



SECOND PARTY OPINION

KOMATSU LTD. GREEN BOND POST-ISSUANCE DNV PERIODIC REVIEW (#2)

Prepared by: DNV Business Assurance Japan K.K.

Location: Kobe, Japan

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Revision history

Issue Date (dd/mm/yyyy)	Remarks
15/06/2020	Green Bond Eligibility for Pre-Issuance Assessment Report
21/07/2021	Green Bond Periodic Review (#1)
15/07/2022 (This report)	Green Bond Periodic Review for Post-Issuance (#2), adding Issuer's ESG and carbon neutral initiatives

Scope and Objectives

Komatsu Ltd. (hereinafter “Komatsu”, “Komatsu Group” or “issuer”), has commissioned DNV to conduct periodic review of Komatsu Green Bond. The objective of DNV’s assessment is to implement an assessment to confirm that the BOND meets the identified criteria of the Green Bond Principles 2018(hereinafter “GBP”), Green Bond Guidelines 2020 (hereinafter “GBGLs”) and the associated technical criteria in CBS 3.0v (Sector technical criteria solar power generation, biomass gas power generation) if applicable, as set out below, and to provide the issuer with independent second-party opinion on the eligibility of the BOND.

Komatsu issued this bond on July 16, 2020. The issue amount of this bond is 10 billion yen. The DNV review team conducted the first periodic review in FY2020, followed by the second periodic review in FY2021 (April 2021 to March 2022) based on the GBGLs and GBP.

DNV Business Assurance Japan K.K., as independent external reviewer, has identified no real or perceived conflict of interest associated with the delivery of this second-party opinion for Komatsu.

In this report, no assurance is provided regarding the financial performance of the BOND, the value of any investments in the BOND, or the long-term environmental benefits of the transaction.

Standards/guidelines to be applied

No.	Standards/guidelines	Scheme owner	Applied level
1.	The Green Bond Principles 2018 (GBP)	International Capital Market Association	Apply
2.	Green Bond Guidelines 2020 (GBGLs)	Ministry of Environment Japan, 2020	Apply
3.	Climate Bonds Standard version3.0 (Sector criteria)	Climate Bond Initiative	Reference (Available sector)







Project description

Komatsu founded in Komatsu City, Ishikawa Prefecture in May 1921, engages in an extensive range of operations from research and development, production, marketing, sales and service to retail financing in three business segments of Construction, Mining and Utility Equipment, Retail Finance, and Industrial Machinery and Others in Japan and abroad. Komatsu is making efforts for sustainable growth through a positive cycle of improving earnings and solving ESG issues, under the mid-term management plan “DANTOTSU Value-FORWARD Together for Sustainable Growth” and a new medium-term management plan from April 2022 “DANTOTSU Value-Together, to ‘The Next’ for sustainable growth”.

Starting with this mid-term management plan, Komatsu has added new ESG management targets and clearly defined the relationships between the efforts of focus in three pillars of growth strategies and SDGs. Komatsu has established its ‘Komatsu Green Bond Framework’ and will raise the proceeds from the green bond to finance/refinance to “Responses to environmental problems resulting from the use of products” and “Responses to environmental problems resulting from manufacturing”.

JPY 10 billion raised from the Green Bonds was fully allocated to Green Projects A and B in the table (next page).

Green Project	Green Project Category & fund amount	Green Project Outline	SDGs
Project A: Responses to environmental problems resulting from the use of products	-Renewable Energy -Energy saving or Energy efficiency (Contributes to CO ₂ Emission reduction from primary energy source)	-Outline Efforts designed to help reduce CO ₂ emissions from products in use to 50% by 2030 from 2010 (Specifically, R&D, the provision and wide use of products, services and solutions) ※1 ① Solutions: Reduction of CO ₂ emissions by promoting wide use of ICT-intensive construction equipment and providing applications which support optimization of construction as a whole.	9. Industry Innovation and Infrastructure 11. Sustainable Cities and Communications 13. Climate Action 17. Partnership for the Goals    
Project B: Responses to environmental problems resulting from manufacturing	Fund amount : JPY 10 billion (Bond terms: 5 years)	-Outline Efforts designed to help reduce CO ₂ emissions in manufacturing to 50% and increase the ratio of using renewal energy to 50% of total energy use, both by 2030 from 2010 (Capital investment in facilities and equipment, etc.). ① Energy-savings of factories and equipment in plants. (Reduction of CO ₂ emissions by 30% or more) ② Introduction of biomass gas power generation. ※2	

This green bond excludes products and services intended only for fossil fuel mining.

※1 : The two Green Project candidates, “Products: Hybrid hydraulic excavators (applicable for low carbon-type construction equipment certification by MLIT) and electric construction equipment” and “Service: Support for fuel-economy machine operation by using IoT” were excluded from the bond allocation this time.

※2 : The Green Project candidates, “Power generation by using solar panels” and “purchase of renewable energies” were excluded from the bond allocation this time.

Project A : Asset Investment of rental equipment to promote ICT construction equipment was selected as a target project and the allocations were made sequentially. 5.35 billion yen was allocated by FY2021.

Project B : 4.65 billion yen was allocated by FY2021 for the construction of new energy-efficient facilities and the introduction of biomass gas power generation facilities at three plants (five projects) in Japan. The Oyama Plant (Test laboratory No. 3) and Ibaraki Plant (Technical Centre), which were the subject of the allocation, commenced operations during FY2020. The Oyama Plant (Welfare Building 1) and the Himi Plant (General Office) started operation in November 2021, and the Ibaraki Plant (Biomass gas power generation) in February 2022, respectively.

ESG Initiative of the Issuer

In April 2021, Komatsu established the Sustainability Promotion Division under direct control of President to supervise activities relating to the promotion of the Komatsu Group's sustainability-oriented management. The Sustainability Promotion Division enhances the commitment of the entire Komatsu Group to ESG-oriented management with the goal of building an environment for formulating policies and plans regarding two major areas of ESG management, the environment and society, to ensure the divisions and companies of the Group are able to maintain their commitment to sustainability.

The Sustainability Promotion Committee, chaired by the President, has been established to provide top management with regular opportunities to discuss the direction of sustainability.

Issuer's Environmental Policy

Komatsu has established the Komatsu Earth Environment Charter (revised in June 2010), which is shown below. Each business site in Japan has then established its own environmental policy based on this Basic Policy, which reflects the characteristics of each business site.

(The following is partially taken from Komatsu's website)

- Corporate Principles
 1. Contributions to Realization of Sustainable Society
 2. Simultaneous Realization of Environmental and Economic Performance
 3. Observance of Corporate Social Responsibility

- Guidelines for Corporate Activity

Komatsu addresses 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.

It was confirmed that the previously mentioned Projects A and B were in line with the above-mentioned 'ESG Initiatives' and 'Environmental Policy'.

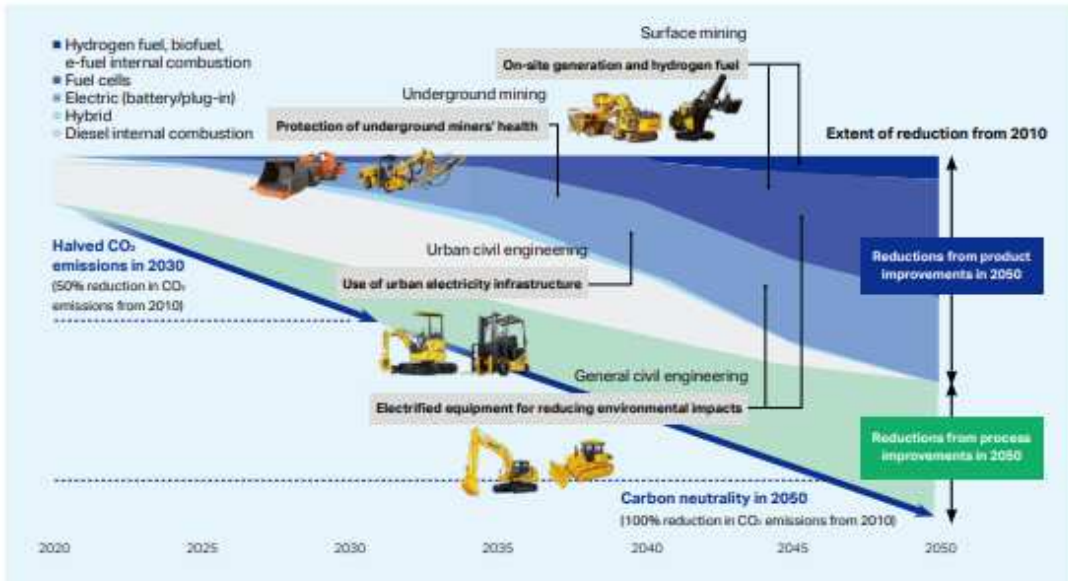
Issuer’s Carbon Neutral Initiatives by 2050 (This review will be conducted in accordance with the "Green Bond Principles 2018", as mentioned above. On the other hand, with the revision of the 'Green Bond Principles 2018' to the 'Green Bond Principles 2021', it was recommended to actively describe the organisation's carbon neutral initiatives, so this section is added this time accordingly).

In its Medium-Term Management Plan ending in FY2021 and its new Medium-Term Management Plan starting in April 2022, Komatsu has set management targets to reduce CO₂ emissions by 50% (compared to 2010 levels) and to increase the ratio of renewable energy use to 50% by 2030. As an extension of the milestone of achieving the 2030 target, Komatsu has declared its goal of becoming carbon neutral, with zero CO₂ emissions by 2050. For example, Komatsu is actively working on activities through "carbon neutrality at production sites" and "carbon neutrality during product use", as shown below.

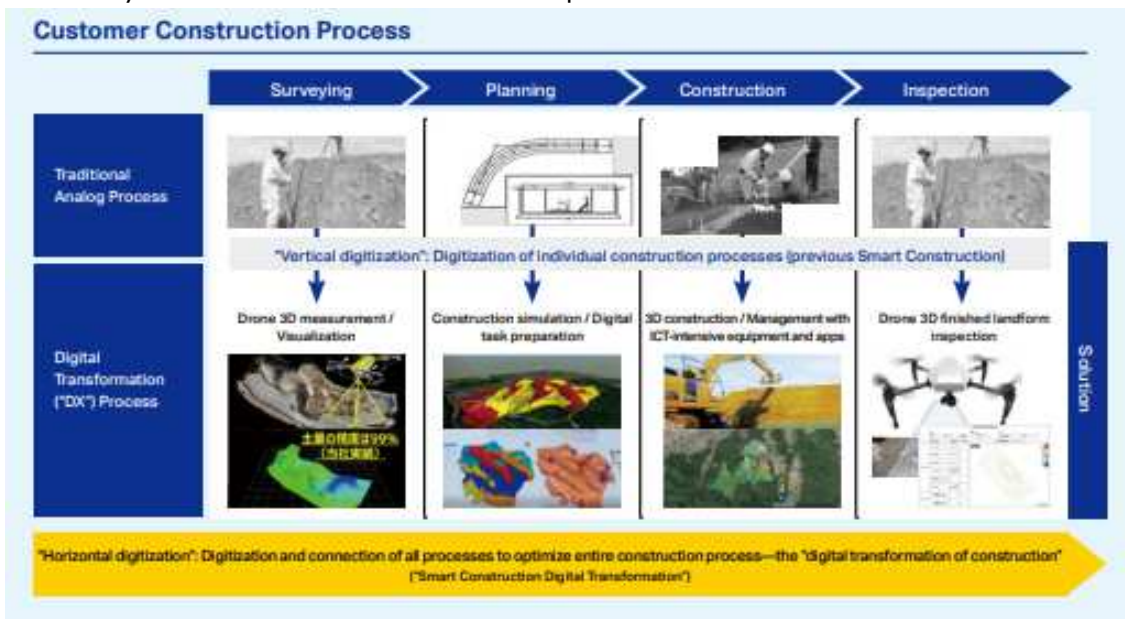
Carbon Neutrality at Komatsu Bases



Carbon Neutrality from Product Use: 'Products Improvements'



Carbon Neutrality from Product Use: 'Process Improvements'



It was confirmed that Project A and Project B described above are consistent with the "Carbon Neutral Initiatives", "Carbon Neutrality at Komatsu Bases", "Products Improvements" and "Process Improvements" as stated above.



Responsibilities of the Management of the Issuer and DNV

The management of the Issuer has provided the information and data used by DNV during the delivery of this review.

Our statement represents an independent opinion and is intended to inform the Issuer's management and other interested stakeholders in the BOND as to whether the established criteria have been met, based on the information provided to us.

In our review we have relied on the information and the facts presented to us by the Issuer. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect.

Thus, DNV shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this review were not correct or complete.

Basis of DNV's opinion

To provide as much flexibility for the issuer, Komatsu as possible, we have adapted our green bond assessment methodologies, which incorporates the requirements of the GBP and GBGLs, to create a Komatsu-specific Green Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol"). The Protocol has the capacity for potential application of the Bond under the GBP and GBGLs. Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. The overarching principle and guidelines behind the criteria are that a green bond should "enable capital-raising and investment for new and existing projects with environmental benefits".

As per our Protocol, the criteria against which the BOND has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to bond eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using green bond proceeds, and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work Undertaken

Our work constituted a high level of review of the available information, based on the understanding that this information was provided to us by the issuer in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

Initial (Pre-Issuance) Assessment: * not included in this report

- Creation of the issuer-specific Protocol, adapted to the purpose of the BOND, as described above and in Schedule-2 to this Assessment.
- Assessment of documentary evidence provided by the issuer on the BOND and supplemented assessment by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with the issuer, and review of relevant documentation;
- Documentation of findings against each element of the criteria.

Periodic (Annual) Review * this report

- Evaluation of the supporting documents provided by the issuer related to the BOND, high-level desktop surveys, document reviews, and interviews with key personnel of the issuer. These checks refer to current assessment best practices and standard methodologies.
- Discussion with the issuer management and review of relevant documentation.
- Field survey and inspection, if required.
- Review of the nominated projects and assets as described in Schedule-2 as at the time of periodic assessment
- Documentation of findings for Periodic assessment as detailed in this document.

Our opinion as detailed below is a summary of these findings.

Findings and DNV's Opinion

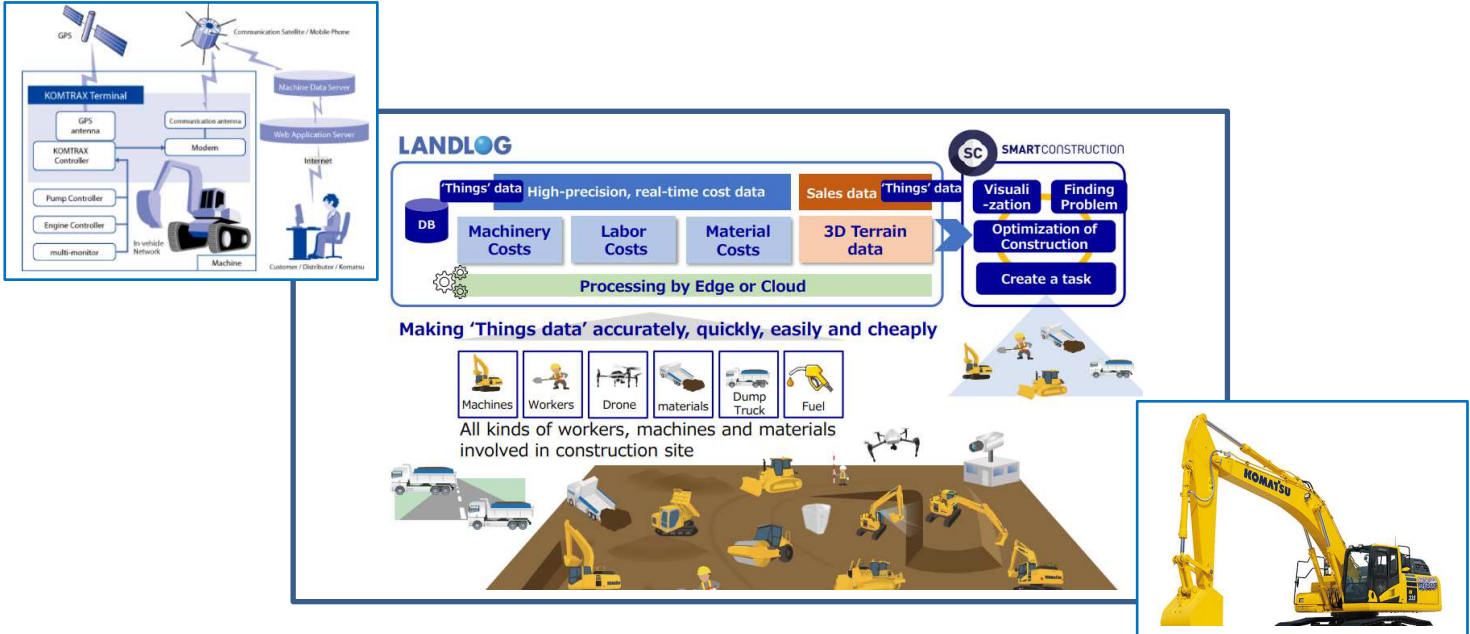
The findings and DNV's opinion are as follows:

● **Principle One: Use of Proceeds. :**

Green project	Project details	Allocated amount
Project A: Responses to environmental problems resulting from the use of products	Solution: Asset investment of rental equipment to promote ICT construction equipment	JPY 5.35 billion
Project B: Responses to environmental problems resulting from manufacturing	Energy saving of factory buildings and equipment (having a CO ₂ emission reduction effect of 30% or more) <ul style="list-style-type: none"> • Oyama Plant (Test laboratory No.3) • Ibaraki Plant (Technical center) • Oyama Plant (Welfare building 1) • Himi Plant (General office) 	JPY 4.57 billion
	Ibaraki Plant (Biomass gas power generation installed)	JPY 0.08 billion
Total allocated amount (fund amount: JPY10.0 billion) (Refinancing amount)		JPY 10.0 billion (JPY 0.0 billion)

Project A: Responses to environmental problems resulting from the use of products

5.35 billion yen was allocated for asset investment of rental equipment to promote ICT construction equipment.



Reduction of CO₂ emissions by promoting wide use of ICT-intensive construction equipment and providing applications which support optimization of construction as a whole. (Conceptual diagram)

Project B: Responses to environmental problems resulting from manufacturing

4.65 billion yen was allocated to the following eligible projects for the construction of new energy-efficient facilities and the introduction of biomass gas power generation facilities at three plants (five projects) in Japan.

- Oyama Plant (Test laboratory No.3)
- Ibaraki Plant (Technical center)
- Oyama Plant (Welfare building 1)
- Himi Plant (General office)
- Ibaraki Plant (Biomass gas power generation installed)

Of the eligible projects, the Oyama Plant (Test laboratory No.3) and the Ibaraki Plant (Technical center) are in operation in FY2020. In FY2021, Welfare building 1 in the Oyama Plant started operation in November 2021, the General office in the Himi Plant started operation in November 2021, and the biomass gas power generation in the Ibaraki Plant started operation in February 2022.

Technical center (Ibaraki Plant)



Test laboratory No.3 (Oyama Plant)



Welfare building 1 (Oyama Plant)



General office (Himi Plant)



●Principle Two: Process for Project Evaluation and Selection. :

The proceeds were financed as planned for the projects listed in Schedule 1. In addition, DNV confirmed through the review that Komatsu voluntarily judges and evaluates opportunities (potentials) for improvement in constructing and implementing the project, and confirmed that Komatsu is carrying out voluntary activities to propose negative impacts on the environment and society that occur through the formulation and execution of activity plans.

If it is determined that the negative impact of project implementation needs to be considered, we will confirm that the following efforts to reduce environmental and social risks will be implemented.

For the projects that were the subject of this Green Bond allocation, no items were identified as having a material negative impact as defined below as Komatsu's internal criteria.

- Compliance with environmental laws determined by nation, municipality where business location. Environmental effects are investigated and provision countermeasures, if any

【confirmation items】

- ✓ Soil, underground water pollution
- ✓ Waste management of PCB
- ✓ Chemical substance management and prevention of pollution
- ✓ Reduction of environmental load
- ✓ Water risk control

- Environmental Initiatives for its Supply-chain

【confirmation items】

- ✓ Compliance with Komatsu procurement policy
- ✓ Support supplier for its ISO 14001 certification and its holdings

● **Principle Three: Management of Proceeds. :**

DNV has reviewed and confirmed evidence showing how the issuer has traced/managed the proceeds from the BOND, from the time of issuance to March 2022.

DNV confirmed that Komatsu reviews its bond balances quarterly and manages the balance in cash and cash equivalents during allocation.

As of the end of the third quarter of FY2021, the entire amount of 10 billion yen raised has been allocated to Projects A and B.

Note that, as stated above, DNV provides no assurance regarding the financial performance of the BOND, the value of any investments in the BOND, or the long-term environmental benefits of the transaction.

● **Principle Four: Reporting :**

DNV has confirmed that Issuer reports and discloses the specific information required by the Green Bond annually in Komatsu report, its website and ESG data book.

It was confirmed that these include a description of the project outline (including progress), allocation / operation status, and related quantitative and qualitative environmental evaluation results.

Project progress is as follows.

(1) Allocation and management of proceeds

Green project	Project details	Allocated amount
Project A: Responses to environmental problems resulting from the use of products	Solution: Asset investment of rental equipment to promote ICT construction equipment	JPY 5.35 billion
Project B: Responses to environmental problems resulting from manufacturing	Energy saving of factory buildings and equipment (having a CO ₂ emission reduction effect of 30% or more) <ul style="list-style-type: none"> • Oyama Plant (Test laboratory No.3) • Ibaraki Plant (Technical center) • Oyama Plant (Welfare building 1) • Himi Plant (General office) 	JPY 4.57 billion
	Ibaraki Plant (Biomass gas power generation installed)	JPY 0.08 billion
Total allocated amount (fund amount: JPY10.0 billion) (Refinancing amount)		JPY 10.0 billion (JPY 0.0 billion)

(2) Environmental Benefits

Project A: Responses to environmental problems resulting from the use of products

- CO₂ reduction rate by using products (compared to 2010) =19%

Project B : Responses to environmental problems resulting from manufacturing

Plant location	Facilities	Operation status	Environmental benefits (April 2021~March 2022)
Oyama Plant	Test laboratory No.3	Started operation in January 2021	121 t-CO ₂ /year
Ibaraki Plant	Technical center	Started operation in October 2020	105 t-CO ₂ /year
Oyama Plant	Welfare building 1	Started operation in November 2021	826 t-CO ₂ /year
Himi Plant	General office	Started operation in November 2021	191 t-CO ₂ /year
Ibaraki Plant	Biomass gas power generation	Started operation in February 2022	6 t-CO ₂ /year
Total for FY2021			1,249 t-CO ₂ / year

The environmental benefits (CO₂ emission reductions) will be calculated after the start of operation and will be disclosed in a timely manner (on the Komatsu website) or in the next annual report (to be published in FY2022), which will include the results for FY2021. The environmental evaluation is a value calculated and reported by an appropriate method based on the operational results (operation records, etc.) after the completion of each project.



DNV Opinion

On the basis of the information provided by Issuer and the work undertaken, it is DNV's opinion that the BOND meets the criteria established in the Protocol and that it is aligned with the stated definition or purpose of green bonds within the Green Bond Principles and Green Bond Guidelines, which is to "enable capital-raising and investment for new and existing projects with environmental benefits".

DNV Business Assurance Japan K.K.

15 July, 2022

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About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Disclaimer

Responsibilities of the Management of the Issuer and the Second-Party Opinion Providers, DNV: The management of Issuer has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform the Issuer management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by the Issuer. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this assessment were not correct or complete.

Schedule-1 Komatsu Green Bond Allocated Projects

No.	Green Project Portfolio	Green Project Category [Environmental benefits]	Green project subcategory	Fund Amount		Remarks (Green Project example)
A	Responses to environmental problems resulting from the use of products	-Renewable Energy -Energy efficiency or Energy saving	① Solutions: Reduction of CO ₂ emissions by promoting wide use of ICT-intensive construction equipment and providing applications which support optimization of construction as a whole.	Fund amount: JPY 10 billion (fully allocated) Bond term: 5 years	As of December 2021 Allocation amount: JPY 5.35 billion	- Outline Efforts designed to help reduce CO ₂ emissions from products in use to 50% by 2030 from 2010 (Specifically, R&D, the provision and wide use of products, services and solutions). -① Solutions Contribute to CO ₂ reduction through digital transformation, which optimises construction operations by providing and promoting ICT construction equipment and developing and utilising applications.
B	Responses to environmental problems resulting from manufacturing	(Contributes to CO ₂ Emission reduction from primary energy source)	① Energy-savings of factories and equipment in plants. (Reduction of CO ₂ emissions by 30% or more) ② Introduction of biomass gas power generation	New investment only	As of December 2021 Allocation amount: JPY 4.65 billion	- Outline Efforts designed to help reduce CO ₂ emissions in manufacturing to 50% and increase the ratio of using renewal energy to 50% of total energy use, both by 2030 from 2010 (capital investment in facilities and equipment, etc.). -① Energy saving of factory buildings and equipment Introduction of equipment that has a CO ₂ emission reduction effect of 30% or more, introduction of energy-saving equipment (electricity, air conditioning, control equipment), high heat insulation, natural



No.	Green Project Portfolio	Green Project Category [Environmental benefits]	Green project subcategory	Fund Amount		Remarks (Green Project example)
						<p>lighting, low-emissivity glass, etc. at Komatsu production plants, etc.</p> <p>-②Introduction of biomass gas power generation</p> <p>contribute to the reduction of CO2 from energy sources by operating a locally produced and locally consumed woody biomass boiler that uses unused wood near the factory as biomass fuel.</p>



Schedule-2 Green Bond Eligibility Assessment Protocol

Following check list (GBP-1 ~ GBP-4) is based on DNV’s green bond eligibility assessment protocol referred to the Green Bond Principle 2018.

GBP-1 Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of bond	<p>The bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> • Green Use of Proceeds Bond • Green Use of Proceeds Revenue Bond • Green Project Bond • Others 	<p>Document reviewed:</p> <ul style="list-style-type: none"> - Komatsu Green Bond Framework (hereinafter Framework) - Amendment to Shelf Registration Statement - Discussions with Komatsu management 	<p>The reviewed evidence confirms that the Bond falls in the category:</p> <ul style="list-style-type: none"> • Green Use of Proceeds Bond
1b	Green Project Categories	<p>The cornerstone of a Green bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the BOND.</p>	<p>Document reviewed:</p> <ul style="list-style-type: none"> - Framework - Amendment to Shelf Registration Statement - Project Documents - Discussions with Komatsu management 	<p>As identified by the Bond project list in Framework, the purpose of the Bond is to use the proceeds to bond eligible projects falling under the following categories as representative project category in GBP and GBGLs:</p> <p><u>“Renewable Energy”</u> <u>“Energy saving” or “Energy Efficiency”</u></p> <p>The green projects category is divided into 2 projects portfolios and 5 projects;</p> <p>Project A: Responses to environmental problems resulting from the use of products</p> <p>Efforts designed to help reduce CO₂ emissions from products in use to 50% by 2030 from 2010 (Specifically, R&D, the provision and wide use of products, services and solutions)</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>① Solutions: Reduction of CO₂ emissions by promoting wide use of ICT-intensive construction equipment and providing applications which support optimization of construction as a whole.</p> <p>Project B : Responses to environmental problems resulting from manufacturing</p> <p>Efforts designed to help reduce CO₂ emissions in manufacturing to 50% and increase the ratio of using renewal energy to 50% of total energy use, both by 2030 from 2010 (capital investment in facilities and equipment, etc.).</p> <p>① Energy-savings of factories and equipment in plants. (Reduction of CO₂ emissions by 30% or more)</p> <p>② Introduction of biomass gas power generation</p>



1c	Green benefits	All designated Green Project categories should provide clear greenly sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	Document reviewed: <ul style="list-style-type: none"> - Framework - Project Documents - Discussions with Komatsu management 	DNV confirmed that eligible projects contribute to CO ₂ emission reduction from primary energy source. DNV assessment judged that some assets (especially Biomass power plant) may have negative risk but concluded to present a low risk of GHG emission and following environmental impact then be inclusion under the eligibility of GBP and GBGLs. <ul style="list-style-type: none"> - Biomass power plant : Biomass fuel comes from unused/residue of forest near the production site. Additional GHG emission related to such as fuel transporting is negligible.
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	Document reviewed: <ul style="list-style-type: none"> - Framework - Green Bond Financing Management Table - Discussions with Komatsu management 	No refinancing has occurred since the issuance of the Green Bonds until the full allocation is completed.

GBP-2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	<p>The issuer of a Green bond should outline the decision-making process it follows to determine the eligibility of projects using Green bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green Projects categories; • The criteria making the projects eligible for using the Green bond proceeds; and • The environmental sustainability objectives 	<p>Document reviewed:</p> <ul style="list-style-type: none"> - Framework - Komatsu Green Bond Fund Allocation Request Form <p>Discussions with Komatsu management</p>	<p>As per the Framework, the issuer has set out the following criteria for project selection:</p> <ul style="list-style-type: none"> - It was confirmed that the two eligible Green Candidate Projects listed on Schedule-1 are projects that are intended to address ESG issues and contribute to the SDGs under Komatsu's three-year medium-term management plan "DANTOTSU Value-Forward Together for Sustainable Growth" through the fiscal year ending March 31, 2022 and the new three-year medium-term management plan "DANTOTSU Value-Together, to 'The Next' for sustainable growth" from the fiscal year ending April 30, 2022. It was also confirmed that the two eligible Green Candidate Projects have been evaluated and selected by the relevant departments of the issuer (Sustainability Promotion Division/Environmental Affairs Department and Financial Department) through a prescribed process for meeting the eligibility criteria categorized as "renewable energy" and "energy conservation (or energy efficiency)". - It was confirmed that when selecting a project, it meets the eligibility criteria shown in "Objective and Scope". In addition, if it is judged that it is necessary to consider the negative impact of the implementation of the project, it was confirmed that the following measures to reduce environmental and social risks are planned. In the first year after the issuance of green bonds, there have been no cases in which negative impacts must be considered. <p>①compliance with environmental laws determined by nation, municipality where business location. Environmental effects are investigated and provision countermeasures, if any</p> <p style="padding-left: 40px;">【confirmation items】</p> <ul style="list-style-type: none"> - Soil, underground water pollution - Waste management of PCB - Chemical substance management and prevention of pollution. - Reduction of environmental load - Water risk control

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				②Environmental Initiatives for its Supply chain 【confirmation items】 - Compliance with Komatsu procurement policy Support supplier for its ISO 14001 certification and its holdings
2b	Issuer’s environmental, social and governance framework	In addition to information disclosed by an issuer on its Green bond process, criteria and assurances, Green bond investors may also take into consideration the quality of the issuer’s overall framework and performance regarding green sustainability.	Document reviewed: - Framework - Komatsu report 2021 - ESG data book 2021and Komatsu green bond report 2022 draft - Discussions with Komatsu management	DNV confirmed through the assessment that issuer demonstrates that issuer intends to contribute environmental sustainability through its medium-term management plan including “Responses to environmental problems resulting from the use of products” and “Responses to environmental problems resulting from manufacturing” DNV confirmed that BOND aligns its plan, principle (group vision and principle). In addition, Komatsu will disclose on its website the environmental measures that are already in place and plans to disclose the status of its efforts in the Komatsu Report. Komatsu Report 2021(Integrated report) kmt_kr21j_spread.pdf (komatsu.jp) Komatsu ESG data book2021(Report on environmental and social activities) KOMATSUCSR2021_j.pdf (sustainability-cms-komatsu-s3.s3-ap-northeast-1.amazonaws.com) Komatsu website (Identified CDP “A” List) https://home.komatsu.jp/press/2020/others/1204901_1611.html In discussions and document reviews with Komatsu, DNV confirmed that the green projects that Komatsu implements based on the framework are effective projects for the realization of a sustainable society.

GBP-3 Management of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure-1	The net proceeds of Green bond should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Green Projects.	Document reviewed: <ul style="list-style-type: none"> - Framework - Green Bond Financing Management Table - Information of projects eligible for allocation - Discussions with Komatsu management 	It was confirmed that the proceeds were deposited in an account managed by Komatsu, and the balance of funds for the Green Project was separately managed in an electronic file. In addition, the finance and accounting department has prepared a fund management business rule that can be tracked and managed, a management flow of funds raised, and a green bond reconciliation spread sheets. It meets the requirements. DNV confirmed that Komatsu is implementing follow-up management by internal control based on the above process.
3b	Tracking procedure-2	So long as the Green bond outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments made until green benefit appearance or completion of proceeds allocation.	Document reviewed: <ul style="list-style-type: none"> - Framework - Green Bond Financing Management Table - Information of projects eligible for allocation - Discussions with Komatsu management 	DNV confirmed that Komatsu operates a reconciliation spread sheet and regularly (quarterly) adjusts that the sum of the allocated amount and the unallocated balance to match the proceeds. It was confirmed that the full amount of funds raised has been allocated at the end of the third quarter of FY2021.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Document reviewed: <ul style="list-style-type: none"> - Framework - Green Bond Financing Management Table - Information of projects eligible for allocation 	DNV confirmed that the unallocated proceeds from the BOND are managed reconciliation spread sheet for the BOND. DNV confirmed through the framework that Komatsu explained the above investment method to investors.



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			- Discussions with Komatsu management	At the end of the third quarter of FY2021, we confirmed that the full amount of funds raised had been allocated and that there are currently no unallocated funds.



GBP-4 Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green bond proceeds have been allocated including</p> <ul style="list-style-type: none"> - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected greenly sustainable impact. 	<p>Document reviewed:</p> <ul style="list-style-type: none"> - Framework - Komatsu report 2021 - Komatsu ESG data book 2021 - Komatsu green bond report 2021 - Komatsu green bond report 2022 draft - Komatsu website - Discussions with Komatsu management 	<p>Komatsu will disclose information as annually which includes a dedicated section on the Green Bond in its website and ESG data book. The first report was disclosed in 2021 at the same time as the above disclosure. Furthermore, the "Komatsu Green Bond Report 2022" was planned.</p> <p>For information disclosure</p> <ul style="list-style-type: none"> - Allocation status -Project progress -Qualitative and quantitative reports related to environmental contribution <p>Will be included.</p>