



May 28, 2021

Dear Shareholders:

Notice of Convocation of the
152nd Ordinary General Meeting of Shareholders
of Komatsu Ltd.

Komatsu Ltd.

(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.

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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.

Thank you for your continuous support of the business of the Komatsu Group.

I would like to extend our sincere condolences for all those who have passed away due to COVID-19 as well as to their bereft families, and our sympathy to those who have been infected. I am also sincerely grateful to everyone who has worked tirelessly to maintain our social system, most notably professionals in the medical and health care field.

I hereby provide notice of convocation of the 152nd Ordinary General Meeting of Shareholders, which is to be held on June 18, 2021.

The Komatsu Group has been executing its business strategy according to the three-year mid-term management plan “DANTOTSU Value – *FORWARD* Together for Sustainable Growth” since April 2019, under which we are eagerly pursuing three pillars of growth strategies, i.e., 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth.

The business environment in fiscal year 2020 turned out to be challenging due to the slowdown of economic activities affected by the worldwide pandemic of COVID-19, which continues to persist to date. Also, the requirement from society to focus on ESG issues and initiatives to achieve SDGs, among others climate change and carbon neutrality, is intensifying continuously and globally. These conditions surrounding us have made it increasingly important to promote advanced products, services and solutions which create value at our customers’ worksites, while keeping our eyes fixed on the needs of society during and after the pandemic. In order to achieve sustainable growth, we continue dedicating our resources to the activities designated in the mid-term management plan: automation, autonomy (self-supporting), electrification and remote control of construction and mining equipment; the solution business, which optimizes customers’ operations at their worksites; reinforcement of the after-market business through the application of IoT and AI; and products, services and solutions that contribute to environmental protection and a circular economy, such as remanufacturing and the forestry equipment business.

Komatsu celebrated its 100th Anniversary on May 13, 2021. I would like to extend our heartfelt gratitude to all stakeholders, including our valued shareholders, for their support to this day.

Aiming at continuous growth in the next 100 years, we reiterate our commitment to “quality and reliability,” will create new value through manufacturing and technological innovation, and will strive to realize a future where individuals, society and our planet prosper harmoniously.

Finally, I would like to take the opportunity to ask our shareholders for your kind and continuous support.

May 2021

NOTICE OF CONVOCATION OF THE
ONE HUNDRED AND FIFTY-SECOND (152ND)
ORDINARY GENERAL MEETING OF SHAREHOLDERS
OF KOMATSU LTD.

Securities Code: 6301
May 28, 2021

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 requesting that shareholders refrain from attending in person on the day of the General Meeting of Shareholders, and exercise your voting rights by conventional postal delivery or via the Internet after reviewing the attached “Reference Materials for the General Meeting of Shareholders” (pages 6 to 24).

Sincerely,

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

Details

1. Date and Time: Friday, June 18, 2021 at 10:00 a.m. (Japan time)

2. Place: “Kujaku-no-ma,” (main venue), 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 152nd fiscal year (April 1, 2020 – March 31, 2021), 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 152nd fiscal year (April 1, 2020 – March 31, 2021)

Items to Be Resolved

- Item 1:** Appropriation of Surplus
- Item 2:** Election of Nine (9) Directors
- Item 3:** Election of Two (2) Audit & Supervisory Board Members

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/>

Guidance on Methods for Exercise of Voting Rights

Exercise of voting rights in advance

By conventional postal delivery	
Deadline for exercising voting rights:	To arrive at the Company by 5:45 p.m. on Thursday, June 17, 2021 (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 Thursday, June 17, 2021 (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 and only in the Japanese language. 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).*

Physically attending on the day of the General Meeting of Shareholders

Attendance at the General Meeting of Shareholders	
Date and time:	Friday, June 18, 2021 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 votes via the Internet, etc., the last votes 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.

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 152nd 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. Systems for Ensuring the Properness of Operations and Outline of Management of such Systems
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 152nd 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. Specifically, the Company's policy is to achieve a consolidated payout ratio of 40% or higher.

For the 152nd fiscal year, under the above policy in addition to the common stock dividend in consideration of the Company's business performance for this fiscal year and future business development, the Company proposes to mark its 100th founding anniversary on May 13, 2021 by paying a commemorative dividend to express its gratitude to shareholders for their longstanding support, as follows.

(1) Type of the dividend assets	Cash
(2) Matters concerning allotment and total amount of the dividend assets	JPY 37 per one (1) common share of the Company (a decrease of JPY 2 per one (1) common share of the Company over the previous fiscal year) (common stock dividend per share of JPY 27 + the 100th anniversary commemorative dividend per share of JPY 10) Total amount of the dividend assets: JPY 34,986,020,551
(3) Effective date of dividends of surplus	Monday, June 21, 2021

Accordingly, combined with the interim dividend of JPY 18 per one (1) common share of the Company, the annual dividend will be JPY 55 per one (1) common share of the Company for this fiscal year, a decrease of JPY 39 per one (1) common share of the Company over the previous fiscal year. The consolidated payout ratio is 48.9%.

Item 2: Election of Nine (9) 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 nine (9) Directors (including four (4) Outside Directors) be elected, increasing the number of Outside Directors by one (1) in order to further strengthen corporate governance.

The candidates for the positions are as follows:

No. of Candidate	Name	(Reference)	
		Position and in Charge, etc. at the Company (As of May 18, 2021)	Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2021
1	Reelection Tetsuji Ohashi	Chairman of the Board and Representative Director Member of Nomination Advisory Committee Member of Compensation Advisory Committee	100%
2	Reelection Hiroyuki Ogawa	President and Representative Director Chief Executive Officer (CEO) Member of Nomination Advisory Committee	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 Chief Marketing Officer (CMO) and President, Construction Equipment Solution Division	100%
5	Reelection Outside Director Independent Makoto Kigawa	Director Chairman of Nomination Advisory Committee Chairman of Compensation Advisory Committee	100%
6	Reelection Outside Director Independent Takeshi Kunibe	Director Member of Nomination Advisory Committee Member of Compensation Advisory Committee	100%
7	Reelection Outside Director Independent Arthur M. Mitchell	Director Member of Nomination Advisory Committee Member of Compensation Advisory Committee	100%
8	New Candidate Takeshi Horikoshi	Senior Executive Officer Chief Financial Officer (CFO)	–
9	New Candidate Outside Director Independent Naoko Saiki	–	–

Outside Director: Candidate for Outside Director


Independent: Candidate for Director who meets the Company's independence standards (page 24) 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 Nomination Advisory Committee, consisting of three (3) Outside Directors (one (1) of whom is Chairman of the Committee), the Chairman of the Board and the President. The Nomination Advisory Committee also discusses appointments and discharge of the President (CEO) and executive officers and the human resource development policy.

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 24.

	1. Reelection Tetsuji Ohashi (March 23, 1954)
	▶ Number of Year(s) in Office: 12 years
	▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 176,200 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 Chairman of the Board and Representative Director (current)

Reason for nomination as candidate for Director

Mr. Tetsuji Ohashi has served in important positions in the production departments and as President of a subsidiary in the U.S. During the six years from April 2013, he left significant achievements for the increase of corporate value as President and CEO of the Company. Currently, he takes on the management supervision as Chairman and contributes to corporate governance as Chairman of the Board of Directors, and member of the Nomination Advisory Committee and the Compensation Advisory Committee.

Based on his abundant experience in the Company's business and considerable knowledge regarding corporate management, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

	2. Reelection Hiroyuki Ogawa (March 23, 1961)
	▶ Number of Year(s) in Office: 3 years
	▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 77,400 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 4/2004 4/2007 4/2010 4/2013 4/2014 4/2015 4/2016 4/2018 6/2018 4/2019	Joined the Company Production Engineering Section, Production Engineering Department of Kawasaki Plant Plant Manager of Chattanooga Manufacturing Operation, Komatsu America Corp. General Manager of Planning & Coordination Department of Osaka Plant, Production Division Took office as Executive Officer Plant Manager of Ibaraki Plant, Production Division President of Procurement Division in Production Division Representative of All Indonesia Operations Chairman of PT Komatsu Marketing & Support Indonesia (until 3/2016) Took office as Senior Executive Officer President of Production Division Took office as Senior Executive Officer Took office as Director and Senior Executive Officer Took office as President and Representative Director (current) CEO (current)
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Reason for nomination as candidate for Director

Mr. Hiroyuki Ogawa has served in important positions in the production departments and as Representative of All Indonesia Operations. Since April 2019, he has been promoting digital transformation at construction sites, responding to ESG issues and demonstrating leadership with regard to business continuation, etc. during the COVID-19 pandemic as President and CEO.

Based on his abundant experience regarding the Company's business and considerable insight as a manager, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

	3. Reelection Masayuki Moriyama (February 5, 1960)
	▶ Number of Year(s) in Office: 2 years
	▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 64,700 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)

Reason for nomination as candidate for Director

Mr. Masayuki Moriyama has been involved in construction equipment development, marketing and product support, and recently served as President of a subsidiary in the U.S. Since April 2017, he has been in charge of the mining equipment business, and has been promoting the generation of synergies from the integration with Komatsu Mining Corp., which the Company purchased, and the expansion of sales of the Company's Autonomous Haulage System (AHS).

Based on his abundant experience and knowledge regarding the Company's business, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

	4. Reelection Kiyoshi Mizuhara (January 13, 1960)
	▶ Number of Year(s) in Office: 2 years
	▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 44,700 shares
	▶ In Charge at the Company: Chief Marketing Officer (CMO) and President, Construction Equipment Solution 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
4/2019	Took office as Senior Executive Officer
6/2019	Took office as Director and Senior Executive Officer (current)
4/2021	CMO and President, Construction Equipment Solution Division (current)

Reason for nomination as candidate for Director

Mr. Kiyoshi Mizuhara has long been involved in global marketing for construction equipment, recently served as Representative of All India Operations, managed the overall marketing of construction equipment from April 2017, and focused on the promotion of brand management and the development of distributors' human resources.

Based on his abundant experience and knowledge regarding the Company's business, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

Outside Director Independent 	5. Reelection Makoto Kigawa	(December 31, 1949)
	▶ Number of Year(s) in Office:	5 years
	▶ Attendance of 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 and overview of the role expected

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

From 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	6. Reelection Takeshi Kunibe (March 8, 1954)
	▶ Number of Year(s) in Office: 1 year
	▶ Attendance of the Meetings of the Board of Directors: 11/11 (100%)
	▶ 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 Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD Outside Audit & Supervisory Board Member of Nankai Electric Railway 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)
6/2020	Took office as Director of the Company (current)

Reason for nomination as candidate for Outside Director and overview of the role expected

Mr. 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 has submitted 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 four (4) 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 138.2 billion, which was 15.2% of the total amount of interest-bearing liabilities. (page 46)

The Japan Fair Trade Commission carried out an on-site inspection on November 18, 2014 of NEC Corporation, where Mr. Takeshi Kunibe served as Outside Director from June 2011 to June 2020, 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.

<p>Outside Director Independent</p> 	<p>7. Reelection Arthur M. Mitchell (July 23, 1947)</p>
	<p>▶ Number of Year(s) in Office: 1 year</p>
	<p>▶ Attendance of the Meetings of the Board of Directors: 11/11 (100%)</p>
	<p>▶ Number of Shares of the Company Held: 0 shares</p>
	<p>▶ Important Concurrent Positions Held in Other Organizations: Outside Director of Sumitomo Mitsui Financial Group, Inc.</p>
	<p>▶ Special Interests Between the Candidate and the Company: None</p>

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)
6/2020	Took office as Director of the Company (current)

Reason for nomination as candidate for Outside Director and overview of the role expected


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 has submitted the relevant notification to the Tokyo Stock Exchange.

	8. New Candidate Takeshi Horikoshi (August 1, 1961)
	▶ Number of Shares of the Company Held: 24,700 shares
	▶ In Charge at the Company: Chief Financial Officer (CFO)
	▶ 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 Accounting Section, Administration Department of Osaka Plant
2/1996	Komatsu UK Ltd.
9/1998	Komatsu France S.A.S (until 5/2003)
11/2008	Komatsu Europe International N.V. (until 11/2011)
6/2012	General Manager of Finance & Treasury Department
5/2016	General Manager of Corporate Controlling Department
4/2017	Took office as Executive Officer
4/2018	CFO (current)
4/2020	Took office as Senior Executive Officer (current)

Reason for nomination as candidate for Director

Mr. Takeshi Horikoshi has served in important positions in the accounting and finance related departments, and is well versed in the operations of performance management, M&A, corporate planning, etc. Since April 2018, he has assumed heavy responsibility in the fields of overall accounting, information disclosure, corporate governance, internal control, risk management, etc., as CFO.

Based on his abundant experience and knowledge regarding the Company's business, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

Outside Director Independent	9. New Candidate	Naoko Saiki	(October 11, 1958)
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Outside Director of Sojitz Corporation Outside Audit & Supervisory Board Member of Development Bank of Japan Inc.	
	▶ Special Interests Between the Candidate and the Company:	None	

Career summary and position

4/1982	Joined the Ministry of Foreign Affairs (hereinafter “MOFA”)
7/2014	Took office as Director-General, Economic Affairs Bureau and Councillor, Cabinet Secretariat
10/2015	Took office as Director-General, International Legal Affairs Bureau
7/2017	Took office as Director-General, Foreign Service Training Institute, MOFA
1/2019	Retired from MOFA
4/2020	Took office as Visiting Professor, Graduate School of Public Policy, The University of Tokyo (current)

Reason for nomination as candidate for Outside Director and overview of the role expected

Ms. Naoko Saiki has considerable knowledge and abundant experience in international affairs, international law, and the field of economics as she served in positions such as Director-General of the Economic Affairs Bureau and Director-General of the International Legal Affairs Bureau at MOFA.

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

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

Matters regarding independence

Ms. Naoko Saiki is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers her as an Independent Director and will submit the relevant notification to the Tokyo Stock Exchange.

Notes:

- Meeting attendance above shows attendance of the meetings of the Board of Directors held during the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021). As Mr. Takeshi Kunibe and Mr. Arthur M. Mitchell were elected at the 151st Ordinary General Meeting of Shareholders held in June 2020, their maximum number of meetings of attendance is different from that of the other Directors.
- 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.
- The Company has entered into an agreement with Mr. Makoto Kigawa, 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 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.
- The Company intends to enter into an agreement with Ms. Naoko Saiki that limits her liability for damages caused by her 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 her election is approved. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.
- The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. This policy covers amounts of indemnification and litigation expenses, etc. borne by the insured person that are incurred through a shareholders’ derivative suit, company lawsuit or third-party lawsuit. All candidates for Director are included as insured persons in this policy. In addition, when the policy is renewed, the Company plans to renew the policy with the same details.

Item 3: Election of Two (2) Audit & Supervisory Board Members

The terms of office of Mr. Hironobu Matsuo and Mr. Kotaro Ohno as Audit & Supervisory Board Member will expire as of the close of this Ordinary General Meeting of Shareholders.


Accordingly, the Company proposes that two (2) Audit & Supervisory Board Members (including one (1) Outside Director) 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:

Outside Audit & Supervisory Board Member: Candidate for Outside Audit & Supervisory Board Member

Independent: Candidate for Audit & Supervisory Board Member who meets the Company's independence standards (page 24) 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*).

Outside Audit & Supervisory Board Member Independent 	1. Reelection	Kotaro Ohno	(April 1, 1952)
	▶ Number of Year(s) in Office:	4 years	
	▶ Attendance of the Meetings of the Board of Directors:	15/15 (100%)	
	▶ Attendance of the Meetings of the Audit & Supervisory Board:	15/15 (100%)	
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Outside Director of AEON Co., Ltd. Outside Corporate Auditor of ITOCHU Corporation (scheduled to retire in June 2021)	
	▶ Special Interests Between the Candidate and the Company:	None	

Career summary and position

4/1976	Appointed as Prosecutor
7/2009	Took office as Vice-Minister of Justice
7/2012	Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office
7/2014	Took office as Prosecutor-General of Supreme Public Prosecutors Office
9/2016	Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office
11/2016	Attorney at law, Special Counsel of Mori Hamada & Matsumoto (current)
6/2017	Took office as Audit & Supervisory Board Member of the Company (current)


Reason for nomination as candidate for Outside Audit & Supervisory Board Member

Having served as Prosecutor-General of the Supreme Public Prosecutors Office, Mr. Kotaro Ohno has considerable knowledge and abundant experience in the legal profession. Utilizing this knowledge and experience, the Company expects him to execute his duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company nominates him as a candidate for Outside Audit & Supervisory Board Member.

Although Mr. Ohno 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 Audit & Supervisory Board Member adequately because of the reason above.

Matters regarding independence

Mr. Kotaro Ohno is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Audit & Supervisory Board Member and has submitted the relevant notification to the Tokyo Stock Exchange.

	2. New Candidate Yasuhiro Inagaki (August 21, 1961)
	▶ Number of Shares of the Company Held: 48,900 shares
	▶ Important Concurrent Positions Held in Other Organizations: None
	▶ Special Interests Between the Candidate and the Company: None

Career summary and position

4/1984	Joined the Company Legal Section, Administration Department
7/1989	Cornell Law School, USA (until 1/1991)
4/2003	General Manager of Business Development Department
4/2010	Took office as Executive Officer General Manager of Business Development Department and General Manager of Legal Department
4/2015	Took office as Senior Executive Officer General Manager of Business Coordination Department
4/2018	Representative of All China Operations
4/2021	Advisor to President (current)

Reason for nomination as candidate for Audit & Supervisory Board Member

Mr. Yasuhiro Inagaki possesses experience of legal affairs, business development relations and corporate planning duties acquired over many years. He assumed heavy responsibility in a number of projects related to M&A and strategic collaboration and served as Representative of All China Operations from April 2018 to March 2021.

Based on his rich experience and knowledge regarding the Company's business, the Company has deemed that he will be able to execute his duties as Audit & Supervisory Board Member. Therefore, the Company nominates him as a candidate for Audit & Supervisory Board Member.

Notes:

- Meeting attendance above shows attendance of the meetings of the Board of Directors and Audit & Supervisory Board held during the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021).
- 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.
- The Company has entered into an agreement with Mr. Kotaro Ohno 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 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.
- The Company intends to enter into an agreement with Mr. Yasuhiro Inagaki 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 election is approved. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.
- The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. This policy covers amounts of indemnification and litigation expenses, etc. borne by the insured person that are incurred through a shareholders' derivative suit, company lawsuit or third-party lawsuit. Both candidates for Audit & Supervisory Board Member are included as insured persons in this policy. In addition, when the policy is renewed, the Company plans to renew the policy with the same details.

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

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

Name	Position, etc., at the Company	Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2021	Attendance rate of the Meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2021
Terumi Sasaki	Standing Audit & Supervisory Board Member	100%	100%
<u>New Candidate</u> Yasuhiro Inagaki	Standing Audit & Supervisory Board Member	–	–
Outside Audit & Supervisory Board Member Independent Hirohide Yamaguchi	Audit & Supervisory Board Member Member of Compensation Advisory Committee	100%	100%
Outside Audit & Supervisory Board Member Independent Eiko Shinotsuka	Audit & Supervisory Board Member Member of Compensation Advisory Committee	100%	100%
<u>Reelection</u> Outside Audit & Supervisory Board Member Independent Kotaro Ohno	Audit & Supervisory Board Member Member of Compensation Advisory Committee	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 24) 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> Skill matrix for Outside Directors and Outside Audit & Supervisory Board Members of the Company (including candidates)

Name		Corporate management	Finance/economics	Sales & Marketing	Human rights/ Human resources & Human resource development	Environment	Legal affairs & Compliance	Global	Risk Management
Outside Director	Makoto Kigawa	●		●		●			●
	Takeshi Kunibe	●	●			●			●
	Arthur M. Mitchell						●	●	●
	Naoko Saiki				●		●	●	●
Outside Audit & Supervisory Board Member	Hirohide Yamaguchi		●						●
	Eiko Shinotsuka				●				●
	Kotaro Ohno				●		●		●

Note: The skill matrix above is not an exhaustive list of all the expertise, experience and knowledge possessed by Outside Directors and Outside Audit & Supervisory Board Members of the Company (including candidates), but presents the fields that the Company wishes each Outside Director and Outside Audit & Supervisory Board Member to focus on in particular for the supervision of management.

<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 7, (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, 2020 - March 31, 2021)

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 corporate growth through a virtuous cycle generated by improving profitability and solving environmental, social, and corporate governance (ESG) issues. Moreover, amid the ongoing global COVID-19 pandemic, we have continued to supply our customers with products, parts, and services under rigorous measures to prevent infection in the various aspects of our business activities in a bid to fulfill our responsibility to customers who support social infrastructure as essential businesses.

For the fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021), consolidated net sales for the year decreased by 10.4% from the previous fiscal year to JPY 2,189.5 billion. Concerning profits, operating income decreased by 33.3% from the previous fiscal year to JPY 167.3 billion due to reduced sales volume in the construction, mining and utility equipment segment, a change in the composition of sales and adverse effects of the Japanese yen’s appreciation, despite efforts to reduce fixed costs. Operating income ratio was 7.6%, down 2.7 percentage points. Income before income taxes and equity in earnings of affiliated companies decreased by 27.0% to JPY 162.7 billion. Net income attributable to Komatsu Ltd. decreased by 30.9% to JPY 106.2 billion.

	151st Fiscal Year (April 2019 – March 2020)	Changes from 151st Fiscal Year	152nd Fiscal Year (April 2020 – March 2021)
Net sales	JPY 2,444.8 billion	(10.4)%	JPY 2,189.5 billion
Operating income	JPY 250.7 billion	(33.3)%	JPY 167.3 billion
Income before income taxes and equity in earnings of affiliated companies	JPY 223.1 billion	(27.0)%	JPY 162.7 billion
Net income attributable to Komatsu Ltd.	JPY 153.8 billion	(30.9)%	JPY 106.2 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]

	152nd Fiscal Year (April 2020 – March 2021)	Changes from 151st Fiscal Year
Sales	JPY 1,975.9 billion	(10.6)%
Segment profit	JPY 143.7 billion	(36.7)%

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, under continuing uncertainty due to the impact of the COVID-19 pandemic, the impact of a decrease in demand up to the second quarter (July – September 2020) outweighed the appearance of a steady recovery in demand centered on general construction machinery from the third quarter (October – December 2020) onward. As a result, sales declined by 10.6% from the previous fiscal year to JPY 1,975.9 billion. Segment profit declined by 36.7% from the previous fiscal year, to JPY 143.7 billion.

Value creation by means of innovation is one of three pillars of growth strategy in the mid-term management plan. As one of our focus efforts in this area, we engaged in automation, autonomous operation, electrification, and remote controlling of construction, mining and utility equipment (small machinery), while also working to realize digital transformation of construction through both physical aspects (increased automation and sophistication of construction machinery) and non-physical aspects (optimization of customers' construction operations), thereby realizing safe, highly productive, smart and clean workplaces of the future with customers. The Autonomous Haulage System (AHS) for unmanned dump truck operation has already launched in the market, and we have been strengthening it further. As of March 31, 2021, a cumulative total of 352 units are in operation. In addition to automation of mining front lines, we will also advance our building of optimization platforms, aiming to promote increased safety and optimization of operations for our customers in the mining sector. Furthermore, in November 2020, we conducted Japan's first successful joint proof of concept test with NTT DOCOMO INC. for remote operation of a large-scale ICT bulldozer, the D375Ai-8, for mining using a commercial 5th generation mobile telecommunication protocol (commercial 5G).



[Remote operation of large-scale ICT bulldozer D375Ai-8 for mining using commercial 5G
Left: Bulldozer located in Oita Prefecture Right: Remote control panel in Tokyo]

In April 2020, we started to install “SMARTCONSTRUCTION Retrofit Kits” providing aftermarket ICT functions such as 3D machine guidance and payload measurement to conventional construction equipment already operating at construction sites in Japan. The kits can be installed on any hydraulic excavator (6-ton class and above), regardless of the model or manufacturer. From November 2020 onward, the scope of application has been extended to include mini excavators (under 6-ton class) and the

kits have been introduced into the domestic market in Japan by installing them on the Komatsu Group’s fleet of rental equipment with a view to promoting wider spread use going forward. The Komatsu Group will accelerate the digital transformation of construction sites.

(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 2020
⇒ https://home.komatsu/en/ir/library/annual/pdf/kr20e_05.pdf

Amid growing awareness of global climate change, Komatsu has led the industry in developing products that contribute to reducing environmental impact, including the introduction of the world’s first hybrid hydraulic excavator in the field of construction machinery in 2008, and the battery electric mini excavator PC30E-5 as a rental machine in the Japanese market in April 2020. In addition, the Company has also taken steps towards realizing the electrification of small- to medium-class hydraulic excavators (battery-driven construction equipment) by entering an agreement to receive a supply of lithium-ion battery systems from U.S. company Proterra Inc. The two companies will conduct proof of concept tests starting in 2021, then work to develop an optimal battery system for small- and medium-sized hydraulic excavators, which require a large amount of output, aiming to start mass production in 2023 to 2024. Komatsu has an ESG management target of reducing CO₂ emissions through product use and production by 50% by 2030 (compared to 2010). To this end, Komatsu is working to supply high-quality, high-efficiency products, services, and solutions designed to mitigate environmental impact in response to climate change and improve safety.



[Conceptual drawing of an electric hydraulic excavator]

Furthermore, we worked to strengthen the recycling business. In Reman (remanufacturing) operations, which recycle and reuse components, we established a new plant in Southern Africa area. In tandem, in the forestry equipment business, we promoted the introduction of forestry machinery to promote silviculture.

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

		152nd Fiscal Year (April 2020 – March 2021)	Changes from 151st Fiscal Year
Traditional Markets	Japan	JPY 294.8 billion	(5.1)%
	North America	JPY 444.3 billion	(22.5)%
	Europe	JPY 183.5 billion	(16.5)%
Strategic Markets	Latin America	JPY 288.0 billion	(6.8)%
	CIS	JPY 112.3 billion	(11.8)%
	China	JPY 146.2 billion	+15.1%
	Asia*	JPY 138.7 billion	(32.5)%
	Oceania	JPY 230.1 billion	+13.1%
	Middle East	JPY 32.3 billion	+5.5%
	Africa	JPY 90.4 billion	(7.9)%

* Excludes Japan and China.

[Retail Finance]

	152nd Fiscal Year (April 2020 – March 2021)	Changes from 151st Fiscal Year
Revenues	JPY 66.3 billion	(6.4)%
Segment profit	JPY 10.5 billion	(16.6)%

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 declined by 6.4% from the previous fiscal year to JPY 66.3 billion, due to the impact of a drop in new contracts until the third quarter (October – December 2020), despite an increase in assets due to increase in new contracts centering on North America and foreign exchange effects in the fourth quarter (January – March 2021). Due in part to payment delays and revised valuations of vehicles coming off leases, segment profit dropped by 16.6% from the previous fiscal year to JPY 10.5 billion.

[Industrial Machinery and Others]

	152nd Fiscal Year (April 2020 – March 2021)	Changes from 151st Fiscal Year
Sales	JPY 171.2 billion	(3.6)%
Segment profit	JPY 16.3 billion	+19.3%

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

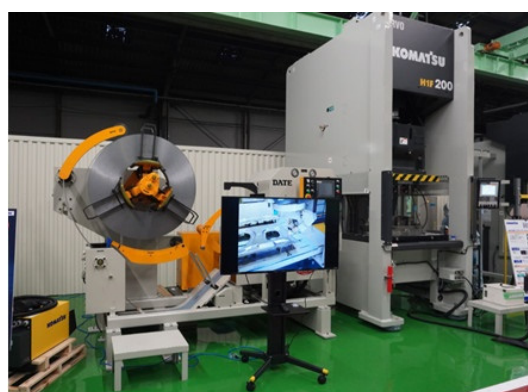
In the industrial machinery and others segment, sales declined by 3.6% from the previous fiscal year, to JPY 171.2 billion, mainly affected by slack capital investment of the automobile manufacturing industry for presses, sheet-metal machines and machine tools, as well as their delayed installation at customers' overseas workplaces, especially under the COVID-19 pandemic. Segment profit increased by 19.3% from the previous fiscal year to JPY 16.3 billion as sales remained steady for excimer laser-related business in the semiconductor market.

The Company's subsidiary Komatsu Industries Corp. (Komatsu Industries) started selling high performance plasma cutting machine TWISTER "TFPL10-6" and "TFPL08-6" in August 2020. The machines are all-round cutting machines for medium and heavy thickness plate, and represent the first full model change in 10 years. Featuring the highest level of output as an oxygen plasma cutting machine, the machines are able to cut medium thickness steel plate of up to 50 mm at high speed, thereby helping to increase customers' quality and productivity.



[TFPL10-6 high performance plasma cutting machine TWISTER]

Furthermore, Komatsu Industries opened the East Japan (Oyama District) Exhibition Space at the Tochigi Plant site in November 2020. The exhibition space takes the theme of "Proposing GEMBA of the Future" and offers visitors a chance to observe the various processes of Komatsu's industrial equipment products, such as forming, bending, cutting, and welding, performed by servo presses, press brakes, TWISTER cutters, and welding robots.*



[H1F200Q-2 servo press at the East Japan (Oyama District) Exhibition Space]

*Tours may be unavailable depending on the status of COVID-19 infections and other factors.

(* Reference: Evaluation by external organizations)

The Company has received the following notable evaluations by external organizations in fiscal 2020, among others.

<p>Digital Transformation Stock (DX Stock) The Ministry of Economy, Trade and Industry and Tokyo Stock Exchange, Inc. have established an internal system in order to promote digital transformation (DX), which will lead to the increase of corporate value, and select companies from among the companies listed on the Tokyo Stock Exchange that have demonstrated excellent achievements utilizing digital technologies. The DX Grand Prix is awarded to companies among the DX Stock selection that are leaders in the digital era.</p>	 <p>Selected for DX Grand Prix 2020 Award (Awarded to 2 out of 35 DX Stocks)</p>
<p>Nihon Service Award This award is presented by the Japan Productivity Center for innovative, outstanding services. It is part of efforts to promote the discovery, spread, and greater awareness of best practices, aimed at increasing the productivity of the service industry.</p>	<p>SMARTCONSTRUCTION received the Prime Ministers' Award</p>
<p>Dow Jones Sustainability Indices (DJSI*) This is a socially responsible investment (SRI) index provided by S&P Dow Jones Indices LLC in the U.S. and RobecoSam AG in Switzerland. The index analyzes and evaluates the sustainability of companies from the aspects of corporate governance, and economic performance, and environmental and social initiatives, then selects the top companies in each industry.</p>	<p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p> <p>Selected for World Index (323 of the world's approximately 2,500 largest companies, including 39 Japanese companies)</p>
<p>CDP* This NPO was established in the U.K. in 2000. It surveys the reduction in companies' greenhouse gas emissions and their initiatives for climate change, discloses information globally, and analyzes and evaluates the survey content. From 2016, a system has been adopted in which companies that are recognized as global leaders in responding to climate change are selected as "A list" companies.</p>	 <p>Selected for A list for "Climate" and "Water"</p>
<p>IR Prime Business Award The Japan Investor Relations Association selects member companies that conduct outstanding IR activities for the "IR Prime Business Award."</p>	 <p>Received IR Prime Business Award (Awarded to 9 of 284 companies; received for the seventh time)</p>

* The Company's medium-term management plan "DANTOTSU VALUE – FORWARD Together for Sustainable Growth" has set selection for DJSI and selection for A list for "Climate" and "water," etc. as the ESG management targets.

(2) Capital Investment



Capital investment decreased by JPY 3.3 billion from the previous fiscal year, to JPY 163.1 billion.

1) Breakdown by Segment

Segment	Invested Amounts (JPY billion)
Construction, Mining and Utility Equipment	117.0
Retail Finance*	41.7
Industrial Machinery and Others	4.3
Total	163.1

* The Company made capital investments primarily for operating lease equipment.

2) Main Facilities Completed in the Fiscal Year Ended March 31, 2021

Segment	Main Facilities
Construction, Mining and Utility Equipment	<p>Komatsu Africa Holdings (Pty) Ltd. Completed construction of head office campus with the new Reman plant (South Africa)</p> <ul style="list-style-type: none"> Facility overview: A hub facility for centralizing various functions such as a Reman (remanufacturing) facility for used components, a head office building, parts depot, workshop, and training center. <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>[Reman plant]</p> </div> <div style="text-align: center;">  <p>[Head office]</p> </div> </div>

3) New Constructions, Expansions and Overhauls of Main Facilities in Progress in the Fiscal Year Ended March 31, 2021

Segment	Main Facilities
Construction, Mining and Utility Equipment	<p>Himi Plant: Construction of seal ring factory</p> <ul style="list-style-type: none"> Facility overview: production facility for seal rings for components of construction equipment
	<p>Oyama Plant: New construction of production line at engine plant</p> <ul style="list-style-type: none"> Facility overview: production facility for engines
	<p>Komatsu Mining Corp.: Relocating Head Office / Plant (USA)</p> <ul style="list-style-type: none"> Facility overview: production facility for mining equipment and facility for research and development
	<p>Komatsu Forest AB: Relocating Head Office / Plant (Sweden)</p> <ul style="list-style-type: none"> Facility overview: production facility for forestry equipment and facility for research and development

(3) Financing

In the fiscal year ended March 31, 2021, 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 decreased by JPY 102.3 billion from the previous fiscal year-end to JPY 909.9 billion.

In addition, the net debt-to-equity ratio* was 0.35, compared to 0.43 at the previous fiscal year-end.

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

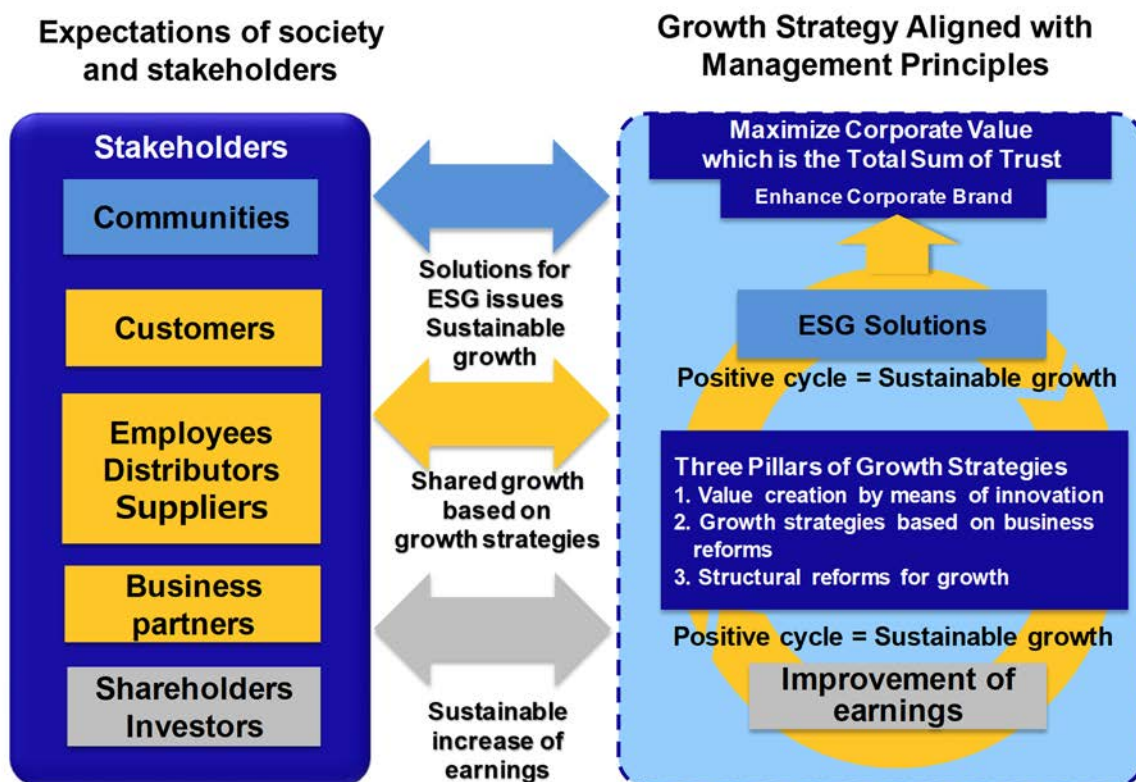
(4) Issues Ahead

The cornerstone of Komatsu’s management lies in its commitment to Quality and Reliability and the maximization of its corporate value. 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 our 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, in addition to the impact of the COVID-19 pandemic, the political, economic, and social situation has become fluid, and it is uneasy to foresee the future due to the uncertainty. In this environment, we will strive for sustainable growth by generating a positive cycle of improving earnings and solving environmental, social, and corporate governance (ESG) issues while strengthening our business structure to make it robust against fluctuation of market demand by prioritizing investments, based on the above three pillars of growth strategies, through the assessment of cost effectiveness and strategic value.

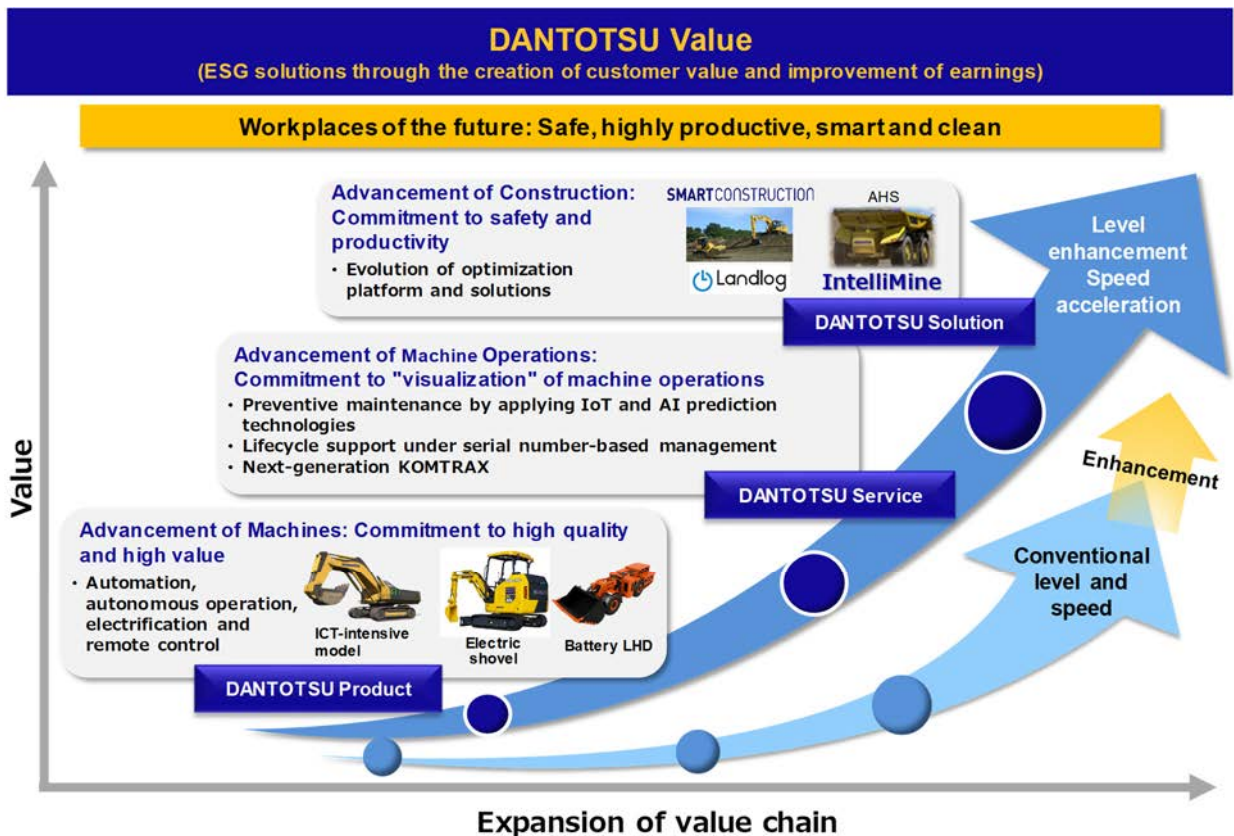
In particular, against the background of recent worldwide trends such as reduction of greenhouse gas (CO₂, etc.) emissions that impact climate change, and acceleration of digital transformation, Komatsu recognizes that initiatives to reduce its environmental impact are one of its most important priorities. While taking action to reduce CO₂ emissions in various aspects of our business activities, we will link these activities to the sustainable growth of our businesses, taking them as business opportunities.



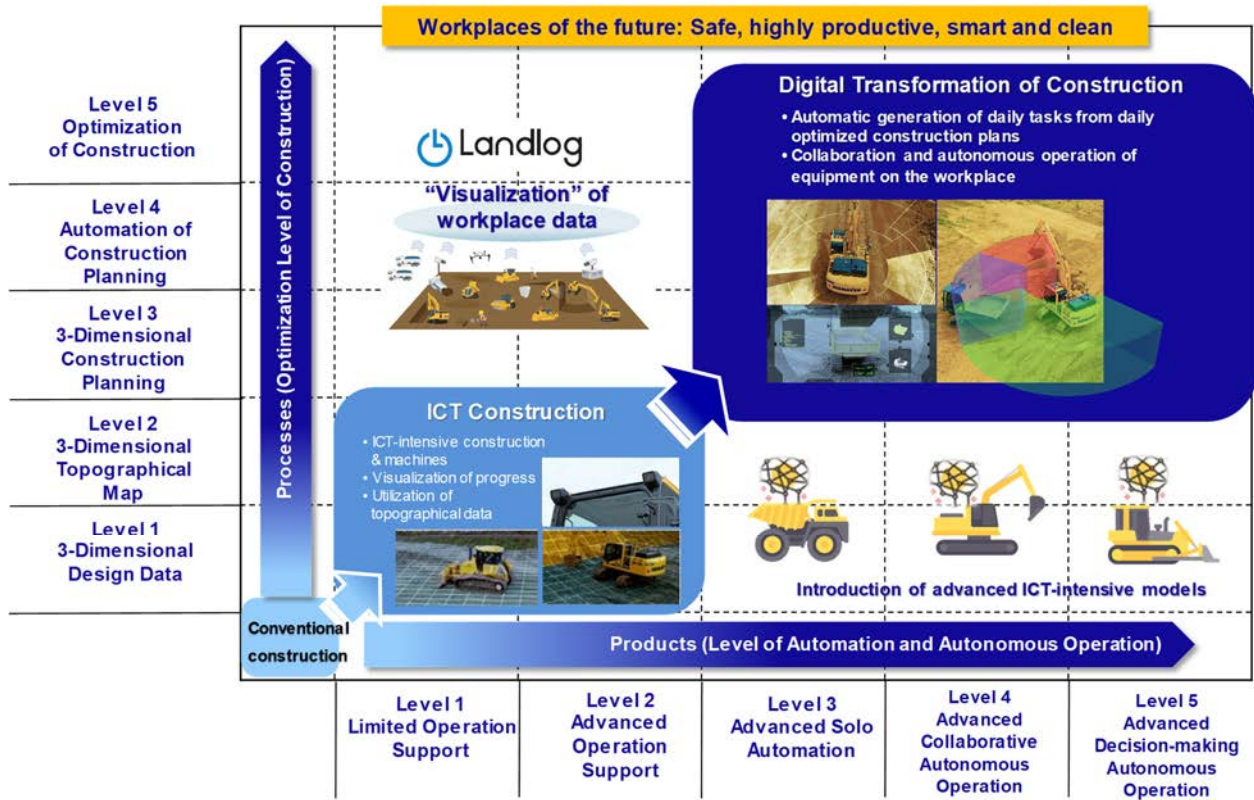
Realizing “DANTOTSU Value” along with the evolution of the three growth strategies

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 realize DANTOTSU value that generates a positive cycle of solving ESG issues and increasing earnings through the creation of customer value. We will work to powerfully support the promotion of digital transformation in construction and realize safe, highly productive, smart and clean workplaces 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).

At worksites that have introduced SMARTCONSTRUCTION, we have verified its significant benefits of contributing to improved safety and productivity. With the background of labor shortages and an aging workforce of operators, we expect SMARTCONSTRUCTION to steadily become popular. In the society during and after the global COVID-19 pandemic, we may also see a further increase in needs for remote operation, automation, and a shift to unmanned operations in the hardware aspect, and rapid shift to digitalization of construction site operations in the software aspect. In response, Komatsu will work swiftly to meet customer needs: in the construction equipment field, we will provide “SMARTCONSTRUCTION Digital Transformation”, and automation solutions; while in the mining equipment field, we will provide solutions such as new data platforms, the Autonomous Haulage System (AHS), remote operation, and other solutions.



[Roadmap for the Workplaces of the Future]



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 added 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 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
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 buybacks), while placing main priority on investment Set the goal of a consolidated payout ratio of 40% or higher

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

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

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

*4 Dow Jones Sustainability Indices: SRI indices announced 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.

[Main Achievements of Focused Activities in the Management Strategies and Challenges from the Next Term Onward]





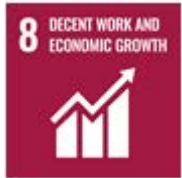


Three Management Strategies		Examples of Activities
1 Value Creation by Means of Innovation	FY2020 achievements	<ul style="list-style-type: none"> • Launched “SMARTCONSTRUCTION Digital Transformation” (Japan, North America, Europe and Australia) • Started installation of “SMARTCONSTRUCTION Retrofit Kits” for hydraulic excavators, which enables 3D construction work, and application to mini excavators • Achieved a total of 352 dump truck units operating under the Autonomous Haulage System (AHS) • Started collaboration with Proterra Inc of the U.S. in a joint proof of concept verification test for electrification of small- to medium-sized hydraulic excavators • Succeeded in proof of concept verification test for remote operation of a large-scale ICT bulldozer for mining using commercial 5G with NTT DOCOMO INC. • Started full-fledged automated construction in a dam construction project
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> • Market expansion and global launch of “SMARTCONSTRUCTION Digital Transformation” solution • Develop a new open technology platform for mining • Develop technologies for automation, autonomous operation, electrification and remote control

Three Management Strategies		Examples of Activities
2 Growth Strategies Based on Business Reforms	FY2020 achievements	<ul style="list-style-type: none"> • Commercialized the product models under development aimed at complying with regulations, increasing product capabilities, and being the “DANTOTSU No. 1 in Asia” • Enhanced the extended warranty programs with maintenance contract • Expanded the model line-up equipped with the KomVision Human Detection & Collision Mitigation System • Expanded the forest machinery business (efforts on silviculture (growing and cultivating forest crops) and smart forestry) • Launched next-generation KOMTRAX • Developed DANTOTSU products for hard rock mining • Launched electric forklift trucks FE25-2 and FE30-2 • Komatsu NTC Ltd. developed and launched manufacturing equipment for EV (electric vehicles) batteries
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> • Improve the market position of the hard rock mining business • Build a new business model using 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	FY2020 achievements	<ul style="list-style-type: none"> • Structural reform of soft rock mining business • Selected for “DX Grand Prix 2020” • Construction start of new seal ring factory in the Himi Plant 2 • Completed the construction of a new Reman plant in South Africa
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> • Promote work reforms using ICT and IoT • Promote structural reforms and continuous cost improvement activities • Promote next-generation plants and plants with zero load on the earth and workers • 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 UN 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 (KPIs) that are associated with these three growth strategies have been set to ensure that these aims are accomplished steadily, and status of progress on these KPIs is measured and 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 39 to 42).

The Integrated Report is available on the Company’s website.
⇒ <https://home.komatsu/en/ir/library/annual/>

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

In the “DANTOTSU Value—*FORWARD* Together for Sustainable Growth” mid-term management plan, 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) (Commenced disclosures in line with the TCFD Framework)

Changes in resource demand	<ul style="list-style-type: none"> • Reduced coal demand • Increased resource demand related to electric equipment 	<div style="border: 1px solid black; border-radius: 50%; width: 40px; height: 40px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> Maximized in 2°C scenario </div>
Transition to low-carbon products	<ul style="list-style-type: none"> • More stringent fuel regulations • Progress in electrification and next-generation technologies 	
Manufacturing costs	<ul style="list-style-type: none"> • Rising manufacturing costs due to higher carbon prices* * CO₂ taxation measures for reducing emissions 	<div style="border: 1px solid black; border-radius: 50%; width: 40px; height: 40px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> Maximized in 4°C scenario </div>
Natural disasters	<ul style="list-style-type: none"> • Increased precipitation amounts and flood risks due to abnormal weather • Higher demand in conjunction with national resilience plans 	

[The four themes and climate change-related risks and opportunities]

In April 2019, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD), and in 2020, we proceeded with related activities and commenced disclosing information in line with the TCFD Framework in our Integrated Report. In the process, we identified the risks and opportunities of climate change for our company through scenario analysis, and grouped them into four important themes. For each theme, we have described the risks and

opportunities, and our strategies to deal with them, and in particular, we have explained the changes in resource demand in more detail. By disclosing this analysis and corresponding strategies, we will strengthen our resilience and promote our efforts to address climate change through sound dialogue with our stakeholders.

Initiatives in “E” (Environment) (Reducing CO₂ emissions and contributing to local forestry through biomass utilization)



[Biomass boiler at the Ibaraki Plant]

We are promoting the use of renewable energy sources to reduce CO₂ emissions. In 2015, the Awazu Plant started full-scale operation of a biomass cogeneration system in cooperation with a local forest cooperative. This was followed by the start of biomass utilization at the Ibaraki Plant in 2020. By burning high-quality wood chips with low moisture content and using their heat for air conditioning at the welding site, we have switched from conventional air conditioning using electricity and achieved a reduction in CO₂ through the use of biomass. For the wood chips used, we collaborated with the Ibaraki Pref. Federation of Forest Owner’s Co-operative Association to utilize wood from thinning that is not being used in the area, thereby contributing to the revitalization of the local forestry industry as a sustainable business model. In the future, we are planning to introduce a biomass gasification power generation plant that will generate electricity via fuel

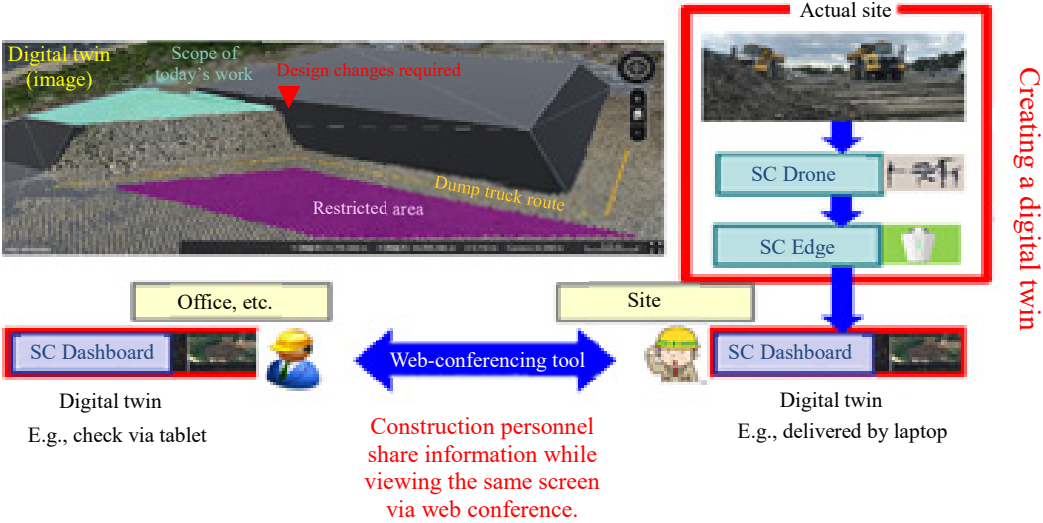
gasification of wood chips to further reduce CO₂ emissions. In addition to promoting the use of local forestry resources, we will increase the proportion of renewable energy in the electricity used in our production activities, thereby simultaneously reducing CO₂ emissions and contributing to the resolution of ESG issues.

Initiatives in “S” (Social) (Providing a “safe worksite” for customers engaged in essential businesses)

In response to the Ministry of Land, Infrastructure, Transport and Tourism’s countermeasure against COVID-19* to “Avoid the Three Cs: ‘Closed spaces, Crowded places, Close contact settings’” of construction sites, through digital SMARTCONSTRUCTION, we are promoting the “digital twin of the worksite” as a solution to help prevent the spread of COVID-19 at our customers’ sites by enabling all parties involved in the site to remotely monitor the situation at the construction site without the need to gather at a single location.

*The Ministry of Land, Infrastructure, Transport and Tourism (MLIT), in its “Guidelines for Prevention of Infection by COVID-19 in the Construction Industry (May 14, 2020 (revised December 24, 2020)),” has positioned public works, and public property management of rivers and roads, etc. as projects that must be continued from the perspective of maintaining social stability. The guidelines also call for thorough implementation of measures to “Avoid the Three Cs” at construction sites and health management for all workers.

The SMARTCONSTRUCTION Drone and SMARTCONSTRUCTION Edge IoT devices for SMARTCONSTRUCTION are used to generate point cloud data of site topography at high speed. The data is used to create a digital twin as 3D topographical data on the SMARTCONSTRUCTION Dashboard application. This enables site personnel to understand the situation of the site in real time, even when they are far away from the construction site, and deal with possible problems in advance.



With the SMARTCONSTRUCTION Dashboard, site personnel can check the digital twin from a PC or tablet terminal without time or location restrictions, and check the progress of construction. In addition, by using a web conferencing system, it is possible for site personnel to discuss future construction plans while sharing the screen without having to gather in one place.

Furthermore, if a site worker patrols the site with a web camera, other site personnel can remotely understand the situation at the site and perform safety management while communicating with each other without being in close proximity.

(Reference: Related videos)

Digital transformation initiatives

⇒ <https://home.komatsu/jp/company/ad/special08/>

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

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.

In addition, Komatsu established the Komatsu Human Resources Development Center (KHRDC) in the Philippines in November 2008 as a specialized educational institution to train engineers to provide product support globally. In November 2019, the center was incorporated locally as Komatsu Philippines Corporation and has trained more than 150 engineers while expanding its structure. Graduates who have completed the approximately six-year training program in various parts of the world have been officially hired by Komatsu as “Global engineers” and are currently working around the world.

In Japan, we have been conducting Development Program for AI project coordinator since 2019 to promote the use of artificial intelligence (AI), which will become increasingly indispensable in realizing DANTOTSU services and DANTOTSU solutions for customers and reforming development and production processes. With our own unique curriculum, we aim to develop human resources who possess not only AI technical skills but also the business perspective and problem-solving skills necessary for project implementation.

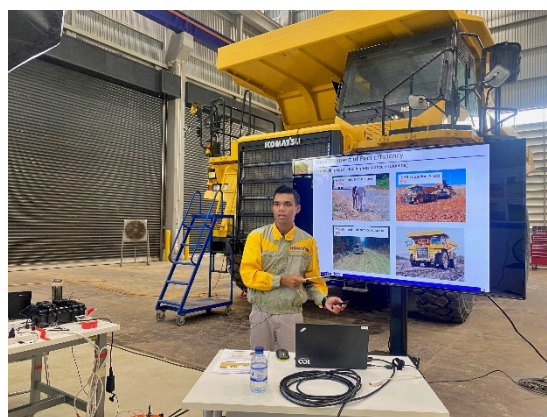
The Company now considers it vital for a further step forward in development as a global company to provide opportunities for all employees around the world to participate in various arenas around the world, across national borders, regardless of their nationality, gender, and so forth.

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.



[New building of Komatsu Philippines Corporation]



[Global engineer carrying out lecture on lower fuel consumption for online training]

Although we achieved (1) the ratio of female managers on a consolidated basis in Japan of 5.0% (actual result: 5.3%), which was set as a Key Performance Indicators (KPIs) for April 2021, (2) the ratio of female employees on a non-consolidated basis of 12.5% (actual result: 12.4%) and (3) the ratio of female managers on a non-consolidated basis of 10.0% (actual result: 8.2%) were both not achieved. We will clarify the issues that have emerged from our past efforts, set new targets, and promote measures that will enable women to maximize their abilities throughout the Group.

3) Realizing a “New Life Style” and promoting diverse work styles

As the effects of the COVID-19 pandemic continue to be felt around the world, we are working on measures to prevent the spread of the disease, placing the safety and health of our customers, business partners, local communities, employees and their families as our top priority. At our domestic and overseas bases, we are taking infection prevention measures according to the situation in each country to ensure both business continuity and safety.

The Company has promoted various initiatives for work style reform. In 2020, we expanded the application of the telework system so that office workers can choose to work from any location, for the purpose of career continuity, productivity improvement, and business continuity. In addition, in April 2021, we introduced a new “Optional Retirement Age System” to respond to the diversification of employees’ values regarding work styles, allowing them to choose either 60 or 65 years old (60 or 62 years old for managers) from the previous uniform retirement age of 60.

We will continue to take action keeping a close watch on the “New Life Style” as well, while promoting activities to realize “new styles of working” and “diverse work styles.”

Initiatives in “G” (Corporate Governance)

Listed in “3. Corporate Governance, Directors and Audit & Supervisory Board Members, etc.” (pages 49 to 64)

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

No items to report.

(Reference: Policy on the Company’s Cross-shareholdings)

The Company shall not hold shares of listed companies, except in cases where it is necessary for business relationships with investors or cooperation with the Company, from the viewpoint of preventing risk due to stock price fluctuations and increasing asset efficiency.

(7) Status of Principal Subsidiaries

1) Principal Subsidiaries (As of March 31, 2021)

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 (Minato-ku, Tokyo)	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, manufacture, 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 993 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
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 718 million.
- The number of consolidated subsidiaries of the Company, including those listed above, is 212, and the number of affiliated companies accounted for by the equity method is 42.

(8) Employees (As of March 31, 2021)

Segment	Number of Employees
Construction, Mining and Utility Equipment	56,567
Retail Finance	288
Industrial Machinery and Others	4,029
Others (Note 2)	680
Total	61,564

Notes:

- The total number of employees decreased by 1,259 from the end of the previous fiscal year.
- “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, 2021)

Name of Lenders	Balance of Loans (JPY billion)
Sumitomo Mitsui Banking Corporation	138.2
MUFG Bank, Ltd.	106.7
Mizuho Bank, Ltd.	63.4

(10) Other significant matters regarding the current conditions of the Company

At its meeting of the Board of Directors held on April 30, 2021, the Company resolved to carry out an absorption-type company split on July 1, 2021 (effective date), whereby the Company is to serve as the splitting company and the Company's wholly-owned subsidiary LANDLOG Ltd. is to serve as the successor company in assuming a portion of the Company's rights and liabilities, etc. relating to the Company's SMARTCONSTRUCTION business.

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, 2021)

- (1) Number of shares authorized to be issued: 3,955,000,000 shares
- (2) Total number of shares issued and outstanding: 945,568,123 shares
(excluding 27,319,487 shares of treasury stock)
- (3) Number of shareholders: 184,661
- (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)	86,574	9.15
Custody Bank of Japan, Ltd. (Trust Account)	56,175	5.94
SSBTC CLIENT OMNIBUS ACCOUNT (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	30,574	3.23
JP MORGAN CHASE BANK 385632 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	27,433	2.90
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
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (standing proxy: Sumitomo Mitsui Banking Corporation)	25,644	2.71
Custody Bank of Japan, Ltd. (Trust Account 7)	19,748	2.08
Custody Bank of Japan, Ltd. (Trust Account 5)	13,890	1.46
STATE STREET BANK WEST CLIENT - TREATY 505234 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	13,542	1.43

Notes:

- Shareholding ratio is calculated by subtracting treasury stock.
- Although the Company holds 27,319 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

(5) Status of shares delivered to Directors and Audit & Supervisory Board Members of the Company as consideration for their execution of duties during the fiscal year ended March 31, 2021

Details on stock-based remuneration delivered during the fiscal year ended March 31, 2021, are as follows.

Total number of shares delivered to Directors, Outside Directors and Audit & Supervisory Board Members

	Number of Shares	Number of Grantees
Directors (excluding Outside Directors)	60,950 shares	5
Outside Directors	0 shares	0
Audit & Supervisory Board Members	0 shares	0

Note: This constitutes the shares assigned to the Company's Directors from among the stock-based remuneration in the form of restricted stock compensation stated below under "(6) Other significant matters regarding the shares of the Company." Details regarding the Company's stock-based remuneration are stated under "3.(3)-3) Remuneration for Directors and Audit & Supervisory Board Members" (pages 52 to 60).

(6) 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 17, 2020, the Company issued new shares for stock-based remuneration in the form of restricted stock compensation, as follows.

1) Type and number of shares	306,380 common shares of the Company
2) Paid-in amount	JPY 2,275 per one (1) share
3) Total paid-in amount	JPY 697,014,500
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 87 persons
5) Payment date	September 1, 2020

(7) 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
2,915	291,500 shares	945,568,123 shares (excluding treasury stock)

Note: During the fiscal year ended March 31, 2021, 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

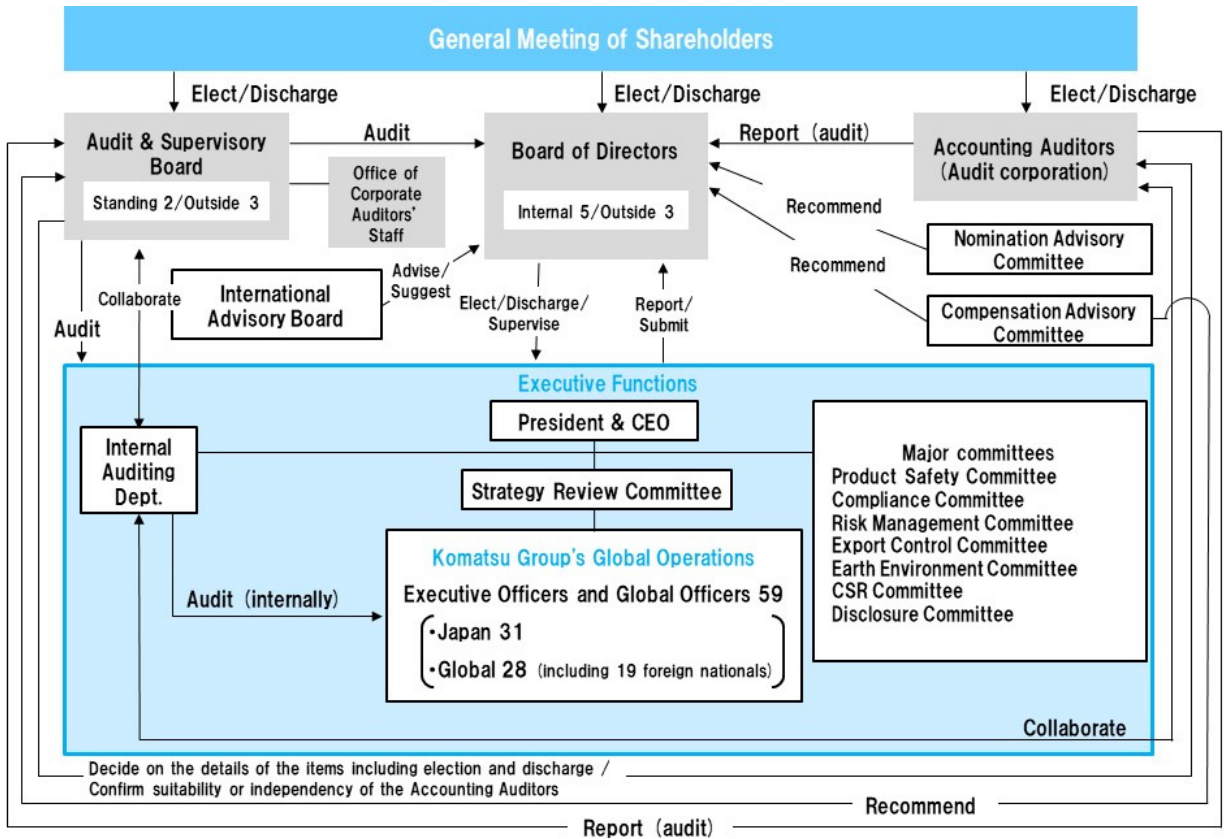
At the Company, the Board of Directors is positioned as the core of corporate governance, and to improve the effectiveness of discussions at meetings of the Board of Directors, the Company has worked to put in place a system to ensure thorough discussions of important management matters and prompt decision 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, 2021, 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, and (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” as its internal control systems, and continually works to enhance its corporate governance.

Pursuant to laws and regulations and Article 16 of the Company’s Articles of Incorporation, details of “Systems for Ensuring the Properness of Operations and Outline of Management of such Systems” are now available on the Komatsu corporate website.

⇒ <https://home.komatsu/en/ir/>



Note: The above diagram is as of March 31, 2021.

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

1) Names, etc. of Directors and Audit & Supervisory Board Members (As of March 31, 2021)

Position	Name	In Charge at the Company and/or Important Concurrent Positions Held in Other Organizations
Chairman 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, General Manager of ICT Project Department, and General Manager of Project Promotion Department
Director and Senior Executive Officer	Kuniko Urano	Supervising Safety & Health Care, Corporate Communications, and CSR
Director	Makoto Kigawa	Special Adviser of Yamato Holdings Co., Ltd. Outside Director of Seven Bank, Ltd.* Outside Director of Oki Electric Industry Co., Ltd.* Outside Audit & Supervisory Board Member of The Higo Bank, Ltd.*
Director	Takeshi Kunibe	Chairman of the Board of Sumitomo Mitsui Financial Group, Inc.* Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD* Outside Audit & Supervisory Board Member of Nankai Electric Railway Co., Ltd.*
Director	Arthur M. Mitchell	Registered foreign lawyer of White & Case LLP Outside Director of Sumitomo Mitsui Financial Group, Inc.*
Standing Audit & Supervisory Board Member	Hironobu Matsuo	—
Standing Audit & Supervisory Board Member	Terumi Sasaki	—
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.*
Audit & Supervisory Board Member	Eiko Shinotsuka	Professor Emeritus at Ochanomizu University
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 Makoto Kigawa, Takeshi Kunibe and Arthur M. Mitchell 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 Terumi Sasaki have long engaged in accounting-related duties at the Company, and have considerable 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, etc. regarding the determination of remuneration, etc. for individual Directors

At its meeting of the Board of Directors held on February 15, 2021, the Company passed a resolution on its policy regarding the determination of remuneration, etc. for individual Directors of the Company (the "Determination Policy"), upon having consulted with and accordingly reported to the Compensation Advisory Committee, which consists of seven (7) external members (three (3) Outside Directors, three (3) Outside Audit & Supervisory Board Members and one (1) outside expert) and one (1) internal member. The outline, etc. of the details of the Determination Policy are as follows:

In an effort to maintain a highly objective and transparent remuneration system, the Compensation Advisory Committee deliberates on the policy and levels of remuneration for Directors of the Company, then taking the Committee's reports and recommendations into consideration, the Board of Directors shall decide on the total amount of remuneration within the range previously determined by resolution of the General Meeting of Shareholders.

The remuneration for Directors excluding the Outside Directors (hereinafter "Internal Director") comprises basic remuneration (fixed remuneration) (refer to a) on page 53) 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) (refer to b) on page 53) as well as the performance-based remuneration (Stock-Based Remuneration B) (refer to c) on page 54) 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.

Regarding basic remuneration and bonus in cash within the remuneration stated above, the Compensation Advisory Committee reports monthly remuneration levels and levels of bonus in cash (number of times of monthly remuneration) by position to the Board of Directors after deliberation, and the Company makes a decision on the monthly remuneration levels and levels of bonus in cash (number of times of monthly remuneration) by position based on the details of this report, and the calculation and determination of the amount of individual basic remuneration (monthly remuneration) and the amount of bonus in cash in accordance with such decision are delegated to Chairman of the Board and Representative Director Tetsuji Ohashi and President and Representative Director Hiroyuki Ogawa pursuant to the resolution passed at a meeting of the Board of Directors. This authority has been delegated given that the monthly remuneration levels and levels of bonus in cash (number of

times of monthly remuneration) by position shall be deliberated and resolved by the Compensation Advisory Committee, and the Company has deemed it appropriate for decisions based on such outcomes with respect to individual amounts of basic remuneration and bonus in cash to become subject to discussion involving the Chairman of the Board and Representative Director as well as the President and Representative Director, drawing on their comprehensive perspective of the Company's overall business operations, rather than by engaging further deliberation and decision-making entailing consultation by the Board of Directors.

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 specific total amount of remuneration shall be determined by discussions among the Audit & Supervisory Board Members within the range previously determined by resolution of the General Meeting of Shareholders, taking reports and recommendations of the Compensation Advisory Committee into consideration.

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		
	Performance-Based Remuneration for a Single Year (Monthly Remuneration x 0 ~ 24)		Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan (Monthly Remuneration x 0 ~ 3)
Monthly Remuneration x 12	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
Monetary remuneration			Stock-based remuneration

- a) **Basic Remuneration**
With regard to levels of monthly remuneration as basic remuneration, a comparison to positions at other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its reports and recommendations. Subsequently, monthly remuneration levels by position will be decided by the Board of Directors based on these reports and recommendations.
- b) **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).

[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 of the fiscal year + 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 of the fiscal year + total assets at the end of the fiscal year)/2]

The Company selected such performance indicators upon having deemed them appropriate as quantitative values that reflect the entire Komatsu Group's efficiency and growth. In this regard, the Board of Directors made its decisions per deliberations of the Compensation Advisory Committee, taking into account factors that include past valuation indicators and potential continuity.

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

For the fiscal year ended March 31, 2021, the Company's actual results regarding its performance indicators consist of decreases in consolidated ROE of 5.8%, consolidated ROA of 4.4%, consolidated operating income ratio of 7.6%, and growth rate of sales of decrease of 10.4%. The Company accordingly determined the payment level based on such results.

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 based on a resolution passed at a meeting of the Board of Directors, 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 the 12 month portion, 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.

- c) 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 based on the resolution of the Board of Directors 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 mainly based on the achievement of the indicators presented in the table below, which are within the management targets of the mid-term management plan (pages 35 to 37) and as a general rule, the restriction of transfer on the shares will be lifted after three years from delivery.

Given that such remuneration constitutes performance-based remuneration under the mid-term management plan, the Company has selected these performance indicators having deemed them to be appropriate after comprehensively taking these performance indicators into consideration in order to multilaterally reflect in Directors' remuneration the Company's performance while paying close attention to growth and profitability in light of the goal of this remuneration system, which is to further contribute to the increase of medium- to long-term corporate value, after connecting it to the management targets established in the mid-term management plan.

The performance indicators that are the basis of the calculation of this remuneration are subject to change per resolution of the Board of Directors if the Company draws up a new mid-term management plan.

For the fiscal year ended March 31, 2021, the Company's actual results regarding its key performance indicators are as follows.

	Index	Results
Growth	Sales growth rate	Decrease of 10.4%
Profitability	Operating income ratio	7.6%
Efficiency	ROE ^{*1}	5.8%
Financial position	Net debt-to-equity ratio ^{*2}	0.35
Retail finance business	ROA ^{*3}	1.2%
	Net debt-to-equity ratio ^{*2}	3.69
ESG	Reduction of environmental impact	Reduction of CO ₂ emissions through product use (relative to 2010): 14% decrease (expected)
		Reduction of CO ₂ emissions through production (relative to 2010): 33% decrease (expected)
		Renewable energy use: 13% (expected)
	Evaluation by external organizations	Selected for DJSI ^{*4}
		Selected for CDP ^{*5} A-list (Climate Changes and Water Risk)

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

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

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

*4 Dow Jones Sustainability Indices: SRI indices announced 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.

[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-Term 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-term 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-term 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-term management plan, etc. In principle, the Company shall lift the Restrictions three (3) years after the grant of the Granted Shares.
(3) Amount of monetary compensation receivables to be provided and the maximum number of shares to be granted	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.	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.
	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.	
(4) Amount to be paid per share	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.	
(5) Restriction Period	The Restriction Period shall be three (3) years, and the Eligible Directors shall not Transfer the Granted Shares during such period.	

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan)
(6) Lifting of Restrictions	The Company shall, in principle, lift the Restrictions on the Granted Shares at the expiry of the Restriction Period.	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-term management plan based on the indicators set by the Board of Directors, including the major performance indicators set in the mid-term 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-term 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.

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Term 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-term 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-term 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, 2021

Classification	Number of Persons Paid	Performance-Based Remuneration, etc.			Total Amount of Remuneration, etc. Paid
		Fixed Remuneration			
		Monetary Remuneration		Non-monetary Remuneration, etc.	
		Basic Remuneration	Bonus in Cash	Stock-Based Remuneration (Note 3)	
Director	10	JPY 385 mil	JPY 88 mil	JPY 108 mil	JPY 582 mil
(Outside Director included above)	5	JPY 54 mil	–	–	JPY 54 mil
Audit & Supervisory Board Member	6	JPY 142 mil	–	–	JPY 142 mil
(Outside Audit & Supervisory Board Member included above)	3	JPY 55 mil	–	–	JPY 55 mil
Total	16	JPY 527 mil	JPY 88 mil	JPY 108 mil	JPY 724 mil
(Outside Director and Outside Audit & Supervisory Board Member included above)	8	JPY 110 mil	–	–	JPY 110 mil

Notes:

- As of the end of the fiscal year ended March 31, 2021, 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 and one (1) Audit & Supervisory Board Member who have retired as of the close of the 151st Ordinary General Meeting of Shareholders in June 2020.
- It was resolved at the 149th Ordinary General Meeting of Shareholders, held on June 19, 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. As of the end of this Ordinary General Meeting of Shareholders, there are eight (8) Directors (of which, three (3) are Outside Directors) and five (5) Audit & Supervisory Board Members (of which, three (3) are Outside Audit & Supervisory Board Members). 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. Meanwhile, it was also resolved that other conditions, etc. are to be as stated in this report under "i) [Details of Stock-Based Remuneration System by Restricted Stock]." 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, 2021. Specifically, the total amount of remuneration expenses for stock-based remuneration in the fiscal year ended March 31, 2021 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, 2021 (The number of shares to be granted has yet to be determined.), and (2) the amount of expense recorded as remuneration for the fiscal year ended March 31, 2021 paid by newly issuing shares as restricted stock compensation of Stock-Based

Remuneration B with the pay-in date of September 1, 2020, following the resolution passed at the Board of Directors meeting held on July 17, 2020 (equivalent to 33,670 shares). Other details of the stock-based remuneration and delivery status thereof is as stated in this report under “i) [Details of Stock-Based Remuneration System by Restricted Stock]” and “2.(5). Status of shares delivered to Directors and Audit & Supervisory Board Members of the Company as consideration for their execution of duties during the fiscal year ended March 31, 2021.”

4. The portions of salaries as employees for Directors concurrently serving as employees are not paid.
5. Amounts of less than JPY one (1) million are rounded to the nearest million yen.
6. Details regarding remuneration, etc. for individual Directors of the Company have been reported to the Board of Directors upon deliberation with respect to the monthly remuneration levels by position and levels of bonus in cash (number of times of monthly remuneration), subsequent to the Compensation Advisory Committee having engaged in deliberations encompassing the perspective of consistency with the Determination Policy. The Company’s Board of Directors (as well as both the Chairman of the Board and Representative Director and the President and Representative Director delegated such authority) has determined the amounts of remuneration for individual Directors based on reports and recommendations of the Compensation Advisory Committee, upon having confirmed appropriateness of the deliberation process of the Compensation Advisory Committee and the details of the reports and recommendations. As such, the Company’s Board of Directors deems that details of remuneration, etc. for individual Directors pertaining to the fiscal year ended March 31, 2021, are in alignment with the Determination Policy.

4) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in the Fiscal Year ended March 31, 2021, etc.

The status of major activities of Outside Directors and Outside Audit & Supervisory Board Members in the fiscal year ended March 31, 2021 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	Makoto Kigawa <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	Mr. Makoto Kigawa previously served as Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd. He has been actively expressing a wide range of opinions at the meetings of the Board of Directors mainly from the standpoint of appropriately monitoring the management strategies of the Company and contributing to the enhancement of the Company's medium- and long-term corporate value. During the fiscal year ended March 31, 2021, he accordingly provided comments based on his rich experience in the business world, particularly concerning such issues as working from home and other personnel arrangements, competitive strategies involving ICT, and inventory management. He also served as Chairman of the Company's Nomination Advisory Committee and Compensation Advisory Committee.

Name	Takeshi Kunibe <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (11 meetings out of the 11 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	Mr. Takeshi Kunibe has worked as Representative Director, President of Sumitomo Mitsui Banking Corporation and Representative Director and President as well as Director President and Representative Executive Officer of Sumitomo Mitsui Financial Group, Inc., and serves as Chairman of the Board of the said company. He has been actively expressing a wide range of opinions at the meetings of the Board of Directors mainly from the standpoint of contributing to sustaining and improving transparency and soundness of management as well as enhancing corporate governance. During the fiscal year ended March 31, 2021, he accordingly provided comments based on his rich experience in the business world, particularly concerning the M&A management system, business plan during the COVID-19 pandemic and ESG initiatives. In addition, he was a member of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

Name	Arthur M. Mitchell <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (11 meetings out of the 11 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	Mr. Arthur M. Mitchell has worked for many years as a New York state attorney and foreign law attorney in Japan. He has been actively expressing a wide range of opinions at the meetings of the Board of Directors mainly from the standpoint of mitigating and avoiding risk in the Company's global business operations and contributing to the enhancement of the Company's medium- and long-term corporate value. During the fiscal year ended March 31, 2021, he accordingly provided comments based on his international perspective and professional standpoint, particularly concerning such issues as business alliance strategy, data-related legal compliance, and initiatives geared to the North American market. In addition, he was a member of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

Note: As Outside Directors Mr. Takeshi Kunibe and Mr. Arthur M. Mitchell were elected at the 151st Ordinary General Meeting of Shareholders held in June 2020, their maximum number of meetings of attendance is different from that of the other Directors.

ii) Outside Audit & Supervisory Board Members

Name	Hirohide Yamaguchi <Independent Audit & Supervisory Board Member>
Attendance of 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, 2021, based on his professional standpoint, he provided comments at the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board concerning such issues as the status of the global economy, demand trends, 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 of 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, 2021, based on her professional standpoint, she provided comments at the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board concerning such issues as utilizing global human resources, environmental measures, and employee safety and health management. In addition, she was a member of the Company's Compensation Advisory Committee.

Name	Kotaro Ohno <Independent Audit & Supervisory Board Member>
Attendance of 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, 2021, based on his professional standpoint, he provided comments at the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board concerning such issues as the compliance system, group company management, and securing human resources. In addition, he was a member of the Company's Compensation Advisory Committee and an observer of the Compliance Committee.

(4) 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, 2021:	JPY 374 million
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to the Accounting Auditor:	JPY 661 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, 2021 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 five (35) 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, 2021)

	(JPY million)	
	(Reference)	
	152nd Fiscal Year	151st Fiscal Year
Assets		
Current assets:		
Cash and cash equivalents	241,803	247,616
Time deposits	1,324	2,057
Trade notes and accounts receivable, net	820,698	744,395
Inventories	793,852	805,309
Other current assets	131,615	147,413
Total current assets	1,989,292	1,946,790
Long-term trade receivables, net	446,860	420,918
Investments:		
Investments in and advances to affiliated companies	39,286	38,210
Investment securities	8,236	7,328
Other	2,511	2,436
Total investments	50,033	47,974
Property, plant and equipment-less accumulated depreciation and amortization	787,373	757,679
Operating lease right-of-use assets	57,930	53,454
Goodwill	170,687	157,521
Other intangible assets-less accumulated amortization	168,981	162,062
Deferred income taxes and other assets	113,685	107,288
Total assets	3,784,841	3,653,686

	(JPY million)	
	(Reference)	
	152nd Fiscal Year	151st Fiscal Year
Liabilities		
Current liabilities:		
Short-term debt	271,462	483,658
Current maturities of long-term debt	98,004	118,880
Trade notes, bills and accounts payable	258,316	220,160
Income taxes payable	26,858	23,169
Current operating lease liabilities	15,882	14,933
Other current liabilities	322,347	297,825
Total current liabilities	992,869	1,158,625
Long-term liabilities:		
Long-term debt	540,517	409,840
Liability for pension and retirement benefits	104,083	96,392
Long-term operating lease liabilities	39,982	38,624
Deferred income taxes and other liabilities	95,365	93,980
Total long-term liabilities	779,947	638,836
Total liabilities	1,772,816	1,797,461
Equity		
Komatsu Ltd. shareholders' equity		
Common stock	69,037	68,689
Capital surplus	135,835	136,459
Retained earnings:		
Appropriated for legal reserve	47,378	46,813
Unappropriated	1,750,914	1,699,477
Accumulated other comprehensive income (loss)	(42,012)	(130,666)
Treasury stock at cost	(48,855)	(49,166)
Total Komatsu Ltd. shareholders' equity	1,912,297	1,771,606
Noncontrolling interests	99,728	84,619
Total equity	2,012,025	1,856,225
Total liabilities and equity	3,784,841	3,653,686

Consolidated Statement of Income

(From April 1, 2020 to March 31, 2021)

	(JPY million)	
	(Reference)	
	152nd Fiscal Year	151st Fiscal Year
Net sales	2,189,512	2,444,870
Cost of sales	1,608,457	1,749,048
Selling, general and administrative expenses	408,716	440,792
Impairment loss on long-lived assets	2,403	3,194
Impairment loss on goodwill	–	3,699
Other operating income (expenses), net	(2,608)	2,570
Operating income	167,328	250,707
Other income (expenses), net:		
Interest and dividend income	5,293	7,378
Interest expense	(13,766)	(24,592)
Other, net	3,920	(10,379)
Total	(4,553)	(27,593)
Income before income taxes and equity in earnings of affiliated companies	162,775	223,114
Income taxes:		
Current	52,207	66,464
Deferred	(5,288)	(3,591)
Total	46,919	62,873
Income before equity in earnings of affiliated companies	115,856	160,241
Equity in earnings of affiliated companies	2,760	3,443
Net income	118,616	163,684
Less: Net income attributable to noncontrolling interests	12,379	9,840
Net income attributable to Komatsu Ltd.	106,237	153,844

Non-Consolidated Financial Statements

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

Non-Consolidated Balance Sheet

(As of March 31, 2021)

	(JPY million)	
	(Reference)	
	152nd Fiscal Year	151st Fiscal Year
Assets		
Current assets:		
Cash and deposits	234,745	297,095
Notes receivable-trade	1,252	1,594
Accounts receivable-trade	170,391	129,987
Merchandise and finished goods	35,477	39,491
Work in process	41,185	40,099
Raw materials and supplies	3,637	3,327
Prepaid expenses	4,778	4,544
Short-term loans receivable	28,155	40,188
Accounts receivable-other	24,046	31,094
Other current assets	3,286	3,085
Allowance for doubtful accounts	(375)	(655)
Total current assets	546,581	589,853
Non-current assets:		
Property, plant and equipment:		
Buildings	94,703	92,008
Structures	15,581	16,175
Machinery and equipment	44,439	42,785
Vehicles	823	810
Tools, furniture and fixtures	11,253	11,102
Rental equipment	53,755	53,403
Land	45,477	45,857
Construction in progress	7,847	5,837
Total property, plant and equipment	273,882	267,981
Intangible assets:		
Software	33,065	26,782
Other intangible assets	233	119
Total intangible assets	33,298	26,902
Investments and other assets:		
Investment securities	1,656	1,407
Stocks of subsidiaries and affiliates	390,994	390,106
Investments in capital of subsidiaries and affiliates	39,813	40,676
Long-term loans receivable	17,659	14,755
Long-term prepaid expenses	3,419	3,326
Deferred tax assets	24,641	20,280
Other investments	3,960	5,124
Allowance for doubtful accounts	(890)	(1,479)
Allowance for investment loss	(2,285)	(2,285)
Total investments and other assets	478,970	471,914
Total non-current assets	786,152	766,798
Total assets	1,332,733	1,356,652

	(JPY million)	
	(Reference)	
	152nd Fiscal Year	151st Fiscal Year
Liabilities		
Current liabilities:		
Notes payable-trade	5	9
Accounts payable-trade	83,326	58,780
Short-term loans payable	35,356	7,805
Commercial papers	110,000	207,000
Current portion of bonds	–	50,000
Accounts payable-other	13,727	15,177
Accrued expenses	26,823	22,376
Income taxes payable	2,351	–
Advances received	361	60
Deposits received	38,844	33,624
Provision for bonuses	8,348	10,349
Provision for directors' bonuses	71	157
Provision for product warranties	7,050	7,758
Other current liabilities	9,892	6,341
Total current liabilities	336,160	419,438
Non-current liabilities:		
Bonds payable	70,000	20,000
Long-term loans payable	66,000	34,500
Provision for product warranties	1,602	2,200
Provision for retirement benefits	50,017	42,143
Other long-term liabilities	11,356	9,367
Total non-current liabilities	198,976	108,211
Total liabilities	535,136	527,649
Net Assets		
Shareholders' equity:		
Capital stock	71,322	70,973
Capital surplus:	141,701	141,279
Legal capital surplus	141,341	140,993
Other capital surplus	359	285
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:	615,215	646,203
Reserve for special depreciation	24	99
Reserve for advanced depreciation of non-current assets	11,728	12,082
General reserve	210,359	210,359
Retained earnings brought forward	393,103	423,662
Total retained earnings	633,252	664,240
Treasury stock	(48,448)	(48,761)
Total shareholders' equity	797,827	827,731
Valuation and translation adjustments:		
Deferred gains or losses on hedges	(863)	234
Total valuation and translation adjustments	(863)	234
Stock acquisition rights:		
Stock acquisition rights	632	1,036
Total stock acquisition rights	632	1,036
Total net assets	797,596	829,003
Total liabilities and net assets	1,332,733	1,356,652

Non-Consolidated Statement of Income

(From April 1, 2020 to March 31, 2021)

	(JPY million)	
	(Reference)	
	152nd Fiscal Year	151st Fiscal Year
Net sales	653,587	719,292
Cost of sales	541,128	563,160
Gross profit	112,458	156,132
Selling, general and administrative expenses	122,330	130,033
Operating income (loss)	(9,872)	26,099
Non-operating income:		
Interest and dividends income	39,199	39,888
Transfer pricing taxation adjustment	–	2,739
Other non-operating income	4,562	1,925
Non-operating expenses:		
Interest expenses	319	179
Transfer pricing taxation adjustment	3,284	–
Other non-operating expenses	5,229	8,464
Ordinary income	25,055	62,008
Extraordinary income:		
Gain on sales of land	–	772
Gain on sales of investments in capital of subsidiaries and affiliates	3,024	–
Extraordinary losses:		
Impairment loss	224	–
Loss on revision of retirement benefit plan	9,014	–
Income before income taxes	18,840	62,781
Income taxes:		
Income taxes-current	1,289	3,575
Income taxes-deferred	(4,323)	889
Net income	21,875	58,316

Auditors' Report

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

Independent Auditor's Report

May 12, 2021

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, 2021 and for the year from April 1, 2020 to March 31, 2021 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 12, 2021

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, 2021 and for the 152nd fiscal year from April 1, 2020 to March 31, 2021, 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 152nd Fiscal Year from April 1, 2020 to March 31, 2021, 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 18, 2021

The Audit & Supervisory Board

Hironobu Matsuo (Seal)
Standing Audit & Supervisory Board Member

Terumi Sasaki (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

Creating value together 100th Anniversary of Komatsu

Komatsu celebrated its 100th anniversary on May 13, 2021. Established in Komatsu City, Ishikawa Prefecture, Komatsu has committed to quality and reliability and worked to maximize the trust of customers, shareholders, distributors, suppliers, business partners, and all other stakeholders to date.

Considering its 100th anniversary as a communication opportunity to enhance and disseminate its corporate brand and express appreciation to all stakeholders for their support over the years, Komatsu is implementing the following commemorative activities and will make efforts for sustainable growth into the future.

Looking into the next 100 years, Komatsu will continue to move forward with its stakeholders as it creates value through manufacturing and technology innovation to empower a sustainable future where people, businesses and our planet thrive together.

Corporate identity

Komatsu has defined its corporate identity by reflecting on its strength and its relations with society sustained for 100 years. Specifically, Komatsu has articulated its mission and vision as its purpose, together with its values.

The corporate identity also incorporates pieces that have been created over the company’s history: Founding Principles, the Komatsu Way, Komatsu Worldwide Code of Business Conduct as well as strategies including the mid-term management plan. Furthermore, Komatsu has created the brand promise (tagline) of “Creating value together.”

Defining our priorities and direction for the futures will help us operate in a consistent manner around the world, as our business becomes more global and stakeholders diversify further.

- 100th anniversary commemorative movie “Creating value together”:
https://komatsu-100th.com/en/special_movie.html

Purpose

**Creating value through manufacturing and technology innovation
to empower a sustainable future
where people, businesses and our planet thrive together.**

Values

<p>Ambition</p> <p>With a 'challenging spirit' and without fear of failure, we innovate and always aspire to do more</p>	<p>Perseverance</p> <p>Even when the work is difficult, we remain committed to our promises and reliably carry them through to completion</p>	<p>Collaboration</p> <p>Creating value comes from teamwork, inclusion, respect, diversity and a win-win approach to all relationships</p>	<p>Authenticity</p> <p>To earn and maintain trust, we always act with sincerity, integrity and honesty, and communicate transparently</p>
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Brand promise (tagline)

Creating value together

“One World One Komatsu” employee-driven social contribution project

Komatsu defines CSR as activities to respond to social demands through core business, and works for sustainable growth with society by solving ESG issues. Komatsu is launching the “One World One Komatsu” employee-driven social contribution project, Komatsu’s first global platform which all Komatsu group employees around the world can join. This exclusive platform can consolidate the voluntary and simple efforts of each participant under the theme of environmental sustainability into group-wide sharing. It allows for easy logins from PCs and smartphones and transcends national and linguistic barriers. It thereby connects all Komatsu Group employees worldwide, nurturing a sense of unity for the Komatsu Group as they work for the common goal, and promoting activities designed for a sustainable earth.

“Komatsu future 203X” 100th anniversary commemorative movie

For the goal of achieving safe, highly productive, smart and clean workplaces of the future, this movie, which is available on the Komatsu 100th anniversary website, portrays future workplaces as Komatsu wants them to look like in 10 to 20 years by focusing on five workplaces: mining, construction, forestry and agriculture, industrial machinery, and Komatsu’s production.

By digitalizing workplaces worldwide and connecting land features, man, machinery, and materials on an open platform, Komatsu will solve on-site problems and optimize on-site operations, improve a variety of machine utilization rates, and secure a carbon neutral environment.

- 100th anniversary commemorative movie “Komatsu future 203X”:
https://komatsu-100th.com/en/special_movie.html



Renewal of Komatsu-no-mori

Komatsu renewed Komatsu-no-mori in Komatsu City, Ishikawa Prefecture on May 13, the anniversary of Komatsu’s founding (although Komatsu-no-mori is scheduled to open from June 1, this date may be changed based on requests from the national or local government depending on the situation regarding COVID-19). Komatsu opened Komatsu-no-mori in 2011 at the home of Komatsu as part of its 90th anniversary commemorative project. It is a place to develop human resources on a global scale and as a place to nurture children together with the local communities. As part of the renewal project aiming at sustainable contributions for local communities, Komatsu has taken new initiatives to open the Waku-Waku History Pavilion designed to trigger visitors to look back on Komatsu’s history and displays a unit of the PC4000 super-large hydraulic excavator next to the 930E, a dump truck of the world’s largest class, which has been there since 2011. Komatsu hopes that Komatsu-no-mori will continue to offer active opportunities to local communities by attracting many visitors, helping them become interested in manufacturing and nature, and learn about its technologies.

- Komatsu-no-mori website: <https://komatsunomori.jp/>



100th anniversary website

For more information concerning the commemorative activities above and other events, Komatsu will keep them updated on its 100th anniversary website.

- Komatsu 100th anniversary website: <https://komatsu-100th.com/en/>

(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.

May 28, 2021

Dear Shareholders:

Items Disclosed on Internet Concerning Notice of Convocation of the 152nd 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 152nd 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.
5. Systems for Ensuring the Properness of Operations and Outline of Management of such Systems

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

	149th Fiscal Year (April 2017 - March 2018)	150th Fiscal Year (April 2018 - March 2019)	151st Fiscal Year (April 2019 - March 2020)	152nd Fiscal Year (April 2020 - March 2021)
Net sales (JPY billion)	2,501.1	2,725.2	2,444.8	2,189.5
Operating income (JPY billion)	268.5	397.8	250.7	167.3
Income before income taxes and equity in earnings of affiliated companies (JPY billion)	291.8	377.4	223.1	162.7
Net income attributable to Komatsu Ltd. (JPY billion)	196.4	256.4	153.8	106.2
Net income attributable to Komatsu Ltd. per share (JPY)	208.25	271.81	162.93	112.43
ROE* ¹ (%)	12.1	14.7	8.6	5.8
ROA* ² (%)	9.7	10.8	6.1	4.4
Total assets (JPY billion)	3,372.5	3,638.2	3,653.6	3,784.8
Komatsu Ltd. shareholders' equity (JPY billion)	1,664.5	1,815.5	1,771.6	1,912.2

*1 ROE=Net income attributable to Komatsu Ltd. for the year/[(Komatsu Ltd. shareholders' equity at the beginning of the fiscal year + 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 of the fiscal year + 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, 2021)

Segment	Principal Products and Businesses	
Construction, Mining and Utility Equipment	Excavating Equipment	Hydraulic excavators, rope shovels, mini excavators, backhoe loaders, and blasthole drills
	Loading Equipment	Wheel loaders, mini wheel loaders, and skid-steer loaders
	Grading and Roadbed Preparation Equipment	Bulldozers and motor graders
	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, longwall shearers, load haul dumps, and jumbo drills
	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, 2021)

(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 (Minato-ku, Tokyo)
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)
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, 2021)

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. 20 Stock Acquisition Rights (August 1, 2013)	96	9,600 shares (100 shares)	Without consideration	JPY 1	From August 1, 2016 to July 31, 2021
No. 22 Stock Acquisition Rights (August 1, 2014)	230	23,000 shares (100 shares)	Without consideration	JPY 1	From August 1, 2017 to July 31, 2022
No. 23 Stock Acquisition Rights (August 3, 2015)	116	11,600 shares (100 shares)	JPY 1,989	JPY 1	From August 3, 2018 to July 31, 2023
No. 24 Stock Acquisition Rights (August 3, 2015)	410	41,000 shares (100 shares)	Without consideration	JPY 1	From August 3, 2018 to July 31, 2023
No. 25 Stock Acquisition Rights (August 1, 2016)	157	15,700 shares (100 shares)	JPY 1,721	JPY 1	From August 1, 2019 to July 31, 2024
No. 26 Stock Acquisition Rights (August 1, 2016)	680	68,000 shares (100 shares)	Without consideration	JPY 1	From August 1, 2019 to July 31, 2024
No. 27 Stock Acquisition Rights (August 1, 2017)	122	12,200 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)	1,104	110,400 shares (100 shares)	Without consideration	JPY 1	From August 1, 2020 to July 31, 2025
Total	2,915	291,500 shares	[Reference: Total number of issued shares: 945,568,123 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, 2021)

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. 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. 28 Stock Acquisition Rights	2	54	5,400 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	1	6	600 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. 28 Stock Acquisition Rights	1	14	1,400 shares

Note: Above indicates Stock Acquisition Rights issued at the time when incumbent Audit & Supervisory Board Member, as of March 31, 2021, 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, 2021 to Employees of the Company and Directors of the Subsidiaries of the Company

No items to report.

5. 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 1. Current Conditions of Komatsu, (1) Outline of Operations and Business Results, page 25*) 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, 2021

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) Meetings were held consisting of Outside Directors and Outside Audit & Supervisory Board Members, and they exchanged opinions about</p>

	<p>management issues from an independent and objective standpoint. Furthermore, they discussed such matters with the President and shared the understanding and recognition of management issues.</p> <p>4) 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”
	2 Systems for Retention and Management of Information Related to Directors’ Execution of Duties 4 Systems for Ensuring Efficient Execution of Duties by Directors
Risk Management	Outline
	<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> <p>In response to the global spread of COVID-19, the Emergency-response Committee, led by the President, was established in March 2020. This committee collects and shares information globally with each function, such as human resources, marketing, production and development, and determine and deploy response policies. (Held 79 times)</p>
	Relevant “Systems for Ensuring the Properness of Operations”
	3 Rules and Other Systems for Risk Management 6-2 Rules and Other Systems for Risk Management at Subsidiaries
Compliance	Outline
	<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, 2021. The Committee also conducted a “visualization survey” of latent risks. Monthly publication of the Company bulletin “Compliance for Everyone” continued into its 16th 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”
	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 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
Management of Subsidiaries	Outline
	<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 45 main subsidiaries (12 in Japan, 33 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 45 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</p>

	significant impact on consolidated business operations.
	Relevant “Systems for Ensuring the Properness of Operations”
	6 Systems for Ensuring the Proper Operation of Komatsu Comprising the Company and Its Subsidiaries
	6-1 Systems for Ensuring Items Related to the Implementation of Duties by Directors and Other Employees at Subsidiaries are Reported to the Company
	6-3 Systems for Ensuring Efficient Execution of Duties by Directors and Other Employees at Subsidiaries
Audit & Supervisory Board Members	Outline
	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. They also periodically exchange opinions with the Internal Auditing Department and the Accounting Auditors and maintain close contact to enhance the effectiveness of audits. 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.
	Relevant “Systems for Ensuring the Properness of Operations”
	7 Employees Assisting Audit & Supervisory Board Members for Execution of Their Duties, When They Ask for Such Employees
	8 Matters Regarding the Independence of the Assistants to Audit & Supervisory Board Members from Directors and the Effectiveness of Instructions Issued to the Assistants
	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
	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
	9-2 Systems to Ensure Individuals who Provide Reports to Audit & Supervisory Board Members are not Given any Disadvantageous Treatment for the Provision Thereof
	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
Elimination of Antisocial Forces	Outline
	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.
	Relevant “Systems for Ensuring the Properness of Operations”
	11 Basic Policy Pertaining to the Elimination of Antisocial Forces

II Consolidated Financial Statements

1. Consolidated Statement of Equity

(From April 1, 2020 to March 31, 2021)

(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	68,689	136,459	46,813	1,699,477	(130,666)
Cash dividends				(53,878)	
Transfer to retained earnings appropriated for legal reserve			565	(565)	
Other changes		(639)		(357)	339
Comprehensive income (loss):					
Net income				106,237	
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments					96,450
Pension liability adjustments					(7,314)
Net unrealized holding gains (losses) on derivative instruments					(821)
Comprehensive income (loss)					
Issuance and exercise of stock acquisition rights		(405)			
Purchase of treasury stock					
Sales of treasury stock		74			
Restricted stock compensation	348	346			
Balance at the end of current period	69,037	135,835	47,378	1,750,914	(42,012)

	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at the beginning of current period	(49,166)	1,771,606	84,619	1,856,225
Cash dividends		(53,878)	(6,108)	(59,986)
Transfer to retained earnings appropriated for legal reserve		-		-
Other changes		(657)	(326)	(983)
Comprehensive income (loss):				
Net income		106,237	12,379	118,616
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		96,450	9,016	105,466
Pension liability adjustments		(7,314)	17	(7,297)
Net unrealized holding gains (losses) on derivative instruments		(821)	131	(690)
Comprehensive income		194,552	21,543	216,095
Issuance and exercise of stock acquisition rights		(405)		(405)
Purchase of treasury stock	(57)	(57)		(57)
Sales of treasury stock	368	442		442
Restricted stock compensation		694		694
Balance at the end of current period	(48,855)	1,912,297	99,728	2,012,025

2. Notes to Consolidated Financial Statements

Notes Concerning the 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: | 212 companies
(New additions: 4 companies, exclusions: 11 companies) |
| (2) Number of affiliated companies accounted for by the equity method: | 42 companies
(New addition: None, exclusion: None) |

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:
Komatsu measures equity securities without readily determinable fair values at the carrying amount after the write-down due to impairment, except for investments which are measured at net asset value per share. If Komatsu identifies observable price changes in orderly transactions for identical or similar investments issued by the same issuer, Komatsu measures the equity security at fair value as of the date that the observable transaction occurred.
- (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) Revenue Recognition

Komatsu recognizes revenue based on the following five steps in accordance with Codification Topic 606, "Revenue from Contracts with Customers."

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The details are as described in "Notes Concerning Revenue Recognition."

(7) Accounting for consumption taxes, etc.

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

Notes Concerning Revenue Recognition

Komatsu engages in the business activities of sales of products, services and retail financing for customers in Japan and overseas, under three operating segments: the "Construction, Mining and Utility Equipment" operating segment, the "Retail Finance" operating segment and the "Industrial Machinery and Others" operating segment. In these business activities, Komatsu provides goods or services identified in contracts with customers. Komatsu recognizes revenue when or as control over these goods or services is transferred to the customer at the amount of the transaction price that reflects the consideration to which it expects to be entitled. When two or more goods or services are provided to the same customer, Komatsu identifies performance obligations in a single contract or combined contracts and allocates the transaction price to each identified performance obligations based on relative stand-alone selling prices.

For sale of equipment, parts, attachment and others, revenue is recognized when the customers accept the goods or services. Conditions for acceptance, such as shipping, receipt by customers, completion of installation or completion of performance test, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

For services such as periodic check, maintenance, and repair and other services, revenue is recognized when provision of the service is completed, or over the period for which the service is provided. Conditions for completion of service provision, including receipt of completion report, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

Komatsu's certain consolidated subsidiaries have signed long-term maintenance contracts with their customers, in which case the customers receive services and simultaneously consume them as the performance obligations are satisfied. Thus, revenue from such services is recognized over the period of the contract with the customer in accordance with the progress percentage on the basis of costs incurred, which appropriately represents the transfer of control to the customer.

Shipping and handling activities occurring after control over an equipment has transferred to a customer are not identified as services.

Certain transaction prices include variable consideration such as future discounts and sales returns. Variable consideration is an estimate of the expected value or the most likely amount, to the extent that it is probable that a significant reversal in cumulative revenue recognized up to that point will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the period between when control over goods or services is transferred to the customer and when the customer pays for the goods or services is expected to be one year or less at the inception of the contract, Komatsu does not make any adjustment for the effect of time value of consideration.

Komatsu is obligated to accept parts returned from customers for a certain period after the sale. In consideration of the relevant historical return result and other factors, Komatsu's right to recover parts from customers is recognized in other current assets as a return asset, and also a refund liability is recognized in other current liabilities for its obligation to refund the customers upon return of parts.

With regard to transactions with combination of products, periodic check, maintenance and others, performance obligations are identified in a single contract or combined contracts. Transaction price is allocated to each identified performance obligation according to the proportion of stand-alone selling price that is determined based on observable price such as contract amount, and estimated cost including historical experience.

After the product are sold or delivered, Komatsu repairs the sold product and replaces parts free of charge for a certain period in accordance with the contract. Thus, in order to provide for disbursement of the after-sales service costs, provision for product warranties is recognized based on the relevant historical result. In addition to this standard warranty, Komatsu offers a package of extended warranty for power line (engine & power systems and hydraulic system) upon the purchase of a product and free maintenance service as a service program to maintain the performance of construction equipment over a longer period of time. Komatsu determines this program to be a service-type warranty, and identifies a separate performance obligation for recognizing revenue from this program.

As the costs incurred to obtain a contract with a customer are to be amortized within one year, they are expensed as incurred by applying a practical expedient on the costs for obtaining a contract with a customer.

(i) Disaggregation of revenue

Revenue from contracts with customers and other sources are as follows.

Revenue recognized from contracts with customers	JPY	1,971,691 million
Revenue recognized from other sources	JPY	217,821 million
Total	JPY	2,189,512 million

Revenue recognized from other sources primarily comprises revenue recognized from lease contracts and financial income such as interest income.

The disaggregation of revenue by operating and geographic segment are as follows.

(JPY million)

	Japan	The Americas	Europe and CIS	China	Asia (excluding Japan and China) and Oceania	Middle East and Africa	Total
Construction, Mining and Utility Equipment	294,890	732,463	295,916	146,225	368,912	122,801	1,961,207
Retail Finance	2,090	42,540	4,089	3,056	6,383	219	58,377
Industrial Machinery and Others	87,322	23,387	8,039	20,317	30,740	123	169,928
Total	384,302	798,390	308,044	169,598	406,035	123,143	2,189,512

The amounts classified into revenue recognized from other sources within the net sales of the Construction, Mining and Utility Equipment operating segment are JPY 35,132 million in Japan, JPY 24,977 million in the Americas, JPY 38,040 million in Europe and CIS, JPY 46,934 million in China, and JPY 15,120 million in Asia (excluding Japan and China) and Oceania. Net sales of the Retail Finance operating segment are primarily the amounts classified into revenue recognized from other sources.

(ii) Contract balances

Contract balances arising from contracts with customers are as follows:

Receivables *1	JPY	1,036,127 million
Contract assets *2	JPY	2,886 million
Contract liabilities *3	JPY	106,990 million

Notes:

1. Receivables are included in trade notes and accounts receivable, net and long-term trade receivables, net in the accompanying consolidated balance sheet. These amounts are before deducting allowance for doubtful receivables.
2. Contract assets are included in trade notes and accounts receivable, net in the accompanying consolidated balance sheet. These amounts are before deducting allowance for doubtful receivables.
3. Contract liabilities are included in other current liabilities and deferred income taxes and other liabilities in the accompanying consolidated balance sheet.

Komatsu's contract assets mainly relate to its right to consideration for product sales contracts in the industrial machinery business, for which the performance obligation has been satisfied but the invoicing conditions have not been satisfied as of a reporting date. Contract assets are reclassified to receivables when the right to consideration becomes unconditional.

Komatsu's contract liabilities are those arising from all or part of the consideration received from the customers before the corresponding performance obligation is satisfied. The main components of the contract liabilities are unearned revenue and advances received. Komatsu recognizes unearned revenue by identifying separate performance obligations such as extended warranties. Advances

received from the customers are recognized in long-term maintenance contracts for which revenue is recognized over the contract period, and also in product sales contracts for large press machines and the like for which revenue is recognized upon acceptance of the customers.

Revenue recognized for the fiscal year ended March 31, 2021 that was included in the contract liability balance as of March 31, 2020 was JPY 55,849 million.

The amount of revenue recognized from the performance obligations satisfied or partially satisfied in the previous periods and the amount of impairment losses recognized for receivables and contract assets are immaterial. Additionally, there were no significant changes in contract assets and contract liabilities for contracts with customers.

(iii) Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year was JPY 169,127 million, of which JPY 80,489 million is expected to be recognized as revenue in the fiscal year ending March 31, 2022.

Notes Concerning Accounting Estimates

Komatsu (the Company and its consolidated subsidiaries) has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses presented in consolidated financial statements prepared in accordance with U.S. GAAP. Actual results could differ from the estimates and assumptions. Komatsu has identified several areas where it believes estimates and assumptions are particularly critical to the consolidated financial statements. These are the determination of the useful lives of property, plant and equipment, the allowance for doubtful receivables, impairment of long-lived assets and goodwill, liabilities and expenses for pension and retirement benefits, provision for product warranties, fair value of financial instruments, realization of deferred tax assets, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates.

Regarding the impact of the novel coronavirus (COVID-19) pandemic on the financial position and results of operations of Komatsu, just when COVID-19 will be contained, and other factors are still unclear. Nevertheless, Komatsu has assumed that a certain level of the COVID-19-related impacts will continue in the future, based on the information which is available at present and our predictions.

Komatsu is making its best estimates based on the assumption to assess the amount of probable credit losses, the recoverability of deferred tax assets and the impairment losses on long-lived assets and goodwill given these items are relatively material among the accounting estimates. However, if actual future trends deviate from the assumption, Komatsu's financial position and results of operations may be affected.

Notes to Consolidated Balance Sheet

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|--|---------------------|
| (1) Allowance for doubtful trade notes and accounts receivable and long-term trade receivables: | JPY 17,149 million |
| (2) Accumulated depreciation of property, plant and equipment: | JPY 944,080 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	149 million	
Total	JPY	149 million	
(5) Guarantee obligations			
Guarantee obligations for borrowings made by employees, affiliated companies, customers and others:	JPY	9,769 million	
Guarantee obligations for subsidiaries to perform the obligations of the terms and conditions of contracts	JPY	18,618 million	

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.

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	241,803	241,803	—
(2) Time deposits	1,324	1,324	—
(3) Long-term trade receivables, net, excluding lease receivables	316,111	316,111	—
(4) Short-term debt	(271,462)	(271,462)	—
(5) Long-term debt, including current portion	(638,521)	(639,139)	(618)
(6) Derivatives, net	(3,760)	(3,760)	—

* 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) Short-term debt

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

(5) 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.

(6) 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 8,236 million) are primarily non-marketable equity securities with no readily determinable fair value, and therefore are not included in the table above.

Notes Concerning Investment and Rental Property

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

Notes Concerning Per Share Information

(1) Komatsu Ltd. shareholders' equity per share	JPY	2,023.34
(2) Basic net income attributable to Komatsu Ltd. per share	JPY	112.43
(3) Diluted net income attributable to Komatsu Ltd. per share	JPY	112.39

Notes Concerning Significant Subsequent Events

The Company's Board of Directors resolved the following matters at the Board meeting held on April 30, 2021.

- 1) The Company will engage in the joint business (hereinafter the "Joint Business") of developing, providing, and servicing digital solutions (worksite visualization devices, platforms, and applications) for the construction industry at LANDLOG Ltd. (hereinafter "LANDLOG"), a wholly-owned subsidiary of the Company, with NTT DOCOMO, INC. (hereafter "DOCOMO"), Sony Semiconductor Solutions Corporation (hereinafter "Sony"), and Nomura Research Institute, Ltd. (hereafter "NRI").

- 2) Toward the Joint Business, (i) the Company will transfer part of the rights and liabilities, etc. related to the SMARTCONSTRUCTION business to LANDLOG through a company split (absorption-type company split) with effective date of July 1, 2021 (scheduled), and (ii) LANDLOG will execute the third-party allocation of shares to DOCOMO, Sony, and NRI.

Along with the Joint Business, LANDLOG plans to change its name to EARTHBRAIN Ltd. With the Joint Business, the Company's ownership ratio in LANDLOG will decrease from 100% to 54.5%. The Company anticipates no material impact on Komatsu's financial position and results of operations.

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, 2020 to March 31, 2021)

(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	70,973	140,993	285	141,279	18,036	99	12,082	210,359
Cumulative effects of changes in accounting policies								
Restated balance	70,973	140,993	285	141,279	18,036	99	12,082	210,359
Changes of items during the period								
Reversal of reserve for special depreciation						(75)		
Reversal of reserve for advanced depreciation of non-current assets							(354)	
Dividends from surplus								
Net income								
Purchase of treasury stock								
Disposal of treasury stock			73	73				
Restricted stock compensation	348	348		348				
Net changes of items other than shareholders' equity								
Total changes of items during the period	348	348	73	422	–	(75)	(354)	–
Balance at the end of current period	71,322	141,341	359	141,701	18,036	24	11,728	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	423,662	664,240	(48,761)	827,731	234	234	1,036	829,003
Cumulative effects of changes in accounting policies	1,014	1,014		1,014				1,014
Restated balance	424,677	665,255	(48,761)	828,746	234	234	1,036	830,018
Changes of items during the period								
Reversal of reserve for special depreciation	75	–		–				–
Reversal of reserve for advanced depreciation of non-current assets	354	–		–				–
Dividends from surplus	(53,878)	(53,878)		(53,878)				(53,878)
Net income	21,875	21,875		21,875				21,875
Purchase of treasury stock			(19)	(19)				(19)
Disposal of treasury stock			332	406				406
Restricted stock compensation				697				697
Net changes of items other than shareholders' equity					(1,098)	(1,098)	(404)	(1,503)
Total changes of items during the period	(31,573)	(32,003)	313	(30,918)	(1,098)	(1,098)	(404)	(32,421)
Balance at the end of current period	393,103	633,252	(48,448)	797,827	(863)	(863)	632	797,596

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 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 ended March 31, 2021.
 - 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 ended March 31, 2021.
 - 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 end of the fiscal year ended March 31, 2021.

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 ended March 31, 2021. Past service cost is amortized at the lump-sum amount in the fiscal year when it is incurred. Actuarial loss is amortized in an amount proportionally appropriated on a straight-line basis over a certain number of years (10 years), which is shorter than the average remaining service period of employees, beginning with the following fiscal year when the difference is recognized.

(5) Accounting for income and expenses

The Company recognizes revenue by adopting the following five steps in accordance with “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021).

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The details are as described in “Notes Concerning Revenue Recognition.”

(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 Changes in Accounting Policies

As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) can be applied from the beginning of the fiscal year beginning on or after April 1, 2020, the Company has adopted the accounting standards for revenue recognition from the beginning of the fiscal year ended March 31, 2021, thereby recognizing revenue at the amount expected to receive in

exchange for goods or services when control of such promised goods or services is transferred to the customers.

In adopting the accounting standards for revenue recognition, in accordance with the transitional treatment provided for in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect amount arising from the retrospective application of the new accounting policy prior to the beginning of the fiscal year ended March 31, 2021 was added to or deducted from retained earnings at the beginning balance of the fiscal year ended March 31, 2021, and the new accounting policy was applied from the balance of the beginning of the year ended March 31, 2021.

As a result, the balance of retained earnings at the beginning of the year ended March 31, 2021 increased by JPY 1,014 million. Meanwhile, the impact of this change on the financial statements for the fiscal year ended March 31, 2021, is immaterial.

Notes Concerning Revenue Recognition

The Company engages in the business activities of sales of products and services of construction equipment, industrial machinery, etc. in Japan and overseas. In these business activities, the Company provides goods or services identified in contracts with customers. The Company recognizes revenue when or as control over these goods or services is transferred to the customer at the amount of the transaction price that reflects the consideration to which it expects to be entitled. When two or more goods or services are provided to the same customer, the Company identifies performance obligations in a single contract or combined contracts and allocates the transaction price to each identified performance obligations based on relative stand-alone selling prices.

For sale of equipment, parts, attachment and others, revenue is recognized when the customers accept the goods or services.

Conditions for acceptance, such as shipping, receipt by customers, completion of installation or completion of performance test, depend on contracts or arrangements with customers and the like.

The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

For services such as periodic check, maintenance, and repair and other services, revenue is recognized when provision of the service is completed, or over the period for which the service is provided. Conditions for completion of service provision, including receipt of completion report, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

The Company has signed long-term maintenance contracts with their customers, in which case the customers receive services and simultaneously consume them as the performance obligations are satisfied. Thus, revenue from such services is recognized over the period of the contract with the customer in accordance with the progress percentage on the basis of costs incurred, which appropriately represents the transfer of control to the customer.

Loyalties received for licensing to customers (mainly affiliates) are recognized as revenue based on the amount used by the customer in principle.

Certain transaction prices include variable consideration such as future discounts and sales returns. Variable consideration is an estimate of the expected value or the most likely amount, to the extent that it is probable that a significant reversal in cumulative revenue recognized up to that point will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the period

between when control over goods or services is transferred to the customer and when the customer pays for the goods or services is expected to be one year or less at the inception of the contract, the Company does not make any adjustment for the effect of time value of consideration.

The Company is obligated to accept parts returned from customers for a certain period after the sale. In consideration of the relevant historical return result and other factors, the Company's right to recover parts from customers is recognized in other current assets and other investments as a return asset, and also a refund liability is recognized in other current liabilities and other long-term liabilities for its obligation to refund the customers upon return of parts.

With regard to transactions with combination of products, periodic check, maintenance and others, performance obligations are identified in a single contract or combined contracts. Transaction price is allocated to each identified performance obligation according to the proportion of stand-alone selling price that is determined based on observable price such as contract amount, and estimated cost including historical experience.

After the product are sold or delivered, the Company repairs the sold product and replaces parts free of charge for a certain period in accordance with the contract. Thus, in order to provide for disbursement of the after-sales service costs, provision for product warranties is recognized based on the relevant historical result.

In addition to this standard warranty, the Company offers a package of extended warranty for power line (engine & power systems and hydraulic system) upon the purchase of a product and free maintenance service as a service program to maintain the performance of construction equipment over a longer period of time.

The Company determines this program to be a service-type warranty, and identifies a separate performance obligation for recognizing revenue from this program.

Notes to Changes in Presentation

The Company has adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021, and disclosed notes to accounting estimates.

Notes to Accounting Estimates

Recoverability of deferred tax assets

Amount recorded in financial statements for the fiscal year ended March 31, 2021

The Company applies tax effect accounting to temporary differences arising from a difference in tax and account treatment, and records deferred tax assets on the balance sheet. The amount recorded in the fiscal year ended March 31, 2021 is JPY 24,641 million.

Other information

- (1) Calculation method of amount recorded in financial statements for the fiscal year ended March 31, 2021

The Company recognizes deferred tax assets to the extent of deductible temporary differences that are allowed to reduce the tax amount payable into the future.

- (2) Major assumptions used in the calculation of the amounts recorded in financial statements for the fiscal year ended March 31, 2021

Estimates of Future taxable income used to evaluate the recoverability of deferred tax assets are determined based on business plans; however, with regard to this business plans, assumptions

have been made mainly in the forecast of future sales, including the impact of COVID-19.

Impact on financial statements for the following fiscal year

A decrease in the future taxable income may result in reducing the amount of deferred tax assets.

Note to Additional Information

The Company, to respond to diversifying the work style of employees, introduced a retirement scheme with an option to choose retirement age (a system allowing employees to choose their retirement age; either 60 or 65 for general employees and 60 or 62 for employees assuming management position) on April 1, 2021, and made revisions to a retirement benefit plan, including the introduction of a defined contribution pension plan and implemented to promote the Mid-Career support program after concluding an agreement between management and labor in October 2020, and subsequently made the announcement to employees by January 2021.

Due to such revisions in plans whereby retirement benefit points are granted consistently until the employees' age reaches the selected retirement age, retirement benefit obligation increased by JPY 8,494 million as of March 31, 2021, and the same amount of past service cost was incurred.

The past service cost is amortized at a lump-sum amount during the fiscal year ended March 31, 2021, in accordance with the accounting policies of the Company.

In addition, part of the retirement benefit plan (lump-sum retirement benefit plan and defined benefit pension plan (cash balance type)) has been transferred to the defined contribution pension plan on April 1, 2021.

With this transition, JPY 6,456 million of gain on revision of retirement benefit plan is scheduled to be recorded in the following fiscal year.

Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment:	JPY 502,741 million
(2) Contingency liability	
Balance of guarantees for bonds and debt for borrowings from financial institutions by subsidiaries and affiliates:	JPY 190,020 million
Balance of guarantees for debt for borrowings from financial institutions by employees (home loans):	JPY 440 million
Balance of keep-well agreements for the bonds of subsidiaries and affiliates:	JPY 151,610 million
Balance of guarantees for loans financed by subsidiaries and affiliates:	JPY 499 million
(3) Receivables from, and debts payable to subsidiaries and affiliates	
Short-term receivables from subsidiaries and affiliates:	JPY 169,081 million
Short-term debts payable to subsidiaries and affiliates:	JPY 63,081 million
Long-term receivables from subsidiaries and affiliates:	JPY 17,983 million

Notes to Non-Consolidated Statement of Income

(1) Trading with subsidiaries and affiliates

Sales:	JPY 538,383 million
Purchases:	JPY 122,147 million
Trading other than operating transactions:	JPY 51,983 million

(2) Transfer pricing taxation adjustment

Transfer pricing taxation adjustment is the adjustment made in the amount payable from the Company to Komatsu Europe International N.V. based on the agreements of the prior confirmation applications submitted for approval regarding transfer pricing.

(3) Impairment loss

As for the Company's asset groups, dormant assets and rental assets are grouped individually while operating assets are grouped as per management accounting items.

After examining non-current assets based on this grouping for decreases in value, the book value of assets whose fair market value is lower than the book value was lowered to the recoverable amount and the resulting difference was recorded as an impairment loss.

The recoverable amount was measured using the net selling price or value in use.

In the fiscal year ended March 31, 2021, the Company recorded an impairment loss under extraordinary loss for the following asset group.

Application	Type	Region	Impairment Loss (JPY million)
Dormant assets	Land	Kanto area	220
Dormant assets	Land	Chubu area	3

(4) Loss on revision of retirement benefit plan

The Company revised the retirement benefit plan, among others, on April 1, 2021. Loss on revision of retirement benefit plan is a lump-sum amortization, etc. of past service cost arising from such a revision to the retirement benefit plan.

Notes to Non-Consolidated Statement of Changes in Net Assets

(1) Type and number of shares issued

Type	Number of Shares at the Beginning of the Fiscal Year ended March 31, 2021	Increase During the Fiscal Year ended March 31, 2021	Decrease During the Fiscal Year ended March 31, 2021	Number of Shares at the End of the Fiscal Year ended March 31, 2021
Common stock*	972,581,230	306,380	–	972,887,610

Note: The 306,380-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 the Beginning of the Fiscal Year ended March 31, 2021	Increase During the Fiscal Year ended March 31, 2021	Decrease During the Fiscal Year ended March 31, 2021	Number of Shares at the End of the Fiscal Year ended March 31, 2021
Common stock* ^{1,2}	27,479,956	26,887	187,356	27,319,487

Notes:

- The 26,887-share increase in the number of treasury stock of common stock consists of the following
 - 7,057 shares by the purchase of shares constituting less than one unit of shares
 - 19,830 shares by the acquisition of restricted stock

2. The 187,356-share decrease in the number of treasury stock of common stock consists of the following
- 1) 186,800 shares by the exercise of stock options
 - 2) 556 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, 2020	Common stock	36,858	39	March 31, 2020	June 19, 2020
Meeting of the Board of Directors held on October 28, 2020	Common stock	17,019	18	September 30, 2020	December 1, 2020

2) Dividends of which record date is in the fiscal year ended March 31, 2021 and effective date is in the fiscal year ending March 31, 2022

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, 2021	Common stock	Retained earnings	34,986	37	March 31, 2021	June 21, 2021

(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 the Beginning of the Fiscal Year ended March 31, 2021	Increase During the Fiscal Year ended March 31, 2021	Decrease During the Fiscal Year ended March 31, 2021	Number of Shares at the End of the Fiscal Year ended March 31, 2021
2012 Stock Acquisition Rights No. 2 *1, 2	Common stock	7,800	–	7,800	–
2013 Stock Acquisition Rights No. 2 *1, 2	Common stock	32,900	–	23,300	9,600
2014 Stock Acquisition Rights No. 2 *1, 2	Common stock	38,200	–	15,200	23,000
2015 Stock Acquisition Rights No. 1 *1, 2	Common stock	21,800	–	10,200	11,600
2015 Stock Acquisition Rights No. 2 *1, 2	Common stock	61,700	–	20,700	41,000
2016 Stock Acquisition Rights No. 1 *1, 2	Common stock	22,400	–	6,700	15,700
2016 Stock Acquisition Rights No. 2 *1, 2	Common stock	93,800	–	25,800	68,000
2017 Stock Acquisition Rights No. 1 *1, 2	Common stock	28,100	–	15,900	12,200
2017 Stock Acquisition Rights No. 2 *1, 2	Common stock	171,600	–	61,200	110,400

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 ended March 31, 2021 for the Stock Acquisition Rights is due to exercise of Stock Acquisition Rights.

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	2,638	million
Inventories	JPY	1,625	million
Accrued enterprise tax	JPY	35	million
Provision for bonuses	JPY	2,546	million
Provision for retirement benefits	JPY	15,012	million
Allowance for investment loss	JPY	696	million
Impairment loss	JPY	872	million
Investment securities and stocks of subsidiaries and affiliates	JPY	3,538	million
Excess over depreciation limit	JPY	1,559	million
Allowance for doubtful accounts	JPY	385	million
Others	JPY	7,763	million
Subtotal deferred tax assets	JPY	36,674	million
Less valuation allowance	JPY	(5,437)	million
Total deferred tax assets	JPY	31,236	million

(Deferred tax liabilities)

Reserve for advanced depreciation of non-current assets	JPY	(5,222)	million
Others	JPY	(1,372)	million
Total deferred tax liabilities	JPY	(6,595)	million
Net deferred tax assets	JPY	24,641	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	177,695	Accounts receivable-trade	52,985
				Cash Management System lending*2	19,396	Short-term loans receivable	16,211
	Komatsu America Corp.	Holding directly 100%	Manufacture and sale of the Company's products	Sale of products, etc.*1	102,816	Accounts receivable-trade	13,219
	Komatsu CIS LLC	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	51,537	Accounts receivable-trade	17,358
	Komatsu Business Support Ltd.	Holding directly 100%	Retail financing of the Company's products	Cash Management System lending*2	28,128	Short-term loans receivable	10,922
						Long-term loans receivable	17,659
Komatsu Finance America Inc.	Holding indirectly 100%	Financing within Komatsu Group, fundraising, etc.	Guarantee obligation*3	170,754	—	—	

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 ended March 31, 2021 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	842.84
(2) Net income per share	JPY	23.14

Notes Concerning Significant Subsequent Events

The Company's Board of Directors resolved the following matters at the Board meeting held on April 30, 2021.

1. The Company will engage in the joint business (hereinafter the "Joint Business") of developing, providing, and servicing digital solutions (worksites visualization devices, platforms, and applications) for the construction industry at LANDLOG Ltd. (hereinafter "LANDLOG"), a wholly-owned subsidiary of the Company, with NTT DOCOMO, INC., Sony Semiconductor Solutions Corporation, and Nomura Research Institute, Ltd.
2. Toward the Joint Business, the Company will transfer part of the rights and liabilities, etc. related to the SMARTCONSTRUCTION business to LANDLOG through a company split (absorption-type company split) with effective date of July 1, 2021 (scheduled), (hereinafter the "Absorption-Type Company Split")

Along with the Joint Business, LANDLOG plans to change its name to EARTHBRAIN Ltd. The Company anticipates no substantial impact on its financial position and results of operations.

Overview of the Absorption-Type Company Split is as follows:

1. Business subject to the company split
Part of the rights and liabilities, etc. related to the SMARTCONSTRUCTION business owned by the Company
2. Items and carrying amount of assets and liabilities to be split

Assets		Liabilities	
Item	Carrying amount (JPY million)	Item	Carrying amount (JPY million)
Current assets	380	Current liabilities	—
Non-current assets	6,000	Non-current liabilities	—
Total	6,380	Total	—

Items and carrying amount stated above are estimated based on the amount as of March 31, 2021, and differ from the actual amount to be split.

3. Date of the company split
July 1, 2021 (scheduled)
4. Legal form of company split
The company split is an absorption-type company split (simplified absorption-type company split) whereby the Company is the splitting company, and LANDLOG is the successor company.
The Absorption-Type Company Split falls under the category of a simplified absorption-type company split as provided for in Article 784, Paragraph 2 of the Companies Act of Japan, and hence the Company will not hold a general meeting of shareholders to approve the absorption-type company split agreement.
5. Status of successor company (as of April 30, 2021)
Name: LANDLOG Ltd. (The trade name will be changed to EARTHBRAIN Ltd. on July 1, 2021 (scheduled))
Share capital: JPY 150 million

Other Notes

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