

Environmental Management Structure

Komatsu has established an environmental management structure grounded in ISO14001 for its Group companies, including overseas manufacturing facilities. Also, as part of its efforts to fulfill its corporate social responsibilities, Komatsu conducts through environmental education for its employees.

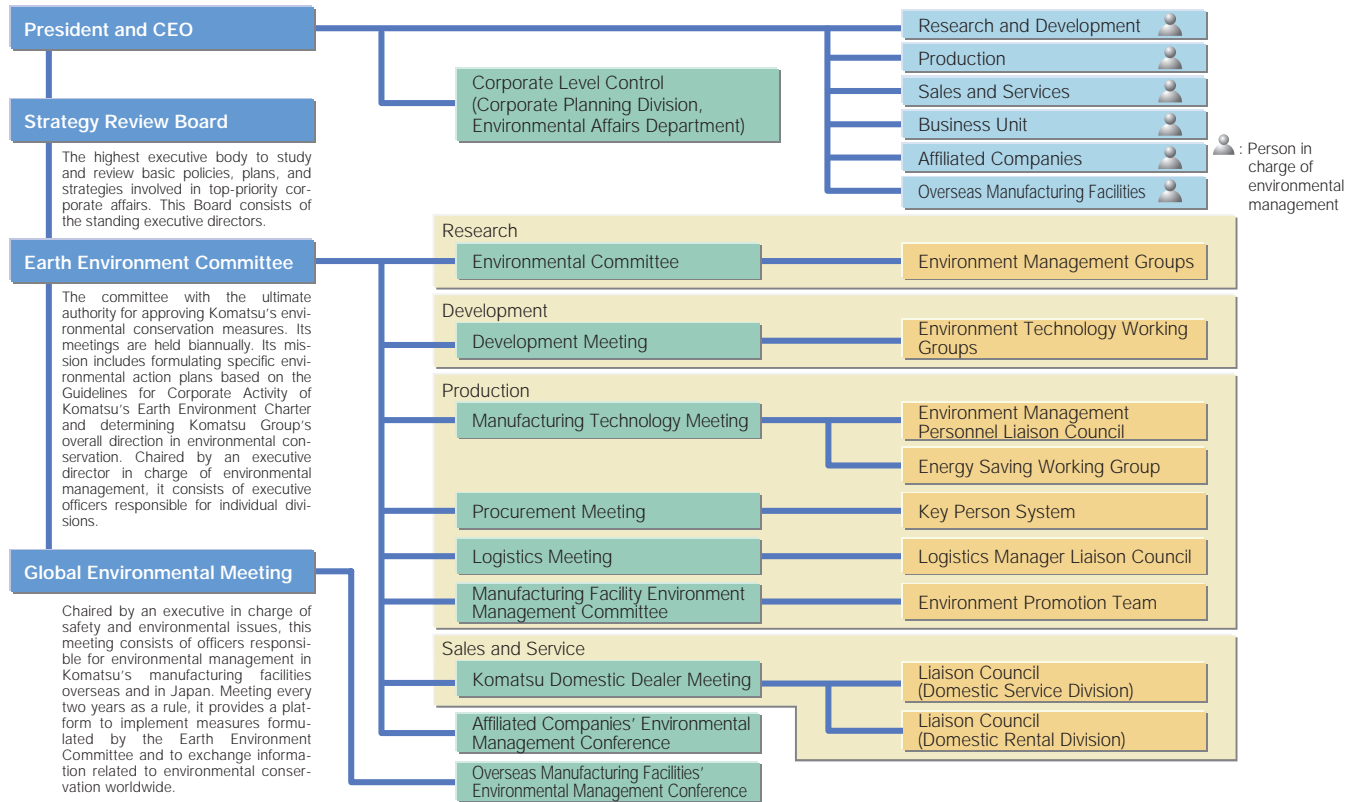
Overview of Environmental Management Structure

Komatsu Group recognizes that environmental issues are an integral part of its corporate mandate. As a cornerstone of this plan, it established the Earth Environment Committee in 1991 and created Komatsu's environmental management structure. Following this environmental initiative, it formulated the Komatsu Earth Environment Charter in 1992 and launched its environmental conservation activities.

The Strategy Review Board is responsible for matters related to corporate management while the Earth Environment Committee is in charge of examining individual policies. After the Earth Environment Committee formulates environmental policies, the executive officers of

the respective divisions and subsidiary companies are responsible for enhancing and applying these policies to meet their objectives in accordance with the functions of their own division or company. Further, an officer in charge of environmental conservation activities at each business unit implements these policies. When a policy includes important objectives, subcommittees of experts, so-called key persons, or working groups established in each division study them and work jointly with other divisions to develop solutions for environmental issues. In July 2003, the Environmental Affairs Department was established within the Corporate Planning Division to coordinate Komatsu Group-wide environmental activities.

Organizational Chart for the Environmental Management System



Environmental Auditing

Since FY1997, the Komatsu Group has been encouraging its Group companies to acquire ISO14001 certification. Through these efforts, all domestic manufacturing facilities acquired certification by FY2002.

With regard to environmental auditing, in accordance with ISO14001 stipulations, Komatsu conducts internal auditing as well as periodic review by external certification bodies. In addition, beginning in FY2004 the Komatsu Group launched internal environmental auditing, conducted by environmental experts from within the Group and focused primarily on environmental performance and legal compliance. It was decided that self-evaluations would be conducted at each of the Komatsu Group's domestic manufacturing facilities, making use of the newly-created Komatsu Environmental Risk Check Sheet. The Group intends to visit all domestic manufacturing facilities for these internal environmental audits within the course of three years. Apart from the above internal audits, the Komatsu Internal Audit Department implements business audits, including a review of the environment-related activities of each individual Group company, about every four years, with each company bearing independent responsibility for the findings and follow-up.

Joining the National Initiative "Team Minus 6%"**

Komatsu has for years adopted various measures to help mitigate climate change, including (1) setting thermostats to 28°C in the summer, (2) allowing business casual dress at the office, (3) disallowing engine idling in all company vehicles, (4) turning off interior lights during lunch breaks. From July 2005, Komatsu has also been participating in the national movement to combat climate change known as "Team Minus 6%." In keeping with this, Komatsu has redoubled its efforts to implement the setting of air conditioning to 28°C in summer and encouraged the wearing of light clothing in the summer (known in Japan as "Cool Biz"). Moreover, in the days around the summer solstice, the company participates in the Light Down Campaign, in which lighting on billboards and other outdoor lighting are turned off. In addition to making these efforts to reduce CO₂ emissions, Komatsu also calls on its affiliated companies to participate in the Team Minus 6% movement.

*The name "Team Minus 6%" refers to Japan's greenhouse gas emissions reduction target of 6% under the Kyoto Protocol.



Third Global Safety and Environmental Affairs Meeting Held

Komatsu held the Third Global Safety and Environmental Affairs Meeting in Japan from March 28 through 31, 2006. The meeting was participated in by representatives from 12 overseas subsidiaries in ten countries and six subsidiaries in Japan for discussions and tours of the Awazu and Osaka Plants.

For this meeting, Komatsu included on the agenda occupational health and safety activities in addition to environmental conservation. Partly because the regulations concerning occupational health and safety activities differ depending on the country, management for such activities has largely been left up to each subsidiary. However, in view of the fact that corporate social responsibility is growing in importance, the company believes it has become necessary to enhance at a global level awareness of occupational health and safety and to share good management methods within the Komatsu Group. In this way, the topic of management of occupational health and safety activities was also taken up beginning with this meeting, and the company launched its full-scale development of this topic at the global level through an exchange of views as well as presentations on concrete activities being implemented at each subsidiary in attendance.

In the area of environmental conservation activities, the participants discussed not only activities for the improvement of performance undertaken to date (managing quantitative targets, such as CO₂ emissions reductions and resource conservation targets), but also measures for environmental risk management (reductions in the amount of chemical substances used, prevention of leakage from tanks, and other preventative and response measures).



Meeting held at the Head Office

Environmental Education and Training

The Komatsu Group's fundamental education system distributes the responsibility for education such that the parent company develops educational materials and provides educational services on commonly relevant academic issues for use by Komatsu Group companies, whereas instruction regarding more hands-on matters, including unique features and points particular to individual business units, are conducted by relevant divisions in each business unit. In FY2005, Komatsu conducted almost the same curriculum for environmental education and training as in FY2004. As a means of further enhancing understanding of environmental issues, e-Learning was reintroduced after a two-year hiatus, starting with coursework on environmental studies incorporating the concepts of CSR, targeted at all managers. In FY2006, Komatsu plans to hold e-Learning based coursework

■ Courses in Environmental Education in Japan (excluding general environmental courses)

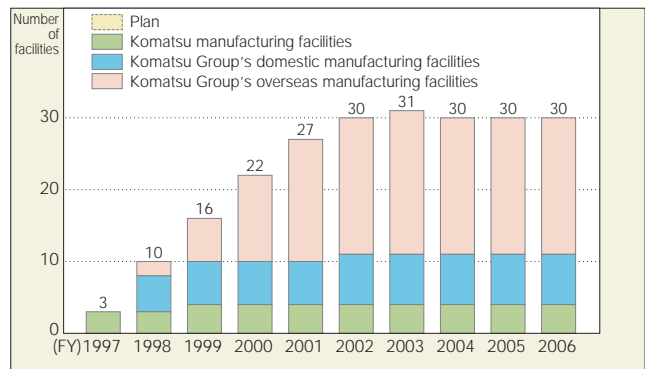
Venue	Course name	Target	Participants			
			FY2002	FY2003	FY2004	FY2005
Head Office	Advanced environmental education	Environmental specialists (Komatsu and affiliates)	0	17	0	28
	Overview of the ISO14000 series	Administrators (Komatsu, affiliates, and partner companies)	21	30	24	42
	Training of internal auditors	Environmental auditors (Komatsu, affiliates, and partner companies)	18	25	19	30
	Development and manufacturing (introductory)	Development and manufacturing staff	251	89	59	56
	Introductory lecture on ISO14001	Administrators (partner companies)	6 (from 5 companies)	0	2	0
	Commentary on environmental laws and regulations and environmental risk	Administrators and environmental specialists (partner companies)	6 (from 4 companies)	0	0	0
	Internal environmental auditing	Environmental auditors (partner companies): Integrated with "Training of internal auditors" course	N/A (integrated)	0	0	0
	Education for enhanced environmental understanding (e-Learning)	Komatsu Group managers				1,294
Administrative departments of plants	Basic environmental education	Managers and employees	413	169	784	269
	Overview of the ISO14000 series	Managers and employees	25	72	87	62
	Training of internal auditors	Environmental auditors	98	86	113	232
	Training new employees	New recruits	220	511	859	707
	Regulatory education and personnel exchange	Managers and employees	155	243	144	590
	Specialist training	Environmental conservation practitioners (persons involved in regulatory affairs, etc.)				553

ISO14001

Komatsu has made a Group-wide effort to acquire ISO14001 certification, an international standard.

In FY2005, Komatsu began efforts to receive ISO14001 integrated certification for its four plants as a first step towards acquiring ISO14001 integrated certification for the Group. The President of the Production Division, as a member of Komatsu's highest levels of management, pushed forward with raising the level of the company's environmental management system and reducing environmental risk. As a result, in April 2006, the company's four plants were able to undergo integrated screening at the same time that the Oyama Plant underwent inspection for its certification renewal, and finally integrated certification was acquired. In the future, Komatsu (non-consolidated) intends to acquire integrated certification that also covers the Head Office.

■ Current Status and Plan for Acquiring ISO14001 Certification (Manufacturing facilities)



geared to general employees as well as refresher courses for internal managers. Of course, with regard to the education of newly-hired employees, the company conducts e-Learning based coursework in addition to its classroom-based instruction.

The number of persons who have some environment-related certificate has far exceeded the minimum requirement. However, from the viewpoint of risk management, employees are encouraged to obtain a suitable certificate.

■ Number of Persons Having Environment-related Certificate

Certificate name	Number of persons with certificate			
	FY2002	FY2003	FY2004	FY2005
Pollution control administrators	266 (60)	250 (60)	243 (60)	247 (60)
Energy administrators	48 (11)	40 (11)	47 (11)	49 (11)
Environmental management system auditors	19	8	9	8

(Figures in parentheses indicate the number of officers required)