



**Komatsu Ltd.**

**Komatsu Green Bond**

## **DNV Green Bond Periodic review**



Jul. 2021

DNV Business Assurance Japan K.K.

### Revision history

Issue Log	Description
June 15, 2020	Green bond eligibility pre-issue assessment report
July 21, 2021 (This report)	Green bond Periodic review (#1)

**Objective and Scope:**

Komatsu Ltd. (hereafter “Komatsu”, “Komatsu Group” or “issuer”), has commissioned DNV to conduct periodical 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 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 periodic review for 2020 (from July 2020 to March 2021) based on GBGLs and GBP.

DNV Business Assurance, 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	International Capital Market Association	Apply
2.	Green Bond Guidelines	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. Under the mid-term management plan, “DANTOTSU Value - FORWARD Together for Sustainable Growth”, Komatsu is making efforts for sustainable growth through a positive cycle of improving earnings and solving ESG issues.

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”.

Of the 10 billion yen planned to be raised in 2020, 6.8 billion yen was allocated to A and B of the green projects set in the table below. Specifically, it will be the following project.

Green Project	Green Project Category & fund amount	Green Project Outline	SDGs
<b>Project A :</b> Responses to environmental problems resulting from the <b>use of products</b>	<b>-Renewable Energy</b> <b>-Energy saving or Energy efficiency</b> (contributes to CO <sub>2</sub> Emission reduction from primary energy source) Fund amount : JPY 10billion	- <b>Outline</b> Efforts designed to help reduce CO <sub>2</sub> 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 Products: Hybrid hydraulic excavators, (applicable for low carbon-type construction equipment certification by MLIT) and electric construction equipment. ② Service: Support for fuel-economy machine operation by using IoT. ③ Solutions: Reduction of CO <sub>2</sub> 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      
<b>Project B :</b> Responses to environmental problems resulting <b>from manufacturing</b>	10billion (bond term : 5 years) (finance/refinance)	- <b>Outline</b> Efforts designed to help reduce CO <sub>2</sub> 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 <sub>2</sub> emissions by 30% or more) ② Power generation by using solar panels and biomass as well as purchase of renewable energies.	

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

Project A : Green Project ③ was selected as the target project, and the allocation status was centralized and managed.

Project B : Oyama plant : Test laboratory No.3 and Ibaraki Plant: Technical center have already started operation.

Other planned green projects were in progress with scheduled to start operation in 2021.



## **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) Assessment:** \* 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

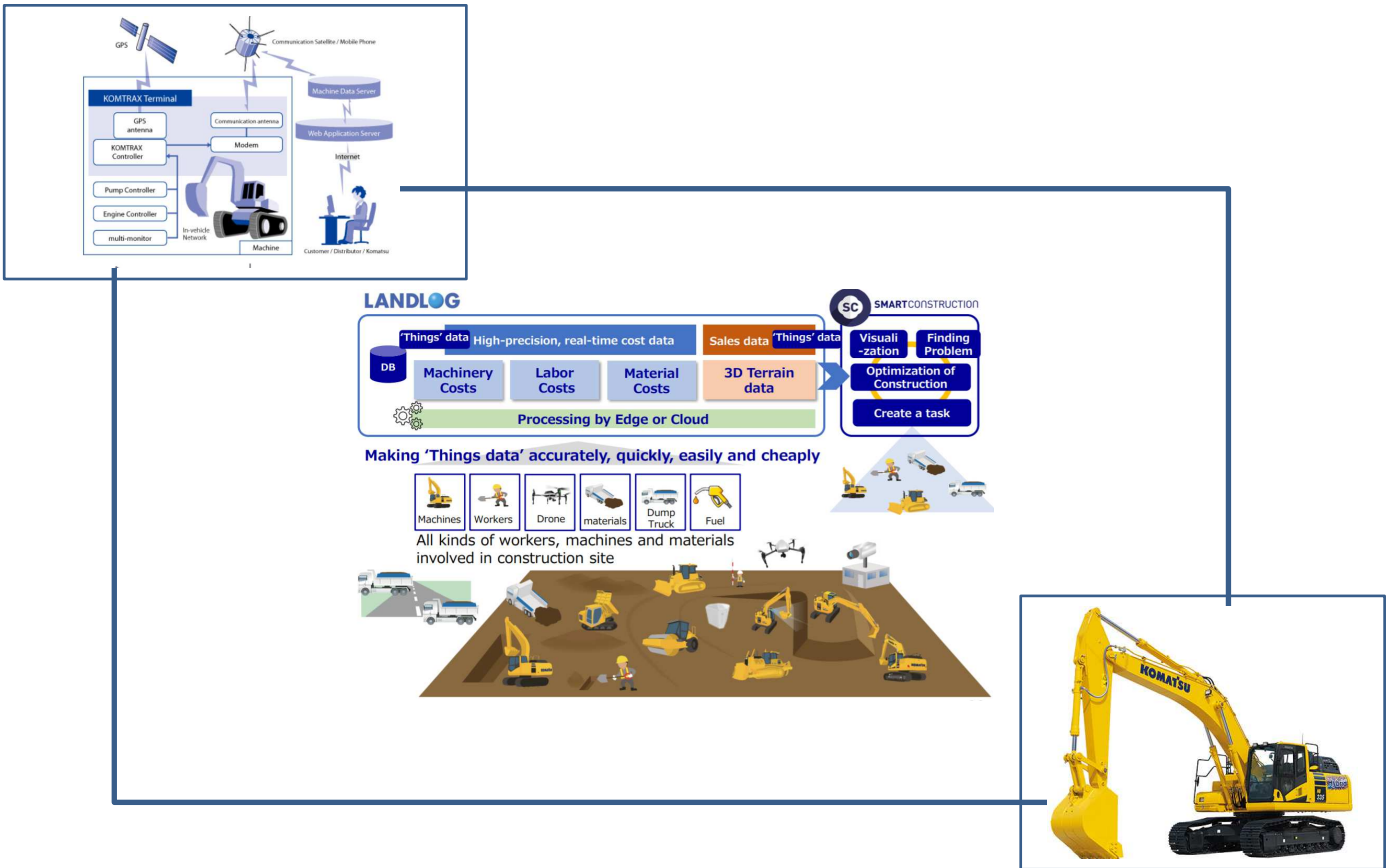
DNV's findings are listed below:

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

Green project	Project details	Allocated amount
Project A: Responses to environmental problems resulting from the use of products	Products: Hybrid hydraulic excavators, (applicable for low carbon-type construction equipment certification by Japan's Ministry of Land, Infrastructure, Transport and Tourism) and electric construction equipment	JPY 4.1billion
	Services: Support for fuel-economy machine operation by using IoT	
	Solution: Reduction of CO <sub>2</sub> emissions by promoting wide use of ICT-intensive construction equipment and providing applications which support optimization of construction as a whole	
Project B: Responses to environmental problems resulting from manufacturing	Energy saving of factory buildings and equipment (having a CO <sub>2</sub> emission reduction effect of 30% or more)	JPY2.7billion
	Introduction of solar power generation and biomass power generation by installing solar panels, purchase of renewable energy	
Total allocated amount (fund amount: JPY10.0billion)		JPY6.8billion
Refinancing amount		JPY 0 .0billion



**Project A: Responses to environmental problems resulting from the use of products**  
 CO<sub>2</sub> reduction by providing applications that support the spread of ICT construction equipment and the optimization of overall construction (conceptual diagram)



**Project B: Responses to environmental problems resulting from manufacturing**

Oyama Plant : Test laboratory No.3, welfare building \* Reference photo

Ibaraki Plant : Technical center, Biomass power generation \* Reference photo

Himi Plant : New office

Technical center  
(Ibaraki Plant)



Test laboratory No.3  
(Oyama 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.

- 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 2021.

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 FY2020 (end of March 2021), of the JPY 10 billion raised, JPY 6.8 billion 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.

The progress of the project is as follows.

- Project A: Responses to environmental problems resulting from the use of products
  - CO<sub>2</sub> reduction rate by using products (compared to 2010) = 14%
  
- Project B : Responses to environmental problems resulting from manufacturing

Plant location	Facilities	Operation status	Environmental evaluation
Oyama Plant	Test laboratory No.3	Started operation in January 2021	CO <sub>2</sub> emission reduction effect will be calculated from 2021
Ibaraki Plant	Technical center	Started operation in October 2020	
Oyama Plant	Welfare building	Scheduled to start operation in October 2021	(CO <sub>2</sub> emission reduction effect will be calculated from 2022)
Himi Plant	New office	Scheduled to start operation in December 2021	
Ibaraki Plant	Biomass power generation	Scheduled to be accepted in 2021	

The environmental impact (CO<sub>2</sub> emission reduction) will be calculated after the start of operation and will be disclosed in a timely manner (in the Komatsu website) or in the next (FY2021) annual report. After the completion of each project, the environmental evaluation will be calculated and reported by an appropriate method based on the operational results (operation records, etc.).

DNV will review and comment on CO<sub>2</sub> emissions reductions in future periodic reports.



## 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.

21 July, 2021

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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 Nominated Projects

No.	Green Project Portfolio	Green Project Category	Green project Outline	Fund Amount (Plan)		Remarks (Green Project example, detail)
A	Responses to environmental problems resulting from the use of products	-Renewable Energy  -Energy efficiency or Energy saving  (contributes to CO <sub>2</sub> Emission reduction from primary energy source)	① Products: Hybrid hydraulic excavators, (applicable for low carbon-type construction equipment certification by MLIT) and electric construction equipment  ② Services : Support for fuel-economy machine operation by using IoT  ③ Solution : Reduction of CO <sub>2</sub> emissions by promoting wide use of ICT-intensive construction equipment and providing applications which support optimization of construction as a whole.	Fund amount: 10 billion JPY (bond term : 5 years) (will be allocated both finance and refinance)	As of June 2021 Allocation amount: 4.1 billion yen	-Outline Efforts designed to help reduce CO <sub>2</sub> emissions from products in use to 50% by 2030 from 2010 (Specifically, R&D, the provision and wide use of products, services and solutions) -①Products : Hybrid hydraulic excavators ( applicable for low carbon-type construction equipment certification by MLIT) and electric construction equipment powered by batteries. -②Services : Systems designed to help reduce CO <sub>2</sub> emissions as a result of understanding fuel consumption conditions of construction equipment in use by using IoT and offering proposals to improve fuel economy based on fuel-economy machine operations. -③Solution : Development and use of applications designed to support improved overall productivity of on-site construction operations by digital transformation as well as the provision and dissemination of ICT-intensive models.

No.	Green Project Portfolio	Green Project Category	Green project Outline	Fund Amount (Plan)		Remarks (Green Project example, detail)
B	Responses to environmental problems resulting from manufacturing		① Energy saving of factory buildings and equipment (having a CO <sub>2</sub> emission reduction effect of 30% or more) ② Introduction of solar power generation and biomass power generation by installing solar panels, purchase of renewable energy		As of June 2021 Allocation amount: : 2.7 billion yen	<p>-Outline Efforts designed to help reduce CO<sub>2</sub> emissions in manufacturing to 50% and increase the ratio of using renewable energy to 50% of total energy use, both by 2030 from 2010 (capital investment in facilities and equipment, etc.).</p> <p><b>-①Energy saving of factory buildings and equipment</b> Introduction of equipment that has a CO<sub>2</sub> emission reduction effect of 30% or more, introduction of energy-saving equipment (electricity, air conditioning, control equipment), high heat insulation, natural lighting, low-emissivity glass, etc. at Komatsu production plants, etc.</p> <p><b>-②-(1)Installation of solar power generation using solar panels, etc.</b> Efforts to reduce CO<sub>2</sub> caused by the use of electricity by installing solar panels (roof-mounted solar power generation) at Komatsu's production plant.</p> <p><b>-②-(2)Introduction of biomass power generation</b> contribute to the reduction of CO<sub>2</sub> 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> <p><b>-②-(3)Purchasing renewable energy</b> Contribute to CO<sub>2</sub> reduction by purchasing renewable energy with a green power certificate.</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"> <li>• Green Use of Proceeds Bond</li> <li>• Green Use of Proceeds Revenue Bond</li> <li>• Green Project Bond</li> <li>• Others</li> </ul>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Komatsu Green Bond Framework (hereinafter Framework)</li> <li>- Amendment to Shelf Registration Statement</li> </ul> <p>Discussions with Komatsu management</p>	<p>The reviewed evidence confirms that the Bond falls in the category:</p> <ul style="list-style-type: none"> <li>• Green Use of Proceeds Bond</li> </ul>
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"> <li>- Framework</li> <li>- Amendment to Shelf Registration Statement</li> <li>- Project Documents</li> </ul> <p>Discussions with Komatsu management</p>	<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><b><u>“Renewable Energy”</u></b>  <b><u>“Energy saving” or “Energy Efficiency”</u></b></p> <p>The green projects category is divided into 2 projects portfolios and 5 projects;</p> <p><b>Project A : Responses to environmental problems resulting from the use of products</b></p> <p>Efforts designed to help reduce CO<sub>2</sub> emissions from products in use to 50% by 2030 from 2010 (Specifically, R&amp;D, the provision and wide use of products, services and solutions)</p> <p>(ア) Products : Hybrid hydraulic excavators, (applicable for low carbon-type construction equipment certification by MLIT) and electric construction equipment</p>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>(イ) Services : Support for fuel-economy machine operation by using IoT</p> <p>(ウ) Solution : Reduction of CO<sub>2</sub> emissions by promoting wide use of ICT-intensive construction equipment and providing applications which support optimization of construction as a whole</p> <p><b>Project B : Responses to environmental problems resulting from manufacturing</b></p> <p>Efforts designed to help reduce CO<sub>2</sub> 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 CO<sub>2</sub> emissions by 30% or more)</p> <p>② Power generation by using solar panels and biomass as well as purchase of renewable energies.</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.	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Framework</li> <li>- Project Documents</li> </ul> <p>Discussions with Komatsu management</p>	<p>DNV confirmed that eligible projects contribute to CO<sub>2</sub> emission reduction from primary energy source. DNV assessment judged that some assets (especially Solar PVs and 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</p> <ul style="list-style-type: none"> <li>- Solar PVs : Solar PVs are introduced to roof top of Komatsu production site facilities (without any land development for Solar PVs).</li> <li>- 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.</li> </ul>
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it	Document reviewed :	No refinancing has occurred for one year after the issuance of the green bond.



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		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.	<ul style="list-style-type: none"> <li>- Framework</li> <li>- Green Bond Financing Management Table</li> <li>Discussions with Komatsu management</li> </ul>	

## 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"> <li>• A process to determine how the projects fit within the eligible Green Projects categories;</li> <li>• The criteria making the projects eligible for using the Green bond proceeds; and</li> <li>• The environmental sustainability objectives</li> </ul>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Framework</li> <li>- Komatsu Green Bond Fund Allocation Request Form</li> </ul> <p>Discussions with Komatsu management</p>	<p>As per the Framework, the issuer has set out the following criteria for project selection:</p> <p>Eligible Green Project :</p> <ul style="list-style-type: none"> <li>- It was confirmed that the two eligible green candidate projects listed in Schedule-1 are projects aimed at solving ESG issues and contributing to SDGs based on Komatsu's medium-term management plan "DANTOTSU Value-FORWARD Together for Sustainable Growth.", and the projects meet eligible criteria classified as "renewable energy" and "energy saving (or energy efficiency)" by the related departments of the issuer (Environmental Management Department and Finance Department) through the prescribed process.</li> <li>- 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.</li> </ul> <p>①compliance with environmental laws determined by nation, municipality where business location. Environmental effects are investigated and provision countermeasures, if any  【confirmation items】</p> <ul style="list-style-type: none"> <li>- Soil, underground water pollution</li> <li>- Waste management of PCB</li> <li>- Chemical substance management and prevention of pollution.</li> <li>- Reduction of environmental load</li> <li>- Water risk control</li> </ul> <p>②Environmental Initiatives for its Supply chain  【confirmation items】</p> <ul style="list-style-type: none"> <li>- Compliance with Komatsu procurement policy</li> <li>- Support supplier for its ISO 14001 certification and its holdings</li> </ul>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
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 : <ul style="list-style-type: none"> <li>- Framework</li> <li>- Komatsu report 2020</li> <li>- ESG data book 2020, ESG data book 2021 draft</li> </ul> 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 2020(Integrated report) <a href="#">KMT_KR20J_spread.pdf (home.komatsu)</a> Komatsu ESG data book 2020(Report on environmental and social activities) <a href="#">KOMATSUCSR2020_j.pdf</a>  Komatsu website (Identified CDP "A" List) <a href="https://home.komatsu.jp/press/2020/others/1204901_1611.html">https://home.komatsu.jp/press/2020/others/1204901_1611.html</a>  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"> <li>- Framework</li> <li>- Green Bond Financing Management Table</li> </ul> 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"> <li>- Framework</li> <li>- Green Bond Financing Management Table</li> </ul> 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.
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"> <li>- Framework</li> <li>- Green Bond Financing Management Table</li> </ul> Discussions with Komatsu management	DNV confirmed that the unallocated proceeds from the BOND are managed reconciliation spread sheet for the BOND and the unallocated proceeds are managed as cash or cash equivalent. DNV confirmed that Komatsu explained the above investment method to investors in the green bond framework.

## 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"> <li>- when possible with regards to confidentiality and/or competitive considerations</li> <li>- a brief description of the projects and the amounts disbursed, as well as the expected greenly sustainable impact.</li> </ul>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Framework</li> <li>- Komatsu report 2020</li> <li>- Komatsu ESG data book 2020, Komatsu ESG data book 2021 draft</li> <li>- Komatsu website</li> </ul> <p>Discussions with Komatsu management</p>	<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 will be disclosed in 2021 at the same time as the above disclosure.</p> <p>For information disclosure</p> <ul style="list-style-type: none"> <li>- Allocation status</li> <li>-Project progress</li> <li>-Qualitative and quantitative reports related to environmental contribution</li> </ul> <p>Will be included.</p>