

(Translation)

- Notes: 1. This document has been translated from the Japanese original for the convenience of foreign shareholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.
2. Regarding nonresident shareholders, if you wish to exercise your voting rights, please instruct your custodians, nominees or brokers accordingly in advance of the date of the Ordinary General Meeting of Shareholders.

June 2, 2020

Dear Shareholders:

Notice of Convocation of the
151st Ordinary General Meeting of Shareholders
of Komatsu Ltd.

Komatsu Ltd.

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- * Parts of the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements have been posted separately on our website (<https://home.komatsu/jp/ir/>).
Information in English has been posted on our English website (<https://home.komatsu/en/ir/>).

To All Our Shareholders



President

A handwritten signature in black ink that reads "H. Ogawa". The signature is written in a cursive, flowing style.

I would like to extend our sincere appreciation to our valued shareholders for your understanding and support for the Komatsu Group.

I hereby give notice of the convocation of the 151st Ordinary General Meeting of Shareholders, which is scheduled to be held on June 18, 2020.

The Komatsu Group started the three-year mid-term management plan “DANTOTSU Value—*FORWARD* Together for Sustainable Growth” in April 2019, and is promoting three growth strategies of 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. In FY2019, which was the first year of the mid-term management plan, the outlook for the economy has become increasingly unclear due to a slowdown in economic activities caused by the U.S.-China trade friction, U.K.’s withdrawal from the EU, the worldwide spread of COVID-19 and other factors, and it was a challenging business environment with lower demand in strategic markets, etc. In this environment, the Komatsu Group realized digital transformation of construction jobsites and further evolved its SMARTCONSTRUCTION solutions aiming for “a safe, highly productive, smart and clean workplace of the future.” The Komatsu Group also introduced to the market a battery-powered mini excavator accomplishing “zero exhaust gas” and a significant reduction in noise, and became the first in the industry to offer as standard equipment on hydraulic excavators the “KomVision Human Detection & Collision Mitigation System” that contributes to safety on the customer’s worksite, and started introduction to the Japanese market. Orders were steady for the Autonomous Haulage System (AHS) for mining equipment business and we increased the total number of trucks in operation. In addition, we introduced new models of products for aggregate and cement and for strategic markets, and enhanced initiatives in the field of forestry and agriculture. Regarding business reforms through ICT and IoT, the development of KOM-MICS (Komatsu Manufacturing Innovation Cloud System), which visualizes the operating status of manufacturing facilities, making it possible to dramatically improve productivity, was awarded the Prime Minister’s Prize in the Manufacturing and Production Process Category of the 8th Monodzukuri Nippon Grand Awards.

The Komatsu Group, in order to build corporate strength so as not to be affected by difficult demand environment or fluctuations in demand, will steadily carry out the focused activities set forth in the mid-term management plan, and by further advancing and evolving the “DANTOTSU (Unrivaled) products, DANTOTSU services, and DANTOTSU solutions” approach previously taken by the Company to one of “DANTOTSU Value” (ESG* solutions through the creation of customer value and improvement of earnings), will aim for sustainable growth.

Finally, I would like to take the opportunity to humbly ask our shareholders for your continued understanding and support.

June 2020

*ESG: Environment, social, and corporate governance

NOTICE OF CONVOCATION OF THE
ONE HUNDRED AND FIFTY-FIRST (151ST)
ORDINARY GENERAL MEETING OF SHAREHOLDERS
OF KOMATSU LTD.

Securities Code: 6301
June 2, 2020

Dear Shareholders:

This year we have decided to hold the General Meeting of Shareholders, taking appropriate countermeasures to prevent the spread of COVID-19.

In light of this situation where there is a focus on preventing infection, we are strongly requesting that shareholders exercise their voting rights by conventional postal delivery or via the Internet, and refrain from attending in person on the day of the General Meeting of Shareholders. Please exercise your voting rights after reviewing the attached “Reference Materials for the General Meeting of Shareholders” (pages 6 to 20).

Sincerely,

Hiroyuki Ogawa
President
Komatsu Ltd.
3-6, Akasaka 2-chome, Minato-ku, Tokyo

Details

1. Date and Time: Thursday, June 18, 2020 at 10:00 a.m. (Japan Time)

2. Place: “Kujaku-no-ma,” 2nd floor of the Main Building,
Imperial Hotel Tokyo
1-1, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo

3. Purpose:

Items to Be Reported

- (1) The Business Report and the Consolidated Financial Statements for the 151st fiscal year (April 1, 2019 – March 31, 2020), as well as the Audit Results Report of the Accounting Auditors and the Audit & Supervisory Board on the Consolidated Financial Statements
- (2) The Non-Consolidated Financial Statements for the 151st fiscal year (April 1, 2019 – March 31, 2020)

Items to Be Resolved

- Item 1:** Appropriation of Surplus
Item 2: Election of Eight (8) Directors
Item 3: Election of One (1) Audit & Supervisory Board Member

Note:

Any changes to the date, time, and venue, etc. of the General Meeting of Shareholders due to changes in the status of COVID-19 infections going forward will be promptly announced on the Company’s website, etc.

The Company’s website: <https://home.komatsu/jp/ir/>

* Reference Guidance on Methods for Exercise of Voting Rights

By conventional postal delivery	
Deadline for exercising voting rights:	To arrive at the Company by 5:45 p.m. on Wednesday, June 17, 2020 (Japan Time)
Please indicate “for” or “against” for each agenda item shown on the enclosed Card for Exercising Voting Rights, and return it via the conventional postal delivery system.	

Via the Internet*	
Deadline for exercising voting rights:	To be performed by 5:45 p.m. on Wednesday, June 17, 2020 (Japan Time)
Website designated by the Company:	https://evote.tr.mufg.jp/
Please indicate “for” or “against” for each agenda item.	

- Institutional investors can utilize the electronic platform for exercising voting rights, which is operated by ICJ, Inc.
**Voting via the Internet other than through the ICJ platform is only available for registered shareholders in Japan with Japanese language only. The ICJ platform is an electronic voting platform for institutional investors available via the ProxyEdge® system of Broadridge. For further details, please consult with your custodian(s), nominee(s) and/or broker(s).*

Attendance at the General Meeting of Shareholders	
Date and time:	Thursday, June 18, 2020 at 10:00 a.m. (Japan Time)
The reception desk is scheduled to open at 9:00 a.m.	
Please bring the enclosed Card for Exercising Voting Rights and submit it at the reception.	

4. Handling of Votes

- (1) If you exercise your voting rights twice, both by conventional postal delivery and via the Internet, the voting via the Internet shall prevail regardless of the arrival date of the mailed vote.
 In the case of multiple voting via the Internet, etc., the last voting shall prevail.
- (2) If you diversely exercise your voting rights, you are required to notify the Company of the details and the reasons for this in writing.

* Reference For Internet Disclosure: the Company's website (<https://home.komatsu/jp/ir/>)
**Information in English has been posted on our English website*
(<https://home.komatsu/en/ir/>).

- Information regarding the items listed below is not contained within this document, entitled "Notice of Convocation of the 151st Ordinary General Meeting of Shareholders of Komatsu Ltd." In accordance with relevant laws and regulations and with Article 16 of the Company's Articles of Incorporation, such information in Japanese has been posted separately on our website.

1	Business Report	Financial Position and Profit/Loss Trends Major Lines of Business Principal Offices and Plants Matters Regarding Stock Acquisition Rights of the Company, etc.
2	Consolidated Financial Statements	Consolidated Statement of Equity Notes to Consolidated Financial Statements
3	Non-Consolidated Financial Statements	Non-Consolidated Statement of Changes in Net Assets Notes to Non-Consolidated Financial Statements

The Business Report that the Audit & Supervisory Board Members audited and the Consolidated Financial Statements and Non-Consolidated Financial Statements that the Accounting Auditor and the Audit & Supervisory Board Members audited comprise each document stated in this "Notice of Convocation of the 151st Ordinary General Meeting of Shareholders of Komatsu Ltd." and matters mentioned in the table above that are posted on the Company's website on the Internet.

**Information in English has been posted on our English website (<https://home.komatsu/en/ir/>).*

- Please note that any changes in the matters described in Reference Materials for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements in Japanese will be posted on our website.

**Information in English will be posted on our English website (<https://home.komatsu/en/ir/>).*

Reference Materials for the General Meeting of Shareholders

Proposed Items to Be Resolved and Reference Information:

Item 1: Appropriation of Surplus

The Company is establishing a sound financial position and strengthening its competitiveness to sustainably increase its corporate value. Concerning cash dividends to shareholders, the Company maintains the policy of striving to continue stable dividends by comprehensively considering consolidated business results, future investment plans, cash flows and other related factors.

For the 151st fiscal year, following the dividend policy of a consolidated payout ratio of 40% or higher, as well as in consideration of the Company's business performance for this fiscal year and future business development, the Company proposes to pay a year-end dividend of surplus as follows.

(1) Type of the dividend assets	Cash
(2) Matters concerning allotment and total amount of the dividend assets	JPY 39 per one (1) common share of the Company (a decrease of JPY 20 per one (1) common share of the Company over the previous fiscal year) Total amount of the dividend assets: JPY 36,858,949,686
(3) Effective date of dividends of surplus	Friday, June 19, 2020

Accordingly, combined with the interim dividend of JPY 55 per one (1) common share of the Company, the annual dividend will be JPY 94 per one (1) common share of the Company for this fiscal year, a decrease of JPY 16 per one (1) common share of the Company over the previous fiscal year. The consolidated payout ratio is 57.7%.

Item 2: Election of Eight (8) Directors

The terms of office of all of the eight (8) Directors will expire as of the close of this Ordinary General Meeting of Shareholders.

Accordingly, the Company proposes that eight (8) Directors (including three (3) Outside Directors) be elected.

The candidates for the positions are as follows:

No. of Candidate	Name	(Reference)	
		Position and In Charge at the Company (As of May 22, 2020)	Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2020
1	Reelection Tetsuji Ohashi	Chairperson of the Board and Representative Director	100%
2	Reelection Hiroyuki Ogawa	President and Representative Director Chief Executive Officer (CEO)	100%
3	Reelection Masayuki Moriyama	Director and Senior Executive Officer President of Mining Business Division	100%
4	Reelection Kiyoshi Mizuhara	Director and Senior Executive Officer President of Construction Equipment Marketing Division	100%
5	Reelection Kuniko Urano	Director and Senior Executive Officer Supervising Safety & Health Care, Corporate Communications, and CSR	100%
6	Reelection Outside Director Independent Makoto Kigawa	Director	100%
7	New Candidate Outside Director Independent Takeshi Kunibe	—	—
8	New Candidate Outside Director Independent Arthur M. Mitchell	—	—

Outside Director: Candidate for Outside Director


Independent: Candidate for Director who meets the Company's independence standards (page 20) and for whom the Company has submitted or plans to submit an Independent Directors Notification to the Tokyo Stock Exchange (*the Japanese stock exchange on which the Company's shares are listed*).

<Reference> Policies and Procedures for Nominating Directors and Audit & Supervisory Board Members of the Company

The policy of the Board of Directors of the Company is to elect multiple members with abundant experience, sophisticated knowledge and expertise from inside and outside the Company to carry out appropriate decision-making and management supervision. Moreover, taking into consideration diversity, such as in gender and nationality, and in order to increase the objectivity and transparency of its judgment in deciding on its selection of candidates as Directors and Audit & Supervisory Board Members, the Board of Directors made the selection based upon discussions and resolutions of, and upon the recommendation from the Human Resource Advisory Committee, consisting of three (3) Outside Directors (one (1) of whom is Chairman of the Committee), the Chairperson of the Board and the President. The Human Resource Advisory Committee also discusses appointments and discharge of the President (CEO) and executive officers and policy of their development.


When judging whether or not to accept the proposal for the selection of Directors and Audit & Supervisory Board Members who are appointed from within the company, their knowledge and expertise cultivated over their careers as well as their accumulated experience is taken into account. As such, short summaries of their careers are detailed.

The Company emphasizes independence when selecting Outside Directors and Outside Audit & Supervisory Board Members, and has therefore established its own "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members." Details are given on page 20.

	1. Reelection Tetsuji Ohashi (March 23, 1954)
	▶ Number of Year(s) in Office: 11 years
	▶ Attendance to the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 151,000 shares
	▶ Important Concurrent Positions Held in Other Organizations: Outside Director of Yamaha Motor Co., Ltd.
▶ Special Interests Between the Candidate and the Company: None	


Career summary and position

4/1977	Joined the Company Product Control Section, Planning & Coordination Department of Awazu Plant
6/1982	Graduate School, Stanford University, USA (until 6/1984)
10/1998	General Manager of Planning & Cooperation Department of Awazu Plant, Production Division
10/2001	Plant Manager of Moka Plant, Production Division
1/2004	President and Chief Operating Officer (COO) of Komatsu America Corp.
4/2007	Took office as Executive Officer President of Production Division
4/2008	Took office as Senior Executive Officer
6/2009	Took office as Director and Senior Executive Officer
4/2012	Took office as Director and Senior Executive Officer
4/2013	Took office as President and Representative Director, and CEO
4/2019	Took office as Chairperson of the Board and Representative Director (current)

	2. Reelection	Hiroyuki Ogawa	(March 23, 1961)
	▶ Number of Year(s) in Office:	2 years	
	▶ Attendance to the Meetings of the Board of Directors:	15/15 (100%)	
	▶ Number of Shares of the Company Held:	55,000 shares	
	▶ In Charge at the Company:	Chief Executive Officer (CEO)	
	▶ Important Concurrent Positions Held in Other Organizations:	None	
	▶ Special Interests Between the Candidate and the Company:	None	


Career summary and position

4/1985	Joined the Company Production Engineering Section, Production Engineering Department of Kawasaki Plant
4/2004	Plant Manager of Chattanooga Manufacturing Operation, Komatsu America Corp.
4/2007	General Manager of Planning & Coordination Department of Osaka Plant, Production Division
4/2010	Took office as Executive Officer Plant Manager of Ibaraki Plant, Production Division
4/2013	President of Procurement Division in Production Division
4/2014	Representative of All Indonesia Operations Chairperson of PT Komatsu Marketing & Support Indonesia (until 3/2016)
4/2015	Took office as Senior Executive Officer
4/2016	President of Production Division
4/2018	Took office as Senior Executive Officer
6/2018	Took office as Director and Senior Executive Officer
4/2019	Took office as President and Representative Director (current) CEO (current)

	3. Reelection Masayuki Moriyama (February 5, 1960)
	▶ Number of Year(s) in Office: 1 year
	▶ Attendance to the Meetings of the Board of Directors: 11/11 (100%)
	▶ Number of Shares of the Company Held: 52,700 shares
	▶ In Charge at the Company: President of Mining Business Division
	▶ Important Concurrent Positions Held in Other Organizations: None
	▶ Special Interests Between the Candidate and the Company: None


Career summary and position

4/1982	Joined the Company Technology Management Department, Vehicle Development Center of Kawasaki Plant
7/1988	Graduate School, Cornell University, USA (until 6/1990)
3/2000	Komatsu America Corp. (until 3/2003)
4/2010	Took office as Executive Officer General Manager of Construction Equipment Technical Center 1, Development Division
4/2014	President and Chief Operating Officer (COO) of Komatsu America Corp.
4/2015	Took office as Senior Executive Officer
4/2017	President of Mining Business Division (current)
4/2018	Took office as Senior Executive Officer
6/2019	Took office as Director and Senior Executive Officer (current)

	4. Reelection Kiyoshi Mizuhara (January 13, 1960)
	▶ Number of Year(s) in Office: 1 year
	▶ Attendance to the Meetings of the Board of Directors: 11/11 (100%)
	▶ Number of Shares of the Company Held: 35,400 shares
	▶ In Charge at the Company: President of Construction Equipment Marketing Division
	▶ Important Concurrent Positions Held in Other Organizations: None
	▶ Special Interests Between the Candidate and the Company: None


Career summary and position

4/1983	Joined the Company General Sales Department, Export Sales Division
9/1988	Komatsu Dresser Company (currently Komatsu America Corp.) (until 3/1993)
3/1997	Komatsu Hanomag GmbH (currently Komatsu Germany GmbH) (until 3/2003)
4/2008	General Manager of Business Control Department, Construction & Mining Equipment Marketing Division
4/2011	General Manager of Construction Equipment Corporate Planning Department, Construction & Mining Equipment Marketing Division
4/2013	Took office as Executive Officer Representative of All India Operations President of Komatsu India Pvt. Ltd.
4/2017	Took office as Senior Executive Officer President of Construction Equipment Marketing Division (current)
4/2019	Took office as Senior Executive Officer
6/2019	Took office as Director and Senior Executive Officer (current)

	5. Reelection	Kuniko Urano	(October 19, 1956)
	▶ Number of Year(s) in Office:	2 years	
	▶ Attendance to the Meetings of the Board of Directors:	15/15 (100%)	
	▶ Number of Shares of the Company Held:	34,300 shares	
	▶ In Charge at the Company:	Supervising Safety & Health Care, Corporate Communications, and CSR	
	▶ Important Concurrent Positions Held in Other Organizations:	None	
	▶ Special Interests Between the Candidate and the Company:	None	

Career summary and position

4/1979	Joined the Company Education Section, Human Resources Department
4/2005	General Manager of Logistics Planning Department, Production Division
4/2010	General Manager of Corporate Communications Department
4/2011	Took office as Executive Officer
4/2014	General Manager of Human Resources Department
4/2016	Took office as Senior Executive Officer
6/2018	Took office as Director and Senior Executive Officer (current)

Outside Director Independent 	6. <u>Reelection</u> Makoto Kigawa (December 31, 1949)
	▶ Number of Year(s) in Office: 4 years
	▶ Attendance to the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 0 shares
	▶ Important Concurrent Positions Held in Other Organizations: Outside Director of Seven Bank, Ltd. Outside Director of Oki Electric Industry Co., Ltd. Outside Audit & Supervisory Board Member of The Higo Bank, Ltd
	▶ Special Interests Between the Candidate and the Company: None

Career summary and position

4/1973	Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
4/2004	Took office as Managing Director, Chief Risk Officer / Head of Risk Management Group, and Chief Human Resources Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
3/2005	Retired from Mizuho Corporate Bank, Ltd.
4/2005	Joined Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.)
6/2005	Took office as Managing Director of Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.)
11/2005	Took office as Representative Managing Director of Yamato Holdings Co., Ltd.
4/2006	Took office as Representative Director and Managing Executive Officer of Yamato Holdings Co., Ltd.
6/2006	Took office as Representative Director and Senior Managing Executive Officer of Yamato Holdings Co., Ltd.
3/2007	Took office as Representative Director and Executive Officer of Yamato Holdings Co., Ltd. Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.
4/2011	Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd.
4/2015	Took office as Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd.
6/2016	Took office as Director of the Company (current)
4/2018	Took office as Director and Chairman of Yamato Holdings Co., Ltd.
4/2019	Director of Yamato Holdings Co., Ltd.
6/2019	Special Advisor of Yamato Holdings Co., Ltd. (current)

Reason for nomination as candidate for Outside Director

Having served as Representative Director of Yamato Holdings, Co., Ltd. and Yamato Transport Co., Ltd., Mr. Makoto Kigawa has considerable knowledge and rich experience in the business world, including use of ICT, business model innovation and so forth, and engaging in strategic and advanced corporate management, among others.

Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to appropriate monitoring of the management strategies of the Company, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company nominates him as a candidate for Outside Director.

Matters regarding independence


Mr. Makoto Kigawa is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director and has submitted the relevant notification to the Tokyo Stock Exchange.

Mr. Kigawa held the positions of Representative Managing Director, Representative Director and Managing Executive Officer, Representative Director and Senior Managing Executive Officer, Representative Director and Executive Officer, Representative Director, President and Executive Officer, and Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd from November 2005 to April 2018. However, he currently has no involvement with the execution of business at Yamato Holdings Co., Ltd. The Company and its consolidated subsidiaries have transactions with Yamato Holdings Co., Ltd.'s subsidiaries, including Yamato Transport Co., Ltd. for payment of transportation expenses, etc. However, the amount of the payment is less than 0.1% of sum of the consolidated cost of sales and selling, general and administrative expenses of the Company and its consolidated subsidiaries for the most recent fiscal year. In addition, the amount of the payment is less than 0.1% of the consolidated operating revenue of Yamato Holdings Co., Ltd. for the most recent fiscal year.

Facts in violation of laws and regulations or the Articles of Incorporation or facts of any other unreasonable execution of business at the other corporations

Since February 2017, an investigation of the group under Yamato Holdings Co., Ltd. (Yamato Holdings), where Mr. Makoto Kigawa served as Director from June 2005 to June 2019, was conducted to look into actual working hours of its employees, in response to a situation where efforts to build an operating framework had fallen behind largely amid a prevailing surge in the entity's e-commerce related business. The investigation has revealed that Yamato Holdings had been failing to recognize that many of its employees were unable to take sufficient breaks and other such issues. Yamato Holdings has taken the matter seriously, and has accordingly been implementing various structural reforms, particularly in its delivery business, to address the primary challenges of bringing about work-style reforms that include improving and thoroughly implementing labor controls, and promoting work-life balance.

In addition, at Yamato Holdings consolidated subsidiary Yamato Home Convenience Co., Ltd., it was found that inappropriate billings that breached its uniform terms and conditions of contracts had been made in relation to moving services provided to employees of corporate customers. As a result, the company received an administrative disposition and a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism in January 2019. In addition to taking steps to build a system to prevent similar events from recurring at Yamato Home Convenience Co., Ltd., Yamato Holdings is also working to strengthen corporate governance so as to improve the soundness of its group management.

Outside Director Independent 	7. New Candidate	Takeshi Kunibe	(March 8, 1954)
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. Outside Director of NEC Corporation (scheduled to retire in June 2020) Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD	
	▶ Special Interests Between the Candidate and the Company:	None	

Career summary and position

4/1976	Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter the “SMBC”)
6/2003	Took office as Executive Officer of SMBC
10/2006	Took office as Managing Executive Officer of SMBC
4/2007	Took office as Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. (hereinafter “SMFG”)
6/2007	Took office as Director of SMFG
4/2009	Took office as Director and Senior Managing Executive Officer of SMBC
4/2011	Took office as Representative Director, President and Chief Executive Officer of SMBC
4/2017	Took office as Representative Director and President of SMFG Retired from Director of SMBC
6/2017	Took office as Director President and Representative Executive Officer of SMFG
4/2019	Took office as Chairman of the Board of SMFG (current)

Reason for nomination as candidate for Outside Director

Takeshi Kunibe has considerable knowledge and rich experience in the business world, including the field of finance and in group company management, etc., having served successively as Representative Director, President and Chief Executive Officer of SMBC, as well as Representative Director and President, Director President and Representative Executive Officer, and Chairman of the Board of SMFG.

Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management as well as enhancing corporate governance. Therefore, the Company nominates him as a candidate for Outside Director.

Matters regarding independence

Mr. Takeshi Kunibe is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director and will submit the relevant notification to the Tokyo Stock Exchange.

Mr. Kunibe serves as Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. and served as Representative Director, President and Chief Executive Officer of Sumitomo Mitsui Banking Corporation from April 2011 to April 2017. However, more than three (3) years have passed since his retirement from Sumitomo Mitsui Banking Corporation, and he currently has no involvement with the execution of business at the said bank. Because the Company and its consolidated subsidiaries have several lenders and the said bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, the said bank is not a business partner which has a significant impact on the Company’s decision making. As of the end of the most recent fiscal year, the balance of loans from the said bank was JPY 145.2 billion, which was 14.4% of the total amount of loans. (page 38)


Facts in violation of laws and regulations or the Articles of Incorporation or facts of any other unreasonable execution of business at the other corporations

The Japan Fair Trade Commission carried out an on-site inspection on November 18, 2014 of NEC Corporation, where Mr. Takeshi Kunibe has been serving as Outside Director since June 2011 to this day, regarding suspected violation of the Anti-Monopoly Act with respect to transactions for digital firefighting emergency radio systems. On February 2, 2017, the Japan Fair Trade Commission issued a Cease and Desist Order and an Order for Payment of Surcharge against NEC Corporation for activities in violation of the Anti-Monopoly Act regarding the above transactions.

The Japan Fair Trade Commission also carried out an on-site inspection on May 19, 2015 of NEC Corporation regarding suspected violation of the Anti-Monopoly Act with respect to transactions for telecommunications equipment for electric power systems with Tokyo Electric Power Company, Inc. (currently Tokyo Electric Power Company Holdings, Inc.). On July 12, 2016, NEC Corporation has been recognized as having violated the Anti-Monopoly Act.

In addition, the Japan Fair Trade Commission carried out an on-site inspection on February 16, 2016 of NEC Corporation regarding suspected violation of the Anti-Monopoly Act with respect to transactions for hybrid optical communication equipment and equipment for transmission lines with Chubu Electric Power Co., Inc. On February 15, 2017, the Japan Fair Trade Commission issued a Cease and Desist Order and an Order for Payment of Surcharge against NEC Corporation for activities in violation of the Anti-Monopoly Act regarding the above transactions.

NEC Corporation regards compliance as one of the most important management issues, and makes every effort to observe compliance and to continuously establish and implement its internal control system. In light of the above events, in addition to repeated messages on compliance, NEC Corporation has reviewed the contents and methods of its fair trade education and enhanced its internal review and monitoring system for fair trade, working to reform employee awareness. By constantly reviewing the compliance system, NEC Corporation is working to thoroughly prevent reoccurrence.

Outside Director Independent	8. New Candidate	Arthur M. Mitchell (July 23, 1947)
	▶ Number of Shares of the Company Held:	0 shares
	▶ Important Concurrent Positions Held in Other Organizations:	Outside Director of Sumitomo Mitsui Financial Group, Inc.
	▶ Special Interests Between the Candidate and the Company:	None

Career summary and position

7/1976	Registered as attorney at law in New York State, USA (current)
1/2003	Took office as General Counsel of Asian Development Bank
9/2007	Joined White & Case LLP
1/2008	Registered as registered foreign lawyer in Japan (current) Registered foreign lawyer of White & Case LLP (current)

Reason for nomination as candidate for Outside Director

Mr. Arthur M. Mitchell has worked for many years as a New York state attorney and foreign law attorney in Japan, and has considerable knowledge and rich experience in the field of international legal affairs.

Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to the mitigation and avoidance of risk in the Company's global business operations, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company nominates him as a candidate for Outside Director.

Although Mr. Mitchell has no experience in participating in the management of other companies directly, the Company judged that he would be able to execute the duties of Outside Director adequately because of the reasons above.

Matters regarding independence

Mr. Arthur M. Mitchell is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director and will submit the relevant notification to the Tokyo Stock Exchange.

Notes:

1. The names of divisions and other bodies in the Company in "Career summary and position" above show those that were applicable at each relevant time period.
2. Meeting attendance above shows attendance to the meetings of the Board of Directors held during the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020). As Mr. Masayuki Moriyama and Mr. Kiyoshi Mizuhara were elected at the 150th Ordinary General Meeting of Shareholders held in June 2019, their maximum number of meetings of attendance is different from that of the other Directors.
3. The Company has entered into an agreement with Mr. Makoto Kigawa that limits his liability for damages caused by their negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation of the Company. If his reelection is approved, the Company intends to continue the aforesaid agreement. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.
4. The Company intends to enter into an agreement with Mr. Takeshi Kunibe and Mr. Arthur M. Mitchell that limits their liability for damages caused by their negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation of the Company if their reelections are approved. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.


Item 3: Election of One (1) Audit & Supervisory Board Member

The term of office of Mr. Kosuke Yamane as Audit & Supervisory Board Member will expire as of the close of this Ordinary General Meeting of Shareholders.

Accordingly, the Company proposes that one (1) Audit & Supervisory Board Member be elected. If this item is approved, the Company's Audit & Supervisory Board Members will consist of five (5) members (including three (3) Outside Audit & Supervisory Board Members).

This item for resolution was reviewed and approved by the Audit & Supervisory Board.

The candidate for the position is as follows:

	New Candidate	Terumi Sasaki	(December 24, 1960)
	▶ Number of Shares of the Company Held:	21,400 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	None	
	▶ Special Interests Between the Candidate and the Company:	None	

Career summary and position

4/1983	Joined the Company Shipping Section, Transportation Department, Export Sales Division
7/1996	Komatsu Hanomag GmbH (currently Komatsu Germany GmbH) (until 10/2003)
6/2011	General Manager of IFRS Implementation Department
9/2012	Vice President (VP), Finance and Control of Komatsu America Corp.
4/2017	Executive Vice President (EVP) and Chief Financial Officer (CFO) of Komatsu Mining Corp.
4/2020	Advisor to President (current)

Notes:

1. The names of divisions and other bodies in the Company in "Career summary and position" above show those that were applicable at each relevant time period.
2. Mr. Terumi Sasaki possesses experiences of accounting- and finance-related duties acquired over many years and has considerable knowledge and rich experience in financial and accounting fields.
3. The Company intends to enter into an agreement with Mr. Terumi Sasaki that limits his liability for damages caused by his negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation of the Company if his reelection is approved. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.

<Reference> Composition of the Company's Audit & Supervisory Board

If Item 3 is approved, composition of the Company's Audit & Supervisory Board will be as follows.

Name	Position at the Company	Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2020	Attendance rate of the Meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2020
Hironobu Matsuo	Standing Audit & Supervisory Board Member	100%	100%
New Candidate Terumi Sasaki	Standing Audit & Supervisory Board Member	–	–
Outside Audit & Supervisory Board Member Independent Hirohide Yamaguchi	Audit & Supervisory Board Member	100%	100%
Outside Audit & Supervisory Board Member Independent Eiko Shinotsuka	Audit & Supervisory Board Member	100%	100%
Outside Audit & Supervisory Board Member Independent Kotaro Ohno	Audit & Supervisory Board Member	100%	100%

Outside Audit & Supervisory Board Member: Outside Audit & Supervisory Board Member

Independent: Audit & Supervisory Board Member who meets the Company's independence standards (page 20) and for whom the Company has submitted an Independent Audit & Supervisory Board Member Notification to the Tokyo Stock Exchange (*the Japanese stock exchange on which the Company's shares are listed*).

<Reference> The Company's Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Board of Directors of the Company has determined the independence standards for Outside Directors and Outside Audit & Supervisory Board Members (collectively, "Outside Board Members") as follows.

1. Basic stance:

Independent Outside Board Members are defined as Outside Board Members who have no potential conflict of interest with ordinary shareholders of the Company.

In the event that they are critically controlled by the top management of the Company or they can critically control the top management of the Company, they are deemed to have a conflict of interest with ordinary shareholders of the Company. Therefore, the Board of Directors determines that they have no independence from the Company.

2. Independence standards:

Based on "1. Basic stance" above, the Board of Directors determines an Outside Board Member who is listed below has no independence from the Company.

- 1) Person engaged in transactions or execution of business with the Company or its subsidiary as his/her major business partner

This is applicable to a business partner or a person engaged in business execution with the Company or its subsidiary, and the Company or its subsidiary can give significant influence on decision making of the concerned partner or person.

Through its departments engaged in business transactions with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), the Company reviews the business relationship of these companies by making direct inquiries to the concerned companies and implementing other means, thereby evaluating their independence from the Company.

- 2) Main business partner of the Company or person engaged in business execution thereof

This is applicable to a business partner or a person engaged in business execution with the Company, and the concerned business partner or person engaged in business execution thereof can give significant influence on the Company's decision making. Specifically, in the event that the Company generates sales, revenues, etc. from its business with the concerned business partner, which account for a considerable portion of total sales, revenues, etc. of the Company, the Board of Directors of the Company determines the concerned business partner or person has no independence from the Company.

The Company discusses with its departments engaging in business with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), and evaluates their independence from the Company.

- 3) Consultant(s), certified public accountant(s), lawyer(s) or other professional(s) obtaining large amounts of money or other financial benefits, other than remunerations of Outside Board Members of the Company (when such financial benefits are obtained by an incorporated entity, this matter applies to a person belonging to such organization)

With respect to large amounts of money or other financial benefits, the Company determines independence in accordance with "large amounts of money or other financial benefits" stipulated in Article 74, Paragraph 4, Item 6, (d) or Article 76, Paragraph 4, Item 6, (d) of the Regulation for Enforcement of the Companies Act of Japan.

In the case that the concerned professional who obtains large amounts of money or other financial benefits belongs to an incorporated entity and that such organization depends heavily on fees paid by the Company, the Board of Directors determines the concerned professional has no independence from the Company.

- 4) Person who is applicable to any of 1) through 3) above for last one year

- 5) Spouse or relative in second degree of an important person among the following persons

- a. Person to whom 1) through 4) above are applicable
- b. Person engaged in business execution of subsidiaries of the Company
- c. Director engaged in non-business execution of subsidiaries of the Company (limited to determining Outside Audit & Supervisory Board Members)
- d. Person to whom b or c above is applicable for the past one year
- e. Person who engaged in business execution of the Company for the past one year
- f. Director of the Company engaged in non-business execution for the past one year (limited to determining Outside Audit & Supervisory Board Members)

End

Business Report

(April 1, 2019 - March 31, 2020)

1. Current Conditions of Komatsu

(1) Outline of Operations and Business Results

In preparation for its 100th anniversary in 2021 and the growth beyond, Komatsu Ltd. (“Company”) and its consolidated subsidiaries (together “Komatsu”), is engaged in a three-year mid-term management plan entitled “DANTOTSU Value—*FORWARD* Together for Sustainable Growth,” which will finish in the fiscal year ending March 31, 2022. Having decided on the three growth strategies of 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth, Komatsu is moving forward with activities to achieve sustainable growth through a virtuous cycle generated by improving profitability and solving environmental, social, and governance (ESG) issues.

For the fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020), which represents the first year of the mid-term management plan, consolidated net sales for the year decreased by 10.3% from the previous fiscal year to JPY 2,444.8 billion. Concerning profits, operating income decreased by 37.0% from the previous fiscal year to JPY 250.7 billion, mainly due to reduced sales volume, as partially affected by the COVID-19 pandemic, a change in the geographic composition of sales, and adverse effects of the Japanese yen’s appreciation, despite efforts to improve selling prices. Operating income ratio was 10.3%, down 4.3 percentage points. Income before income taxes and equity in earnings of affiliated companies decreased by 40.9% to JPY 223.1 billion. Net income attributable to Komatsu Ltd. decreased by 40.0% to JPY 153.8 billion.

\	150th Fiscal Year (April 2018 – March 2019)	Changes from 150th Fiscal Year	151st Fiscal Year (April 2019 – March 2020)
Net sales	JPY 2,725.2 billion	(10.3)%	JPY 2,444.8 billion
Operating income	JPY 397.8 billion	(37.0)%	JPY 250.7 billion
Income before income taxes and equity in earnings of affiliated companies	JPY 377.4 billion	(40.9)%	JPY 223.1 billion
Net income attributable to Komatsu Ltd.	JPY 256.4 billion	(40.0)%	JPY 153.8 billion

Note: The Consolidated Financial Statements of the Company are prepared in accordance with Article 120-3 Paragraph 1 of the Regulation on Corporate Accounting of Japan and the method of preparation conforms to the accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”) in terms of terminology and format.

[Construction, Mining and Utility Equipment]

	151st Fiscal Year (April 2019 – March 2020)	Changes from 150th Fiscal Year
Sales	JPY 2,211.2 billion	(10.8)%
Segment profit	JPY 227.3 billion	(37.8)%

Note: The amounts stated in the table above are based on the amounts before elimination of transactions between segments.

In the construction, mining and utility equipment segment, demand declined in Strategic Markets, centering on Asia, and was adversely affected in some regions by the COVID-19 pandemic in the fourth quarter. As a result, sales declined by 10.8% from the previous fiscal year to JPY 2,211.2 billion. Segment profit declined by 37.8% from the previous fiscal year, to JPY 227.3 billion.

Under “value creation by means of innovation,” which is one of the three strategies decided on for the mid-term management plan, the further strengthening of the Autonomous Haulage System (AHS) has been made a focus item, and in the Pilbara region of Western Australia we worked to deploy 41 units of the most recent model of the super-large dump truck with which unmanned operation is possible, which can be retrofitted with AHS. At northern Brazil’s Carajás iron ore mine, which is one of the largest in the world, in addition to taking steps to deploy 37 of the super-large dump trucks and introduce AHS, we opened the Komatsu’s first “AHS Training Center” in the vicinity of the Carajás mine, and promoted activities to provide training over a wide area of northern Brazil in relation to AHS operations and maintenance.

In addition, we steadily promoted the SMARTCONSTRUCTION solutions business aimed at construction jobsites that was launched in February 2015, and which has since been deployed in more than 10,000 such sites in Japan. Overseas, we announced full-scale launches of SMARTCONSTRUCTION in the United States, the United Kingdom, Germany, France and Denmark. In March 2020, at the CONEXPO 2020 construction equipment trade show held in Las Vegas, the United States, we exhibited new devices and applications, such as retrofit kits, designed to accelerate the speed of achieving digital transformation of construction sites, and also announced their launch in the Japanese market from April 2020.



[A super-large dump truck deployed at Carajás iron ore mine]



[CONEXPO 2020]

(Reference: Related websites)

Visit the special SMARTCONSTRUCTION website:

⇒ <http://smartconstruction.komatsu/>

* *This website is currently available only in Japanese.*

For those who are interested in SMARTCONSTRUCTION, details are available in KOMATSU REPORT 2019

⇒ https://home.komatsu/en/ir/library/annual/pdf/annual_03.pdf

Additionally, in December 2019, Komatsu introduced the in-house developed KomVision Human Detection & Collision Mitigation System as a standard fitment on the PC200/200LC-11 and PC210/210LC-11 hydraulic excavators in the Japanese market. This system improves upon the functionality of the previous KomVision bird's eye view camera system that was fitted as standard for the Japanese market, and is used to check for the presence of people in the vicinity of the excavator, restraining the movement of the excavator if people are detected when the excavator starts to travel or swing. The system also stops the excavator if people are detected when the excavator is traveling at slow speed. Through such functions, the system helps curb the occurrence of collisions between people and the machine when it starts to travel or swing, or is moving at slow speed.



[KomVision Human Detection & Collision Mitigation System]

Sales of Construction, Mining and Utility Equipment by Region (to External Customers)

Region	151st Fiscal Year (April 2019 – March 2020)	Changes from 150th Fiscal Year
Japan	JPY 310.8 billion	(0.6)%
Overseas	JPY 1,895.1 billion	(12.0)%
Americas	JPY 882.8 billion	(5.9)%
Europe & CIS	JPY 347.1 billion	+1.4%
China	JPY 127.0 billion	(22.9)%
Asia* & Oceania	JPY 409.1 billion	(26.2)%
Middle East & Africa	JPY 128.9 billion	(16.5)%
Total	JPY 2,205.9 billion	(10.6)%

* Excludes Japan and China.

[Retail Finance]

	151st Fiscal Year (April 2019 – March 2020)	Changes from 150th Fiscal Year
Revenues	JPY 70.9 billion	+11.5%
Segment profit	JPY 12.6 billion	(27.6)%

Note: The amounts stated in the table above are based on the amounts before elimination of transactions between segments.

In the retail finance segment, revenues increased by 11.5% from the previous fiscal year to JPY 70.9 billion, supported by the increase in assets in North America, Europe, and other regions. Due in part to the disappearance of reversals of provisions related to doubtful accounts in China, segment profit dropped by 27.6% from the previous fiscal year to JPY 12.6 billion.

[Industrial Machinery and Others]

	151st Fiscal Year (April 2019 – March 2020)	Changes from 150th Fiscal Year
Sales	JPY 177.5 billion	(12.6)%
Segment profit	JPY 13.7 billion	(26.5)%

Note: The amounts stated in the table above are based on the amounts before elimination of transactions between segments.

In the industrial machinery and others segment, sales declined by 12.6% from the previous fiscal year, to JPY 177.5 billion, mainly affected by a decrease in demand for presses and machine tools in the

automobile manufacturing industry, partly due to the impact of the COVID-19 pandemic, as well as lower demand for Excimer laser-related products on the semiconductor market. Segment profit dropped by 26.5% from the previous fiscal year, to JPY 13.7 billion.

At MF-TOKYO 2019 (The 6th Metal Forming Fair Tokyo) held in July 2019, the Company’s subsidiary Komatsu Industries Corp. exhibited not only such products as the H2FM630-1 high-rigidity servo press, on the theme of “Future GEMBA,” but also the next-generation KOM-MICS platform, explaining its initiatives for preventive maintenance and for contributing to improved productivity at customer work sites, which is a focus item under the mid-term management plan.

In addition, GIGAPHOTON CHINA Inc. began operations as a new company with the role of overseeing the service bases in China of Company subsidiary GIGAPHOTON INC. in November 2019, and implemented measures to strengthen the support structure and provide enhanced service.



[Exhibiting at MF-TOKYO 2019]

(2) Capital Investment

Capital investment decreased by JPY 12.6 billion from the previous fiscal year, to JPY 166.5 billion.

1) Breakdown by Segment

Segment	Invested Amounts (JPY billion)
Construction, Mining and Utility Equipment	116.2
Retail Finance	45.6
Industrial Machinery and Others	4.6
Total	166.5

2) Main Facilities Completed in the Fiscal Year Ended March 31, 2020

Segment	Main Facilities
Construction, Mining and Utility Equipment	Osaka Plant: New construction of reduction gear plant · Facility overview: production facility for reduction gear

3) New Constructions, Expansions and Overhauls of Main Facilities in Progress in the Fiscal Year Ended March 31, 2020

Segment	Main Facilities
Construction, Mining and Utility Equipment	Oyama Plant: New construction of production line at engine plant · Facility overview: production facility for engines
	Komatsu Mining Corp.: Relocating Head Office / Plant · Facility overview: production facility for mining equipment and facility for research and development
	Komatsu Forest AB: Relocating Head Office / Plant · Facility overview: production facility for forestry equipment and facility for research and development

(3) Financing

In the fiscal year ended March 31, 2020, in order to appropriate funds for working capital and capital investment, the Company procured funds mainly by the issuance of commercial paper and bonds, as well as through borrowings from financial institutions.

The balance of interest-bearing debt at the fiscal year-end increased by JPY 81.6 billion from the previous fiscal year-end to JPY 1,012.3 billion. This was mainly the result of acquiring cash to secure liquidity on hand.

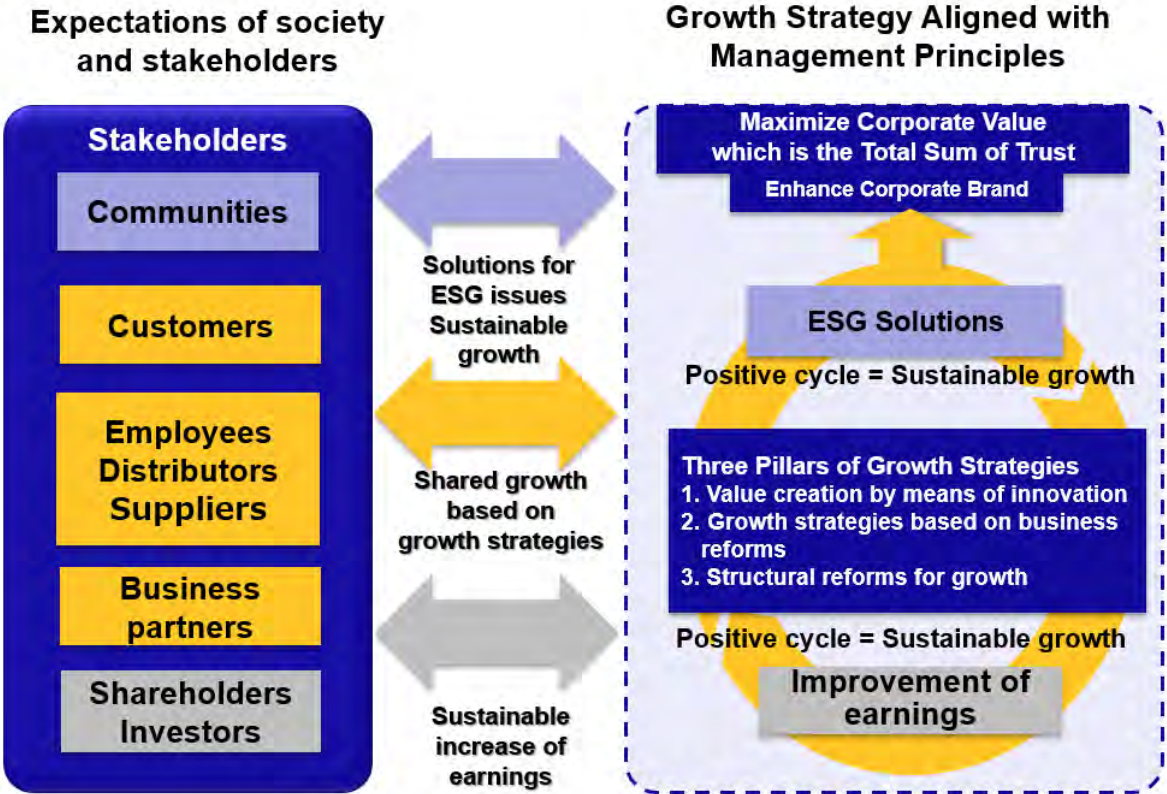
In addition, the net debt-to-equity ratio* was 0.43, the same level as the previous fiscal year-end.

* Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. Shareholders' equity

(4) Issues Ahead

The cornerstone of Komatsu’s management lies in its commitment to Quality and Reliability and the maximization of its corporate value. And we at Komatsu define our corporate value as the total sum of trust given to us by society and all stakeholders.

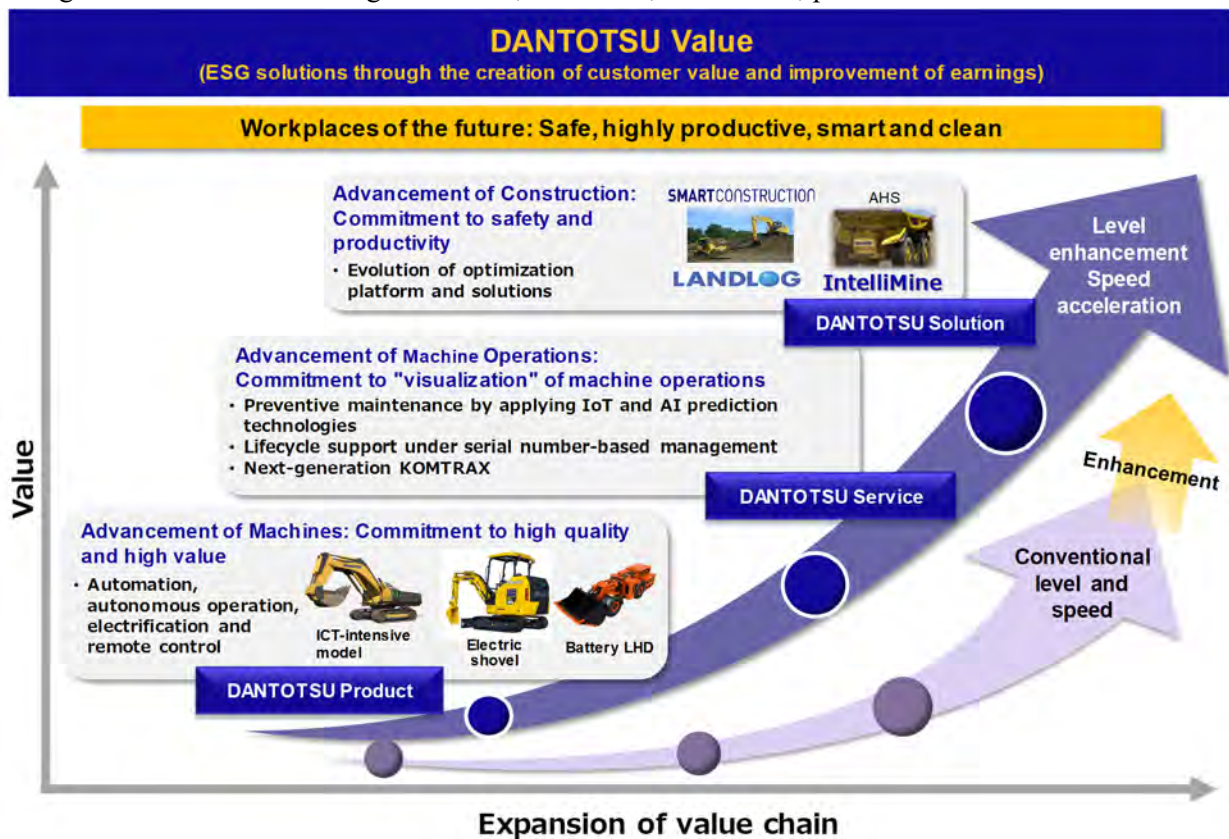
In our three-year mid-term management plan, “DANTOTSU Value—*FORWARD* Together for Sustainable Growth,” with the fiscal year ending March 31, 2022 as the goal year, we aim for growth toward its 100th Anniversary (2021) and beyond, and are pursuing three management strategies (growth strategies): 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. In the current market environment, due to the US-China trade friction and UK leaving the EU, as well as due to the impact of the novel coronavirus (COVID-19) pandemic, the outlook is opaque and uncertain in the construction, mining and utility equipment segment and the industrial machinery and others segment. In this environment, we will strive for sustainable growth through a positive circle of improving earnings and solving environmental, social, and corporate governance (ESG) issues without being affected by changes in market demand by making priority investment in growth areas through the assessment of cost effectiveness and strategic value based on these three pillars of growth strategies.



Realizing “DANTOTSU Value” along with the evolution of the three growth strategies

To promote the three pillars of growth strategies, we aim to advance and enhance the level of DANTOTSU products, DANTOTSU service, and DANTOTSU solutions, for which we have continued to make efforts, at a faster speed, and create DANTOTSU value (a virtuous cycle generated by ESG solutions through the creation of customer value and improvement of earnings). We will work to realize safe, highly productive, smart and clean workplace of the future with customers in both physical aspects (increased sophistication and automation of construction equipment) and non-physical aspects (optimization of customers’ construction operations). In this manner, we will help solve ESG issues through our core business by offering high-quality, high-performance products, service and solutions ensuring safety and reduction of environmental impact in response to climate change.

Komatsu will strive for sustainable growth through linking every workplace and generate value through DANTOTSU with our global teams, customers, distributors, partners and communities.



Targets of the mid-term management plan

In addition to continuing the targets of industry's top-level Growth, Profitability, Efficiency, and Financial Position, we have newly set the management targets of ESG. As we are going to place priority on focused investment in growth strategies, with respect to shareholder return, we will continue to work for stable dividends for shareholders and keep a consolidated payout ratio of 40% or higher.

	Index	Targets
Growth	<ul style="list-style-type: none"> Sales growth rate 	<ul style="list-style-type: none"> Growth rate above the industry's average
Profitability	<ul style="list-style-type: none"> Operating income ratio 	<ul style="list-style-type: none"> Industry's top-level operating income ratio
Efficiency	<ul style="list-style-type: none"> ROE*1 	<ul style="list-style-type: none"> ROE of 10% or higher
Financial position	<ul style="list-style-type: none"> Net debt-to-equity ratio*2 	<ul style="list-style-type: none"> Industry's top-level financial position
Retail finance business	<ul style="list-style-type: none"> ROA*3 Net debt-to-equity ratio 	<ul style="list-style-type: none"> ROA: 1.5% to 2.0% 5.0 or under for net debt-to-equity ratio
[New] ESG	<ul style="list-style-type: none"> Reduction of environmental impact Evaluation by external organizations 	<ul style="list-style-type: none"> Reduction of environmental impact CO₂ emissions: Decrease by 50% in 2030 from 2010 Renewable energy use: Increase to 50% of total energy use in 2030 Evaluation by external organizations: Selected for DJSI*4 (World & Asia Pacific) and for CDP*5 A-list (Climate Changes and Water Risk), etc.
Shareholder return	<ul style="list-style-type: none"> Dividend payout ratio 	<ul style="list-style-type: none"> Keep a fair balance between investment for growth and shareholder return (including stock buyback), while placing main priority on investment Set the goal of a consolidated payout ratio of 40% or higher

*1 $ROE = \text{Net income attributable to Komatsu Ltd. for the year} / [(\text{Komatsu Ltd. shareholders' equity at the beginning} + \text{Komatsu Ltd. shareholders' equity at the end of the fiscal year}) / 2]$

*2 $\text{Net debt-to-equity ratio} = (\text{Interest-bearing debt} - \text{Cash and cash equivalents} - \text{Time deposits}) / \text{Komatsu Ltd. shareholders' equity}$

*3 $ROA = \text{Income before income taxes and equity in earnings of affiliated companies} / [(\text{total assets at the beginning} + \text{total assets at the end of the fiscal year}) / 2]$

*4 Dow Jones Sustainability Indices: SRI indices generated by S&P Dow Jones of the United States and RobecoSAM of Switzerland.

*5 International non-profit organization which advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments.

[State of Progress of Focused Activity Items and Challenges from the Next Term Onward]






Three Management Strategies		Examples of Activities
1 Value Creation by Means of Innovation	FY2019 achievements	<ul style="list-style-type: none"> • Expanded deployments of SMARTCONSTRUCTION (cumulative number of sites in Japan now exceeds 10,000) • Announced the provision of “SMARTCONSTRUCTION Digital Transformation,” starting from April 2020 • Announced the deployment of retrofit kits for hydraulic excavators to enable 3D construction, starting from April 2020 • Achieved a total of 221 dump truck units operating under the Autonomous Haulage System (AHS) • Acquired Immersive Corporation Pty Ltd., an operator training company for mining customers • Exhibited a battery-powered mini excavator at bauma 2019, and rolled it out as a rental machine for the Japanese market
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> • Expand SMARTCONSTRUCTION overseas • Develop a new platform for mining • Development of technology for automation, autonomous operation, electrification and remote control

Three Management Strategies		Examples of Activities
2 Growth Strategies Based on Business Reforms	FY2019 achievements	<ul style="list-style-type: none"> • Consolidation of facilities with Komatsu Mining (“Komatsu Mining”) • Launched aggregate/cement models • Made model changes for hydraulic excavator for strategic regions • Introduced the KomVision Human Detection & Collision Mitigation System as a standard fitment to hydraulic excavators in the Japanese market
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> • Improve the market position of the hard rock mining business • Launch next-generation KOMTRAX • Continue to promote value-chain reforms aimed at realizing full lifecycle support • Reforms of the industrial machinery business (Expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)
3 Structural Reforms for Growth	FY2019 achievements	<ul style="list-style-type: none"> • Steadily implemented cost improvement activities • Won the Prime Minister’s Prize at the Monodzukuri Nippon Grand Awards for KOM-MICS realizing “connected plants” • Began construction on the new Komatsu Mining Milwaukee plant and the new Komatsu Forest AB plant in Umeå, Sweden
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> • Promote work reforms using ICT and IoT • Promote continuous cost improvement activities • Develop human resources with global perspective and promote diversity

Solving ESG issues through the three growth strategies

The Company has continued to act in accordance with its basic policy of fulfilling CSR activities through its core business. It has selected priority issues from among those that are considered important both to the business of the Company and to stakeholders, and has concentrated on three CSR themes. In addition, Komatsu has linked its activities to 5 of the 17 of the UN’s Sustainable Development Goals (SDGs) that are particularly relevant to its business.

One of the goals of the mid-term management plan is to solve ESG issues through the three growth strategies. Key performance indicators (KPI) that are associated with these three growth strategies have been set to ensure that these aims are accomplished steadily, and the KPIs have been disclosed in the integrated report.

CSR Themes	ESG Solutions through Three Pillars of Growth Strategies	Relevant SDGs
<p>Enhancing Quality of Life –Providing Products Required by Society–</p>	<ul style="list-style-type: none"> • Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry). • Improve productivity, efficiency, safety and environmental impact (lower CO₂ emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain. • Make commitment to DANTOTSU Value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value). 	   
<p>Human Resource Development</p>	<ul style="list-style-type: none"> • Develop a diverse workforce with a high level of productivity and technical skills. • Strengthen and develop diverse and global-scope talent to help achieve sustainable workplaces. • Develop talent with cross-value chain capabilities. 	
<p>Growing with Society</p>	<ul style="list-style-type: none"> • Offer resolutions for social issues through collaboration with stakeholders. • Act as a responsible corporate citizen ensuring corporate governance and compliance and respecting human rights. 	 

Details of our proposed solutions to ESG issues can be found in “(5) ESG (Environment, Social and Corporate Governance)” (pages 32 to 34).

(5) ESG (Environment, Social and Corporate Governance)

In the “DANTOTSU Value—*FORWARD* Together for Sustainable Growth” mid-term management plan announced in April 2019, the Company aims to solve ESG issues by means of the three growth strategies. Through initiatives to mitigate environmental impacts in response to climate change, and by working to solve ESG issues through our core business by providing safer, high-quality, high-efficiency products, services and solutions, the Company seeks to fulfill its vision of achieving sustainable growth through a virtuous cycle generated by improving profitability and solving ESG issues.

The Company recognizes that diversity represents its strength, and seeks to provide a workplace in which the basic human rights of each and every employee are respected, everybody can work with satisfaction and pride, and individuals are able to form their careers so as to fully express their abilities. We will link the fusion of the personal growth and the diverse personalities of each individual to the growth of the company as a whole.

Below the Company will provide an introduction to some of the initiatives in each ESG field. With these initiatives the Company’s business activities will coincide with resolving societal issues and these initiatives will be sources of sustainable growth for the Company.

Initiatives in “E” (Environment) (Battery-powered mini excavator that achieves zero emissions)

Komatsu is working to reduce the amount of CO₂ emitted by construction equipment during its lifecycle.

With abnormal weather events occurring more frequently around the world, climate change has progressed to the point where it is having a significant impact on our lives, and since the adoption of the Paris Agreement in 2015 there has been a major, international movement toward a low-carbon society. Of the CO₂ emitted by our construction equipment over its life cycle, around 90% is generated while it is in operation. Based on our awareness of this issue, we developed a battery-powered mini excavator with a view to the next generation.

This product is built upon technologies cultivated in our hybrid construction equipment and battery-powered forklift programs. While it has excavating performance equivalent to that of engine-powered products, by means of the composition of the power supply, such as the use of renewable energy, it dramatically reduces CO₂ emissions and helps realize a low-carbon society. Moreover, the machine has zero emissions during operation and produces little noise, making it more friendly both to workers and trees in the vicinity, and enabling a clean environment even when working inside buildings or tunnels.

We showed a prototype in April 2019, at the bauma 2019 international construction equipment trade fair held in Munich, and in March 2020 we began rolling it out as a rental machine for the Japanese market. By rolling it out in this market we will enable many customers to use the battery-powered mini excavator, allowing them to feel for themselves the safety and the environmentally friendly nature of the product, with the aim of achieving further penetration by the product going forward with a view to creating new markets.



[PC30E-5 battery-powered mini excavator]

Initiatives in “S” (Social) (Contribution to cyclical forestry)

Komatsu regards forestry as an important industry that contributes toward the achievement of the SDGs. In forestry, it is important to contribute to realizing a woodland management cycle of planting, cultivating and felling forests, and it is required to operate in a way that places due consideration on forest environments. Also, forestry poses challenges in terms of ensuring worker safety while heightening efficiency, given the industry’s high rate of occupational accidents.

Komatsu is promoting the visualization of the supply chain through the use of IoT and the provision of products in order to contribute to innovation in cyclical forestry.

In the realm of afforestation, we developed the automated tree planter, which is based on our D61 bulldozer, and rolled it out in the Brazilian market in December 2019. Capable of planting 900 trees per hour, the automated tree planter cuts labor hours by approximately 70% and makes it possible to mechanize the task of planting trees, otherwise done manually often in hot weather. The automated tree planter will also most likely contribute to sustainable development of Brazilian forestry, particularly given that it will streamline future plans for timber felling by making it possible to keep a record of where trees have been planted.

Moreover, in the area of timber felling and transport operations where most forestry-related occupational accidents tend to occur, we are making progress in developing and selling forestry equipment that enables harvesters to fell and transport timber located on hillsides without people having to descend to the forest floor. When it comes to equipment for felling and transporting timber within woodlands, we have developed an eight-wheel harvester which exerts lower ground pressure, thereby averting the possibility damaging tree roots.

We have furthermore been working on a smart-forestry concept that makes it possible to visually monitor forestry supply chains. In Japan, we have been using drones to conduct tree planting and growth management surveys including forestry resource quantity estimates. This has enabled us to reduce the labor hours needed for surveys for felling from around five people per hectare per day to one person per hectare per day. Moreover, by using ICT-equipped harvesters for processing and sorting logs, we have been able to reduce the labor hours needed from about 13 people per hectare per day to about 0.5 people per hectare per day. We are also focusing our efforts on developing applications that are capable of drawing on accumulated log processing and timber transport data of the LANDLOG open platform. We will furthermore contribute to streamlining operations in the future by sharing information with forestry business operators on lumber markets as well as lumber consumers.

Going forward, we hope to help promote cyclical forestry around the world by facilitating further safety and productivity improvements in forestry.



[D61EM-23M0 automated tree planter]



[901XC eight-wheel ICT-equipped harvester]

Initiatives in “S” (Social) (Promotion of diversity)

1) Strengthening and developing global-scope talent

Against the background of promoting increasingly global management, Komatsu has designated the strengthening and development of global-scope talent as a focus activity under the mid-term management plan. With the aim of realizing an environment in which diverse and global human resources can contribute to the growth of the business as part of one team, we are localizing management, building foundations and measures for global human resources, and actively promoting exchanges with global-

scope talent, in addition to which we are working to hire experts in growth fields.

In accordance with the global expansion of the business, employees of nationalities other than Japanese account for approximately 70% of the total. The Company is therefore promoting the localization of management, and in the major overseas subsidiaries, local employees are already involved at the level of top management. Looking ahead, we will strengthen our efforts to nurture the next generation of top management who will be responsible for global management. The Company now considers it vital for a further step forward in development as a global company to provide opportunities for all employees around the world to participate in various arenas around the world, across national borders, regardless of their nationality, gender, and so forth.

2) Promoting the empowerment of women

The Company is vigorously pushing ahead with various measures for making concerted efforts to employ and train more women, and providing a working environment in which female employees can continue developing their careers after maternity leave. Because the Company considers the low number of female managers in comparison to male managers to be an issue in need of further improvement, not only does it support a balance between work and life events such as childbirth, child raising and caregiving, but it also actively appoints women to positions with more responsibility and authority, such as by helping them form their careers and promoting them to managerial roles.

Komatsu Group companies in Japan and overseas, including the Company, have set quantitative targets particularly in terms of ratios of female employees in their workforces and ratios of female managers, and furthermore they have been taking action accordingly through various initiatives geared to achieving those benchmarks. The Company started the “Diversity & Inclusion Development Seminar” in March 2019 for female managers of the Company and of its overseas subsidiaries. Participants themselves gain a deeper understanding of such issues as the history of the Company, The KOMATSU Way, and the management strategy. Thus, the Company supports their growth as leaders who will drive the activities to promote diversity at each company.

The Group will continue to create systems and work environments that are easy for women to work in and allow them to maximize the expression of their abilities.

Initiatives in “S” (Social) (Realizing a “New Life Style” and promoting diverse work styles)

The COVID-19 pandemic has had a significant impact on our lifestyles. The Company has promoted various initiatives for work style reform, and in accordance with the “New Life Style” announced by the Ministry of Health, Labour and Welfare, we will continue activities aimed at realizing new styles of working and diverse work styles by expanding the scope of telework and actively using ICT tools such as online meetings.

Initiatives in “G” (Corporate Governance)

Listed in “3. Corporate Governance, Directors and Audit & Supervisory Board Members, etc.” (pages 41 to 58)

(6) Acquisition or Disposal of Other Companies’ Shares, Other Equity Stakes or Stock Acquisition Rights

No items to report.

(7) Status of Principal Subsidiaries

1) Principal Subsidiaries (As of March 31, 2020)

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu Customer Support Japan Ltd.	Head Office (Minato-ku, Tokyo)	JPY 950 mil	100.0	Sale and servicing of construction equipment and industrial vehicles Rental of construction equipment, etc.
Komatsu Used Equipment Corp.	Head Office (Yokohama City, Kanagawa)	JPY 290 mil	100.0	Sale of used construction equipment, etc.
Komatsu Logistics Corp.	Head Office (Yokohama City, Kanagawa)	JPY 1,080 mil	100.0	Transportation, warehousing, packing and other services
Komatsu Business Support Ltd.	Head Office (Minato-ku, Tokyo)	JPY 1,770 mil	100.0	Retail financing of construction and mining equipment
Komatsu Industries Corporation	Head Office (Kanazawa City, Ishikawa)	JPY 990 mil	100.0	Development, sale and servicing of metal forging and stamping presses and sheet-metal machines, etc.
Komatsu NTC Ltd.	Head Office /Plant (Nanto City, Toyama)	JPY 6,014 mil	100.0	Manufacture, sale and servicing of machine tools, etc.
GIGAPHOTON INC.	Head Office /Plant (Oyama City, Tochigi)	JPY 5,000 mil	100.0	Development, manufacturing, sale and servicing of excimer laser and Extreme Ultra-Violet light sources used for lithography tools in semiconductor manufacturing
Komatsu America Corp.	Head Office /Plant (USA)	USD 1,071 mil	100.0	Manufacture and sale of construction and mining equipment and supervision in the Americas
Hensley Industries, Inc.	Head Office /Plant (USA)	USD 2 thou	*100.0	Manufacture and sale of construction and mining equipment parts
Komatsu Mining Corp.	Head Office (USA)	USD 5 thou	*100.0	Overall management of mining equipment business
Joy Global Underground Mining LLC (Note 2)	Head Office /Plant (USA)	USD 1,406 mil	*100.0	Manufacture, sale and servicing of mining equipment
Joy Global Surface Mining Inc	Head Office /Plant (USA)	USD 1 thou	*100.0	Manufacture, sale and servicing of mining equipment
Joy Global Longview Operations LLC (Note 3)	Head Office /Plant (USA)	USD 992 mil	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu do Brasil Ltda.	Head Office /Plant (Brazil)	BRL 143 mil	*100.0	Manufacture of construction equipment and casting products
Komatsu Brasil International Ltda.	Head Office (Brazil)	BRL 287 mil	*100.0	Sale and servicing of construction and mining equipment

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu Holding South America Ltda.	Head Office (Chile)	USD 156 mil	*100.0	Sale and servicing of construction and mining equipment
Komatsu Cummins Chile Ltda.	Head Office (Chile)	USD 34 mil	*81.8	Sale and servicing of construction and mining equipment
Joy Global (Chile) S.A.	Head Office /Plant (Chile)	USD 1,958 thou	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu Financial Limited Partnership (Note 4)	Head Office (USA)	–	*100.0	Retail financing of construction and mining equipment
Komatsu Finance Chile S.A.	Head Office (Chile)	USD 40 mil	*100.0	Retail financing of construction and mining equipment
Komatsu Europe International N.V.	Head Office (Belgium)	EUR 50 mil	100.0	Sale of construction and mining equipment and supervision in Europe
Komatsu UK Ltd.	Head Office /Plant (UK)	GBP 23 mil	*100.0	Manufacture of construction equipment
Komatsu Germany GmbH	Head Office /Plant (Germany)	EUR 24 mil	*100.0	Manufacture and sale of construction and mining equipment
Komatsu Italia Manufacturing S.p.A.	Head Office /Plant (Italy)	EUR 6 mil	*100.0	Manufacture of construction equipment
Komatsu Forest AB	Head Office /Plant (Sweden)	SEK 397 mil	100.0	Manufacture, sale and servicing of forestry equipment
Komatsu CIS LLC	Head Office (Russia)	RUB 5,301 mil	100.0	Sale of construction and mining equipment
Komatsu Financial Europe N.V.	Head Office (Belgium)	EUR 80 mil	*100.0	Retail financing of construction and mining equipment
Komatsu (China) Ltd.	Head Office (China)	USD 165 mil	100.0	Sale of construction and mining equipment and supervision in China
Komatsu (Changzhou) Construction Machinery Corp.	Head Office /Plant (China)	USD 41 mil	*85.0	Manufacture of construction equipment
Komatsu Shantui Construction Machinery Co., Ltd.	Head Office /Plant (China)	USD 21 mil	*60.0	Manufacture of construction equipment
Komatsu (Shandong) Construction Machinery Corp.	Head Office /Plant (China)	USD 233 mil	*100.0	Manufacture of components for construction equipment and casting products, etc.
PT Komatsu Indonesia	Head Office /Plant (Indonesia)	IDR 192,780 mil	94.9	Manufacture and sale of construction and mining equipment, and casting products
PT Komatsu Marketing & Support Indonesia	Head Office (Indonesia)	USD 5 mil	*94.9	Sale and servicing of construction and mining equipment

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Bangkok Komatsu Co., Ltd.	Head Office /Plant (Thailand)	THB 620 mil	*74.8	Manufacture and sale of construction equipment and casting products
Komatsu India Pvt. Ltd.	Head Office /Plant (India)	INR 10,963 mil	*100.0	Manufacture and sale of construction and mining equipment
Komatsu Marketing Support Australia Pty Ltd	Head Office (Australia)	AUD 21 mil	*60.0	Sale of construction and mining equipment
Komatsu Australia Pty Ltd	Head Office (Australia)	AUD 30 mil	*60.0	Sale and servicing of construction and mining equipment
Joy Global Australia Holding Company Pty Ltd	Head Office (Australia)	AUD 443 mil	*100.0	Roles as holding company of Joy Global Australia Pty Ltd
Joy Global Australia Pty Ltd	Head Office /Plant (Australia)	AUD 608 mil	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu South Africa (Pty) Ltd.	Head Office (South Africa)	ZAR 186 mil	*74.9	Sale and servicing of construction and mining equipment
Joy Global (Africa) (Proprietary) Limited	Head Office /Plant (South Africa)	ZAR 6,676	*74.9	Manufacture, sale and servicing of mining equipment
Komatsu Financial Leasing China Ltd.	Head Office (China)	RMB 1,630 mil	*100.0	Retail financing of construction and mining equipment
Komatsu Australia Corporate Finance Pty. Ltd.	Head Office (Australia)	AUD 49 mil	*60.0	Retail financing of construction and mining equipment

Notes:

- Figures with an asterisk (*) are the ratio of investment through subsidiaries of the Company and the ratio includes the stakes held by them.
- Joy Global Underground Mining LLC is a limited liability company based on the state law of Delaware, the U.S., and the Company invests in it through subsidiaries. Its paid-in capital is presented as its capital.
- Joy Global Longview Operations LLC is a limited liability company based on the state law of Texas, the U.S., and the Company invests in it through subsidiaries. Its paid-in capital is presented as its capital.
- Komatsu Financial Limited Partnership is a limited partnership based on the state law of Delaware, the U.S., and the Company invests in it through subsidiaries. Its net asset which is equivalent to the capital amounts to USD 710 million.
- The number of consolidated subsidiaries of the Company, including those listed above, is 219, and the number of affiliated companies accounted for by the equity method is 42.

2) Others (update on important combination)

The Company acquired Immersive Corporation Pty Ltd., the company providing operator training for mining customers, through wholly-owned subsidiary in Australia in July 2019.

(8) Employees (As of March 31, 2020)

Segment	Number of Employees
Construction, Mining and Utility Equipment	57,787
Retail Finance	255
Industrial Machinery and Others	4,116
Others (Note 2)	665
Total	62,823

Notes:

1. The total number of employees increased by 915 from the end of the previous fiscal year.
2. “Others” above includes the number of administrative employees that cannot be classified into the above three (3) segments.

(9) Main Lenders (As of March 31, 2020)

Name of Lenders	Balance of Loans (JPY billion)
Sumitomo Mitsui Banking Corporation	145.2
MUFG Bank, Ltd.	102.1
Mizuho Bank, Ltd.	85.3
The Norinchukin Bank	54.9

Pursuant to laws and regulations and Article 16 of the Company’s Articles of Incorporation, “Major Lines of Business” and “Principal Offices and Plants” are now available on the Komatsu corporate website.
⇒ <https://home.komatsu/en/ir/>

2. Matters Regarding the Shares and Stock Acquisition Rights of the Company, etc. (As of March 31, 2020)

- (1) Number of shares authorized to be issued: 3,955,000,000 shares
- (2) Total number of shares issued and outstanding: 945,101,274 shares
(excluding 27,479,956 shares of treasury stock)
- (3) Number of shareholders: 230,041
- (4) Major shareholders (top ten)

Name of Shareholders	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	75,533	7.99
Japan Trustee Services Bank, Ltd. (Trust Account)	45,657	4.83
STATE STREET BANK AND TRUST COMPANY 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	32,244	3.41
Taiyo Life Insurance Company	27,200	2.87
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	26,626	2.81
Japan Trustee Services Bank, Ltd. (Trust Account 7)	22,815	2.41
Japan Trustee Services Bank, Ltd. (Trust Account 5)	18,449	1.95
Sumitomo Mitsui Banking Corporation	17,835	1.88
JP MORGAN CHASE BANK 385151 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	15,951	1.68
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (standing proxy: Sumitomo Mitsui Banking Corporation)	14,237	1.50

Notes:

- Shareholding ratio is calculated by subtracting treasury stock.
- Although the Company holds 27,479 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

(5) Other significant matters regarding the shares of the Company

Based on a resolution passed at a meeting of the Board of Directors held on July 12, 2019, the Company issued new shares for stock-based remuneration in the form of restricted stock compensation, as follows.

1) Type and number of shares	328,770 common shares of the Company
2) Paid-in amount	JPY 2,507.5 per one (1) share
3) Total paid-in amount	JPY 824,390,775
4) Persons to whom shares are allotted and the number of them	Directors of the Company (excluding Outside Directors), as well as employees, and the Directors and employees of subsidiaries of the Company, totaling 89 persons
5) Payment date	September 2, 2019

(6) Status of Stock Acquisition Rights

Number of Stock Acquisition Rights (total)	Number of Shares Subject to Stock Acquisition Rights	(Reference) Total Number of Shares Issued and Outstanding
4,783	478,300 shares	945,101,274 shares (excluding treasury stock)

Note: During the fiscal year ended March 31, 2020, no stock acquisitions rights were issued.

Pursuant to laws and regulations and Article 16 of the Company's Articles of Incorporation, details of "Matters Regarding Stock Acquisition Rights of the Company, etc." are now available on the Komatsu corporate website.

⇒ <https://home.komatsu/en/ir/>

3. Corporate Governance, Directors and Audit & Supervisory Board Members, etc.

(1) Basic Views on Corporate Governance

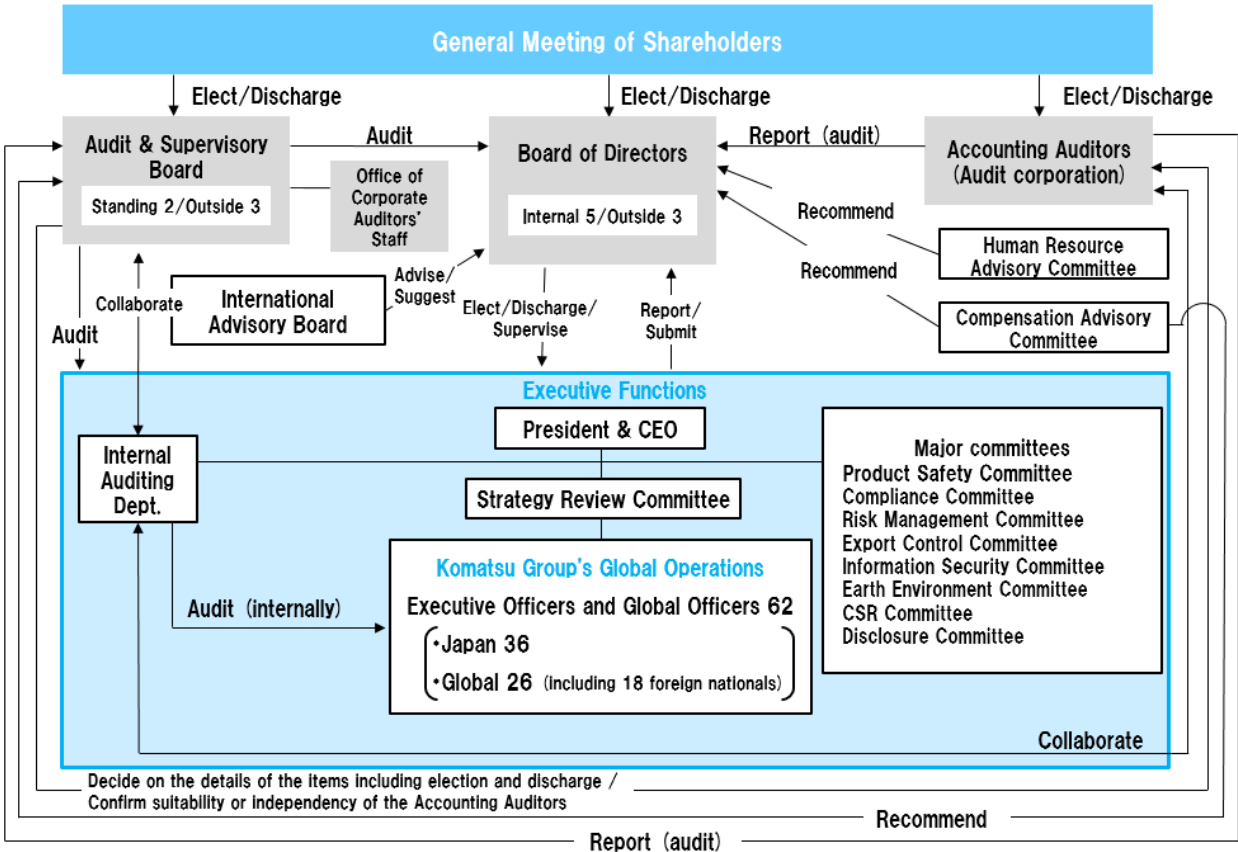
The Company considers that “corporate value is the total sum of trust given to us by society and all stakeholders.” To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis.

(2) Corporate Governance System of the Company

At the Company, the Board of Directors is positioned as the core of corporate governance, and to improve the effectiveness of discussions at meetings of the Board of Directors, the Company has worked to put in place a system to ensure thorough discussions of important management matters and prompt decision making, and reform their operational aspect. Having introduced the Executive Officer (*Shikko Yakuin*) System in 1999, the Company has separated management decision making and supervisory functions from executive functions to the extent permitted by laws and regulations, and while appointing both Outside Directors and Outside Audit & Supervisory Board Members, limits the Board of Directors to a small number of members.

The Company strives to make improvements to increase the effectiveness of the Board of Directors and conducts an annual evaluation and analysis of the effectiveness of the Board of Directors. In the fiscal year ended March 31, 2020, the evaluation and analysis focused on (1) the composition of the Board of Directors, (2) the contents of agendas, (3) straightforward and meaningful discussions, (4) the provision of information and presentation of agendas by executives, (5) the structure in which important matters are reported, proposed and followed up, (6) the succession plans for CEO. In the results of the evaluation and analysis no material issues were indicated with regard to effectiveness, with the Board achieving generally high levels in all evaluation items.

In addition, the Company has established “Systems for Ensuring the Properness of Operations” (pages 42 to 46) as its internal control systems, and continually works to enhance its corporate governance.



Note: The above diagram is as of March 31, 2020.

(3) Systems for Ensuring the Properness of Operations and Outline of Management of such Systems

1) Systems for Ensuring the Properness of Operations

With regards to systems for ensuring that the execution of duties by Directors complies with laws and regulations, and the Company's Articles of Incorporation, and other systems for ensuring the properness of operations, the details of the resolution of the Board of Directors of the Company are as follows:

1 Basic Policy on Internal Control

The Company considers its corporate value as the total sum of trust given to us by society and all stakeholders.

To increase this corporate value, the Company recognizes the importance of strengthening corporate governance. The Company strives to maintain transparency and soundness of management by appointing Outside Directors and Outside Audit & Supervisory Board Members, while limiting the members of the Board of Directors small so that discussions at the Board of Directors are more substantial. The Company also does its utmost to improve the operation of the Board of Directors, aiming at more effective governance by the Board, ample discussions and quick decision making.

2 Systems for Retention and Management of Information Related to Directors' Execution of Duties

The Company shall adequately retain and manage important information related to Directors' execution of duties, including the record of Board meetings and other approval documents (such as *ringisho*), as stipulated by laws and regulations, and the Company's internal rules.

3 Rules and Other Systems for Risk Management

While continuing to make efforts to raise its corporate value, the Company recognizes the problems related to legal compliance, environment, product quality, disasters and information security in particular, and other matters, as major risks for continuous growth and has been thus implementing the following countermeasures.

- i) The Company shall establish "Risk Management Rules" to correctly recognize and manage risks. In accordance with the rules, the Company has appointed personnel in charge of individual risks, further promoting the build-up of a solid foundation for risk management.
- ii) The Company shall establish Risk Management Committee to devise risk management policies of Komatsu, evaluate risk measures in place, and take control of risks when they emerge. The Risk Management Committee regularly reports its reviews and activities to the Board of Directors.
- iii) The Company shall establish an emergency headquarters when serious risks emerge, and work to minimize damage(s) and implement appropriate measures.

4 Systems for Ensuring Efficient Execution of Duties by Directors

To ensure the efficient execution of duties by Directors, the Company shall implement the following:

- i) The Board of Directors shall meet in principle at least once every month and more often as needed. It shall strive to maintain transparency and soundness of management through the participation of Outside Directors. It shall also establish the Regulations of the Board of Directors and the Standards for Matters to be Referred to a Meeting of the Board of Directors, thereby clarifying the matters on which the Board of Directors should make decisions.

- ii) Together with the introduction of the Executive Officer (*Shikko Yakuin*) System, the Company shall define the separation of duties for Directors, Executive Officers and senior managers, and set up internal rules including the Regulations of Decision-Making Authority, to ensure appropriate and effective execution of duties by Directors and Executive Officers.
- iii) To promote efficient management of the Board of Directors, the Company shall establish a Strategy Review Committee consisting of Senior Executive Officers and senior managers. Based on the reviews of the Committee, Executive Officers and senior managers execute their duties within the authority delegated by the Board of Directors.

5 Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws and Regulations, and the Company's Articles of Incorporation

The Board of Directors makes decisions on important management matters in accordance with laws and regulations and the "Regulations of the Board of Directors."

In accordance with the decisions made by the Board of Directors, each Director not only executes his or her own duties but also supervises employees for the execution of their duties, and reports the conditions thereof to the Board of Directors.

The Company shall establish the "Compliance Committee" as Komatsu to oversee compliance, and the Committee regularly reports its reviews and activities to the Board of Directors. The Company shall also establish a system to ensure all Directors and employees thorough compliance to business rules as well as laws and regulations through a variety of measures, including the provision of "Komatsu Code of Worldwide Business Conduct," appointment of the Executive Officer in charge of compliance, and establishment of the Compliance Department. Through all of these, we work to supervise, educate and train Directors, Audit & Supervisory Board Members and employees.

In addition, the Company shall establish the internal reporting system where those who are discretely reporting questionable actions in light of laws and regulations and business rules will not be given any disadvantageous treatment.

6 Systems for Ensuring the Proper Operation of Komatsu (*as defined in Section 1.(1) Outline of Operations and Business Results, page 21*) Comprising the Company and Its Subsidiaries

- i) The Company shall establish the "Affiliated Company Regulations" and relevant rules to contribute to proper and efficient operation of Group management. It shall also position the "Komatsu Code of Worldwide Business Conduct," as the code to be applied by all companies affiliated with Komatsu. Under these regulations and standards, each department or division of the Company in charge of affiliated companies shall manage and support each relevant company under its supervision, and each company in Komatsu shall stipulate various regulations for the proper promotion of duties.
- ii) The Company shall assign and dispatch persons for Directors and Audit & Supervisory Board Members of major affiliated companies as needed, in order to strengthen corporate governance on a group-wide basis and monitor their management.
- iii) Important committees of the Company, including the "Compliance Committee," "Risk Management Committee" and "Export Control Committee," shall take actions with the entire Group in view, and allow representatives of affiliated companies to take part in their meetings on occasion.
- iv) The Company shall make particularly important affiliated companies regularly report to the Board of Directors of the Company on the status of business, including risks and compliance.

- v) The Internal Auditing Department of the Company shall audit each division of the Company and implement or supervise auditing of major affiliated companies that belong to Komatsu. It shall also audit and instruct each affiliated company regarding internal control systems built by them in accordance with Company requirements and the appropriate operation. The Internal Auditing Department shall also regularly report to the Board of Directors and the Audit & Supervisory Board about the building, management of systems and results of internal control systems across the Group.

6-1 Systems for Ensuring Items Related to the Implementation of Duties by Directors and Other Employees at Subsidiaries are Reported to the Company

Each division/department of the Company that has affiliated companies under its supervision shall make each affiliated company report on the management status, financial status, and other important matters of management in accordance with the “Affiliated Company Regulations” and relevant rules.

6-2 Rules and Other Systems for Risk Management at Subsidiaries

The Company comprehensively manages risk across the Group applying the risk management system explained in “3 Rules and Other Systems for Risk Management” to the Komatsu Group as a whole.

6-3 Systems for Ensuring Efficient Execution of Duties by Directors and Other Employees at Subsidiaries

In the case where a subsidiary executes a matter that has a significant impact on the consolidated business operations of the Company, it is necessary either that the Company provides approval beforehand or that the Company receives notification of the matter beforehand in accordance with the Affiliated Company Regulations and relevant rules. In addition, to ensure the Company carries out the efficient operation of the entire Group based on a continual grasp of the status of the affiliated company’s status of business execution, the Company receives reports on the affiliated company’s standards for matters to be referred to a meeting of the board of directors, the frequency of board of directors meetings, the status of attendance, and agenda proposals.

6-4 Systems for Ensuring that the Execution of Duties by Directors and Employees at Subsidiaries Complies with Laws and Regulations, and the Company’s Articles of Incorporation

The internal control systems and compliance systems described in “5 Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws and Regulations, and the Company’s Articles of Incorporation” are implemented across the Komatsu Group, ensuring that Directors and employees of each company in Komatsu carry out their duties in accordance with laws and regulations and the Company’s Articles of Incorporation.

7 Employees Assisting Audit & Supervisory Board Members for Execution of Their Duties, When They Ask for Such Employees

The Company shall set up the Office of Corporate Auditors’ Staff, which shall assist Audit & Supervisory Board Members in their duties, and allocate employees who work as assistants to Audit & Supervisory Board Members either exclusively or concurrently in another position within the Company.

8 Matters Regarding the Independence of the Assistants to Audit & Supervisory Board Members from Directors and the Effectiveness of Instructions Issued to the Assistants

- i) Handling of personnel affairs (employment, appointment and personnel changes) of the employees who belong to the Office of Corporate Auditors' Staff shall be premised on approval of the Standing Audit & Supervisory Board Members.
- ii) The employees who exclusively assist the Office of Corporate Auditors' Staff are independent of control and command of the Directors, and their performance shall be rated by the Standing Audit & Supervisory Board Members.
- iii) The Company's Standing Audit & Supervisory Board Members shall hold regular meetings with employees of the Office of Corporate Auditors' Staff to confirm the execution of duties by the office.

9 Systems for Directors and Employees Reporting to Audit & Supervisory Board Members; Systems Relating to Other Reports to Audit & Supervisory Board Members and Ensuring Effective Audits by Audit & Supervisory Board Members

- i) In accordance with laws and regulations, Audit & Supervisory Board Members shall receive reports by Directors, Executive Officers and other senior managers concerning the conditions of execution of their respective duties.
- ii) In the event that Directors find a serious violation of laws and regulations or other important facts regarding compliance at the Company or affiliated companies of the Komatsu Group, they shall report to the Audit & Supervisory Board Members immediately.
- iii) The Audit & Supervisory Board Members shall attend various committees and principal meetings concerning internal control as observers, and also read approval documents for important decision making (*ringisho and senketsusho*).
- iv) Audit & Supervisory Board Members may appoint legal counsels and/or other advisors needed for the execution of their duties.

9-1 Systems to Ensure Reports from Directors, Audit & Supervisory Board Members and Employees of Subsidiaries are Passed, Directly or via a Person Receiving such Reports, to Audit & Supervisory Board Members of the Company

Audit & Supervisory Board Members shall attend as observers meetings of committees, including the Strategy Review Committee discussing important management matters of the Company and Group companies, Compliance Committee and Risk Management Committee and Export Control Committee, respectively discussing compliance matters and risk management matters.

In accordance with the "Affiliated Company Regulations" and relevant rules, reports provided from affiliated companies regarding business operations, financial position and other important management matters are provided also to Audit & Supervisory Board Members.

The Company's "Risk Management Rules" and "Internal Auditing Rules" are applicable to affiliated companies and any important matter is reported to Audit & Supervisory Board Members.

9-2 Systems to Ensure Individuals who Provide Reports to Audit & Supervisory Board Members are not Given any Disadvantageous Treatment for the Provision Thereof

It is clearly stated in general rules on compliance regulated by the Company and each Group company that no disadvantageous treatment will arise from the act of reporting or informing, and the Company and each Group company shall operate in accordance with the aforesaid general rules.

10 Advance Payments and Reimbursements for Expenses Incurred by Audit & Supervisory Board Members Executing Duties and Policy Related to Expenses or Debts Incurred by Executing Duties

The Audit & Supervisory Board, after discussion with the operating department, shall secure the necessary budget to implement audit plans approved by the Audit & Supervisory Board.

On receiving claims from Audit & Supervisory Board Members for expenses to be incurred related to the execution of their duties, the Company shall promptly pay expenses in all cases except where the Company deems such expenses to be clearly unnecessary for the execution of duties of the Audit & Supervisory Board Members.

Audit & Supervisory Board Members and employees assigned to the Office of Corporate Auditors' Staff shall be responsible for managing and implementing costs related to the execution of duties by Audit & Supervisory Board Members.

11 Basic Policy Pertaining to the Elimination of Antisocial Forces

It shall be the basic policy of the Company to prohibit Komatsu from having any relation whatsoever with antisocial movements or groups that threaten the order and security of civil society, and the Company works on below.

- i) The above policy shall be provided in “Komatsu Code of Worldwide Business Conduct” and diffused throughout the Company as well as each company in Komatsu.
- ii) The Company’s General Affairs Department of the Head Office shall serve as a supervising division, working with the police and other specialized external organizations, in accordance with the above policy, to take a firm and organized stand against unwarranted claims by antisocial movements and to prevent any business relationship with those movements.
- iii) The Company will do its utmost to collect information and receive education training from the above external organizations and use above information communally both within the Company and among related Group divisions.

2) Outline of Management of Systems Ensuring the Properness of Operations in fiscal year ended March 31, 2020

Overall Internal Control System	Outline
	The Company partially revised its Basic Policy on Internal Control in line with revisions to the Companies Act of Japan in April 2015. The Company is upgrading its internal control systems, on a group worldwide basis including at subsidiaries.
	Relevant “Systems for Ensuring the Properness of Operations”
	1 Basic Policy on Internal Control
Directors’ Execution of Duties	Outline
	<p>1) The Board of Directors met 15 times a year. The Board made decisions on important management matters based on the Standards for Matters to be Referred to a Meeting of the Board of Directors, and reported on business execution. Business execution reports cover virtually 100% of businesses on a consolidated net sales basis. Even extremely small-scale businesses are reported at a meeting of the Board of Directors, mainly with respect to safety, compliance, and risk. Sufficient time is secured to ensure full discussions at a meeting of the Board of Directors and the Company has adopted a process of raising important matters for discussion and decision-making on predetermined days over two meetings of the Board of Directors.</p> <p>2) The Board of Directors also receives a monthly report from the President regarding recent important matters and topics, such as safety, compliance, and risk. The CFO also reports each month on the status of sales, profits and losses, orders received, and borrowings.</p>

	<p>3) The records of the Board meetings and other approval documents (such as <i>ringisho</i>) are retained and managed appropriately in accordance with internal regulations on document management.</p>
	Relevant “Systems for Ensuring the Properness of Operations”
	<p>2 Systems for Retention and Management of Information Related to Directors’ Execution of Duties</p> <p>4 Systems for Ensuring Efficient Execution of Duties by Directors</p>
Risk Management	<p>Outline</p> <p>The Risk Management Committee met twice a year. The Committee evaluated status of implementation of risk measures and worked to prevent risks from surfacing. It also reported on its reviews and activities to the Board of Directors. The Committee also worked to improve the risk management systems on a group worldwide basis including at subsidiaries.</p>
	Relevant “Systems for Ensuring the Properness of Operations”
	<p>3 Rules and Other Systems for Risk Management</p> <p>6-2 Rules and Other Systems for Risk Management at Subsidiaries</p>
Compliance	<p>Outline</p> <p>The Compliance Committee conducts various activities, such as revising the Komatsu Code of Worldwide Business Conduct, providing various education and disseminating information, and upgrading and operating internal reporting system. It also reports on its reviews and activities to the Board of Directors. The Compliance Committee met twice in the fiscal year ended March 31, 2020. The Committee also conducted a “visualization survey” of latent risks. Monthly publication of the Company bulletin “Compliance for Everyone” continued into its 15th year. The Committee also conducts periodic audits with regard to major compliance risks and strives to prevent them from surfacing.</p>
	Relevant “Systems for Ensuring the Properness of Operations”
	<p>5 Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws and Regulations, and the Company’s Articles of Incorporation</p> <p>6-4 Systems for Ensuring that the Execution of Duties by Directors and Employees at Subsidiaries Complies with Laws and Regulations, and the Company’s Articles of Incorporation</p>
Management of Subsidiaries	<p>Outline</p> <p>1) To strengthen the Group’s corporate governance, the Company dispatches its executive officers and board members of regional headquarter companies, etc. to serve as Directors and Audit & Supervisory Board Members at its 46 main subsidiaries (12 in Japan, 34 overseas) to monitor their managements. The divisions of the Company in charge of each subsidiary also maintain constant checks on the status of the subsidiaries’ Board of Directors meetings.</p> <p>2) The boards of directors resolved to implement the Basic Policy on Internal Control at the Company’s 46 main subsidiaries to further increase the internal control for the entire Group. The status of the policy’s implementation is confirmed by the Company’s Board of Directors, and the Company is working to improve it. Other subsidiaries will also establish internal control systems.</p> <p>3) It is subject to a condition that the Company received notification beforehand or provided approval beforehand in accordance with the Affiliated Company Regulations and relevant rules when subsidiaries executed matters that had a significant impact on consolidated business operations.</p>
	Relevant “Systems for Ensuring the Properness of Operations”
	6 Systems for Ensuring the Proper Operation of Komatsu Comprising the Company and Its Subsidiaries

	<p>6-1 Systems for Ensuring Items Related to the Implementation of Duties by Directors and Other Employees at Subsidiaries are Reported to the Company</p> <p>6-3 Systems for Ensuring Efficient Execution of Duties by Directors and Other Employees at Subsidiaries</p>
Audit & Supervisory Board Members	Outline
	<p>Audit & Supervisory Board Members attend important meetings such as meetings of the Board of Directors, Strategy Review Committee, Compliance Committee, and Risk Management Committee, visit and inspect offices and plants of the Company and its subsidiaries in Japan and overseas, exchange opinions with the representative directors, other Directors and Audit & Supervisory Board Members, and management of the Company and its main subsidiaries, and hold liaison meetings and individual interviews with the standing Audit & Supervisory Board Members of subsidiaries in Japan. Through these activities, they monitor the upgrading and implementation status of the internal control system.</p> <p>They also periodically exchange opinions with the Internal Auditing Department and the Accounting Auditors and maintain close contact to enhance the effectiveness of audits.</p> <p>The Company has allocated the required employees to the Office of Corporate Auditors' Staff to assist the Audit & Supervisory Board Members in their duties, and allocates, and appropriately manages and executes, a budget to cover the anticipated expenses necessary for execution of the Audit & Supervisory Board Members' duties based on the audit plan.</p>
	Relevant "Systems for Ensuring the Properness of Operations"
	<p>7 Employees Assisting Audit & Supervisory Board Members for Execution of Their Duties, When They Ask for Such Employees</p> <p>8 Matters Regarding the Independence of the Assistants to Audit & Supervisory Board Members from Directors and the Effectiveness of Instructions Issued to the Assistants</p> <p>9 Systems for Directors and Employees Reporting to Audit & Supervisory Board Members; Systems Relating to Other Reports to Audit & Supervisory Board Members and Ensuring Effective Audits by Audit & Supervisory Board Members</p> <p>9-1 Systems to Ensure Reports from Directors, Audit & Supervisory Board Members and Employees of Subsidiaries are Passed, Directly or via a Person Receiving such Reports, to Audit & Supervisory Board Members of the Company</p> <p>9-2 Systems to Ensure Individuals who Provide Reports to Audit & Supervisory Board Members are not Given any Disadvantageous Treatment for the Provision Thereof</p> <p>10 Advance Payments and Reimbursements for Expenses Incurred by Audit & Supervisory Board Members Executing Duties and Policy Related to Expenses or Debts Incurred by Executing Duties</p>
Elimination of Antisocial Forces	Outline
	<p>The Company and its subsidiaries in Japan have clauses in their business contracts that exclude antisocial forces and perform checks on their business partners. The Company also worked to establish the same system stated above at overseas subsidiaries.</p>
	Relevant "Systems for Ensuring the Properness of Operations"
	11 Basic Policy Pertaining to the Elimination of Antisocial Forces

(4) Directors and Audit & Supervisory Board Members of the Company

1) Names, etc. of Directors and Audit & Supervisory Board Members (As of March 31, 2020)

Position	Name	In Charge at the Company and/or Important Concurrent Positions Held in Other Organizations
Chairperson of the Board and Representative Director	Tetsuji Ohashi	Outside Director of Yamaha Motor Co., Ltd.*
President and Representative Director	Hiroyuki Ogawa	Chief Executive Officer (CEO)
Director and Senior Executive Officer	Masayuki Moriyama	President of Mining Business Division
Director and Senior Executive Officer	Kiyoshi Mizuhara	President of Construction Equipment Marketing Division
Director and Senior Executive Officer	Kuniko Urano	Supervising Human Resources & Education, Safety & Health Care, Corporate Communications, and CSR
Director	Masayuki Oku	Honorary Adviser of Sumitomo Mitsui Financial Group, Inc. Outside Director of Chugai Pharmaceutical Co., Ltd.* Non-executive Director of The Bank of East Asia, Limited* Outside Director of Rengo Co., Ltd.* Outside Director of The Royal Hotel, Limited.* Outside Audit & Supervisory Board Member of Nankai Electric Railway Co., Ltd.*
Director	Mitoji Yabunaka	Visiting Professor of Ritsumeikan University Outside Director of Mitsubishi Electric Corporation* Outside Director of Takasago Thermal Engineering Co., Ltd.*
Director	Makoto Kigawa	Special Adviser of Yamato Holdings Co., Ltd. Outside Director of Seven Bank, Ltd.* Outside Director of Oki Electric Industry Co., Ltd.*
Standing Audit & Supervisory Board Member	Hironobu Matsuo	—
Standing Audit & Supervisory Board Member	Kosuke Yamane	—
Audit & Supervisory Board Member	Hirohide Yamaguchi	Chairman of the Advisory Board of Nikko Research Center, Inc.* Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd.* Outside Audit & Supervisory Board Member of Nippon Yusen Kabushiki Kaisha*
Audit & Supervisory Board Member	Eiko Shinotsuka	Professor Emeritus at Ochanomizu University Outside Director of LIFENET INSURANCE COMPANY*
Audit & Supervisory Board Member	Kotaro Ohno	Attorney at law, Special Counsel of Mori Hamada & Matsumoto Outside Director of AEON Co., Ltd.* Outside Corporate Auditor of ITOCHU Corporation*

Notes:

1. Directors Masayuki Oku, Mitoji Yabunaka and Makoto Kigawa are Outside Directors.
2. Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are Outside Audit & Supervisory Board Members.
3. An asterisk (*) indicates important concurrent positions held in other organizations.

4. Regarding important concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members in other organizations, there are no particular business relationships, etc. between the Company and other organizations at which Outside Directors and Outside Audit & Supervisory Board Members hold concurrent positions.
5. Standing Audit & Supervisory Board Members Hironobu Matsuo and Kosuke Yamane have long engaged in accounting-related duties at the Company, and have considerably profound knowledge concerning financial affairs and accounting.
6. The Company employs the Executive Officer (*Shikko Yakuin*) System.

2) Outline of Contents of Limited Liability Agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act of Japan and the Company's Articles of Incorporation, the Company has entered into agreements with Outside Directors and Audit & Supervisory Board Members that limit their liability for damages caused by their negligence of duty under Article 423, Paragraph 1 of the same. The maximum liability amount specified in these agreements shall be equivalent to those amount stipulated by laws and regulations.

3) Remuneration for Directors and Audit & Supervisory Board Members

i) Policy regarding the determination of remuneration

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit & Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee, which consists of four (4) external members (two (2) Outside Audit & Supervisory Board Members, one (1) Outside Director and one (1) outside expert) and one (1) internal member. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit & Supervisory Board Members is determined by discussions by the Audit & Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders.

With regards to remuneration levels, their comparison by position at other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its reports and recommendations.

The remuneration for Directors excluding the Outside Directors (hereinafter "Internal Director") comprises basic remuneration (fixed remuneration) and performance-based remuneration linked to the Company's consolidated performance for a single fiscal year (bonus in cash and the Stock-Based Remuneration A) as well as the performance-based remuneration (Stock-Based Remuneration B) that will reflect the degree of achievement of the targets raised in the mid-term management plan, so that it will further contribute to the enhancement of the medium- and long-term corporate value of the Company, by linking the remuneration to the performance.

The remuneration for Outside Directors only consists of basic remuneration (fixed remuneration) designed to support their role to make recommendations with respect to the overall management of the Company as a member of the Board of Directors.

Furthermore, the remuneration for Audit & Supervisory Board Members only consists of basic remuneration (fixed remuneration) designed to support their independent position with authority to audit the execution of duties by Directors without getting fettered by the movements of corporate performance of the Company.

The retirement allowance system for Directors and Audit & Supervisory Board Members was terminated as of June 2007.

[System of Remuneration for Internal Director]

Basic Remuneration (Fixed Remuneration)	Performance-Based Remuneration for a Single Year (Monthly Remuneration x 0 ~ 24 months)		Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan (Monthly Remuneration x 0 ~ 3 months)
Monthly Remuneration x 12 months	Bonus in Cash (2/3, in principle) [up to the equivalent of 12 months' remuneration]	Stock-Based Remuneration A (1/3, in principle) Restricted Stock	Stock-Based Remuneration B Restricted Stock

a) Performance-based remuneration for a single year

The total amount paid for performance-based remuneration shall be calculated each year by evaluating the single-fiscal-year consolidated performance against the basic indicators, comprising consolidated ROE*¹, consolidated ROA*² and the consolidated operating income ratio, using the respective percentages indicated in the table below as benchmarks, and making adjustments for growth (growth rate of consolidated sales).

Such valuation indicators may be changed in the future by a resolution of the Board of Directors.

[Indicators with respect to single-fiscal-year consolidated performance-based remuneration]

	Indicator	Ratio
Basic Indicators	Consolidated ROE* ¹	50%
	Consolidated ROA* ²	25%
	Consolidated operating income ratio	25%
Adjustment Indicators	Adjustment according to growth rate of consolidated sales	

*1 ROE=Net income attributable to Komatsu Ltd. for the year/[(Komatsu Ltd. shareholders' equity at the beginning + Komatsu Ltd. shareholders' equity at the end of the fiscal year)/2]

*2 ROA=Income before income taxes and equity in earnings of affiliated companies/[(total assets at the beginning + total assets at the end of the fiscal year)/2]

With regards to the single-fiscal-year consolidated performance-based remuneration levels, the upper limit shall be twice the basic remuneration (12 × monthly remuneration) of the Director, and the lower limit shall be zero (0) payment (remuneration in this case will comprise only the basic remuneration).

The equivalent of two-thirds (2/3) of the total paid amount of performance-based remuneration linked to the Company's consolidated performance for a single year shall be paid in the form of bonus in cash and the amount remaining after deducting the bonus in cash shall be paid by granting restricted stock as stock-based remuneration in order to further promote the same perspective on corporate value with the shareholders (Stock-Based Remuneration A); provided, however, that for the bonus in cash, the upper limit shall be the equivalent of a 12 month portion of the monthly remuneration, and for any amount exceeding 12 months, the Company shall pay the Stock-Based Remuneration A in substitution for the bonus in cash. Note that as a general rule, concerning the Stock-Based Remuneration A, the restriction of transfer of the shares will be lifted after three years from delivery.

b) Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan

The Company will pay Internal Directors the equivalent of a three-month portion of monthly remuneration every fiscal year as remuneration linked to the period of the Company's Mid-Term Management Plan by granting restricted stock as stock-based remuneration (Stock-Based Remuneration B). In deciding Stock-Based Remuneration B, after the expiry of the period of the mid-term management plan, the number of shares on which to lift transfer restrictions (within range of 0-100%) will be decided based on the achievement of the management targets of the Mid-Term Management Plan and as a general rule, the restriction of transfer on the shares will be lifted after three years from delivery.

(Reference: Details of Stock-Based Remuneration System by Restricted Stock)

(1) Overview

- Under the System, the Company shall grant Directors excluding the Outside Directors of the Company (hereinafter “Eligible Directors”) monetary compensation receivables for the allocation of restricted stock for each fiscal year in principle, and, by having the Eligible Directors make contribution in kind to the Company using the monetary compensation receivables as contributed assets, shall issue or dispose of its shares of common stock to the Eligible Directors and allow them to hold such shares.
- The Company shall conclude a restricted stock grant agreement (hereinafter “Grant Agreement”) with the Eligible Directors. With regard to the shares granted pursuant to the Grant Agreement (hereinafter “Granted Shares”), the Eligible Directors shall not be allowed to transfer, create a security interest on, or otherwise dispose (hereinafter “Transfer”) of them at will (hereinafter “Restrictions”) during a given period provided by the Grant Agreement (hereinafter “Restricted Period”).
 The Company shall acquire from the Eligible Directors, free of charge, the Granted Shares with respect to which the Restrictions have not been lifted as a result of the occurrence of prescribed events, including the failure to accomplish performance targets determined by the Board of Directors based on reports of the Compensation Advisory Committee.
 The Grant Agreement shall stipulate that during the Restricted Period and after the Restrictions have been lifted, if the Board of Directors resolves that it is appropriate to make the Eligible Directors return the shares granted to them in accordance with the System, the Eligible Directors shall return the corresponding portion of shares to the Company.
- Other details regarding the administration of the System shall be determined by the Board of Directors based on reports of the Compensation Advisory Committee.

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid- Range Management Plan)
(2) Framework of the remuneration system	The Company shall determine the amount of remuneration based on the Company’s single-year performance, etc. and pay a part of the amount of remuneration so determined in the form of restricted stock to the Eligible Directors each fiscal year. The Restrictions will, in principle, be lifted three (3) years after the grant of the Granted Shares.	With respect to the period of the Company’s mid-range management plan, the Company shall grant restricted stock to the Eligible Directors each fiscal year based on the base amount of remuneration for each position. After the expiry of the period of the mid-range management plan, the Company shall determine the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc. In principle, the Company shall lift the Restrictions three (3) years after the grant of the Granted Shares.

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid- Range Management Plan)
(3) Amount of monetary compensation receivables to be provided and the maximum number of shares to be granted	<p>Amount of monetary compensation receivables: No more than JPY 360 million per year; provided, however, that the employee salaries for the Directors concurrently serving as employees are not included in this amount. Total number of Granted Shares: No more than 239,000 shares during one fiscal year.</p>	<p>Amount of monetary compensation receivables: No more than JPY 180 million per year; provided, however, that the employee salaries for the Directors concurrently serving as employees are not included in this amount. Total number of Granted Shares: No more than 120,000 shares during one fiscal year.</p>
	<p>However, if a stock split, consolidation of shares or any other situation with respect to the Company's common stock occurs that necessitates the adjustment of the total number of restricted stock to be allocated, the total number of Granted Shares shall be reasonably adjusted.</p>	
(4) Amount to be paid per share	<p>The amount to be paid per share shall be determined by the Board of Directors to an extent that would not be considered especially advantageous to the Eligible Directors who are granted the shares of common stock of the Company under the System, that is, the closing price of the share of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution by the Board of Directors (or the closing price on the trading day immediately prior thereto if there is no trading on such business day), etc.</p>	
(5) Restriction Period	<p>The Restriction Period shall be three (3) years, and the Eligible Directors shall not Transfer the Granted Shares during such period.</p>	
(6) Lifting of Restrictions	<p>The Company shall, in principle, lift the Restrictions on the Granted Shares at the expiry of the Restriction Period.</p>	<p>In principle, the Company shall, at the expiry of the Restriction Period, lift the Restrictions on all or part of the Granted Shares according to the degree of achievement of the targets raised in the mid-range management plan based on the indicators set by the Board of Directors, including the major performance indicators set in the mid-range management plan. Upon determination of the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc., the Company shall as a matter of course acquire, free of charge, the Granted Shares with respect to which the Company decides not to lift the Restrictions pursuant to the above provision.</p>

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid- Range Management Plan)
(7) Treatment upon retirement	In the event that, prior to the expiry of the Restriction Period, the Eligible Director is deemed to have retired as a Director of the Company due to his or her death, the Company shall lift the Restrictions on all of the Granted Shares after making reasonable adjustments, as necessary, to the timing of the lifting of the Restrictions. If, prior to the expiry of the Restriction Period, the Eligible Director retires as a Director of the Company without any reason recognized as legitimate by the Board of Directors of the Company, such as the expiration of the term of office as a Director (hereinafter “Legitimate Reason for Retirement”), the Company shall as a matter of course acquire, free of charge, all or part of the Granted Shares.	In the event that, prior to the expiry of the Restriction Period, the Eligible Director is deemed to have retired as a Director of the Company due to his or her death, the Company shall make reasonable adjustments, as necessary, to (i) the number of Granted Shares with respect to which the Restrictions are to be lifted and the timing of the lifting of the Restrictions during the period from the time of the grant of the Granted Shares to immediately prior to the determination of the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc., or (ii) the timing of the lifting of the Restrictions during the period from the determination of the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc. to the expiry of the Restriction Period. If, prior to the expiry of the Restriction Period, the Eligible Director retires as a Director of the Company without any Legitimate Reason for Retirement, the Company shall as a matter of course acquire, free of charge, all or part of the Granted Shares.
(8) Other matters to be determined by the Board of Directors	Other matters relating to the System shall be determined by the Board of Directors and shall be considered to be a part of the Grant Agreement.	

ii) Remuneration for Directors and Audit & Supervisory Board Members for the Fiscal Year ended March 31, 2020

Classification	Number of Persons Paid	Monetary Remuneration			Non-monetary Remuneration	Total Amount of Remuneration Paid
		Basic Remuneration	Bonus in Cash	Total	Stock-Based Remuneration (Note 3)	
Director	10	JPY 399 mil	JPY 130 mil	JPY 529 mil	JPY 147 mil	JPY 676 mil
(Outside Director included above)	3	JPY 54 mil	–	JPY 54 mil	–	JPY 54 mil
Audit & Supervisory Board Member	5	JPY 141 mil	–	JPY 141 mil	–	JPY 141 mil
(Outside Audit & Supervisory Board Member included above)	3	JPY 54 mil	–	JPY 54 mil	–	JPY 54 mil
Total	15	JPY 540 mil	JPY 130 mil	JPY 670 mil	JPY 147 mil	JPY 817 mil
(Outside Director and Outside Audit & Supervisory Board Member included above)	6	JPY 108 mil	–	JPY 108 mil	–	JPY 108 mil

Notes:

- As of the end of the fiscal year ended March 31, 2020, there are eight (8) Directors (three (3) of whom are Outside Directors) and five (5) Audit & Supervisory Board Members (three (3) of whom are Outside Audit & Supervisory Board Members). However, the numbers and amounts in the table above include those for two (2) Directors who have retired as of the close of the 150th Ordinary General Meeting of Shareholders in June 2019.
- It was resolved at the 149th Ordinary General Meeting of Shareholders, held in June 2018, that the maximum amount of remuneration to be paid to Directors per year, which is the total of basic remuneration and bonus in cash, shall not exceed JPY 1.5 billion (of which, payment to the Outside Directors shall not exceed JPY 100 million per year) and that the maximum amount of remuneration to be paid to Audit & Supervisory Board Members shall not exceed JPY 200 million. Furthermore, in the same Ordinary General Meeting of Shareholders, the limit for remuneration, etc. related to the restricted stock granted to Internal Directors as stock-based remuneration was decided as an amount that shall not exceed JPY 360 million annually for Stock-Based Remuneration A linked to the Company's consolidated performance for a single year and as an amount that shall not exceed JPY 180 million annually for Stock-Based Remuneration B linked to the performance of the Mid-Term Business Plan. Note that each of the aforementioned remuneration amounts resolved by the shareholders does not include the employee salary portion of remuneration to Directors concurrently serving as employees.
- Stock-based remuneration represents the amounts of expense allocated as remuneration for Directors which are not monetary in accounting for the fiscal year ended March 31, 2020. Specifically, the total amount of remuneration expenses for stock-based remuneration in the fiscal year ended March 31, 2020 stated above comprises (1) the amount of expense recorded as the estimate of the payment in the form of restricted stock compensation of Stock-Based Remuneration A, for which payment level was determined by the operating results of the fiscal year ended March 31, 2020, and (2) the amount of expense recorded as remuneration for the fiscal year ended March 31, 2020 paid by newly issuing shares as restricted stock compensation of Stock-Based Remuneration B with the pay-in date of September 2, 2019, following the resolution passed at the Board of Directors meeting held on July 12, 2019.
- The portions of salaries as employees for Directors concurrently serving as employees are not paid.
- Amounts of less than JPY one (1) million are rounded to the nearest million yen.

4) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in the Fiscal Year ended March 31, 2020, etc.

The status of major activities of Outside Directors and Outside Audit & Supervisory Board Members in the fiscal year ended March 31, 2020 and the matters concerning their independence are presented below.

The Company designated the Outside Directors and Outside Audit & Supervisory Board Members whose names in the name row are marked by <Independent Director> or <Independent Audit & Supervisory Board Member> as Independent Directors or Independent Audit & Supervisory Board Members, respectively, and submitted the notification to the Tokyo Stock Exchange in accordance with its regulations and related rules.

i) Outside Directors

Name	Masayuki Oku <Independent Director>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Masayuki Oku previously served as Representative Director of Sumitomo Mitsui Banking Corporation. During the fiscal year ended March 31, 2020, based on his rich experience in the business world, he provided comments at the meetings of the Board of Directors concerning such issues as product and service demand trends, business strategy and utilization of AI. In addition, he was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.

Name	Mitoji Yabunaka <Independent Director>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Mitoji Yabunaka previously served as Vice-Minister for Foreign Affairs. During the fiscal year ended March 31, 2020, based on his standpoint as a specialist in international affairs, he provided comments at the meetings of the Board of Directors concerning such issues as market conditions in the Asian region, development of emerging markets and environmental measures. In addition, he was a member of the Company's Human Resource Advisory Committee.

Name	Makoto Kigawa <Independent Director>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Makoto Kigawa previously served as Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd. During the fiscal year ended March 31, 2020, based on his rich experience in the business world, he provided comments at the meetings of Board of Directors concerning such issues as the utilization of new technologies, information disclosure policies and ICT strategies using platforms. In addition, he was a member of the Company's Human Resource Advisory Committee.

ii) Outside Audit & Supervisory Board Members

Name	Hirohide Yamaguchi <Independent Audit & Supervisory Board Member>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held) Meeting of the Audit & Supervisory Board 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Hirohide Yamaguchi previously served as Deputy Governor of the Bank of Japan. During the fiscal year ended March 31, 2020, based on his professional standpoint, he provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as M&A risks, inventory management and audit systems. In addition, he was a member of the Company's Compensation Advisory Committee.

Name	Eiko Shinotsuka <Independent Audit & Supervisory Board Member>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held) Meeting of the Audit & Supervisory Board 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Ms. Eiko Shinotsuka possesses wide-ranging knowledge and experience in fields such as economics, labor relations and law. During the fiscal year ended March 31, 2020, based on her professional standpoint, she provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as the compliance system, securing and utilizing human resources, and mental care for employees. In addition, she was a member of the Company's Compensation Advisory Committee.

Name	Kotaro Ohno <Independent Audit & Supervisory Board Member>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held) Meeting of the Audit & Supervisory Board 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Kotaro Ohno possesses rich experience in the legal profession. During the fiscal year ended March 31, 2020, based on his professional standpoint, he provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as legal compliance, internal reporting system and risk management. In addition, he was an observer of the Company's Compliance Committee.

(5) Status of Accounting Auditors

1) Name of Accounting Auditors

KPMG AZSA LLC

2) Amount of Remuneration for Accounting Auditors

Remuneration for the Accounting Auditor of the Company in the fiscal year ended March 31, 2020:	JPY 374 million
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to the Accounting Auditor:	JPY 663 million

Notes:

1. The Audit & Supervisory Board, based upon the “Practical Guidelines for Cooperation with Financial Auditors,” etc. released by the Japan Audit & Supervisory Board Members Association, and having obtained necessary materials and having received reports from related departments and the Accounting Auditor, conducts confirmation of the auditing plans of the Accounting Auditor, the status of execution of duties, the trends in actual remuneration amount, the grounds for calculation of remuneration estimates and other matters, and having investigated appropriateness of remuneration, etc. for the Accounting Auditor, gives consent in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.
2. The amount of remuneration for the Accounting Auditor of the Company in the fiscal year ended March 31, 2020 includes the sum of the amount of remuneration for auditing services in accordance with the Companies Act of Japan and the amount of remuneration for auditing work in accordance with the Financial Instruments and Exchange Act of Japan, because the two kinds of remunerations are not clearly separated each other in the audit contract concluded between the Company and the Accounting Auditor, and they cannot be recorded separately.
3. Among principal subsidiaries of the Company, thirty six (36) companies including Komatsu America Corp. are audited by Certified Public Accountants or Audit Corporations other than the Accounting Auditor of the Company.

3) Details of Non-Auditing Services

The Company pays remuneration to the Accounting Auditor principally for services regarding issuance of bonds, etc. other than services defined in Article 2, Paragraph 1 of the Certified Public Accountants Law of Japan.

4) Policy on Decision to Discharge or Not to Reappoint Accounting Auditors

When Accounting Auditors fall under any of the items in Article 340, Paragraph 1 of the Companies Act of Japan, the Audit & Supervisory Board shall discharge the Accounting Auditors based on the consent of all Audit & Supervisory Board Members.

If a problem arises concerning the independence or reliability, etc. of the Accounting Auditors, which clearly makes it difficult for the duties to be appropriately executed, the Audit & Supervisory Board shall determine details of the proposal related to the discharge or non-reappointment of the Accounting Auditors to be submitted to a General Meeting of Shareholders.

End

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31, 2020)

	(JPY million)	
	(Reference)	
	151st Fiscal Year	150th Fiscal Year
Assets		
Current assets:		
Cash and cash equivalents	247,616	148,479
Time deposits	2,057	2,331
Trade notes and accounts receivable, net	744,395	842,183
Inventories	805,309	837,552
Other current assets	147,413	138,415
Total current assets	1,946,790	1,968,960
Long-term trade receivables, net	420,918	416,363
Investments:		
Investments in and advances to affiliated companies	38,210	37,321
Investment securities	7,328	7,473
Other	2,436	2,528
Total investments	47,974	47,322
Property, plant and equipment-less accumulated depreciation and amortization	757,679	776,422
Operating lease right-of-use assets	53,454	–
Goodwill	157,521	161,921
Other intangible assets-less accumulated amortization	162,062	166,406
Deferred income taxes and other assets	107,288	100,825
Total assets	3,653,686	3,638,219

	(JPY million)	
	(Reference)	
	151st Fiscal Year	150th Fiscal Year
Liabilities		
Current liabilities:		
Short-term debt	483,658	404,659
Current maturities of long-term debt	118,880	53,556
Trade notes, bills and accounts payable	220,160	266,951
Income taxes payable	23,169	43,022
Current operating lease liabilities	14,933	–
Other current liabilities	297,825	313,951
Total current liabilities	1,158,625	1,082,139
Long-term liabilities:		
Long-term debt	409,840	472,485
Liability for pension and retirement benefits	96,392	90,187
Long-term operating lease liabilities	38,624	–
Deferred income taxes and other liabilities	93,980	90,540
Total long-term liabilities	638,836	653,212
Total liabilities	1,797,461	1,735,351
Equity		
Komatsu Ltd. shareholders' equity		
Common stock	68,689	68,311
Capital surplus	136,459	136,798
Retained earnings:		
Appropriated for legal reserve	46,813	46,028
Unappropriated	1,699,477	1,654,105
Accumulated other comprehensive income (loss)	(130,666)	(39,792)
Treasury stock at cost	(49,166)	(49,868)
Total Komatsu Ltd. shareholders' equity	1,771,606	1,815,582
Noncontrolling interests	84,619	87,286
Total equity	1,856,225	1,902,868
Total liabilities and equity	3,653,686	3,638,219

Consolidated Statement of Income

(From April 1, 2019 to March 31, 2020)

	(JPY million)	
	(Reference)	
	151st Fiscal Year	150th Fiscal Year
Net sales	2,444,870	2,725,243
Cost of sales	1,749,048	1,885,163
Selling, general and administrative expenses	440,792	440,687
Impairment loss on long-lived assets	3,194	1,251
Impairment loss on goodwill	3,699	–
Other operating income (expenses), net	2,570	(336)
Operating income	250,707	397,806
Other income (expenses), net:		
Interest and dividend income	7,378	7,154
Interest expense	(24,592)	(24,101)
Other, net	(10,379)	(3,388)
Total	(27,593)	(20,335)
Income before income taxes and equity in earnings of affiliated companies	223,114	377,471
Income taxes:		
Current	66,464	112,541
Deferred	(3,591)	(5,942)
Total	62,873	106,599
Income before equity in earnings of affiliated companies	160,241	270,872
Equity in earnings of affiliated companies	3,443	3,779
Net income	163,684	274,651
Less: Net income attributable to noncontrolling interests	9,840	18,160
Net income attributable to Komatsu Ltd.	153,844	256,491

Non-Consolidated Financial Statements

Non-Consolidated Financial Statements are based on Japanese accounting standards.

Non-Consolidated Balance Sheet

(As of March 31, 2020)

	(JPY million)	
	(Reference)	
	151st Fiscal Year	150th Fiscal Year
Assets		
Current assets:		
Cash and deposits	297,095	244,913
Notes receivable-trade	1,594	1,540
Accounts receivable-trade	129,987	185,209
Merchandise and finished goods	39,491	39,174
Work in process	40,099	40,975
Raw materials and supplies	3,327	3,808
Prepaid expenses	4,544	4,336
Short-term loans receivable	40,188	54,760
Accounts receivable-other	31,094	24,357
Other current assets	3,085	2,434
Allowance for doubtful accounts	(655)	(590)
Total current assets	589,853	600,919
Non-current assets:		
Property, plant and equipment:		
Buildings	92,008	90,286
Structures	16,175	16,044
Machinery and equipment	42,785	38,376
Vehicles	810	602
Tools, furniture and fixtures	11,102	9,484
Rental equipment	53,403	52,860
Land	45,857	45,552
Construction in progress	5,837	5,939
Total property, plant and equipment	267,981	259,146
Intangible assets:		
Software	26,782	18,099
Other intangible assets	119	86
Total intangible assets	26,902	18,185
Investments and other assets:		
Investment securities	1,407	1,237
Stocks of subsidiaries and affiliates	390,106	378,851
Investments in capital of subsidiaries and affiliates	40,676	41,371
Long-term loans receivable	14,755	14,327
Long-term prepaid expenses	3,326	3,087
Deferred tax assets	20,280	21,239
Other investments	5,124	4,823
Allowance for doubtful accounts	(1,479)	(1,477)
Allowance for investment loss	(2,285)	(2,638)
Total investments and other assets	471,914	460,822
Total non-current assets	766,798	738,155
Total assets	1,356,652	1,339,074

	(JPY million)	
	(Reference)	
	151st Fiscal Year	150th Fiscal Year
Liabilities		
Current liabilities:		
Notes payable-trade	9	55
Accounts payable-trade	58,780	79,555
Short-term loans payable	7,805	6,000
Commercial papers	207,000	119,000
Current portion of bonds	50,000	20,000
Accounts payable-other	15,177	11,500
Accrued expenses	22,376	22,018
Income taxes payable	-	17,876
Advances received	60	632
Deposits received	33,624	30,736
Provision for bonuses	10,349	10,385
Provision for directors' bonuses	157	290
Provision for product warranties	7,758	9,494
Other current liabilities	6,341	3,407
Total current liabilities	419,438	330,951
Non-current liabilities:		
Bonds payable	20,000	50,000
Long-term loans payable	34,500	28,500
Provision for product warranties	2,200	3,799
Provision for retirement benefits	42,143	41,466
Other long-term liabilities	9,367	6,949
Total non-current liabilities	108,211	130,714
Total liabilities	527,649	461,665
Net Assets		
Shareholders' equity:		
Capital stock	70,973	70,561
Capital surplus:	141,279	140,841
Legal capital surplus	140,993	140,581
Other capital surplus	285	260
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:	646,203	695,573
Reserve for special depreciation	99	174
Reserve for advanced depreciation of non-current assets	12,082	12,030
General reserve	210,359	210,359
Retained earnings brought forward	423,662	473,008
Total retained earnings	664,240	713,610
Treasury stock	(48,761)	(49,478)
Total shareholders' equity	827,731	875,534
Valuation and translation adjustments:		
Deferred gains or losses on hedges	234	77
Total valuation and translation adjustments	234	77
Stock acquisition rights:		
Stock acquisition rights	1,036	1,796
Total stock acquisition rights	1,036	1,796
Total net assets	829,003	877,409
Total liabilities and net assets	1,356,652	1,339,074

Non-Consolidated Statement of Income

(From April 1, 2019 to March 31, 2020)

	(JPY million)	
	(Reference)	
	151st Fiscal Year	150th Fiscal Year
Net sales	719,292	928,967
Cost of sales	563,160	666,853
Gross profit	156,132	262,114
Selling, general and administrative expenses	130,033	136,893
Operating income	26,099	125,220
Non-operating income:		
Interest and dividends income	39,888	74,450
Transfer pricing taxation adjustment	2,739	–
Other non-operating income	1,925	1,578
Non-operating expenses:		
Interest expenses	179	529
Transfer pricing taxation adjustment	–	53
Other non-operating expenses	8,464	5,131
Ordinary income	62,008	195,534
Extraordinary income:		
Gain on extinguishment of tie-in shares	–	2,931
Gain on sales of land	772	1,465
Gain on sales of investment securities	–	109
Extraordinary losses:		
Impairment loss	–	229
Loss on valuation of stocks of subsidiaries and affiliates	–	1,104
Income before income taxes	62,781	198,707
Income taxes:		
Income taxes-current	3,575	39,611
Income taxes-deferred	889	1,341
Net income	58,316	157,754

Auditors' Report

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language]

Independent Auditor's Report

May 18, 2020

The Board of Directors
Komatsu Ltd.

KPMG AZSA LLC
Tokyo Office

Masafumi Tanabu (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomoo Nishigori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Daisuke Toyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of equity and the related notes of Komatsu Ltd. and its subsidiaries as of March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444, Paragraph 4 of the Companies Act of Japan.

In our opinion, the consolidated financial statements referred to above, which omit some disclosure items required under the accounting principles generally accepted in the United States of America (hereinafter "U.S. GAAP") in accordance with the provision of second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations, present fairly, in all material respects, the financial position and the results of operations of Komatsu Ltd. and its consolidated subsidiaries as of the date and for the period for which the consolidated financial statements were prepared.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations, which permits the omission of certain disclosure items required under U.S. GAAP, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that is free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations, which permits the omission of certain disclosure items required under U.S. GAAP, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the

discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations, which permits the omission of certain disclosure items required under U.S. GAAP, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Other Matter

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act of Japan.

END

Independent Auditor's Report

May 18, 2020

The Board of Directors
Komatsu Ltd.

KPMG AZSA LLC
Tokyo Office

Masafumi Tanabu (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomoo Nishigori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Daisuke Toyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules (hereafter collectively referred to as the "non-consolidated financial statements, etc.") of Komatsu Ltd. as of March 31, 2020 and for the 151st fiscal year from April 1, 2019 to March 31, 2020, in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act of Japan.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and the results of operations of Komatsu Ltd. as of the date and for the period for which the non-consolidated financial statements, etc. were prepared in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements, etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the non-consolidated financial statements, etc. that is free from material misstatements, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements, etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, etc., obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of

application, as well as the reasonableness of accounting estimates made by management and related notes thereto.

- Conclude on the appropriateness of preparing the non-consolidated financial statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the non-consolidated financial statements or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc. and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act of Japan.

END

Audit & Supervisory Board's Report

Regarding the execution of duties by the Directors for the 151st Fiscal Year from April 1, 2019 to March 31, 2020, we have prepared this Audit Report upon deliberation based on the audit reports prepared by each Audit & Supervisory Board Member and hereby report as follows:

1. Auditing Methods Employed by the Audit & Supervisory Board Members and Audit & Supervisory Board and Details of Such Methods
 - (1) We established auditing policies, allocation of duties and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding their execution of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Accounting Auditor regarding execution of their duties, and sought explanations as necessary.
 - (2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the auditing policies, allocation of duties, and other relevant matters, communicated with such as the Directors, the Internal Auditing Department and other employees, and made efforts to establish the environment for collecting department information and auditing, and conducted audits by the following methods.
 - 1) Audit & Supervisory Board Members participated in the meetings of the Board of Directors and other important meetings, received reports from such as the Directors and employees regarding execution of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and status of assets at the head office and principal offices. With respect to subsidiaries, we communicated and exchanged information with Directors and Audit & Supervisory Board Members of subsidiaries, and received reports with respect to their business from subsidiaries as necessary.
 - 2) Concerning the content of the resolution of the Board of Directors concerning the maintenance of the systems necessary to ensure that the execution of duties by the Directors complies with laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the properness of operations of a Stock Company and its subsidiaries stipulated in Article 100, Paragraph 1 and Paragraph 3 of the Regulation for Enforcement of the Companies Act of Japan; and concerning the systems that are maintained based on such resolutions (Internal Control Systems): reports were regularly received from Directors and employees and others regarding the status of establishment and operation, and when necessary, explanation was sought and opinions were expressed.
 - 3) Furthermore, we monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, and we received reports from the Accounting Auditor regarding the execution of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that “the System for ensuring that duties are executed properly” (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting of Japan) is organized in accordance with the “Quality Management Standards Regarding Audits” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and supplementary schedules thereof, the non-consolidated financial statements (“non-consolidated balance sheet,” “non-consolidated statement of income,” “non-consolidated statement of changes in net assets,” and “notes to non-consolidated financial statements”) and supplementary schedules thereof, and consolidated financial

statements (“consolidated balance sheet,” “consolidated statement of income,” “consolidated statement of equity,” and “notes to consolidated financial statements”) for this fiscal year.

2. Result of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

- 1) We confirm that the Business Report and supplementary schedules thereof fairly represent the Company’s condition in accordance with the related laws and regulations and the Articles of Incorporation.
- 2) We have found no significant evidence of wrongful acts or violations of either related laws and regulations, or the Articles of Incorporation with regard to the execution of duties by the Directors.
- 3) We confirm that the content of the resolution of the Board of Directors regarding Internal Control Systems is appropriate. In addition, we have found no matters to remark on in regard to the description of the Internal Control System in the Business Report and the execution of duties by the Directors regarding the Internal Control Systems.

(2) Result of Audit of non-consolidated financial statements and supplementary schedules thereof

We confirm that the methods and results of the audit employed by the Accounting Auditor, KPMG AZSA LLC, are proper.

(3) Result of Audit of consolidated financial statements

We confirm that the methods and results of the audit employed by the Accounting Auditor, KPMG AZSA LLC, are proper.

May 22, 2020

The Audit & Supervisory Board

Hironobu Matsuo (Seal)
Standing Audit & Supervisory Board Member

Kosuke Yamane (Seal)
Standing Audit & Supervisory Board Member

Hirohide Yamaguchi (Seal)
Audit & Supervisory Board Member

Eiko Shinotsuka (Seal)
Audit & Supervisory Board Member

Kotaro Ohno (Seal)
Audit & Supervisory Board Member

(Note) Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are Outside Audit & Supervisory Board Members as stipulated in the Companies Act of Japan.

END

(Translation)

This document has been translated from the Japanese original for the convenience of foreign shareholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

June 2, 2020

Dear Shareholders:

Items Disclosed on Internet Concerning Notice of Convocation of the 151st Ordinary General Meeting of Shareholders of Komatsu Ltd.

Komatsu Ltd. (hereinafter “the Company”) has posted information regarding the items listed below on the Company’s website (<https://home.komatsu.jp/ir/>); in Japanese language as part of its provision of notice of convocation of the 151st Ordinary General Meeting of Shareholders of Komatsu Ltd. in accordance with relevant laws and regulations and with Article 16 of the Articles of Incorporation of the Company.

I Business Report

1. Financial Position and Profit/Loss Trends
2. Major Lines of Business
3. Principal Offices and Plants
4. Matters Regarding Stock Acquisition Rights of the Company, etc.

II Consolidated Financial Statements

1. Consolidated Statement of Equity
2. Notes to Consolidated Financial Statements

III Non-Consolidated Financial Statements

1. Non-Consolidated Statement of Changes in Net Assets
2. Notes to Non-Consolidated Financial Statements

Information in English has been posted on our English website (<https://home.komatsu/en/ir/>).

Komatsu Ltd.

Items Disclosed on Internet

I Business Report

1. Financial Position and Profit/Loss Trends

	148th Fiscal Year (April 2016 - March 2017)	149th Fiscal Year (April 2017 - March 2018)	150th Fiscal Year (April 2018 - March 2019)	151st Fiscal Year (April 2019 - March 2020)
Net sales (JPY billion)	1,802.9	2,501.1	2,725.2	2,444.8
Operating income (JPY billion)	174.0	268.5	397.8	250.7
Income before income taxes and equity in earnings of affiliated companies (JPY billion)	166.4	291.8	377.4	223.1
Net income attributable to Komatsu Ltd. (JPY billion)	113.3	196.4	256.4	153.8
Net income attributable to Komatsu Ltd. per share (JPY)	120.26	208.25	271.81	162.93
ROE* ¹ (%)	7.3	12.1	14.7	8.6
ROA* ² (%)	6.3	9.7	10.8	6.1
Total assets (JPY billion)	2,656.4	3,372.5	3,638.2	3,653.6
Komatsu Ltd. shareholders' equity (JPY billion)	1,576.6	1,664.5	1,815.5	1,771.6

*1 ROE=Net income attributable to Komatsu Ltd. for the year/[(Komatsu Ltd. shareholders' equity at the beginning + Komatsu Ltd. shareholders' equity at the end of the fiscal year)/2]

*2 ROA=Income before income taxes and equity in earnings of affiliated companies/[(total assets at the beginning + total assets at the end of the fiscal year)/2]

Notes:

1. Net income attributable to Komatsu Ltd. per share is calculated based on the number of shares deducting the average total number of treasury stock during the fiscal year from the average total number of shares outstanding during the fiscal year.
2. In accordance with the adoption of the Accounting Standards Update (hereinafter "ASU") 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," operating income for the 149th fiscal year has been reclassified.

2. Major Lines of Business (As of March 31, 2020)

Segment	Principal Products and Businesses	
Construction, Mining and Utility Equipment	Excavating Equipment	Hydraulic excavators, rope shovels, mini excavators, and backhoe loaders
	Loading Equipment	Wheel loaders, mini wheel loaders and skid-steer loaders
	Grading and Roadbed Preparation Equipment	Bulldozers, motor graders and vibratory rollers
	Hauling Equipment	Off-highway dump trucks, articulated dump trucks, and crawler carriers
	Forestry Equipment	Harvesters, forwarders and feller bunchers
	Tunneling Machines	Shield machines and tunnel-boring machines
	Underground Mining Equipment	Continuous miners and longwall shearers
	Recycling Equipment	Mobile crushers, mobile soil recyclers, and mobile tub grinders
	Industrial Vehicles	Forklift trucks
	Other Equipment	Railroad maintenance equipment
	Engines and Components	Diesel engines, diesel generator sets, and hydraulic equipment
	Casting Products	Steel castings and iron castings
	Logistics	Transportation, warehousing, and packing
Retail Finance	Retail Financing	Leasing and installment of construction and mining equipment
Industrial Machinery and Others	Metal Forging and Stamping Presses	Servo presses and mechanical presses
	Sheet-Metal Machines	Laser cutting machines, fine-plasma cutting machines, press brakes and shears
	Machine Tools	Transfer machines, machining centers, crankshaft millers, grinding machines and wire saws
	Defense Systems	Ammunition and armored personnel carriers
	Temperature-Control Equipment	Thermoelectric modules and temperature-control equipment for semiconductor manufacturing
	Optical Machinery	Excimer laser used for lithography tools in semiconductor manufacturing

3. Principal Offices and Plants (As of March 31, 2020)

(1) The Company

Offices	Head Office (Minato-ku, Tokyo), Development Division Manda District (Hiratsuka City, Kanagawa)
Plants	Awazu Plant (Komatsu City, Ishikawa), Kanazawa Plant (Kanazawa City, Ishikawa), Himi Plant (Himi City, Toyama), Osaka Plant (Hirakata City, Osaka), Rokko Plant (Kobe City, Hyogo), Ibaraki Plant (Hitachinaka City, Ibaraki), Oyama Plant (Oyama City, Tochigi), Tochigi Plant (Oyama City, Tochigi), Koriyama Plant (Koriyama City, Fukushima), Shonan Plant (Hiratsuka City, Kanagawa)

Note: The bases belonging to the Development Division that are annexed to plants are included in respective plants.

(2) Principal Subsidiaries

Name	Location of Offices and Plants
Komatsu Customer Support Japan Ltd.	Head Office (Minato-ku, Tokyo)
Komatsu Used Equipment Corp.	Head Office (Yokohama City, Kanagawa)
Komatsu Logistics Corp.	Head Office (Yokohama City, Kanagawa)
Komatsu Business Support Ltd.	Head Office (Minato-ku, Tokyo)
Komatsu Industries Corporation	Head Office (Kanazawa City, Ishikawa)
Komatsu NTC Ltd.	Head Office / Plant (Nanto City, Toyama)
GIGAPHOTON INC.	Head Office / Plant (Oyama City, Tochigi)
Komatsu America Corp.	Head Office / Plant (USA)
Hensley Industries, Inc.	Head Office / Plant (USA)
Komatsu Mining Corp.	Head Office (USA)
Joy Global Underground Mining LLC	Head Office / Plant (USA)
Joy Global Surface Mining Inc	Head Office / Plant (USA)
Joy Global Longview Operations LLC	Head Office / Plant (USA)
Komatsu do Brasil Ltda.	Head Office / Plant (Brazil)
Komatsu Brasil International Ltda.	Head Office (Brazil)
Komatsu Holding South America Ltda.	Head Office (Chile)
Komatsu Cummins Chile Ltda.	Head Office (Chile)
Joy Global (Chile) S.A.	Head Office / Plant (Chile)
Komatsu Financial Limited Partnership	Head Office (USA)
Komatsu Finance Chile S.A.	Head Office (Chile)
Komatsu Europe International N.V.	Head Office (Belgium)
Komatsu UK Ltd.	Head Office / Plant (UK)
Komatsu Germany GmbH	Head Office / Plant (Germany)
Komatsu Italia Manufacturing S.p.A.	Head Office / Plant (Italy)
Komatsu Forest AB	Head Office / Plant (Sweden)
Komatsu CIS LLC	Head Office (Russia)
Komatsu Financial Europe N.V.	Head Office (Belgium)
Komatsu (China) Ltd.	Head Office (China)
Komatsu (Changzhou) Construction Machinery Corp.	Head Office / Plant (China)
Komatsu Shantui Construction Machinery Co., Ltd.	Head Office / Plant (China)
Komatsu (Shandong) Construction Machinery Corp.	Head Office / Plant (China)

Name	Location of Offices and Plants
PT Komatsu Indonesia	Head Office / Plant (Indonesia)
PT Komatsu Marketing & Support Indonesia	Head Office (Indonesia)
Bangkok Komatsu Co., Ltd.	Head Office / Plant (Thailand)
Komatsu India Pvt. Ltd.	Head Office / Plant (India)
Komatsu Marketing Support Australia Pty Ltd	Head Office (Australia)
Komatsu Australia Pty Ltd	Head Office (Australia)
Joy Global Australia Holding Company Pty Ltd	Head Office (Australia)
Joy Global Australia Pty Ltd	Head Office / Plant (Australia)
Komatsu South Africa (Pty) Ltd.	Head Office (South Africa)
Joy Global (Africa) (Proprietary) Limited	Head Office / Plant (South Africa)
Komatsu Financial Leasing China Ltd.	Head Office (China)
Komatsu Australia Corporate Finance Pty. Ltd.	Head Office (Australia)

4. Matters Regarding Stock Acquisition Rights of the Company, etc.

(1) Status of Stock Acquisition Rights (As of March 31, 2020)

Name (Issue Date)	Number of Stock Acquisition Rights	Number of Shares Subject to Stock Acquisition Rights (Number of Shares per one (1) Stock Acquisition Right)	Paid-in Amount per one (1) Share	Exercise Price per one (1) Share	Period for Exercise of Stock Acquisition Rights
No. 18 Stock Acquisition Rights (August 1, 2012)	78	7,800 shares (100 shares)	Without consideration	JPY 1	From August 1, 2015 to July 31, 2020
No. 20 Stock Acquisition Rights (August 1, 2013)	329	32,900 shares (100 shares)	Without consideration	JPY 1	From August 1, 2016 to July 31, 2021
No. 22 Stock Acquisition Rights (August 1, 2014)	382	38,200 shares (100 shares)	Without consideration	JPY 1	From August 1, 2017 to July 31, 2022
No. 23 Stock Acquisition Rights (August 3, 2015)	218	21,800 shares (100 shares)	JPY 1,989	JPY 1	From August 3, 2018 to July 31, 2023
No. 24 Stock Acquisition Rights (August 3, 2015)	617	61,700 shares (100 shares)	Without consideration	JPY 1	From August 3, 2018 to July 31, 2023
No. 25 Stock Acquisition Rights (August 1, 2016)	224	22,400 shares (100 shares)	JPY 1,721	JPY 1	From August 1, 2019 to July 31, 2024
No. 26 Stock Acquisition Rights (August 1, 2016)	938	93,800 shares (100 shares)	Without consideration	JPY 1	From August 1, 2019 to July 31, 2024
No. 27 Stock Acquisition Rights (August 1, 2017)	281	28,100 shares (100 shares)	JPY 2,599	JPY 1	From August 1, 2020 to July 31, 2025

Name (Issue Date)	Number of Stock Acquisition Rights	Number of Shares Subject to Stock Acquisition Rights (Number of Shares per one (1) Stock Acquisition Right)	Paid-in Amount per one (1) Share	Exercise Price per one (1) Share	Period for Exercise of Stock Acquisition Rights
No. 28 Stock Acquisition Rights (August 1, 2017)	1,716	171,600 shares (100 shares)	Without consideration	JPY 1	From August 1, 2020 to July 31, 2025
Total	4,783	478,300 shares	[Reference: Total number of issued shares: 945,101,274 shares (excluding treasury stock)]		

Notes:

1. The type of shares subject to Stock Acquisition Rights shall be common stock of the Company.
2. "Exercise price" above means the "amount of assets to be paid upon exercise of Stock Acquisition Rights."

(2) Stock Acquisition Rights Held by Directors and Audit & Supervisory Board Members of the Company (As of March 31, 2020)

1) Stock Acquisition Rights Held by Directors (excluding Outside Directors)

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 20 Stock Acquisition Rights	1	30	3,000 shares
No. 22 Stock Acquisition Rights	1	27	2,700 shares
No. 24 Stock Acquisition Rights	1	25	2,500 shares
No. 26 Stock Acquisition Rights	1	35	3,500 shares
No. 27 Stock Acquisition Rights	1	75	7,500 shares
No. 28 Stock Acquisition Rights	4	108	10,800 shares

2) Stock Acquisition Rights Held by Outside Directors

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 25 Stock Acquisition Rights	1	7	700 shares
No. 27 Stock Acquisition Rights	3	18	1,800 shares

3) Stock Acquisition Rights Held by Audit & Supervisory Board Members

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 22 Stock Acquisition Rights	1	27	2,700 shares
No. 24 Stock Acquisition Rights	1	25	2,500 shares

Note: Above indicates Stock Acquisition Rights issued at the time when incumbent Audit & Supervisory Board Member, as of March 31, 2020, was an employee of the Company (prior to being elected as Audit & Supervisory Board Member).

(3) Stock Acquisition Rights Issued During the Fiscal Year Ended March 31, 2020 to Employees of the Company and Directors of the Subsidiaries of the Company

No items to report.

II Consolidated Financial Statements

1. Consolidated Statement of Equity

(From April 1, 2019 to March 31, 2020)

(JPY million)

	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)
			Appropriated for legal reserve	Unappropriated	
Balance at the beginning of current period	68,311	136,798	46,028	1,654,105	(39,792)
Cash dividends				(107,687)	
Transfer to retained earnings appropriated for legal reserve			785	(785)	
Other changes		10			(29)
Comprehensive income (loss):					
Net income				153,844	
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments					(88,508)
Pension liability adjustments					(1,086)
Net unrealized holding gains (losses) on derivative instruments					(1,251)
Comprehensive income (loss)					
Issuance and exercise of stock acquisition rights		(759)			
Purchase of treasury stock					
Sales of treasury stock		35			
Restricted stock compensation	378	375			
Balance at the end of current period	68,689	136,459	46,813	1,699,477	(130,666)

	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at the beginning of current period	(49,868)	1,815,582	87,286	1,902,868
Cash dividends		(107,687)	(6,065)	(113,752)
Transfer to retained earnings appropriated for legal reserve		-		-
Other changes		(19)	139	120
Comprehensive income (loss):				
Net income		153,844	9,840	163,684
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		(88,508)	(6,430)	(94,938)
Pension liability adjustments		(1,086)	(10)	(1,096)
Net unrealized holding gains (losses) on derivative instruments		(1,251)	(141)	(1,392)
Comprehensive income		62,999	3,259	66,258
Issuance and exercise of stock acquisition rights		(759)		(759)
Purchase of treasury stock	(33)	(33)		(33)
Sales of treasury stock	735	770		770
Restricted stock compensation		753		753
Balance at the end of current period	(49,166)	1,771,606	84,619	1,856,225

2. Notes to Consolidated Financial Statements

Basis of Preparation of Consolidated Financial Statements

1. The number of consolidated subsidiaries and affiliated companies accounted for by the equity method

- | | |
|--|---|
| (1) Number of consolidated subsidiaries: | 219 companies
(New additions: 13 companies, exclusions: 9 companies) |
| (2) Number of affiliated companies accounted for by the equity method: | 42 companies
(New addition: 0 companies, exclusion: 0 companies) |

2. Significant Accounting Policies

(1) Basis of preparation of Consolidated Financial Statements

The Consolidated Financial Statements of Komatsu Ltd. and its subsidiaries (hereinafter “Komatsu”) are prepared in accordance with Article 120-3, Paragraph 1 of the Regulation on Corporate Accounting of Japan, and the method of preparation conforms to the accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”) in terms of terminology and format. However, some description and notes under the mandatory requirements of U.S. GAAP are omitted within the scope of stipulations in the provision of the second sentence of Article 120, Paragraph 1, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulation.

(2) Method and basis of valuation of inventories

Inventories are stated at the lower of cost or market. The cost of finished products and work in process is mainly valued by the specific identification method and the cost of raw materials and supplies is stated at periodic average cost. The cost of finished parts is mainly stated using the first-in first-out method.

(3) Method and basis of valuation of investment securities

Komatsu has applied the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (hereinafter “Codification”) Topic 321, “Investments–Equity Securities.”

Equity securities:

In principle, equity investments, excluding investments in consolidated subsidiaries and affiliated companies accounted for by the equity method, are measured at fair value with changes in the fair value recognized in net income.

(4) Depreciation and amortization of fixed assets

Depreciation of property, plant and equipment:

Depreciated using the straight-line method.

Amortization of intangible assets:

Amortized using the straight-line method.

In accordance with Codification Topic 350, “Intangibles–Goodwill and Other,” goodwill and other intangible assets whose useful lives cannot be determined are not amortized and reviewed for impairment at least annually.

(5) Allowances

Allowance for doubtful receivables:

To cover possible credit losses on accounts receivables or loans, an allowance for doubtful receivables is provided in the amount deemed uncollectible, which is calculated on the basis of historical default rates for normal claims, or on the basis of individual assessments for specific claims on obligors

threatened with bankruptcy.

Liability for pension and retirement benefits:

In accordance with Codification Topic 715, “Compensation–Retirement Benefits,” to prepare for the payment of pension and retirement benefits to employees, a provision is made in the amount deemed necessary as of the balance sheet date based on projected benefit obligations and fair value of the plan assets. Komatsu recognized the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax.

Prior service cost is amortized on a straight-line basis over the average remaining service period of employees at the time of occurrence of such cost.

Regarding net actuarial loss, an excessive amount of the “corridor” (10% of projected benefit obligations, or fair value of plan assets, whichever is the larger) is amortized on a straight-line basis over the average remaining service period of employees at the time of occurrence.

(6) Changes in accounting policies

From the fiscal year ended March 31, 2020, Komatsu has adopted the Accounting Standards Update (“ASU”) 2016-02 “Leases.” This Update requires lessees to recognize most leases as the right-of-use assets and the lease liabilities on their balance sheets. This Update does not substantially change lessor accounting. The Financial Accounting Standards Board (“FASB”) also modified the definition of lease. Additionally, the guidance expands qualitative and quantitative disclosures related to lease. Concerning accounting in relation to this Update, Komatsu has adopted the rule in which an entity does not separate lease and non-lease components and regards all components as those of a single lease, and the exceptional rule in which an entity does not recognize short-term leases on the balance sheet. Concerning the transition methods in relation to this Update, Komatsu has adopted a series of practical expedients in which an entity does not reassess whether any expired or existing lease contracts are or contain leases, the lease classification for them and initial direct costs for them. Komatsu has also adopted the additional transition methods in which an entity does not retrospectively restate presentation or disclosure of comparative years at the period of the application of the new accounting standards and an entity does not assess whether existing or expired land easements that were not previously accounted for as leases. The application of the provision has no significant impact on Komatsu’s financial position and results of operations.

From the fiscal year ended March 31, 2020, Komatsu has adopted the ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities.” This Update improves the application of hedge accounting under certain circumstances to reflect the economic consequences of an entity’s risk management activities in financial statements more appropriately. The Update eliminates the requirement to separately measure and present effective portion and ineffective portion of hedging and requires an entity to record the full amount of change in fair value of the hedging instrument in the same income statement line as gain or loss arising from the hedged item. The application of the provision has no significant impact on Komatsu’s financial position and results of operations.

(7) Accounting for consumption taxes, etc.

Consumption taxes, etc. are separately accounted for by excluding them from each transaction amount.

Notes to Consolidated Balance Sheet

- (1) Allowance for doubtful trade notes and accounts receivable and long-term trade receivables: JPY 16,822 million
- (2) Accumulated depreciation of property, plant and equipment: JPY 894,328 million
- (3) Accumulated other comprehensive income (loss) consists of foreign currency translation adjustments, pension liability adjustments and net unrealized holding gains (losses) on derivative instruments.
- (4) Assets pledged as collateral:
- | | | |
|----------------------|-----|-------------|
| Other current assets | JPY | 211 million |
| <hr/> Total | JPY | 211 million |
- (5) Guarantee obligations
- Guarantee obligations for borrowings made by employees, affiliated companies, customers and others: JPY 12,142 million
- Guarantee obligations for subsidiaries to perform the obligations of the terms and conditions of contracts JPY 15,590 million

Notes Concerning Per Share Information

- | | | |
|---|-----|----------|
| (1) Komatsu Ltd. shareholders' equity per share | JPY | 1,875.47 |
| (2) Basic net income attributable to Komatsu Ltd. per share | JPY | 162.93 |
| (3) Diluted net income attributable to Komatsu Ltd. per share | JPY | 162.80 |

Notes Concerning Financial Instruments

(1) Status of financial instruments

The basic financial policy of Komatsu is to secure funds necessary for future business activities and maintain proper liquidity.

In accordance with this policy, Komatsu principally uses cash flows from operating activities, and also makes bank borrowings and issues commercial papers as necessary, to meet short-term fund demands. In order to flexibly meet medium to long-term fund demands, Komatsu has established an authorized limit of bond issues and a euro medium term note program.

Concerning trade notes and accounts receivable and long-term trade receivables, Komatsu conducts business activities with customers, dealers and associated companies on a global scale and disperses these accounts receivable to prevent the concentration of credit risk.

A portion of foreign currency denominated accounts receivable and debts are vulnerable to the risk of foreign exchange fluctuation.

To alleviate these risks, Komatsu enters into forward foreign exchange contracts and currency swap contracts based on foreign currency cash flow projections.

Investment securities are equity securities with market value and fair values thereof are determined each quarter.

Komatsu enters into interest rate swap contracts and interest rate cap contracts to manage the risk of interest rates on short-term and long-term debt.

Derivatives carry a risk of credit loss by nonperformance of contract by the other party in the transaction. However, Komatsu does not assume such possibility due to the high credit rating of the other parties in such transactions. Komatsu does not enter into derivative contracts for the purpose of trading or speculative gain.

(2) Matters concerning fair values of financial instruments

Consolidated balance sheet amounts and fair values of financial instruments, and their variances are as follows:

(JPY million)

	Consolidated balance sheet amount*	Fair value*	Balance
(1) Cash and cash equivalents	247,616	247,616	—
(2) Time deposits	2,057	2,057	—
(3) Long-term trade receivables, net, excluding lease receivables	314,592	314,592	—
(4) Investment securities, marketable equity securities	—	—	—
(5) Short-term debt	(483,658)	(483,658)	—
(6) Long-term debt, including current portion	(528,720)	(528,460)	260
(7) Derivatives, net	4,947	4,947	—

* The figures in parentheses indicate those posted in liabilities.

Notes:

1. Method of measurement of fair values of financial instruments and matters concerning securities and derivatives

(1) Cash and cash equivalents, and (2) Time deposits

Since these accounts are settled in a short period of time, their consolidated balance sheet amounts approximate their fair values.

(3) Long-term trade receivables, net, excluding lease receivables

Fair values of long-term trade receivables are measured by discounting future cash flows at interest rate at the end of the fiscal year that should be applied to trade receivables with similar maturities. As a result, their consolidated balance sheet amounts approximate their fair values.

(4) Investment securities, marketable equity securities

Fair values of marketable equity securities whose fair values are estimable are measured based on their market values and the results are reflected as consolidated balance sheet amounts.

(5) Short-term debt

Since these accounts are settled in a short period of time, their consolidated balance sheet amounts approximate their fair values.

(6) Long-term debt, including current portion

Fair values of long-term debt are measured either based on prices on the exchange market or based on the present value of future cash flow for each borrowing calculated by discounting at the market borrowing rate at the end of the fiscal year that should be applied to borrowings with similar maturities.

(7) Derivatives, net

Fair values of derivatives mainly consisting of forward foreign exchange contracts and interest rate swap contracts are measured based on quotes obtained from brokers and the results are reflected as consolidated balance sheet amounts.

2. Unlisted investment securities (consolidated balance sheet amount: JPY 7,328 million) are primarily non-marketable equity securities with no readily determinable fair value, and therefore are not included in "Investment securities, marketable equity securities."

Notes Concerning Investment and Rental Property

The total amount of land and buildings held by Komatsu as rental property is immaterial.

Significant Subsequent Events

No items to report.

Other Notes

Amounts less than JPY 1 million in the Consolidated Financial Statements and its Notes are rounded to the nearest million yen.

III Non-Consolidated Financial Statements

1. Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2019 to March 31, 2020)

(JPY million)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve
Balance at the beginning of current period	70,561	140,581	260	140,841	18,036	174	12,030	210,359
Changes of items during the period								
Reversal of reserve for special depreciation						(75)		
Provision of reserve for advanced depreciation of non-current assets							405	
Reversal of reserve for advanced depreciation of non-current assets							(353)	
Dividends from surplus								
Net income								
Purchase of treasury stock								
Disposal of treasury stock			25	25				
Restricted stock compensation	412	412		412				
Net changes of items other than shareholders' equity								
Total changes of items during the period	412	412	25	437	–	(75)	51	–
Balance at the end of current period	70,973	140,993	285	141,279	18,036	99	12,082	210,359

(JPY million)

	Shareholders' equity				Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Retained earnings		Treasury stock	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
	Other retained earnings	Total retained earnings						
Balance at the beginning of current period	473,008	713,610	(49,478)	875,534	77	77	1,796	877,409
Changes of items during the period								
Reversal of reserve for special depreciation	75	–		–				–
Provision of reserve for advanced depreciation of non-current assets	(405)	–		–				–
Reversal of reserve for advanced depreciation of non-current assets	353	–		–				–
Dividends from surplus	(107,686)	(107,686)		(107,686)				(107,686)
Net income	58,316	58,316		58,316				58,316
Purchase of treasury stock			(17)	(17)				(17)
Disposal of treasury stock			735	760				760
Restricted stock compensation				824				824
Net changes of items other than shareholders' equity					157	157	(759)	(602)
Total changes of items during the period	(49,346)	(49,369)	717	(47,803)	157	157	(759)	(48,405)
Balance at the end of current period	423,662	664,240	(48,761)	827,731	234	234	1,036	829,003

2. Notes to Non-Consolidated Financial Statements

Significant Accounting Policies

(1) Method and basis of valuation of securities

Investments in subsidiaries and affiliated companies:

Stated at cost determined by the moving-average method.

Available-for-sale securities:

Securities whose market value is readily determinable:

Stated at fair market value, based on market quotation at the balance sheet date.

(Unrealized gains and losses are reported, net of applicable income taxes, as a separate component of net assets. The cost of securities sold is determined based on the moving-average method.)

Securities whose market value is not readily determinable:

Stated at cost determined by the moving-average method.

(2) Method and basis of valuation of inventories

Merchandise and finished goods, work in process:

Stated at cost (specific identification method).

Raw materials and supplies:

Stated at cost (periodic average method).

The value stated in the balance sheet is computed according to write-downs based on the decreased profitability.

(3) Depreciation of non-current assets

Property, plant and equipment (excluding lease assets):

Straight-line method

Intangible assets (excluding lease assets):

Straight-line method

Lease assets

Lease assets pertaining to finance leases that do not transfer ownership of leased property to the lessee:

Straight-line method over the lease period as the useful life

(4) Allowances and provisions

1) Allowance for doubtful accounts

To cover possible credit losses on accounts receivables or loans, an allowance for doubtful accounts is provided in the amount deemed uncollectible, which is calculated on the basis of historical default rates for normal claims, or on the basis of individual assessments for specific claims on obligors threatened with bankruptcy.

2) Allowance for investment loss

In order to prepare for losses from investing in domestic and overseas unlisted companies, allowance for investment loss is accounted for by taking into consideration the financial position of the issuer and fluctuation of the foreign exchange of the country of the issuer.

3) Provision for bonuses

Provision for bonuses is provided for payment prospect of bonuses to employees at an amount considered to be recorded for the fiscal year.

4) Provision for directors' bonuses

Provision for directors' bonuses is provided for payment prospect of bonuses to Directors at an amount considered to be recorded for the fiscal year.

- 5) Provision for product warranties
Provision for product warranties is provided for product after-sales service expenses based on the historical performance, etc.
- 6) Provision for retirement benefits
In order to provide for employee retirement benefits, the Company accrues liabilities for severance payments and pension at the amount calculated based on the projected benefit obligations and plan assets at the balance sheet date.
When calculating the projected benefit obligations, the benefit formula basis is used to attribute expected benefits to the period through to the end of the fiscal year. Prior service cost is charged to income when incurred. Actuarial loss is amortized in an amount proportionally appropriated on a straight-line basis over a 10-year period, which is shorter than the average remaining service period of employees, beginning with the following term when the difference is recognized.
- (5) Accounting for income and expenses
In principle, the total amount of the sale price is accounted at the time of delivery to the customer for domestic sales, and at the time of lading for exports.
For large machinery and other items necessitating installation work, the sale is accounted when the installation is completed.
- (6) Other significant information for preparation of financial statements
- 1) Accounting for consumption taxes, etc.
Consumption taxes, etc. are separately accounted for by excluding them from each transaction amount.
 - 2) Application of consolidated taxation system in Japan
The Company applies a consolidated tax payment system.
 - 3) The application of the treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
For items for which the non-consolidated taxation system is reviewed in tandem with the transitions to the group tax sharing system that is established under the Act Partially Amending the Income Tax Act (Act No. 8 of 2020), and to the group tax sharing system, the Company reports the amounts of deferred tax assets and deferred tax liabilities pursuant to the provision of the tax law prior to the amendment, and not apply the provision of paragraph (44) of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), as allowed by the treatment prescribed under paragraph (3) of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020).

Notes to Non-Consolidated Balance Sheet

- (1) Accumulated depreciation of property, plant and equipment: JPY 492,424 million
- (2) Contingency liability
- | | |
|---|---------------------|
| Balance of guarantees for bonds and debt for borrowings from financial institutions by subsidiaries and affiliates: | JPY 206,028 million |
| Balance of guarantees for debt for borrowings from financial institutions by employees (home loans): | JPY 540 million |
| Balance of keep-well agreements for the bonds of subsidiaries and affiliates: | JPY 106,815 million |

(3) Receivables from, and debts payable to subsidiaries and affiliates	
Short-term receivables from subsidiaries and affiliates:	JPY 156,087 million
Short-term debts payable to subsidiaries and affiliates:	JPY 51,354 million
Long-term receivables from subsidiaries and affiliates:	JPY 15,187 million

Notes to Non-Consolidated Statement of Income

(1) Trading with subsidiaries and affiliates	
Sales:	JPY 593,637 million
Purchases:	JPY 119,735 million
Trading other than operating transactions:	JPY 48,528 million
(2) Transfer pricing taxation adjustment	
Loss or gain on adjustments paid and received, or to be paid and received to and from Komatsu America Corp. and Komatsu Europe International N.V. based on the agreements of the prior applications submitted for approval regarding transfer pricing.	

Notes to Non-Consolidated Statement of Changes in Net Assets

(1) Type and number of shares issued

Type	Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
Common stock*	972,252,460	328,770	—	972,581,230

Note: The 328,770-share increase in the number of common stock is due to the issuance of new shares as restricted stock compensation.

(2) Type and number of treasury stock

Type	Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
Common stock* ^{1,2}	27,864,969	29,128	414,141	27,479,956

Notes:

- The 29,128-share increase in the number of treasury stock of common stock consists of the following
 - 7,148 shares by the purchase of shares constituting less than one unit of shares
 - 21,980 shares by the acquisition of restricted stock
- The 414,141-share decrease in the number of treasury stock of common stock consists of the following
 - 414,000 shares by the exercise of stock options
 - 141 shares by the sales of shares constituting less than one unit of shares

(3) Dividends

1) Payment amount of dividends

Resolution	Type of Shares	Total Dividends (JPY million)	Dividend per Share (JPY)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 18, 2019	Common stock	55,718	59	March 31, 2019	June 19, 2019
Meeting of the Board of Directors held on October 30, 2019	Common stock	51,967	55	September 30, 2019	December 2, 2019

2) Dividends of which record date is in the fiscal year and effective date is in the next fiscal year

Planned Resolution	Type of Shares	Resource of Dividends	Total Dividends (JPY million)	Dividend per Share (JPY)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 18, 2020	Common stock	Retained earnings	36,858	39	March 31, 2020	June 19, 2020

(4) Matters concerning Stock Acquisition Rights

Breakdown of Stock Acquisition Rights	Type of Shares Allocated for Stock Acquisition Rights	Number of Shares Allocated for Stock Acquisition Rights			
		Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
2011 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	12,100	–	12,100	–
2012 Stock Acquisition Rights No. 1 ^{*1, 2}	Common stock	18,700	–	18,700	–
2012 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	45,500	–	37,700	7,800
2013 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	96,200	–	63,300	32,900
2014 Stock Acquisition Rights No. 1 ^{*1, 2}	Common stock	11,500	–	11,500	–
2014 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	97,700	–	59,500	38,200
2015 Stock Acquisition Rights No. 1 ^{*1, 2}	Common stock	33,200	–	11,400	21,800
2015 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	127,600	–	65,900	61,700
2016 Stock Acquisition Rights No. 1 ^{*1, 2}	Common stock	50,500	–	28,100	22,400
2016 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	199,600	–	105,800	93,800
2017 Stock Acquisition Rights No. 1 ^{*1, 3}	Common stock	28,100	–	–	28,100
2017 Stock Acquisition Rights No. 2 ^{*1, 3}	Common stock	171,600	–	–	171,600

Notes:

1. Stock Acquisition Rights No. 1 were issued as remuneration for Directors of the Company as per the Companies Act of Japan. Stock Acquisition Rights No. 2 were issued without consideration to employees of the Company or others as per the Companies Act of Japan.
2. The decrease in shares recorded during the fiscal year for the Stock Acquisition Rights is due to exercise of Stock Acquisition Rights.
3. As of March 31, 2020, the period during which Stock Acquisition Rights may be exercised has not arrived.

Notes Concerning Tax Effect Accounting

Major reasons for the accrual of deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Provision for product warranties	JPY	3,037	million
Inventories	JPY	1,035	million
Provision for bonuses	JPY	3,156	million
Provision for retirement benefits	JPY	12,140	million
Allowance for investment loss	JPY	696	million
Impairment loss	JPY	910	million
Investment securities and stocks of subsidiaries and affiliates	JPY	3,542	million
Excess over depreciation limit	JPY	1,657	million
Allowance for doubtful accounts	JPY	651	million
Others	JPY	6,799	million
Subtotal deferred tax assets	JPY	33,628	million
Less valuation allowance	JPY	(5,577)	million
Total deferred tax assets	JPY	28,050	million

(Deferred tax liabilities)

Enterprise tax receivable	JPY	(223)	million
Reserve for advanced depreciation of non-current assets	JPY	(5,382)	million
Others	JPY	(2,163)	million
Total deferred tax liabilities	JPY	(7,769)	million
Net deferred tax assets	JPY	20,280	million

Notes Concerning Related Party Transactions

Subsidiaries and other affiliated companies

(JPY million)

Attribute	Company Name	Holding Voting Rights	Relationship with Related Party	Transaction	Transaction Amount	Category	Outstanding Balance
Subsidiary	Komatsu Customer Support Japan Ltd.	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	183,867	Accounts receivable-trade	52,884
				Cash Management System lending*2	32,429	Short-term loans receivable	26,223
	Komatsu America Corp.	Holding directly 100%	Manufacture and sale of the Company's products	Sale of products, etc.*1	118,333	Accounts receivable-trade	3,631
	Komatsu CIS LLC	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	50,957	Accounts receivable-trade	8,430
	Komatsu Business Support Ltd.	Holding directly 100%	Retail financing of the Company's products	Cash Management System lending*2	26,985	Short-term loans receivable	12,906
						Long-term loans receivable	14,755
Komatsu Finance America Inc.	Holding indirectly 100%	Financing within Komatsu Group, fundraising, etc.	Guarantee obligation*3	186,689	—	—	

In the above amounts, consumption taxes, etc. are not included in the transaction amounts.

Notes concerning transaction conditions and policies, etc. for their determination

1. Product selling prices and other sales conditions are decided by negotiation, taking into account market conditions.
2. The interest rates on Cash Management System lending are reasonably decided taking market interest rates into consideration. Transaction amount shows the average balance during the fiscal year because the transactions are repetitive.
3. The guarantee obligation applies to bonds issued by Komatsu Finance America Inc.

Notes Concerning Per Share Information

(1) Net assets per share	JPY	876.06
(2) Net income per share	JPY	61.73

Other Notes

Amounts less than JPY 1 million in the Non-Consolidated Financial Statements and its Notes are rounded down.