

Environmental Risk Management

In order to minimize the environmental risk that accompanies manufacturing activities, Komatsu is committed to acting in strict compliance with the legal framework stipulated by national and local authorities. In addition to thoroughly implementing pollution mitigation and prevention measures, Komatsu is making efforts to reduce the volume of chemical substances that it handles and uses.

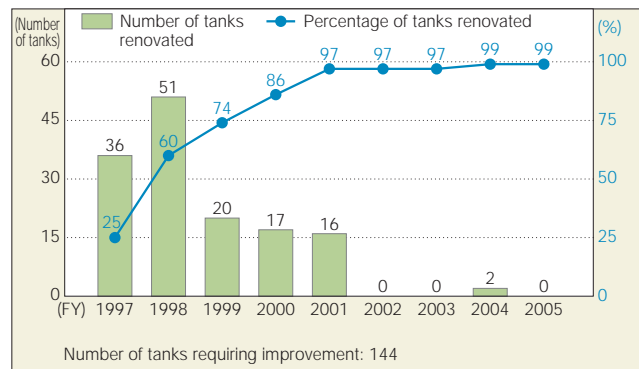
Compliance and Pollution Mitigation and Prevention

Komatsu Group companies are responsible for positively implementing periodic reporting of results of environmental measurement and keeping of measurement data in strict compliance with the applicable laws and regulations of the national and local authorities. In FY2005, the Komatsu Group experienced no environmental infractions or accidents in Japan.

Improvement of Underground Tanks

The replacement of existing underground tanks with above-ground tanks, the doubling of their tank walls, and the consolidation of underground tanks were carried out according to a plan. Of the 144 tanks in service for 20 years or more, 142 have already been subjected to improvements. As for the remaining two tanks, removal of the tanks is planned for FY2007, accompanying a change in the boiler fuel to natural gas. In the future Komatsu will take measures to address in order of precedence underground tanks that newly pass the 20-year mark.

Renovation of Underground Tanks in Operation More Than 20 Years at Komatsu and the Komatsu Group's Domestic Manufacturing Facilities



Management of PCB Wastes

Komatsu conducts proper storage and management of PCB wastes from transformers and other such items in accordance with the Law Concerning Special Measures Against PCB Waste and the Waste Disposal and Public Cleansing Law. As of March 2006, the Komatsu Group as a whole was in possession of approximately 650 drums of PCB wastes.

Komatsu has commissioned the Kitakyushu Office of the Japan Environmental Safety Corporation (JESCO) to treat its PCB wastes since December of 2004. However, starting with treatment of the Head Office's PCB wastes in FY2006, in the future Komatsu plans to arrange for early treatment in regional facilities.

Soil and Groundwater Contamination

The Komatsu Earth Environment Committee has established guidelines for the investigation of soil and groundwater contamination in Japan. Namely, Komatsu investigates the condition of soil/groundwater contamination at business units that are planned to be sold, closed, or demolished and, if necessary, takes suitable measures under the supervision of the local authority concerned. In addition, Komatsu conducted soil contamination investigations at plants currently in operation to check for contamination by organic chlorine-based chemical compounds, which had in the past been used in cleaning solvents and otherwise.

In FY2005, soil and groundwater investigations were conducted at eight business units, with investigations already complete at five of those sites. At four of these five business units, contamination surpassing the environmental quality standards for soil was not detected. For the one business unit in which a higher concentration was detected, the issue was restricted to the grounds of the unit, and cleanup operations are scheduled to take place in FY2006. Investigations will continue on the three business units whose investigations were not completed within FY2005.

In addition, Komatsu intends to undertake at its Group companies systematic investigations of soil and groundwater contamination arising from volatile organic compounds (VOCs).

Chemical Substance Control

The enforcement of the Pollutant Release and Transfer Register (PRTR) Law^{*1} obligates industrial plants to, on an annual basis, keep track of the amounts of Type 1 specified chemical substances (for substances handled in quantities of 1 ton or more) released and transferred and file notice with the authorities. Komatsu has been supervising the management of all relevant substances, even when quantities handled are less than 1 ton.

State of Chemical Substance Control in FY2005

With regard to the consumption of paints, which result in a substantial portion of emissions volume, Komatsu and Komatsu Group manufacturing facilities were able to reduce the amounts of discharge of xylene, toluene, and other substances by switching to chemical substances that government authorities have identified as posing less environmental risk. However, as a result of a significant increase in production volume, there was an increase in the amount of substances used, particularly paints. This led to an expansion of the volume of emissions into the air of substances covered under the PRTR, even though the amount per unit of manufacturing value decreased.

The Komatsu Group will continue to undertake efforts to reduce the amount of environmental impact through improvements toward the control of such substances, mainly through the reduction of VOC^{*2} emissions.

Komatsu's Guidelines for the Control of Chemical Substances

In order to develop products that take the environment fully into account and reduce environmental risk, Komatsu is implementing comprehensive control of chemical substances by means of the *Komatsu Guidelines for the Control of Chemical Substances*.

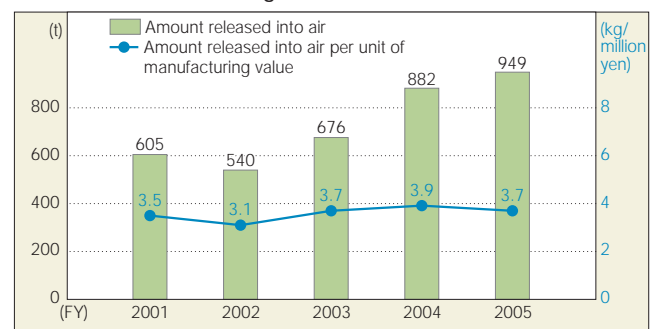
Based on the established criteria for risk assessment, Komatsu has classified chemical substances subject to supervision into the three ranked categories of

- prohibited substances: 712 types
- substances to be reduced: 1,244 types
- substances to be controlled properly: 1,464 types

and is controlling the amounts of release and transfer of each individual chemical substance. At the end of FY2003, in order to implement these guidelines, Komatsu introduced a Chemical Substance Management System, including to its affiliated companies. In FY2004, by the use of this management system, Komatsu was able to improve its ability to prevent environmental pollution by means of environmental impact assessments conducted in advance.

In FY2005, Komatsu took further steps to make full use of this system. However, in light of further increases in manufacturing volume, how to achieve reductions in the volume of chemical substances handled and released will indeed be a critical issue.

Changes in the Amounts of PRTR-related Substances Released into the Air at Komatsu and the Komatsu Group's Domestic Manufacturing Facilities



Reductions in Release of VOCs

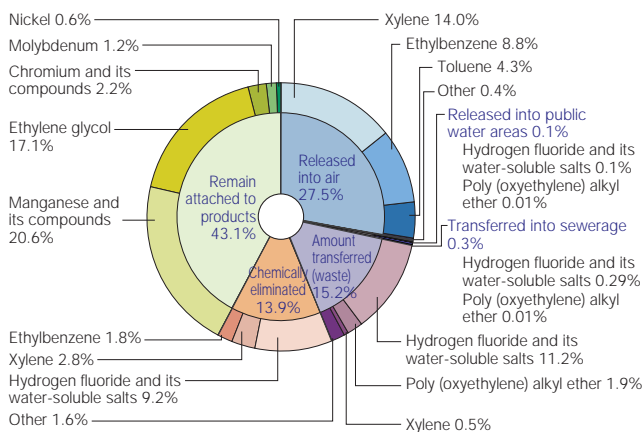
VOCs found in paints account for over 90% of the volume of chemical substances released by Komatsu. As measures to deal with VOCs, significant reductions have already been achieved by changing the system for painting from a base coat/top coat dual-coat method to a system using single-coat paints that deliver the same performance through only one application.

However, since the regulations in Japan concerning the release of VOCs will enter into force in FY2006, Komatsu has established a challenging target of achieving by FY2006 a 50% reduction in VOC releases

per unit of manufacturing value vis-à-vis a FY2002 baseline. The company is now undertaking efforts to attain that target. FY2005 saw only minimal reductions per unit as a result of increases in manufacturing volume. However, forthcoming improvements will include: (1) conversion to high-solid type paints (to reduce the amount of VOCs contained therein); (2) increases in coating efficiency; (3) introduction of emissions control equipment; and (4) conversion to water-based paints.

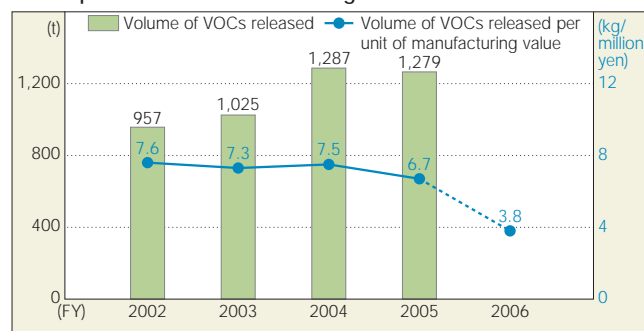
*1 PRTR Law: Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management
*2 VOC: Volatile Organic Compounds (primarily paint solvents)

Breakdown of the Amount of PRTR-related Substances Released and Transferred at Komatsu and the Komatsu Group's Domestic Manufacturing Facilities



Note: Substances handled in quantities of 1 ton or more

Volume of VOCs Released by Komatsu and the Komatsu Group's Domestic Manufacturing Facilities



Names of Class I Designated Chemical Substances and the Volumes Released and Transferred (Handled volume of 1 ton or more)

(Unit: tons)

Number under the PRTR Law	Name	Volume handled	Volume released				Volume transferred		Chemically transformed or eliminated	Volume contained in products
			Air	Water	Soil	Buried	Sewerage	Disposed		
311	Manganese and its compounds	728.5	1.1	—	—	—	—	11.5	—	714.7
283	Hydrogen fluoride and its water-soluble salts	720.8	0.4	3.4	—	—	10.1	388.3	317.1	—
63	Xylene	713.8	485.0	—	—	—	—	17.9	95.4	6.2
43	Ethylene glycol	600.3	0.1	—	—	—	—	7.3	0.0	592.9
40	Ethylbenzene	381.7	305.1	—	—	—	—	10.8	62.3	1.3
227	Toluene	182.3	147.3	—	—	—	—	4.5	5.8	9.5
68	Chromium and chromium (III) compounds	66.5	0.0	—	—	—	—	2.1	—	74.8
307	Poly (oxyethylene) alkyl ether (alkyl C=12-15)*1	65.5	0.3	0.3	—	—	—	0.2	64.6	0.0
346	Molybdenum and its compounds	41.3	0.0	—	—	—	—	—	0.1	41.2
231	Nickel	19.5	0.0	—	—	—	—	—	0.3	19.3
224	1,3,5-trimethylbenzene	18.0	8.5	0.0	—	—	—	—	0.2	7.8
69	Chromium (VI) compounds*2	16.2	—	—	—	—	—	—	5.8	0.0
266	Phenol	8.9	0.0	—	—	—	—	—	0.9	8.0
100	Cobalt and its compounds	6.3	—	—	—	—	—	—	0.2	6.0
16	2-aminoethanol	5.2	0.0	0.0	—	—	—	—	5.2	—
30	Bisphenol A type epoxy resin (liquid)	2.7	—	—	—	—	—	—	1.2	1.5
230	Lead and its compounds	2.3	—	—	—	—	—	—	1.9	0.4
232	Nickel compounds	2.0	—	0.0	—	—	—	—	0.8	1.1
25	Antimony and its compounds	2.0	—	—	—	—	—	—	0.8	1.1
299	Benzene	1.6	0.0	—	—	—	—	—	—	0.7
310	Formaldehyde	1.3	0.0	—	—	—	—	—	—	1.3
9	Bis (2-ethylhexyl) adipate	1.1	—	—	—	—	—	—	—	1.1
243	Barium and its water-soluble compounds	1.1	—	—	—	—	—	—	—	1.1
270	Di-n-butyl phthalate	1.0	0.8	—	—	—	—	—	0.1	0.1

*1 Limited to substances whose alkyl group has carbon number 12 to 15 and any mixtures of those substances.

*2 Chromium (VI) compounds are used in chromeplating, and approximately 70% is contained in products in the form of chromium metal.