Plans are currently underway to move the state capital to the mine-cleared part of Mabubas.



●● Removing landmines in Angola



●● Plan for constructing a water purification plant as part of the effort to move the state capital

Growing with Society

CSR Themes 3



Frameworks for Promoting Compliance

Following the principle that compliance is a top priority, Komatsu will ensure that it fully understands and complies with business rules while also reinforcing its compliance system.

Strengthening Compliance

To ensure that the entire Komatsu Group fully understands the rules of the business community, Komatsu has appointed an executive officer in charge of compliance and established the Compliance Department to handle this area exclusively. The Compliance Committee, chaired by the President and CEO, reviews the Group's action policies and important issues while regularly reporting on the status of compliance-related activities to the Board of Directors.

Komatsu's Code of Worldwide Business Conduct

The company has formulated Komatsu's Code of Worldwide Business Conduct (established in 1998 and revised seven times to date) as a compilation of best business practices to be observed by officers and employees of Komatsu Group companies both in and outside Japan. The code addresses topics such as free and fair business practices, appropriate relationships between the company and employees, endeavors for the global environment, the handling of information and the establishment of an internal control structure. The text of the code has been released to the public in its entirety.

Komatsu considers CSR as a key responsibility, and Komatsu's Worldwide Code of Business Conduct clearly conveys our policy of giving full weight to CSR. The pillar of Komatsu's CSR activities is based on constant repetition of the following process, outlined in the Code of Worldwide Business Conduct: (1) Establish the Code of Business Conduct, (2) Implement the Code of Business Conduct, (3) Determine the Code's current status and (4) Address inadequacies.

Process for Compliance Activities

(1) Establish the Code of Business Conduct

Formulate Komatsu's Worldwide Code of Business Conduct as a foundation for compliance activities and revise this code (currently in its 8th edition) as required to reflect social change.

(2) Implement the Code of Business Conduct

Implement the Code of Conduct through education that corresponds to employee rank and the types of operations in which they are involved, and by communicating information in accordance with Komatsu's Worldwide Code of Business Conduct.

(3) Determine the Code's current status

Determine the level at which Komatsu's Worldwide Code of Business Conduct is being applied by having all business units regularly report on their use of the code and by conducting audits and enhancing the Internal Reporting System.

(4) Address inadequacies

Any issues identified during the above activities will be addressed in accordance with Komatsu's Worldwide Code of Business Conduct and preventive measures will be implemented.

Toward Thorough Compliance

For continual awareness of compliance among employees, the Group is working to raise their knowledge of best business practices by displaying in every Komatsu Group business unit posters that list "The Five Principles of Compliance," a condensed version of the code of basic conduct related to compliance. Beyond this, we strive to provide effective awareness-raising through the use of e-Learning and well-developed, compliance-related education and training that correspond to employee rank and the types of operations in which they are involved. Moreover, the Group not only conducts financial audits, but we also undertake compliance risk auditing of our business units and Group companies to monitor compliance in important areas such as safety and environmental practices, which enables us to detect risks early and make improvements.

Internal Reporting System

Komatsu has set up consultation offices both internally at Komatsu Group companies and externally at law firms, collectively known as the Employee Business Rule Consultation Offices, in order to respond to consultations with or reporting from Group company employees pertaining to best business practices or questionable actions. We promote active consultation and reporting by clearly stating in Komatsu's Worldwide Code of Business Conduct and Group company workplace rules that employees who use the system for appropriate reporting will not be treated unfairly in any way as a result of that action.

State of Compliance in FY2012

The Komatsu Group experienced no substantial compliance-related infractions or incidents in FY2012.

Growing with Society

CSR Themes 3



Risk Management

While Komatsu continues to make efforts to improve corporate value, it recognizes issues related to compliance, in particular the environment, product quality, accidents and information security, as risk factors for sustainable growth and is therefore implementing the following countermeasures.

Basic Principles and System for Risk Management

- Komatsu has established Risk Management Rules to correctly recognize and manage risks, for which the company has appointed personnel in charge of individual risks, further promoting the build-up of a solid foundation for risk management.
- Komatsu has established a Risk Management Committee to devise risk management policies of the Komatsu Group, evaluate risk measures in place, and take control of risks when they surface. The Risk Management Committee regularly reports its reviews and activities to the Board of Directors.
- Komatsu will establish an emergency headquarters when serious risks surface and work to minimize damage(s) and implement appropriate measures.

Implementing a Business Continuity Plan

Komatsu has formulated a business continuity plan (BCP) to carry out major operations without suspension, or restore them after a short suspension, should a disaster or accident occur.

At the Head Office, we conduct regular drills to ensure that employees are capable of taking appropriate action in the event of a real emergency, assuming the occurrence of an earthquake striking beneath the greater Tokyo metropolitan area, a disaster considered to be highly probable.

All our plants have been enhancing the seismic strength of their buildings and facilities while developing measures against torrential rainfall in accordance with the plans each plant has formulated.

Moreover, in the event of an outbreak and subsequent epidemic of a new strain of influenza, a specialized committee will be set up to implement appropriate measures. We also strive to deepen employees' understanding by providing an action manual on how to prevent and respond to an outbreak, and related education.



●● Drill for a first stage response by the interim emergency headquarters at the Head Office



●● Rescue drill with the Tochigi Prefectural Aviation Firefighting Team at the Oyama Plant using a disaster prevention helicopter

Promoting Risk Management throughout the Group

To reinforce the risk management structure across the Group, Komatsu is working to enhance the level of management at each Group company by establishing reporting lines and manuals related to risk and through explanatory meetings and study sessions on risk management and BCPs.

We are also strengthening our Group-wide system for communications in times of emergency by introducing tools such as an emergency contact and employee safety confirmation system and a wide range two-way radio and by conducting regular drills on using the system and securing communications.

Consolidating Information Security

With the Information Security Committee at its core, Komatsu is developing a structure for information security for the entire Group and implementing various control measures. As part of this, we distribute an Information Security Guidebook to all employees in order to raise their awareness of thorough compliance with the rules.

Additional measures have included the establishment of a protective framework for our system to prevent information from being falsified, destroyed, leaked or lost due to negligence or unauthorized access from outside the company.

Moreover, we undertake information security audits to confirm that measures are being effectively implemented, and to discover defects and make the required improvements.



●● Information Security Guidebook