

(Translation)

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# Annual Securities Report

From April 1, 2020 to March 31, 2021

(The 152<sup>nd</sup> Fiscal Year)

**KOMATSU LTD.**

E01532

The 152<sup>nd</sup> Fiscal Year (from April 1, 2020 to March 31, 2021)

# Annual Securities Report

1. This is an English translation of the Annual Securities Report (“Yukashoken Hokokusho”) filed via the Electronic Disclosure for Investors’ Network (“EDINET”) system as set forth in Article 27-30-2 of the Financial Instruments and Exchange Act of Japan. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. Appended to the back of this document, are English translations of the auditors’ report that was attached to the Annual Securities Report when it was filed using the aforementioned method, and the internal control report and confirmation letter that were filed at the same time as the Annual Securities Report.

## **Certain References and Information**

This report is prepared for overseas investors and compiled based on contents of the Annual Securities Report (“Yukashoken Hokokusho”) of Komatsu Ltd. filed with the Director-General of the Kanto Local Finance Bureau of Japan on June 17, 2021.

In this report, Komatsu Ltd. is hereinafter referred to as the “Company” and together with its consolidated subsidiaries as “Komatsu.”

### **Cautionary Statement with respect to forward-looking statements:**

This report contains forward-looking statements that reflect managements’ views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results and business strategies. These statements can be identified by the use of terms such as “will,” “believes,” “should,” “projects,” “plans,” “expects” and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Any forward-looking statements speak only as of the date of this report, and the Company assumes no duty to update such statements.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for Komatsu’s principal products, owing to changes in the economic conditions in Komatsu’s principal markets; changes in exchange rates or the impact of increased competition; unanticipated costs or delays encountered in achieving Komatsu’s objectives with respect to globalized product sourcing and new information technology tools; uncertainties as to the results of Komatsu’s research and development efforts and its ability to access and protect certain intellectual property rights; the impact of regulatory changes and accounting principles and practices; and the introduction, success and timing of business initiatives and strategies.

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## Cover

<b>【Document title】</b>	Annual Securities Report (“Yukashoken Hokokusho”)
<b>【Clause of stipulation】</b>	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
<b>【Place of filing】</b>	Director-General of the Kanto Local Finance Bureau
<b>【Filing date】</b>	June 17, 2021
<b>【Fiscal year】</b>	The 152 <sup>nd</sup> Fiscal Year (from April 1, 2020 to March 31, 2021)
<b>【Company name】</b>	Kabushiki Kaisha Komatsu Seisakusho
<b>【Company name in English】</b>	KOMATSU LTD.
<b>【Title and name of representative】</b>	Hiroyuki Ogawa, President and Representative Director
<b>【Address of registered head office】</b>	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
<b>【Telephone number】</b>	+81 (0)3 5561-2604
<b>【Name of contact person】</b>	Kazuhiro Yokoo, General Manager of Corporate Controlling Department
<b>【Nearest place of contact】</b>	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
<b>【Telephone number】</b>	+81 (0)3 5561-2604
<b>【Name of contact person】</b>	Kazuhiro Yokoo, General Manager of Corporate Controlling Department
<b>【Place for public inspection】</b>	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

## Part I Company Information

### Item 1. Overview of the Company and Its Consolidated Subsidiaries

#### 1. Summary of Business Results

(1) Consolidated

(Millions of yen, unless otherwise stated)

Fiscal year		148 <sup>th</sup>	149 <sup>th</sup>	150 <sup>th</sup>	151 <sup>st</sup>	152 <sup>nd</sup>
Year ended		March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Net sales (Note 2)		1,802,989	2,501,107	2,725,243	2,444,870	2,189,512
Income before income taxes and equity in earnings of affiliated companies (Note 3)		166,469	291,807	377,471	223,114	162,775
Net income attributable to Komatsu Ltd.		113,381	196,410	256,491	153,844	106,237
Comprehensive income attributable to Komatsu Ltd.		113,396	148,578	248,576	62,999	194,552
Total Komatsu Ltd. shareholders' equity		1,576,674	1,664,540	1,815,582	1,771,606	1,912,297
Total equity		1,648,515	1,743,590	1,902,868	1,856,225	2,012,025
Total assets		2,656,482	3,372,538	3,638,219	3,653,686	3,784,841
Total Komatsu Ltd. shareholders' equity per share (Note 4)	(Yen)	1,672.01	1,764.58	1,923.47	1,875.47	2,023.34
Net income attributable to Komatsu Ltd. per share	Basic (Note 5) (Yen)	120.26	208.25	271.81	162.93	112.43
	Diluted (Yen)	120.10	207.97	271.51	162.80	112.39
Total Komatsu Ltd. shareholders' equity ratio	(%)	59.4	49.4	49.9	48.5	50.5
Return on equity	(%)	7.3	12.1	14.7	8.6	5.8
Price earnings ratio	(Times)	24.1	17.0	9.5	10.9	30.4
Net cash provided by operating activities		256,126	148,394	202,548	295,181	354,129
Net cash used in investing activities		(133,299)	(377,745)	(187,204)	(190,930)	(163,057)
Net cash provided by (used in) financing activities		(107,718)	243,949	(3,660)	(3,457)	(199,667)
Cash and cash equivalents, end of year		119,901	144,397	148,479	247,616	241,803
Number of employees [Separately, average number of temporary employees]	(Persons)	47,204 [3,410]	59,632 [5,385]	61,908 [6,766]	62,823 [6,056]	61,564 [4,056]

Notes:

- 1) The figures in the consolidated financial statements have been rounded to the nearest million yen.
- 2) Net sales do not include consumption taxes, etc.

- 3) The consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States of America (hereinafter "U.S. GAAP"). Therefore, "Income before income taxes and equity in earnings of affiliated companies" on the consolidated financial statements is presented in the above table instead of "Ordinary income".
- 4) Computed by the number of common shares outstanding, less treasury stock at the end of each fiscal year.
- 5) Computed by the weighted-average number of common shares outstanding, less treasury stock during each fiscal year.

## (2) The Company

(Millions of yen, unless otherwise stated)

Fiscal year	148 <sup>th</sup>	149 <sup>th</sup>	150 <sup>th</sup>	151 <sup>st</sup>	152 <sup>nd</sup>
Year ended	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Net sales (Note 2)	685,938	868,403	928,967	719,292	653,587
Ordinary income	76,747	136,924	195,534	62,008	25,055
Net income	67,320	135,119	157,754	58,316	21,875
Capital stock	70,120	70,120	70,561	70,973	71,322
Number of common share issued (Thousands of shares)	971,967	971,967	972,252	972,581	972,887
Net assets	768,240	813,162	877,409	829,003	797,596
Total assets	1,150,396	1,305,526	1,339,074	1,356,652	1,332,733
Net assets per share (Yen)	811.73	859.01	927.18	876.06	842.84
Cash dividend per share (Note 3 and 4) (Yen)	58.0	84.0	110.0	94.0	55.0
[Of the above interim dividend per share] (Yen)	[29.0]	[36.0]	[51.0]	[55.0]	[18.0]
Net income per share (Yen)	71.36	143.18	167.10	61.73	23.14
Net income per share reflecting the potential dilution (Yen)	71.27	143.00	166.94	61.70	23.13
Total equity ratio (%)	66.6	62.1	65.4	61.0	59.8
Return on equity (%)	8.9	17.1	18.7	6.8	2.7
Price earnings ratio (Times)	40.7	24.8	15.4	28.8	147.8
Dividend payout ratio (%)	81.3	58.7	65.8	152.3	237.7
Total shareholders return (%)	154.5	192.5	147.3	110.9	199.4
[Of TOPIX Machine Index] (%)	[129.6]	[153.2]	[133.5]	[118.6]	[189.6]
Highest share price of each fiscal year (Note 5) (Yen)	3,029.0	4,475.0	3,917.0	2,882.0	3,542.0
Lowest share price of each fiscal year (Note 5) (Yen)	1,661.5	2,622.5	2,240.0	1,507.0	1,650.0
Number of employees (Persons)	10,371	10,465	11,537	11,692	11,795
[Separately, average number of temporary employees]	[989]	[1,074]	[1,496]	[1,486]	[1,048]

## Notes:

- 1) The figures in the Company's financial statements have been rounded down to the nearest million yen.
- 2) Net sales do not include consumption taxes, etc.
- 3) As part of the ¥55 per share of cash dividend for the 152<sup>nd</sup> fiscal year, the ¥37 per share year-end dividend for the 152<sup>nd</sup> fiscal year is a matter to be resolved at the Company's Ordinary General Meeting of Shareholders scheduled to be held on June 18, 2021.
- 4) Cash dividend of ¥55 per share for the 152<sup>nd</sup> fiscal year includes the 100th anniversary commemorative cash dividend of ¥10 per share.
- 5) Share prices in the table are quoted from the First Section of the Tokyo Stock Exchange.



## 2. History

May 1921	The business unit of Komatsu Iron Works was spun off from Takeuchi Kogyo (in English, Takeuchi Mining Co.) to incorporate Kabushiki Kaisha Komatsu Seisakusho (in English, Komatsu Ltd.) in Komatsu Town (currently, Komatsu City), Ishikawa Prefecture, Japan.
April 1922	Acquired the business unit of Komatsu Denkiseikousho from Takeuchi Mining Co.
May 1938	Established Awazu Plant.
May 1949	Listed its common share on the Tokyo Stock Exchange and the Osaka Securities Exchange.
October 1952	Established Osaka Plant.
December 1952	Established Kawasaki Plant following the acquisition of Ikegai Automobile Manufacturing Company. Established Himi Plant following the acquisition of Chuetsu Electro Chemical Co., Ltd.
December 1962	Established Oyama Plant.
April 1985	Established a Research Division for research activities of cutting-edge technologies for mechatronics and new materials, etc.
September 1988	Incorporated Komatsu Dresser Company as a joint venture company with Dresser Industries, Inc., U.S.A., (later, Komatsu Dresser Company changed its name to Komatsu America International Company, and was re-organized for business integration to Komatsu America Corp.)
June 1994	Incorporated Komatsu Industries Corporation and Komatsu Machinery Corporation (later, merged through an absorption-type merger with Komatsu NTC Ltd.), and transferred a part of business operations of the Company's industrial machinery business.
July 1997	Incorporated Komatsu Castex Ltd., and transferred the Company's steel casting business operations in October 1997.
October 2006	Sold over 50% of issued shares of Komatsu Electronic Metals Co., Ltd. (currently, SUMCO TECHXIV CORPORATION) to SUMCO CORPORATION.
January 2007	Established Ibaraki Plant and Kanazawa Plant.
April 2007	Succeeded the hydraulic component business of Komatsu Zenoah Co. through an absorption-type corporate split.
April 2007	Komatsu Forklift Co., Ltd. changed its company name to Komatsu Utility Co., Ltd. following an absorption-type merger with Komatsu Zenoah Co. and transferred its outdoor power equipment business to the Japanese operating company owned by Husqvarna AB (currently, Husqvarna Zenoah Co., Ltd.).
March 2008	Acquired over 50% of the issued shares of NIPPEI TOYAMA Corporation (currently, Komatsu NTC Ltd.)
August 2008	Acquired 100% ownership of NIPPEI TOYAMA Corporation (currently, Komatsu NTC Ltd.) through a share exchange.
April 2009	Transferred the Company's sales and service operations of construction and utility equipment business in Japan to Komatsu Tokyo Ltd. through an absorption-type corporate split. Komatsu Tokyo Ltd. merged with twelve Japanese distributors and changed its trade name to Komatsu Construction Equipment Sales and Service Japan Ltd.
April 2010	Transferred the Company's product development, sales and service operations of the large-sized press business to Komatsu Industries Corporation through an absorption-type corporate split.
April 2011	Merged with Komatsu Utility Co., Ltd.
October 2014	Merged with Komatsu Diesel Co., Ltd.
April 2017	Acquired all shares of Joy Global Inc. (currently, Komatsu Mining Corp.) through Komatsu America Corp.
April 2018	Merged with Komatsu Tokki Corporation.
April 2018	Komatsu Construction Equipment Sales and Service Japan Ltd. merged with Komatsu Rental Ltd. and Komatsu Forklift Japan Ltd., and changed its trade name to Komatsu Customer Support Japan Ltd.
October 2018	Merged with Komatsu Castex Ltd.

Note: In case of subject is not specified in the description, regard it as the Company.

### 3. Description of Business

The Company's consolidated financial statements have been prepared in accordance with U.S. GAAP, pursuant to Paragraph 3, Supplementary Provisions of the "Cabinet Office Ordinance for Partial Revision of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements", the Ordinance of the Cabinet Office No. 11 of 2002. Based on the consolidated financial statements, its subsidiaries and affiliates are disclosed in accordance with definitions of U.S. GAAP. The same applies to "Item 2. Business Overview" and "Item 3. Property, Plants and Equipment."

Komatsu (the Company and its subsidiaries and affiliates) engages in the business activities of R&D, production, sales, marketing, services and retail financing for customers in Japan and overseas, under three business segments: the "Construction, Mining and Utility Equipment" operating segment, the "Retail Finance" operating segment and the "Industrial Machinery and Others" operating segment.

Komatsu is comprised 212 consolidated subsidiaries and 42 affiliated companies accounted for by the equity method.

The major business outlines of each business category and positioning of the Komatsu's principal subsidiaries and affiliates are described as follows. Major business categories below correspond to the business category in business segment information by operating segment.

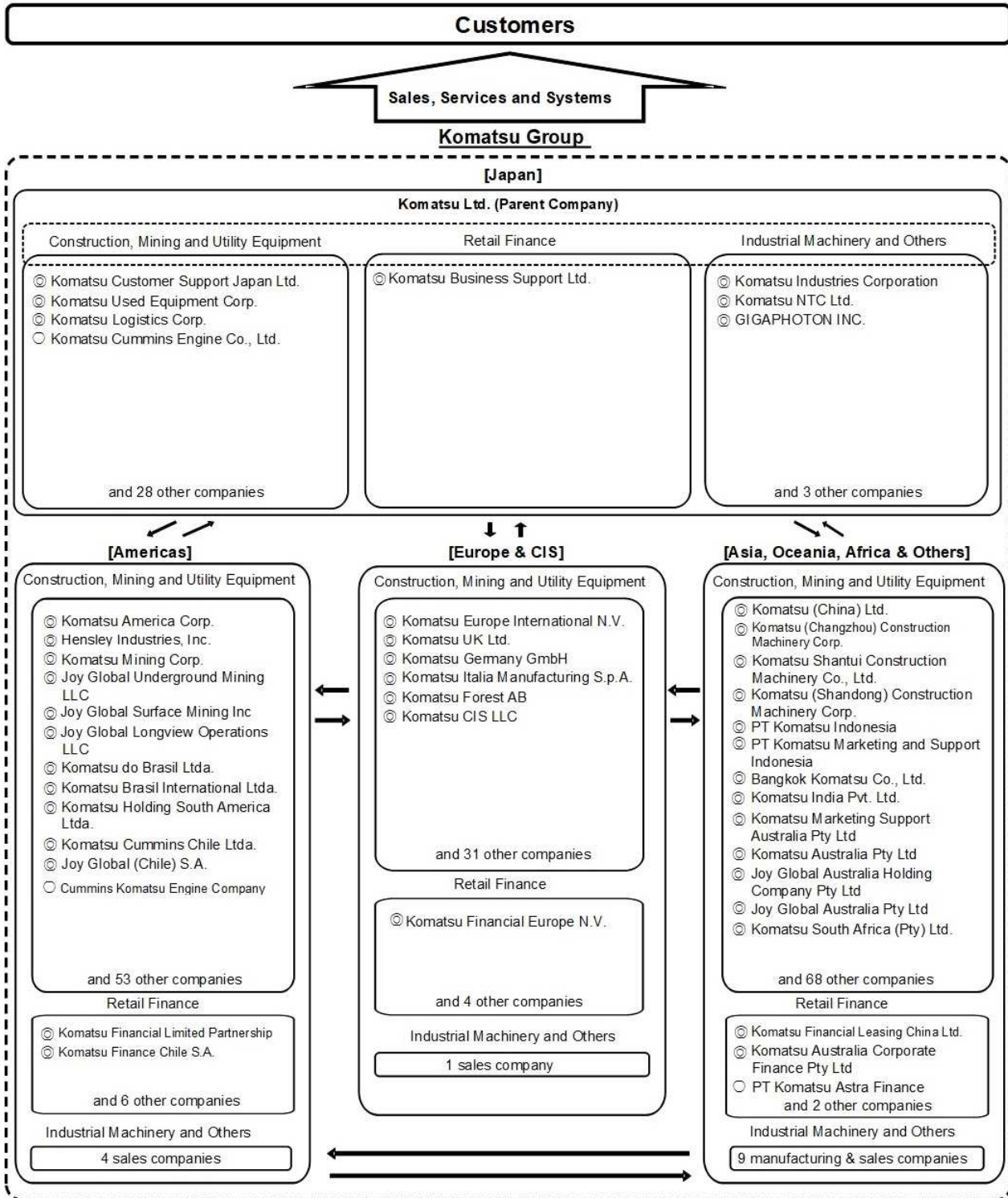
Category/principal products and businesses		Principal companies
Construction, Mining and Utility Equipment		
Excavating equipment	Hydraulic excavators, rope shovels, mini excavators, backhoe loaders and blasthole drills	Komatsu Ltd., Komatsu Customer Support Japan Ltd., Komatsu Used Equipment Corp., Komatsu Logistics Corp., Komatsu America Corp., Hensley Industries, Inc., Komatsu Mining Corp., Joy Global Underground Mining LLC, Joy Global Surface Mining Inc, Joy Global Longview Operations LLC, Komatsu do Brasil Ltda., Komatsu Brasil International Ltda., Komatsu Holding South America Ltda., Komatsu Cummins Chile Ltda., Joy Global (Chile) S.A., Komatsu Europe International N.V., Komatsu UK Ltd., Komatsu Germany GmbH, Komatsu Italia Manufacturing S.p.A., Komatsu Forest AB, Komatsu CIS LLC, Komatsu (China) Ltd., Komatsu (Changzhou) Construction Machinery Corp., Komatsu Shantui Construction Machinery Co., Ltd., Komatsu (Shandong) Construction Machinery Corp., PT Komatsu Indonesia, PT Komatsu Marketing & Support Indonesia, Bangkok Komatsu Co., Ltd., Komatsu India Pvt. Ltd., Komatsu Marketing Support Australia Pty Ltd, Komatsu Australia Pty Ltd, Joy Global Australia Holding Company Pty Ltd, Joy Global Australia Pty Ltd, Komatsu South Africa (Pty) Ltd. and other 142 subsidiaries  (Total 176 companies)
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 dump loaders 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	

Category/principal products and businesses		Principal companies
Retail Finance		
Retail Financing	Leasing and installment of construction and mining equipment	Komatsu Ltd., Komatsu Business Support Ltd., Komatsu Financial Limited Partnership, Komatsu Finance Chile S.A., Komatsu Financial Europe N.V., Komatsu Financial Leasing China Ltd., Komatsu Australia Corporate Finance Pty Ltd and other 12 subsidiaries  (Total 19 companies)
Industrial Machinery and Others		
Metal forging and stamping presses	Servo presses and mechanical presses	Komatsu Ltd., Komatsu Industries Corporation, Komatsu NTC Ltd., GIGAPHOTON INC. and other 16 subsidiaries  (Total 20 companies)
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	

Note: The number of principal companies includes the Company and consolidated subsidiaries.

Komatsu's business structure, summarized above, is shown in the following chart.

(As of March 31, 2021)



[Legend Symbols]

- ☉ Consolidated Subsidiaries
- Affiliated Companies Accounted for by the Equity Method

→ Supply of Products & Components

## 4. Overview of Subsidiaries and Affiliates

Consolidated subsidiaries

(Millions of yen, unless otherwise stated)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Customer Support Japan Ltd. *1, 2	Minato-ku, Tokyo, Japan	950	Construction, Mining and Utility Equipment	100.0	Sales and service of construction and utility equipment and industrial vehicles. Rental of construction equipment, etc. (Notes 1 and 2)
Komatsu Used Equipment Corp.	Yokohama, Kanagawa, Japan	290	Construction, Mining and Utility Equipment	100.0	Sales of used construction equipment, etc.
Komatsu Logistics Corp.	Minato-ku, Tokyo, Japan	1,080	Construction, Mining and Utility Equipment	100.0	Transportation, warehousing, packing and other services. (Note 2)
Komatsu Cabtec Co., Ltd.	Gamo, Shiga, Japan	300	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of construction equipment parts. Supply of some products to the Company.
Komatsu Business Support Ltd.	Minato-ku, Tokyo, Japan	1,770	Retail Finance	100.0	Retail financing related to construction and mining equipment.
Komatsu Industries Corporation	Kanazawa, Ishikawa, Japan	990	Industrial Machinery and Others	100.0	Development, sales and service of metal forging and stamping presses, sheet-metal machines, etc. (Note 2)
Komatsu NTC Ltd.	Nanto, Toyama, Japan	6,014	Industrial Machinery and Others	100.0	Manufacture, sales and service of machine tools, etc. (Note 1)
GIGAPHOTON INC.	Oyama, Tochigi, Japan	5,000	Industrial Machinery and Others	100.0	Development, manufacture, sales and service of excimer laser and Extreme Ultra-Violet light sources used for lithography tools in semiconductors. (Notes 1 and 2)
KELK Ltd.	Hiratsuka, Kanagawa, Japan	390	Industrial Machinery and Others	100.0	Manufacture and sales of thermo-electric modules and temperature control equipment. (Note 2)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu America Corp. *1, 2	Chicago, U.S.A.	1,071 million US dollars	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of construction, mining and utility equipment and supervision in the Americas. (Note 1)
Hensley Industries, Inc.	Dallas, U.S.A.	2 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture and sales of parts of construction and mining equipment.
Komatsu Mining Corp.	Milwaukee, U.S.A.	5 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Overall management of mining equipment business (Note 1)
Joy Global Underground Mining LLC *1, 3	Warrendale, U.S.A.	1,406 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Joy Global Surface Mining Inc	Milwaukee, U.S.A.	1 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Joy Global Longview Operations LLC *1, 4	Longview, U.S.A.	993 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu Finance America Inc.	Chicago, U.S.A.	1 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Financing within Komatsu Group, fundraising, etc.
Modular Mining Systems, Inc.	Tucson, U.S.A.	16 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Development, manufacture, and sales of large-sized mining equipment management systems. (Note 1)
Komatsu do Brasil Ltda.	Suzano, Brazil	143 million real	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment and casting products.
Komatsu Brasil International Ltda.	Sao Paulo, Brazil	287 million real	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Holding South America Ltda. *1	Santiago, Chile	156 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
Komatsu Cummins Chile Ltda.	Santiago, Chile	34 million US dollars	Construction, Mining and Utility Equipment	[81.8] 81.8	Sales and service of construction and mining equipment. (Note 1)
Joy Global (Chile) S.A.	Santiago, Chile	1,958 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu Maquinarias Mexico, S.A. de C.V.	Mexico City, Mexico	25 million Mexican peso	Construction, Mining and Utility Equipment	[60.0] 60.0	Sales and service of construction and mining equipment.
Komatsu Financial Limited Partnership *5	Chicago, U.S.A.	–	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu Finance Chile S.A.	Santiago, Chile	40 million US dollars	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu Europe International N.V. *1	Vilvoorde, Belgium	50 million euro	Construction, Mining and Utility Equipment	100.0	Sales of construction and mining equipment and supervision in Europe. (Note 1)
Komatsu Europe Coordination Center N.V. *1	Vilvoorde, Belgium	141 million euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Financing within Komatsu Group, fundraising, etc.
Komatsu UK Ltd.	Birtley, U.K.	23 million pounds	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment.
Joy Global (UK) Limited	Worcester, U.K.	30 million pounds	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu Germany GmbH	Dusseldorf, Germany	24 million euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture and sales of construction and mining equipment.
Komatsu France S.A.S	Aubergenville, France	5 million euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction equipment.
Montabert S.A.S.	Saint-Priest, France	8,458 thousand euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of component for mining equipment and attachment.

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Italia Manufacturing S.p.A.	Este, Italy	6 million euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment.
Komatsu Forest AB	Umea, Sweden	397 million Swedish krona	Construction, Mining and Utility Equipment	100.0	Manufacture, sales, and service of forestry equipment.
Komatsu CIS LLC *1	Moscow, Russia	5,301 million Russian rubles	Construction, Mining and Utility Equipment	100.0	Sales of construction and mining equipment.
Komatsu Manufacturing Rus LLC *1	Yaroslavl, Russia	4,273 million Russian rubles	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment.
Komatsu Financial Europe N.V. *1	Vilvoorde, Belgium	80 million euro	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu (China) Ltd. *1	Shanghai, China	165 million US dollars	Construction, Mining and Utility Equipment	100.0	Sales of construction and mining equipment and supervision in China. (Note 1)
Komatsu (Changzhou) Construction Machinery Corp.	Changzhou, Jiangsu, China	41 million US dollars	Construction, Mining and Utility Equipment	[85.0] 85.0	Manufacture of construction equipment.
Komatsu Shantui Construction Machinery Co., Ltd.	Jining, Shandong, China	21 million US dollars	Construction, Mining and Utility Equipment	[30.0] 60.0	Manufacture of construction equipment.
Komatsu (Shandong) Construction Machinery Corp. *1	Jining, Shandong, China	233 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of components for construction equipment and casting products, etc.
PT Komatsu Indonesia *1	Jakarta, Indonesia	192,780 million Indonesian rupiah	Construction, Mining and Utility Equipment	94.9	Manufacture and sales of construction and mining equipment and casting products.
PT Komatsu Marketing & Support Indonesia	Jakarta, Indonesia	5 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
PT Komatsu Undercarriage Indonesia	Bekasi, Indonesia	15 million US dollars	Construction, Mining and Utility Equipment	[84.3] 84.3	Manufacture and sales of parts of construction and mining equipment.



Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
PT Komatsu Remanufacturing Asia	Balikpapan, Indonesia	1,200 thousand US dollars	Construction, Mining and Utility Equipment	[51.0] 51.0	Manufacture and sales of remanufacturing components for construction and mining equipment.
Bangkok Komatsu Co., Ltd.	Chonburi, Thailand	620 million Thai baht	Construction, Mining and Utility Equipment	[74.8] 74.8	Manufacture and sales of construction equipment and casting products.
Komatsu Parts Asia Co., Ltd.	Chonburi, Thailand	170 million Thai baht	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales of parts of construction and mining equipment.
Komatsu India Pvt. Ltd. *1	Kanchipuram, India	10,963 million Indian rupees	Construction, Mining and Utility Equipment	[54.8] 100.0	Manufacture and sales of construction and mining equipment.
Komatsu Marketing Support Australia Pty Ltd	Fairfield, Australia	21 million Australian dollars	Construction, Mining and Utility Equipment	[40.0] 60.0	Sales of construction and mining equipment. (Note 1)
Komatsu Australia Pty Ltd	Fairfield, Australia	30 million Australian dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
Joy Global Australia Holding Company Pty Ltd *1	Murarie, Australia	443 million Australian dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Roles as holding company of Joy Global Australia Pty Ltd.
Joy Global Australia Pty Ltd *1	Murarie, Australia	608 million Australian dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu South Africa (Pty) Ltd.	Germiston, Republic of South Africa	186 million rand	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
Komatsu Financial Leasing China Ltd. *1	Shanghai, China	1,630 million renminbi	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu Australia Corporate Finance Pty Ltd	Fairfield, Australia	49 million Australian dollars	Retail Finance	[60.0] 60.0	Retail financing related to construction and mining equipment.
Komatsu Bangkok Leasing Co., Ltd.	Samutprakarn, Thailand	550 million Thai baht	Retail Finance	[60.0] 60.0	Retail financing related to construction and mining equipment.
Other 156 companies					

Affiliated companies accounted for by the equity method

(Millions of yen, unless otherwise stated)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Cummins Engine Co., Ltd.	Oyama, Tochigi, Japan	1,400	Construction, Mining and Utility Equipment	50.0	Manufacture and sales of diesel engines. (Note 2)
QUALICA Inc.	Shinjuku-ku, Tokyo, Japan	1,234	Industrial Machinery and Others	20.0	Sales and development of software, sales of hardware, etc. Supply of some products to the Company. (Note 1)
Cummins Komatsu Engine Company *6	Seymour, U.S.A.	—	Construction, Mining and Utility Equipment	[50.0] 50.0	Manufacture and sales of diesel engines.
PT Komatsu Astra Finance	Jakarta, Indonesia	436,300 million Indonesian rupiah	Retail Finance	[50.0] 50.0	Retail financing related to construction and mining equipment.
Other 38 companies					

Notes:

- 1) A certain member of the Board of Directors or an Audit & Supervisory Board Member of the Company concurrently holds a position on the Board of Directors at this company.
- 2) The Company rents certain land and buildings to this company.
- 3) The name of the operating segment in which the companies are classified is shown in “Principal business.”
- 4) The figures in square brackets in “Ownership of voting right (%)” represent the percentage of voting rights owned indirectly by the Company, among the total ownership percentage shown outside the square brackets.
- 5) Companies with an asterisk 1 (\*1) in “Company name” are specified subsidiaries. Companies which correspond to the specified subsidiaries included in “other companies” of “Consolidated subsidiaries” are Quadco Inc. and Komatsu Australia Holdings Pty Limited.
- 6) The total amount of sales (excluding inter-company transactions) of Komatsu Customer Support Japan Ltd. and Komatsu America Corp. (indicated by asterisk 2 (\*2) in “Company name”), exceeded the 10% of the amount of consolidated net sales in the period that corresponds to the recent fiscal year.

	Information on income or loss, etc. (Millions of yen)				
	Net sales	Income before income taxes and equity in earnings of affiliated companies	Net income	Total equity	Total assets
Komatsu Customer Support Japan Ltd.	277,380	7,972	5,873	68,440	166,907
Komatsu America Corp.	414,218	51,615	47,516	725,583	1,586,094

- 7) Joy Global Underground Mining LLC (indicated by asterisk 3 (\*3) in “Company name”) is a limited liability company established based on the state law of Delaware, the U.S., and the Company invests in it through Komatsu Mining Corp. Its paid-in capital is presented as its common stock.
- 8) Joy Global Longview Operations LLC (indicated by asterisk 4 (\*4) in “Company name”) is a limited liability company established based on the state law of Texas, the U.S., and the Company invests in it through Komatsu Mining Corp. Its paid-in capital is presented as its common stock.

- 9) Komatsu Financial Limited Partnership (indicated by asterisk 5 (\*5) in “Company name”) is a limited partnership established based on the state law of Delaware, the U.S., and the Company invests in it through Komatsu America Corp. Its net assets, which are equivalent to its equity, amount to USD 718 million.
- 10) Cummins Komatsu Engine Company (indicated by asterisk 6 (\*6) in “Company name”) is a general partnership established based on the state law of Indiana, the U.S., and the Company invests in it through Komatsu America Corp.; the total investments amount to USD 2 million.

## 5. Employees

### (1) Consolidated

(As of March 31, 2021)

Operating segment	Number of employees	
Construction, Mining and Utility Equipment	56,567	[3,525]
Retail Finance	288	[8]
Industrial Machinery and Others	4,029	[367]
Corporate	680	[156]
Total	61,564	[4,056]

Notes:

- 1) The number of employees represents the number of employees actually at work. Separate from that, the average number of temporary employees during this fiscal year is disclosed in square brackets.
- 2) The number of employees under “Corporate” refers to employees working for administrative departments who cannot be classified into the three operating segments.

### (2) The Company

(As of March 31, 2021)

Number of employees	Average age	Average length of service	Average annual salary (gross)
11,795 [1,048]	39.8 years old	15.3 years	¥7,186,395

(As of March 31, 2021)

Operating segment	Number of employees	
Construction, Mining and Utility Equipment	10,836	[863]
Retail Finance	8	[0]
Industrial Machinery and Others	271	[29]
Corporate	680	[156]
Total	11,795	[1,048]

Notes:

- 1) The number of employees represents the number of employees actually at work. Separate from that, the average number of temporary employees during this fiscal year is disclosed in square brackets.
- 2) Average annual salary (gross, before taxes) includes extra wages and bonuses.
- 3) The number of employees under “Corporate” refers to employees working for administrative departments who cannot be classified into the three operating segments.

### (3) Relationship with labor union

The Company has a labor contract with the Komatsu Labor Union, which is organized by approximately 11,000 employees and 8 branches in Japan.

The Komatsu Labor Union is a member of “All Komatsu Workers Union” and “Japanese Association of Metal, Machinery and Manufacturing Workers.”

Each of 12 consolidated subsidiaries and affiliated companies in Japan has a labor contract with its each labor union joining “All Komatsu Workers Union.” They are organized by approximately 6,700 employees of subsidiaries and affiliated companies.

The relationships between the Company, subsidiaries, affiliated companies and these labor unions are stable.

## Item 2. Business Overview

### 1. Management Policy, Business Environment and Tasks Ahead, etc.

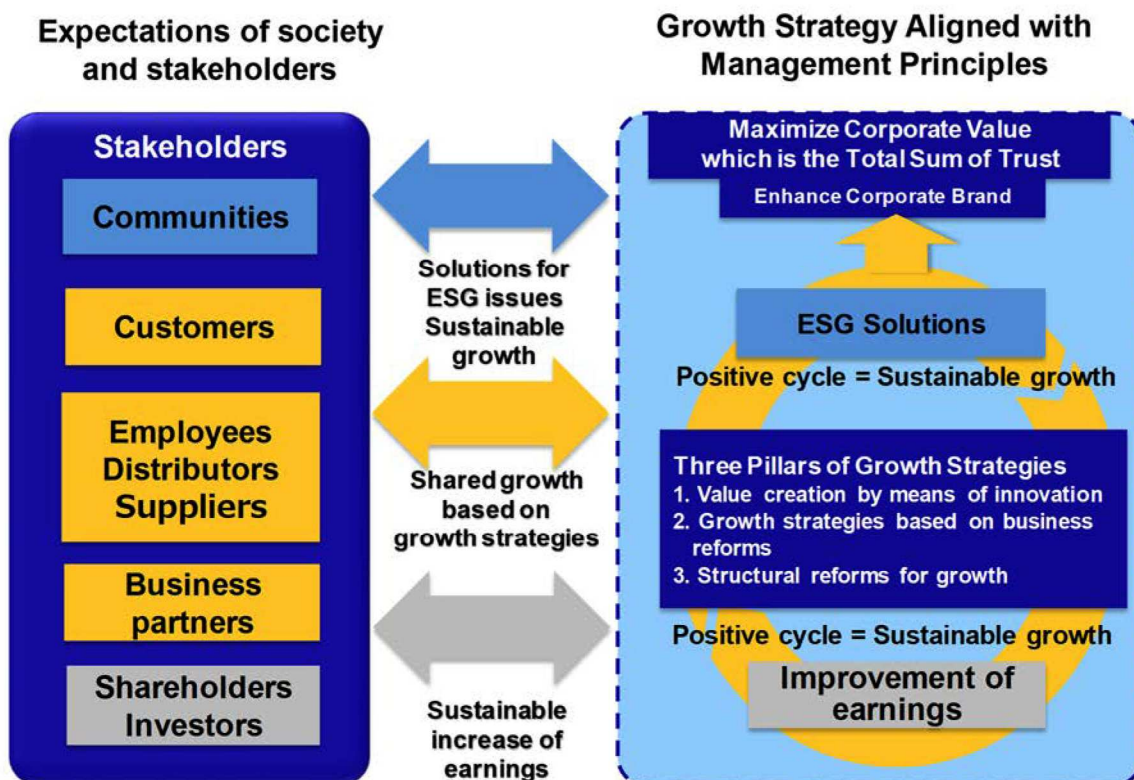
Following description contains forward-looking statements which the Company judged as of the filing date of this Annual Securities Report.

The cornerstone of the Komatsu (the Company and its consolidated subsidiaries)'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 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.

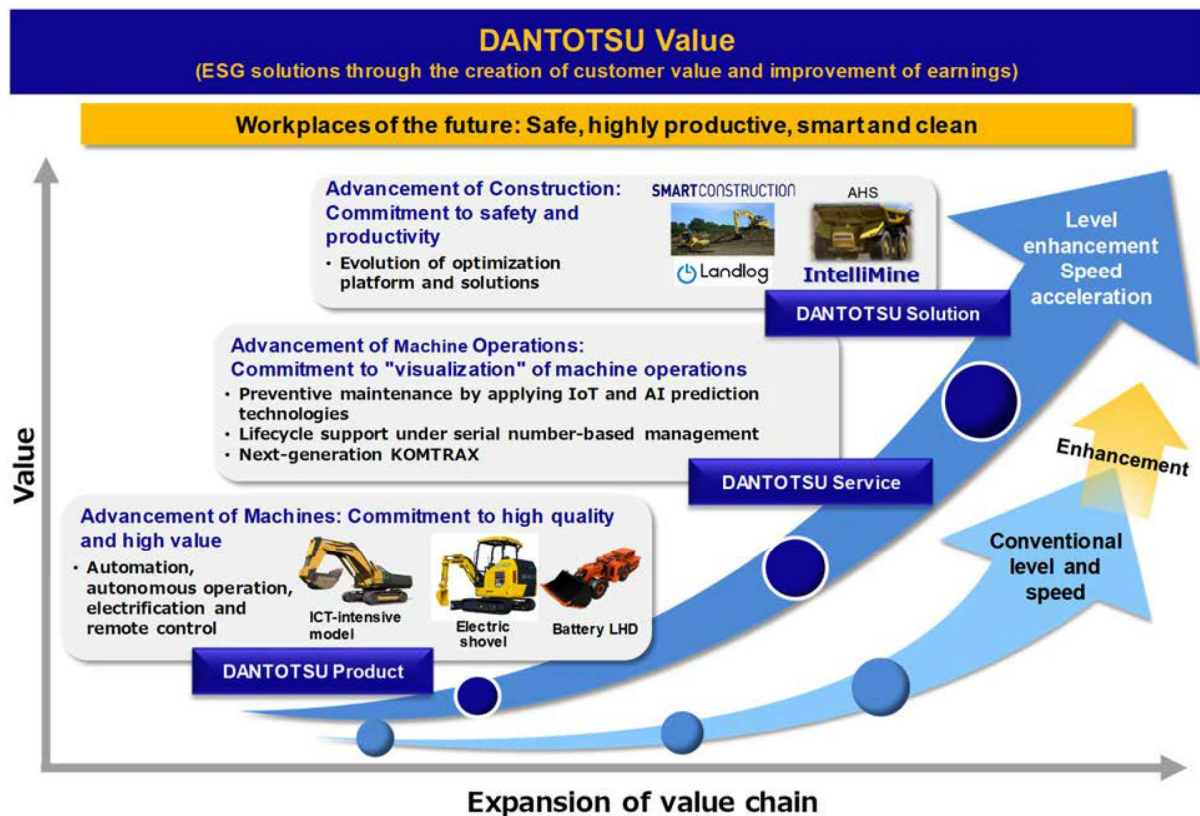
In particular, against the background of recent worldwide trends such as reduction of greenhouse gas (CO<sub>2</sub>, etc.) emissions that impact climate change, and acceleration of digital transformation, Komatsu recognizes that initiatives to reduce its environmental impact are one of its most important priorities. While taking action to reduce CO<sub>2</sub> 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.



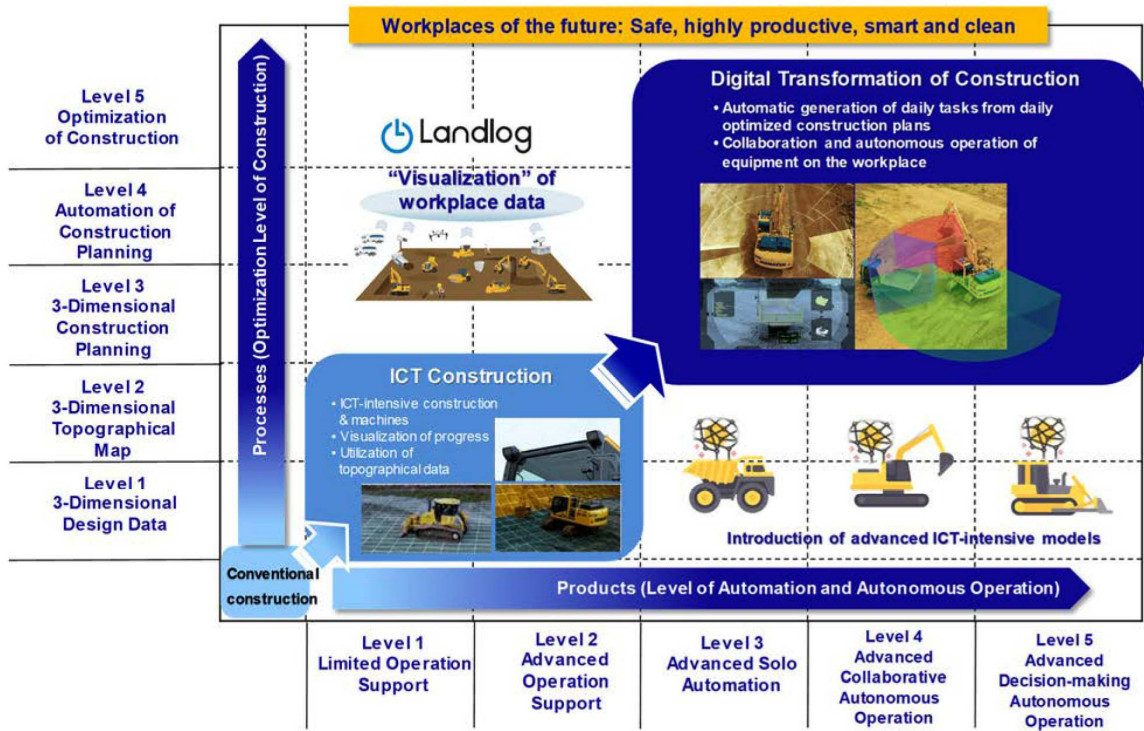
## Realizing “DANTOTSU Value” along with the evolution of the three growth strategies

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	• Sales growth rate	• Growth rate above industry's average
Profitability	• Operating income ratio	• Industry's top-level operating income ratio
Efficiency	• ROE* <sup>1</sup>	• ROE* <sup>1</sup> of 10% or higher
Financial position	• Net debt-to-equity ratio* <sup>2</sup>	• Industry's top-level financial position
Retail finance business	• ROA* <sup>3</sup> • Net debt-to-equity ratio* <sup>2</sup>	• ROA* <sup>3</sup> : 1.5-2.0% • 5.0 or under for net debt-to-equity ratio* <sup>2</sup>
ESG	• Reduction of environmental impact • Evaluation by external organizations	• Reduction of environmental impact CO <sub>2</sub> 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* <sup>4</sup> (World & Asia Pacific) and for CDP* <sup>5</sup> A-list (Climate Changes and Water Risk), etc.
Shareholder return	• Dividend payout ratio	• 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

Notes:

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

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

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

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



**[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"> <li>▪ Launched “SMARTCONSTRUCTION Digital Transformation” (Japan, North America, Europe and Australia)</li> <li>▪ Started installation of “SMARTCONSTRUCTION Retrofit Kits” for hydraulic excavators, which enables 3D construction work, and application to mini excavators</li> <li>▪ Achieved a total of 352 dump truck units operating under the Autonomous Haulage System (AHS)</li> <li>▪ 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</li> <li>▪ 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.</li> <li>▪ Started full-fledged automated construction in a dam construction project</li> </ul>
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> <li>▪ Market expansion and global launch of “SMARTCONSTRUCTION Digital Transformation” solution</li> <li>▪ Develop a new open technology platform for mining</li> <li>▪ Develop technologies for automation, autonomous operation, electrification and remote control</li> </ul>
2. Growth Strategies Based on Business Reforms	FY2020 achievements	<ul style="list-style-type: none"> <li>▪ Commercialized the product models under development aimed at complying with regulations, increasing product capabilities, and being the “DANTOTSU No. 1 in Asia”</li> <li>▪ Enhanced the extended warranty programs with maintenance contract</li> <li>▪ Expanded the model line-up equipped with the KomVision Human Detection &amp; Collision Mitigation System</li> <li>▪ Expanded the forest machinery business (efforts on silviculture (growing and cultivating forest crops) and smart forestry)</li> <li>▪ Launched next-generation KOMTRAX</li> <li>▪ Developed DANTOTSU products for hard rock mining</li> <li>▪ Launched electric forklift trucks FE25-2 and FE30-2</li> <li>▪ Komatsu NTC Ltd. developed and launched manufacturing equipment for EV (electric vehicles) batteries</li> </ul>
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> <li>▪ Improve the market position of the hard rock mining business</li> <li>▪ Build a new business model using next-generation KOMTRAX</li> <li>▪ Continue to promote value-chain reforms aimed at realizing full lifecycle support</li> <li>▪ Reforms of the industrial machinery business (Expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)</li> </ul>

Three Management Strategies		Examples of Activities
3. Structural Reforms for Growth	FY2020 achievements	<ul style="list-style-type: none"> <li>• Structural reform of soft rock mining business</li> <li>• Selected for “DX Grand Prix 2020”</li> <li>• Construction start of new seal ring factory in the Himi Plant 2</li> <li>• Completed the construction of a new Reman plant in South Africa</li> </ul>
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> <li>• Promote work reforms using ICT and IoT</li> <li>• Promote structural reforms and continuous cost improvement activities</li> <li>• Promote next-generation plants and plants with zero load on the earth and workers</li> <li>• Develop human resources with global perspective and promote diversity</li> </ul>

### Solving ESG issues through the three growth strategies

Komatsu 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 Komatsu 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
Enhancing Quality of Life -Providing Products Required by Society-	<ul style="list-style-type: none"> <li>• Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry).</li> <li>• Improve productivity, efficiency, safety and environmental impact (lower CO<sub>2</sub> emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain.</li> <li>• Make commitment to DANTOTSU Value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value).</li> </ul>	   
Human Resource Development	<ul style="list-style-type: none"> <li>• Develop a diverse workforce with a high level of productivity and technical skills.</li> <li>• Strengthen and develop diverse and global-scope talent to help achieve sustainable workplaces.</li> <li>• Develop talent with cross-value chain capabilities.</li> </ul>	
Growing with Society	<ul style="list-style-type: none"> <li>• Offer resolutions for social issues through collaboration with stakeholders.</li> <li>• Act as a responsible corporate citizen ensuring corporate governance and compliance and respecting human rights.</li> </ul>	 

## 2. Risk Factors

Given that Komatsu operates on a global scale with development, production, sales and other bases established around the world, Komatsu is exposed to a variety of risks. Komatsu has identified the following risks as its primary risks based on information currently available to it. Following description contains forward-looking statements which the Company judged as of the filing date of this Annual Securities Report.

### (1) Economic and market conditions

The business environment in which Komatsu operates and the market demand for its products may change substantially as a result of economic and market conditions, political and social circumstances, competitive conditions, or the like, which differ from region to region.

In economically developed countries in which Komatsu operates, Komatsu's business is generally affected by cyclical changes in the economies of such regions. Therefore, factors which are beyond Komatsu's control, such as levels of housing starts, industrial production, public investments in infrastructure development and private-sector capital outlays, may affect demand for Komatsu's products. In newly developing countries in which Komatsu operates, Komatsu constantly pays attention to the changes in demand for its products. However, these economies are subject to impact by a number of variable factors, such as commodity demand levels, commodity price fluctuations, and sudden movements in currency values and changes in any or all of these factors could adversely affect Komatsu's business results. Furthermore, when economic and/or market conditions change more drastically than expected, Komatsu may also experience, among other things, fewer orders of its products, an increase in cancellation of orders by customers and a delay in the collection of receivables.

These changes in the business environment in which Komatsu operates may lead to a decline in sales, and inefficient inventory levels and/or production capacities, thereby causing Komatsu to record lower profitability and incur additional expenses and losses. As a result, Komatsu's results of operations may be adversely affected.

### (2) Foreign currency exchange rate fluctuations

A substantial portion of Komatsu's overseas sales is affected by foreign currency exchange rate fluctuations. In general, an appreciation of the Japanese yen against another currency would adversely affect Komatsu's results of operations, while a depreciation of the Japanese yen against another currency would have a favorable impact thereon. In addition, foreign currency exchange rate fluctuations may also affect the comparative prices between products sold by Komatsu and products sold by its foreign competitors in the same market, as well as the cost of materials used in the production of such products. Komatsu strives to alleviate the effect of such foreign currency exchange rate fluctuations by locating its production bases globally and engaging in production locally. Komatsu also engages in hedging activities to minimize the effects of short-term foreign currency exchange rate fluctuations. Despite Komatsu's efforts, if the foreign currency exchange rates fluctuate beyond Komatsu's expectations, Komatsu's results of operations may be adversely affected.

### (3) Fluctuations in financial markets

While Komatsu is currently improving the efficiency of its asset management, its aggregate short- and long-term interest-bearing debt was ¥909.9 billion as of March 31, 2021. Although Komatsu has strived to reduce the effect of interest rate fluctuations using various measures, including procuring funds at fixed interest rates, an increase in interest rates may increase Komatsu's interest expenses and thereby adversely affect Komatsu's results of operations. In addition, with respect to Komatsu's pension assets, though Komatsu has been evaluating its operational status and reviewing its portfolio on a regular basis, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of Komatsu's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect Komatsu's results of operations and financial condition.

(4) Laws and regulations of different countries

Komatsu is subject to relevant regulations and approval procedures in the countries in which it operates. If any new laws and regulations or amendments to existing laws and regulations relating to customs duties, currency restrictions and other legal requirements are implemented in the countries where Komatsu operates, Komatsu may incur expenses in order to comply with such laws and regulations or its development, production, sales and service operations may be affected adversely by them. With respect to transfer pricing between Komatsu and its affiliated companies, Komatsu is careful to comply with applicable taxation laws of Japan and the concerned foreign governments. Nevertheless, it is possible that Komatsu may be viewed by the concerned tax authorities as having used inappropriate pricing. Furthermore, if intergovernmental negotiations were to fail, Komatsu may be charged with double or additional taxation. When facing such an unexpected situation, Komatsu may experience an unfavorable impact on its business results.

(5) Environmental laws and regulations, approaches related to climate change, etc.

Komatsu's products and business operations are required to meet increasingly stringent environmental laws and regulations in the numerous countries in which Komatsu operates. In addition, measures for reducing greenhouse gas emissions have been taken around the world. Therefore, Komatsu is investing a significant proportion of its management resources, such as research and development expenditure, to comply with environmental and other related regulations and to respond to climate change issues. If Komatsu is required to incur additional expenses and make additional capital investments due to future revision of environmental regulations or future impacts of climate change, or if its development, production, sales and service operations are adversely affected by such revised regulations, Komatsu may experience an unfavorable impact on its business results.

(6) Product and quality liability

Komatsu endeavors to sustain and improve the quality and reliability of the products that it offers, based on stringent standards established internally. While, in the event of an accident, etc. due to an unexpected defect arising out of product design/manufacturing, Komatsu takes improvement measures, such as recalling a product, Komatsu's business results may be adversely affected by claims for damages, etc. or loss of reputation/trust.

(7) Alliances, collaborations, mergers and acquisitions, etc.

Komatsu has entered into and implemented alliances, collaborations, mergers and acquisitions, etc. with various business partners to reinforce its international competitiveness. Through such arrangements, Komatsu is working to improve and expand its product development, production, sales and service capabilities as well as its solutions business. However, Komatsu's failure to attain expected results or the termination of such alliances or collaborative relationships may adversely affect Komatsu's results of operations.

(8) Procurement, production and other matters

Komatsu's procurement of parts and materials for its products is exposed to fluctuations in commodity and energy prices. Price increases in commodities, such as steel materials, as well as energies, such as crude oil and electricity, may increase the production cost of Komatsu's products. In addition, a shortage of product parts and materials, bankruptcies of suppliers or production discontinuation by suppliers of products used by Komatsu, multilateral export/import controls or other issues may make it difficult for Komatsu to engage in the timely procurement of parts and materials and manufacture of its products, thereby lowering Komatsu's production efficiency. With respect to an increase in the cost of production as mainly affected by an increase in the cost of materials, Komatsu mainly strives to reduce costs and make price adjustments of its products. Komatsu also strives to minimize the effects of possible procurement or manufacturing issues by such means as using multiple suppliers, maintaining safety stock, and enhancing production management through collaboration among the relevant business divisions. However, if the increase in commodity and energy prices were to exceed Komatsu's expectations or a prolonged shortage of materials and parts were to occur, Komatsu's results of operations may be adversely affected.

(9) Information security, intellectual property and other matters

Komatsu may obtain confidential information concerning its customers and individuals in the normal course of its business. Komatsu also holds confidential business and technological information. Komatsu safeguards such confidential information with the utmost care. To forestall infection with a computer virus or cyber-attacks in order to prevent unauthorized access, tampering, destruction, leakage, and losses, Komatsu employs appropriate safety measures, including implementing technological safety measures and strengthening its information management capabilities. However, when a leak or loss of confidential information concerning customers and individuals occurs, Komatsu may become liable for damages, or its reputation or its customers' confidence in Komatsu may be adversely affected. In addition, if Komatsu's confidential business and technological information were leaked or lost, or misused by a third party, or Komatsu's intellectual properties were infringed upon by a third party, or Komatsu were held liable for infringing on a third party's intellectual property rights, Komatsu's business results may be adversely affected. Furthermore, any more sophisticated cyber-attacks may impose increased costs on Komatsu for enhancing information security measures.

(10) Natural calamities, wars, terrorism, accidents, epidemics and other matters

If natural disasters (such as earthquakes, tsunamis and floods), epidemics, radioactive contamination, wars, terrorist acts, riots, accidents (such as fires and explosions), unforeseeable criticism or interference by third parties were to occur in the regions in which Komatsu operates, Komatsu may incur extensive damage to one or more of its facilities that then could not become fully operational within a short period of time. Even if Komatsu's operations were not directly harmed by such events, confusion in logistic and supply networks, shortages in the supply of electric power, gas and other utilities, telecommunication problems and/or problems of supplier's production may continue for a long period of time. In preparation for actualization of these risks, Komatsu takes measure such as establishment of a business continuity plan or implementation of training sessions, and, if a material risk is actualized, Komatsu will set up an emergency headquarters and take appropriate steps to minimize damage. In addition, even under the conditions created by the novel coronavirus (COVID-19) pandemic, Komatsu group has continued to supply products, parts and service to fulfill its responsibilities to customers engaged in essential businesses that support critical social infrastructure, based on the policies of the governments of host countries where Komatsu operates.

The impact of COVID-19 on Komatsu Group for the fiscal year ended March 31, 2021 is described in "3. Analyses of Consolidated Financial Position, Operating Results and Cash Flows from the management's perspective".

However, Komatsu cannot foresee the future impact on results for the fiscal year ending March 31, 2022 as we have been confronted by a range of adverse circumstances such as variability in recovery of demand in certain areas and delays in supply arising from impacts on supply chains due to measures restricting activity, etc. introduced by the governments of host countries.

### 3. Analyses of Consolidated Financial Position, Operating Results and Cash Flows from the management's perspective

#### 1. Overview of Results of Operations, etc.

Komatsu's financial position, results of operations and cash flows (hereinafter "Results of Operations, etc.") in the fiscal year ended March 31, 2021 are as follows.

#### (1) Financial Position and Operating Results

##### (i) Overview

For the fiscal year ended March 31, 2021, consolidated net sales decreased by 10.4% from the fiscal year ended March 31, 2020 to ¥2,189,512 million. With respect to profits, operating income decreased by 33.3% from the fiscal year ended March 31, 2020 to ¥167,328 million. The operating income ratio decreased by 2.7 percentage points from the fiscal year ended March 31, 2020 to 7.6%. Income before income taxes and equity in earnings of affiliated companies decreased by 27.0% from the fiscal year ended March 31, 2020 to ¥162,775 million. Net income attributable to Komatsu Ltd. decreased by 30.9% from the fiscal year ended March 31, 2020 to ¥106,237 million.

#### Consolidated results for the fiscal year

	152 <sup>nd</sup> fiscal year (Millions of yen)	Changes from 151 <sup>st</sup> fiscal year
Net sales	2,189,512	(10.4%)
Construction, Mining and Utility Equipment	1,975,958	(10.6%)
Retail Finance	66,394	(6.4%)
Industrial Machinery and Others	171,255	(3.6%)
Elimination	(24,095)	—
Segment profit	172,339	(32.4%)
Construction, Mining and Utility Equipment	143,788	(36.7%)
Retail Finance	10,574	(16.6%)
Industrial Machinery and Others	16,342	19.3%
Corporate & elimination	1,635	—
Operating income	167,328	(33.3%)
Income before income taxes and equity in earnings of affiliated companies	162,775	(27.0%)
Net income attributable to Komatsu Ltd.	106,237	(30.9%)

##### (ii) Changes in foreign exchange rate

The Japanese yen appreciated particularly against the U.S. dollar for the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020. It is estimated that segment profit for the construction, mining and utility equipment business for the fiscal year ended March 31, 2021 decreased approximately ¥10.1 billion compared to the fiscal year ended March 31, 2020 due primarily to the Japanese yen appreciation. Its estimation of influence amount is calculated as of a multiplication its trading amount of foreign currencies of the Company and its consolidated subsidiaries and the change in foreign exchange rate, not reflected sales price adjustment.

(iii) Net sales

Consolidated net sales for the fiscal year ended March 31, 2021 decreased by 10.4% to ¥2,189,512 million from ¥2,444,870 million for the fiscal year ended March 31, 2020. Net sales to external customers in Japan for the fiscal year ended March 31, 2021 decreased by 3.1% to ¥384,302 million from ¥396,584 million for the fiscal year ended March 31, 2020. Net sales to external customers in overseas for the fiscal year ended March 31, 2021 decreased by 11.9% to ¥1,805,210 million from ¥2,048,286 million for the fiscal year ended March 31, 2020.

(iv) Cost of sales and selling, general and administrative expenses

Cost of sales decreased by 8.0% from the fiscal year ended March 31, 2020 to ¥1,608,457 million primarily due to decreased net sales. The ratio of cost of sales to net sales increased by 2.0 percentage points from the fiscal year ended March 31, 2020 to 73.5%.

Selling, general and administrative expenses decreased by 7.3% from the fiscal year ended March 31, 2020 to ¥408,716 million.

R&D expenses that were included in cost of sales and selling, general and administrative expenses decreased by 1.2% from the fiscal year ended March 31, 2020 to ¥73.8 billion.

(v) Impairment losses on long-lived assets

Impairment losses on long-lived assets for the fiscal year ended March 31, 2021 decreased by ¥791 million to ¥2,403 million as compared to ¥3,194 million for the fiscal year ended March 31, 2020. For the fiscal year ended March 31, 2021, this was due primarily to impairment losses from other intangible assets not subject to amortization and property, plant and equipment.

(vi) Impairment loss on goodwill

Impairment loss on goodwill for the fiscal year ended March 31, 2021 decreased by ¥3,699 million because Komatsu recognized no impairment loss on goodwill for the fiscal year ended March 31, 2021.

(vii) Other operating income (expenses), net

Net other operating expenses of ¥2,608 million was recognized for the fiscal year ended March 31, 2021 as compared to net other operating income of ¥2,570 million for the fiscal year ended March 31, 2020.

(viii) Operating income

As a result of the above factors, operating income for the fiscal year ended March 31, 2021 decreased by 33.3% to ¥167,328 million as compared to ¥250,707 million for the fiscal year ended March 31, 2020.

(ix) Other income (expenses), net

Interest and dividend income decreased by ¥2,085 million to ¥5,293 million for the fiscal year ended March 31, 2021 as compared to ¥7,378 million for the fiscal year ended March 31, 2020. Interest expense decreased by ¥10,826 million to ¥13,766 million for the fiscal year ended March 31, 2021 as compared to ¥24,592 million for the fiscal year ended March 31, 2020.

(x) Income before income taxes and equity in earnings of affiliated companies

As a result of the above factors, income before income taxes and equity in earnings of affiliated companies for the fiscal year ended March 31, 2021 decreased by 27.0% to ¥162,775 million as compared to ¥223,114 million for the fiscal year ended March 31, 2020.

(xi) Income taxes

Income tax expense for the fiscal year ended March 31, 2021 decreased by ¥15,954 million to ¥46,919 million from ¥62,873 million for the fiscal year ended March 31, 2020. The actual effective tax rate for the fiscal year ended March 31, 2021 increased by 0.6 percentage points to 28.8% from 28.2% for the fiscal year ended March 31, 2020. The difference between the Japanese statutory tax rate of 31.3% and the actual effective tax rate of 28.8% was caused by income of foreign subsidiaries being taxed at a rate lower than the Japanese statutory tax rate.

(xii) Equity in earnings of affiliated companies

Equity in earnings of affiliated companies for the fiscal year ended March 31, 2021 decreased by ¥683 million to ¥2,760 million as compared to ¥3,443 million for the fiscal year ended March 31, 2020.

(xiii) Net income

As a result of the above factors, net income for the fiscal year ended March 31, 2021 decreased by ¥45,068 million to ¥118,616 million as compared to ¥163,684 million for the fiscal year ended March 31, 2020.

(xiv) Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests for the fiscal year ended March 31, 2021 increased by ¥2,539 million to ¥12,379 million as compared to ¥9,840 million for the fiscal year ended March 31, 2020. The portion attributable to noncontrolling interests increased mainly as a result of an increase in earnings recorded by Komatsu Marketing Support Australia Pty Ltd, etc.

(xv) Net income attributable to Komatsu Ltd.

As a result of the above, net income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2021 decreased by 30.9% to ¥106,237 million as compared to ¥153,844 million for the fiscal year ended March 31, 2020. Accordingly, basic net income attributable to Komatsu Ltd. per share decreased to ¥112.43 for the fiscal year ended March 31, 2021 from ¥162.93 for the fiscal year ended March 31, 2020. Diluted net income attributable to Komatsu Ltd. per share decreased to ¥112.39 for the fiscal year ended March 31, 2021 from ¥162.80 for the fiscal year ended March 31, 2020.

(xvi) Segment profit

(Segment profit is calculated by subtracting cost of sales and selling, general and administrative expenses from net sales.)

Segment profit for the construction, mining and utility equipment business for the fiscal year ended March 31, 2021 decreased by ¥83,523 million to ¥143,788 million, mainly due to reduced sales volume, and changes in the compositions of sales, as well as the Japanese yen's appreciation, even while Komatsu worked to reduce fixed costs, as compared to ¥227,311 million for the fiscal year ended March 31, 2020.

Segment profit for the retail finance business for the fiscal year ended March 31, 2021 decreased by ¥2,099 million to ¥10,574 million, mainly reflecting the adverse effects of an extension of payments and revaluation of vehicles after lease use, as compared to ¥12,673 million for the fiscal year ended March 31, 2020.

Segment profit for the industrial machinery and others business for the fiscal year ended March 31, 2021 increased by ¥2,639 million to ¥16,342 million, as sales remained steady for Excimer laser-related business in the semiconductor market, as compared to ¥13,703 million for the fiscal year ended March 31, 2020.

Consolidated segment profit, which was added corporate expenses and elimination, decreased by ¥82,691 million to ¥172,339 million as compared to ¥255,030 million for the fiscal year ended March 31, 2020.

Consolidated segment profit is not in accordance with U.S. GAAP, but is disclosed as beneficial information for users of the financial statements.



## (2) Cash flows

Net cash provided by operating activities totaled ¥354,129 million, an increase of ¥58,948 million from the previous fiscal year, largely reflecting decreased inventories.

Net cash used in investing activities amounted to ¥163,057 million, a decrease of ¥27,873 million from the previous fiscal year, mainly due to the purchase of fixed assets.

Net cash used in financing activities amounted to ¥199,667 million (as compared to ¥3,457 million used for the previous fiscal year), mainly due to the repayment of debt and payment of cash dividends.

After adding the effects of foreign exchange fluctuations to the total amount of each cash flow, as of March 31, 2021, cash and cash equivalents totaled ¥241,803 million, a decrease of ¥5,813 million from the fiscal year ended March 31, 2020.

## (3) Production, Orders Received and Sales

Komatsu produces and sells a wide range of products, and there are various types of specifications in terms of the capacity, structure design, model and others, even for the same kinds of products. In addition, Komatsu does not adopt a make-to-order production system for many products. Thus, Komatsu does not present this production and orders received in amount or volume terms for each operating segment.

Therefore, production, orders received and sales are disclosed in relation to the business results of each operating segment in “2. Views and issues analyzed/discussed with regard to the status of Results of Operations, etc. from the management’s perspective”.

## **2. Views and issues analyzed/discussed with regard to the status of Results of Operations, etc. from the management’s perspective**

Views and issues analyzed/discussed with regard to the status of Results of Operations, etc. of Komatsu from the management’s perspective are as follows.

Following description contains forward-looking statements which the Company judged as of the filing date of this Annual Securities Report.

### (1) Critical Accounting Policies

The Company prepares its consolidated financial statements in conformity with U.S. GAAP. The Company’s management regularly makes certain estimates and judgments that the Company believes are reasonable based upon available information. These estimates and judgments affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of income and expenses during the periods presented, and the disclosed information regarding contingent liabilities and debts. These estimates and judgments are based on Komatsu’s historical experience, terms of existing contracts, Komatsu’s observance of trends in the industry, information provided by its customers and information available from other outside sources, as appropriate. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty, and may differ from actual results. For a summary of the Company’s significant accounting policies, including the critical accounting policies discussed below, see Note 1 to the Consolidated Financial Statements.

Regarding the impact of COVID-19 pandemic on the financial position and results 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 calculation of the estimated credit losses, the likelihood of recovery 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 adversely affected.

The Company’s management believes that the following accounting policies are critical in fully understanding and evaluating the Company’s reported financial results.

(i) Allowance for Doubtful Receivables

Komatsu estimates the collectability of its trade receivables taking into consideration numerous factors, including the current financial position of each customer.

Komatsu establishes an allowance for expected losses based on individual credit information, historical experience and assessment of overdue receivables. Komatsu continually analyzes data obtained from internal and external sources in order to become familiar with customers' credit situations. Regarding financing receivables in the retail finance business, in particular, collection occurs over a long period and there is a degree of uncertainty that accompanies the calculation of the estimated credit losses and the calculation of an expected amount recoverable from the collateral. Therefore, Komatsu performs estimates to the best of its abilities based on information at hand, using surveys of the credit status and status of receivables not yet due for collection for each customer and surveys of market prices of assets held for collateral. Since Komatsu's historical loss experiences have fallen within their original estimates and established provisions, the Company's management believes its allowance for doubtful receivables to be adequate. However, if the composition of Komatsu's trade receivables were to change or the financial position of each customer were to change due to an unexpected significant shift in the economic environment, it is possible that the accuracy of its estimates could be affected and thus its financial position and results of operations could be materially affected.

For additional information, see Note 4 to the Consolidated Financial Statements.

(ii) Deferred Income Tax Assets and Uncertain Tax Positions

The Company estimates income taxes and income taxes payable in accordance with applicable tax laws in each of the jurisdictions in which it operates. Net operating loss carry forwards and temporary differences resulting from differing treatment of items for taxation and financial accounting and reporting purposes are recognized on the Company's consolidated balance sheet by adjusting the effect for deferred income tax assets and liabilities.

Komatsu is required to assess the likelihood that each of its group company's deferred tax assets will be recovered from future taxable income estimated for each group company and the available tax planning strategies.

The Company's management estimates its future taxable income and considers the likelihood of recovery of deferred tax assets based on the management plan authorized by the Board of Directors, periodic operational reports of each group company, future market conditions and tax planning strategies, and, to the extent the Company's management believes that any such recovery is not likely, each group company establishes a valuation allowance to reduce the amount of deferred tax assets reflected in the consolidated balance sheet. Changes to the amount and timing of future taxable income determined by the Company's management could result in an increase or decrease to the valuation allowance.

Benefits derived from uncertain tax positions are recognized when a particular tax position meets the more-likely-than-not recognition threshold based on the technical merits of such position. A benefit is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon a final settlement with the appropriate taxing authority. Komatsu assesses the likelihood of sustaining such tax positions at each reporting date, with any changes in estimate reflected in the financial statements for the period during which such changes occur, until such time as the positions are effectively settled.

While the Company's management believes that all deferred tax assets after adjustments for valuation allowance will be realized and all material uncertain tax positions that are recognized will be successfully sustained, the Company may be required to adjust its deferred tax assets or valuation allowance or reserve for unrecognized tax benefits if its estimates differ from actual results due to poor operating results, lower future taxable income as compared to estimated taxable income or different interpretations of tax laws by the relevant tax authorities. These adjustments to the valuation allowance or recognized tax benefits could materially affect Komatsu's financial position and results of operations.

For additional information, see Note 16 to the Consolidated Financial Statements.

### (iii) Valuation of Long-Lived Assets and Goodwill

Komatsu's long-lived assets are reviewed for potential impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable, such as a decrease in future cash flows caused by a change in business environment.

The recoverability of assets to be held and used is measured by comparing the carrying amount of a particular asset to the estimated future undiscounted cash flow expected to be generated by such asset. Such future undiscounted cash flow is estimated in accordance with Komatsu's management plan. The management plan is established by taking into consideration, to the extent possible, management's best estimates on the fluctuation of sales prices, changes in manufacturing costs and sales, general and administrative expenses based on expected sales volumes derived from market forecasts available through outside research institutions and through customers. If the carrying amount of an asset exceeds its future undiscounted cash flow and such asset is considered unrecoverable and identified as an impaired asset, Komatsu recognizes an impairment loss based on the amount by which the carrying amount of the asset exceeds its fair value. Fair value is customarily measured based on the asset's future discounted cash flow, and the rate used to discount such cash flow is the weighted average capital cost reflecting the fluctuation risk of future cash flow in the capital markets. As an alternative to such customary method, fair value may also be measured based on an independent appraisal. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less costs of sales.

Komatsu reviews its goodwill for impairment at least once annually and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount.

The fair value of the reporting unit is generally determined using future discounted cash flow model. Projected future cash flow is estimated in accordance with Komatsu's management plan. The management plan is established by taking into consideration, to the extent possible, management's best estimates on the fluctuation of sales prices, changes in manufacturing costs and sales, general and administrative expenses based on expected sales volumes derived from market forecasts available through outside research institutions and through customers. When the carrying amount of the reporting unit exceeds the fair value, the difference is recognized as impairment loss on goodwill to the extent of the carrying amount of the goodwill allocated to that reporting unit.

While Komatsu believes that there are no additional major impairments of its long-lived assets and goodwill at present, in the event that Komatsu's strategy or market conditions in which it operates changes, estimates of future cash flows to be generated by an asset and evaluations of fair value would be affected, and the assessment of the ability to recover the carrying amount of long-lived assets and goodwill may change. Accordingly, such changes in assessment could materially affect Komatsu's financial position and results of operations.

### (iv) Fair Values of Financial Instruments

The fair values of derivative financial instruments, consisting principally of foreign currency contracts and interest swap agreements, are estimated by obtaining quotes from brokers based on observable market inputs. While fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments, these estimates are subjective in nature. The estimated fair values may change due to uncertainties in the financial markets, and may therefore differ from actual results.

Komatsu's investments in marketable equity securities are stated at fair value. Changes in fair values are included in net income in the accompanying consolidated statements of income.

Komatsu measures equity securities without readily determinable fair values at the carrying amount after the writedown 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. In case of decrease market price, in periodically assessing other-than-temporary impairment of investments in affiliated companies, Komatsu considers the period and amount of its decline, and the financial positions and prospects of each subject companies.

While Komatsu believes that there are no additional major impairments of its investment securities or investments in affiliated companies at present, if the performance and business conditions of any subject company deteriorate due to a change in business circumstances, Komatsu may recognize an impairment of its investments.

For additional information, see Notes 20, 21 and 22 to the Consolidated Financial Statements.

(v) Pension Liabilities and Expenses

The amount of Komatsu's pension obligations and net periodic pension costs are dependent on certain assumptions used to calculate such amounts. These assumptions are described in Note 12 to the Consolidated Financial Statements and include the discount rate, expected rate of return on plan assets and rates of increase in compensation. Actual results that differ from these assumptions are accumulated and amortized over future service years of employees and therefore generally affect Komatsu's recognized expenses and recorded obligations during such future periods.

The discount rate is determined based on the rates of return of high-quality fixed income investments currently available and expected to be available until the maturity of the pension benefits. The expected long-term rate of return on plan assets is determined by taking into consideration the current expectations for future returns and actual historical returns of each plan asset category.

While Komatsu believes that its assumptions are appropriate, in the event that actual results differ significantly from these assumptions or significant changes are made to these assumptions, Komatsu's pension obligations and future expenses may be affected.

The following table illustrates the sensitivity of pension obligations and net periodic pension costs to changes in discount rates and expected long-term rate of return on pension plan assets, while holding all other assumptions constant, for Komatsu's pension plans as of March 31, 2021.

	Change in assumption	Pension obligations (Billions of yen)	Net periodic pension costs (Billions of yen)
Discount rate	0.5% increase/decrease	-28.9 / +31.2	-0.4 / +1.2
Expected long-term rate of return	0.5% increase/decrease	—	-1.4 / +1.4

(vi) Recently Issued Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments — Credit Losses: Measurement of Credit Losses on Financial Instruments". This update requires an entity to recognize credit losses for many financial assets based on current expected credit loss model instead of existing incurred loss model. The new current expected credit loss model requires an entity to immediately recognize estimated credit losses expected to occur over the remaining life of the financial assets which are within the scope of this update. For all entities other than U.S. Securities and Exchange Commission (SEC) filers, this update was planned to be effective for annual reporting periods beginning after December 15, 2020, including interim periods within that reporting period originally. In November 2019, the FASB changed the effective date of this update and this update will be effective for annual reporting periods beginning after December 15, 2022, including interim periods within that reporting period. Early adoption is permitted. This update should be adopted under the modified-retrospective approach through a cumulative-effect adjustment to retained earnings at the beginning of the initial application period. Komatsu is currently considering the adoption date and the impact of this update on Komatsu's financial position and results of operations.

(2) Views and issues analyzed/discussed with regard to the status of Results of Operations, etc. in the fiscal year ended March 31, 2021

(i) Views and issues analyzed/discussed with regard to the status of Komatsu's financial position and operating results

For the fiscal year ended March 31, 2021, consolidated net sales decreased by 10.4% from the fiscal year ended March 31, 2020 to ¥2,189,512 million.

Under unclear and uncertain conditions as affected by the coronavirus (COVID-19) pandemic, in the construction, mining and utility equipment business, demand showed steady recovery, centering on construction equipment, in the second six-month period. However, sales decreased from the fiscal year ended March 31, 2020, as full-year demand was critically affected by the coronavirus (COVID-19) pandemic in the first six-month period. In the industrial machinery and others business, sales decreased from the fiscal year ended March 31, 2020, as affected by sluggish capital investment of the automobile manufacturing industry for presses, sheet-metal machines, and machine tools.

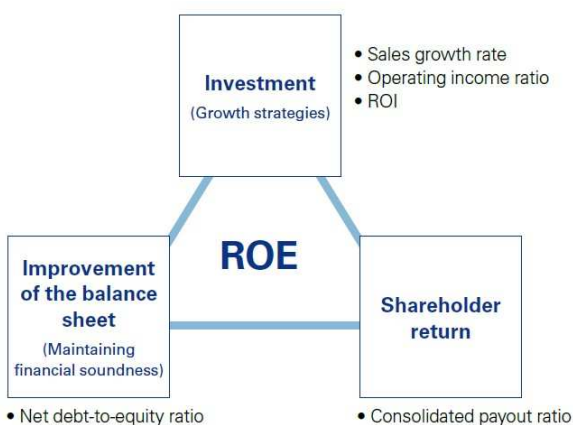
With respect to profits, operating income decreased by 33.3% from the fiscal year ended March 31, 2020, to ¥167,328 million. This was mainly due to reduced sales volume, and changes in the compositions of sales, in the construction, mining and utility equipment business, as well as the Japanese yen's appreciation, even while Komatsu worked to reduce fixed costs.

As of March 31, 2021, while inventories decreased from March 31, 2020, total assets increased by ¥131,155 million to ¥3,784,841 million, due largely to the Japanese yen's depreciation against the U.S. dollar and some other currencies as well as increased receivables. Interest-bearing debt decreased by ¥102,395 million from March 31, 2020, to ¥909,983 million. Komatsu Ltd. shareholders' equity increased by ¥140,691 million from March 31, 2020, to ¥1,912,297 million. As a result, Komatsu Ltd. shareholders' equity ratio increased by 2.0 percentage points from March 31, 2020, to 50.5%.

(ii) Liquidity and Capital Resources

< Use of funds >

To strive for the sustainable increase of its corporate value, Komatsu are building a sound financial position and strengthen our competitiveness, which are resilient to changes in the external environment and market demand fluctuations. Komatsu also strives to engage in a well-balanced allocation of our funds to 1) investment for growth, 2) improvement of the balance sheet (maintaining financial soundness), and 3) shareholder return and monitors ROE (Return on Equity) which is a general index. We have set up ROE of 10% or higher as the management target, which is exceeded the cost of equity estimated. To expand equity spread (ROE – cost of shareholders' equity), Komatsu works to both improve ROE and reduce cost of shareholders' equity.



< Source of funds and liquidity management >

Komatsu's principal capital resources policy is to secure sufficient capital resources to be able to respond to future capital needs in connection with its operations and to maintain an appropriate level of liquidity. Consistent with this policy, Komatsu has secured various sources of funding, such as loans, corporate bonds, notes and lines of credit. Komatsu expects to use cash generated from its operations and funds procured through such external sources to satisfy future capital expenditures and working capital needs. In addition, in order to improve the efficiency and effectiveness of its cash management, Komatsu's overseas subsidiaries participate in a global cash

pooling system based on the agreement with financial institutions, which is used to fund their liquidity needs. Participating overseas subsidiaries are allowed to withdraw cash from these financial institutions up to the aggregate cash deposit balance made to such financial institutions. This agreement contains specific provisions for the right to offset positive and negative cash balances on a global basis. Komatsu's consolidated balance sheet as of March 31, 2021 reflects cash net of withdrawals of ¥271,433 million in this global cash pooling system.

Komatsu's short-term funding needs have been met mainly by cash flows from its operating activities, and if necessary, by bank loans and the issuance of commercial paper as well. As of March 31, 2021, the Company and certain consolidated subsidiaries maintained committed credit line agreements totaling ¥458,330 million with financial institutions to secure liquidity. As of March 31, 2021, ¥443,989 million was available to be used under such credit line agreements. In addition, the Company and Komatsu Finance America Inc. each has a commercial paper program. As of March 31, 2021, the program size of the Company is ¥300,000 million, ¥190,000 million of which was unused, and the program size of Komatsu Finance America Inc. is USD 962 million, USD 233 million of which was unused.

To fulfill Komatsu's medium- to long-term funding needs, the Company has established a bond program as well as a Euro Medium Term Note (hereinafter "EMTN") program. In November 2020, the Company's bond program was renewed so that it could issue up to ¥100,000 million of variable-term bonds within a two-year period. As of March 31, 2021, ¥100,000 million remains unused under this program. On the other hand, Komatsu also has ¥158,399 million aggregate principal amount of bonds outstanding under past program as of March 31, 2021. This amount includes bonds which were issued under the bond program prior to its 2020 renewal. In addition, the Company, Komatsu Finance America Inc. and Komatsu Europe Coordination Center N.V. have established a USD 2,000 million EMTN program. Any of these three issuer entities can issue notes in various currencies under the EMTN program which was agreed with EMTN dealers. The aggregate principal amount of notes outstanding as of March 31, 2021 under the EMTN program was ¥138,397 million.

Komatsu's short-term debt as of March 31, 2021 decreased by ¥212,196 million to ¥271,462 million from March 31, 2020. This short-term debt primarily consisted of commercial paper and such short-term debt was used primarily for working capital.

Komatsu's long-term debt, including debt with maturity dates on or before March 31, 2022, increased by ¥109,801 million to ¥638,521 million in the fiscal year ended March 31, 2021 as compared to the fiscal year ended March 31, 2020. As of March 31, 2021, Komatsu's long-term debt excluding market value adjustment, consisted of (1) ¥341,725 million in loans from banks, insurance companies and other financial institutions, (2) ¥158,399 million in unsecured bonds and (3) ¥138,397 million in EMTNs. Such long-term debt was used primarily for capital expenditures and long-term working capital needs.

As a result, Komatsu's interest-bearing debt as of March 31, 2021 decreased by ¥102,395 million to ¥909,983 million as compared to March 31, 2020. Net interest-bearing debt after deducting cash and deposits decreased by ¥95,849 million to ¥666,856 million in the fiscal year ended March 31, 2021. As a result, Komatsu's net debt-to-equity ratio, as of March 31, 2021 was 0.35 to 1, compared to 0.43 to 1 as of March 31, 2020.

At March 31, 2021, Komatsu's total current assets increased by ¥42,502 million to ¥1,989,292 million. Komatsu's total current liabilities decreased by ¥165,756 million to ¥992,869 million. As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2021, was 200.4%, increased by 32.4 percentage points from the fiscal year ended March 31, 2020. Based on anticipated cash flows from its operating activities, the available sources of funds and the level of its current ratio, Komatsu believes that it has sufficient means to satisfy its liquidity needs and future obligations. As of March 31, 2021, Komatsu's total cash and cash equivalents was ¥241,803 million. Out of total cash and cash equivalents, ¥222,052 million was held outside of Japan in various overseas subsidiaries as of March 31, 2021.

Komatsu obtains credit ratings from three rating agencies: Standard and Poor's Ratings Services ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Rating and Investment Information, Inc. ("R&I"). As of March 31, 2021, the Company's issuer ratings were as follows:

S&P: A (long-term), A-1 (short-term)

Moody's: A2 (long-term), Prime-1 (short-term)

R&I: AA- (long-term), a-1+ (short-term)

< Capital investment >

In the fiscal year ended March 31, 2021, with respect to the construction, mining and utility equipment operating segment, Komatsu made capital investments to enhance production efficiency and flexibility and to enhance its rental-to-used equipment business. With respect to the retail finance operating segment, Komatsu made capital investment for operating lease equipment. With respect to the industrial machinery and others operating segment, Komatsu made capital investments to renew obsolete equipment. As a result, Komatsu's capital investment on a consolidated basis for the fiscal year ended March 31, 2021 was ¥163,174 million, a decrease of ¥3,378 million from the fiscal year ended March 31, 2020.

< Tabular disclosure of contractual obligations >

The following table sets forth Komatsu's contractual obligations as of March 31, 2021.

Millions of yen					
	Cash payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	Greater than 5 years
Short-term debt obligations	¥ 271,462	¥ 271,462	¥ —	¥ —	¥ —
Long-term debt obligations	638,521	98,004	385,804	154,632	81
Operating lease obligations	62,736	16,526	17,225	8,844	20,141
Interest on interest bearing debt	24,104	11,871	9,965	2,267	1
Liability for pension and other retirement benefits	4,455	4,455	—	—	—
Total	¥ 1,001,278	¥ 402,318	¥ 412,994	¥ 165,743	¥ 20,223

Notes:

- 1) With respect to long-term debt obligations, there is no market value adjustment.
- 2) Interest on interest-bearing debt is based on rates in effect as of March 31, 2021.
- 3) Liability for pension and other retirement benefits reflects contributions expected to be made during the fiscal year ending March 31, 2022 only, as the amounts of contributions beyond the next fiscal year are not yet determinable.

Commitments for capital investment outstanding at March 31, 2021 aggregated approximately ¥38,900 million.

(iii) Views and issues analyzed/discussed with regard to the status of financial position and operating results by operating segment

<Construction, Mining and Utility Equipment operating segment>

Net sales of the construction, mining and utility equipment business decreased by 10.6% from the fiscal year ended March 31, 2020 to ¥1,975,958 million.

Komatsu promoted efforts of focus defined in the three pillars of growth strategies in the mid-term management plan. With respect to automation, autonomy, electrification, and remote control of construction, mining, and utility equipment, i.e., an effort of focus in value creation by means of innovation, Komatsu continued to strengthen the Autonomous Haulage System (AHS) for mining, increasing the total number of AHS trucks in operation to 352 units as of March 31, 2021. Komatsu also advanced remote control verification tests of the large ICT-intensive mining bulldozer D375Ai-8 over commercial 5G network, while continuing efforts to develop an optimization platform designed to improve the safety and optimize operations at customers' mines. Concerning electrification of construction equipment, Komatsu embarked on PoC (Proof of Concept) verification tests of small and medium-sized hydraulic excavators powered by the lithium-ion battery system.

With respect to the "SMARTCONSTRUCTION Digital Transformation", a solutions business for construction workplaces, Komatsu is appealing its role as a solution provider to help customers optimize their construction work. To accelerate the pace of achieving digital transformation of construction workplaces, Komatsu continued to promote the installation of its retrofit kits, which offer ICT functions to conventional construction equipment.

Concerning an effort of focus of the growth strategies based on business reforms, Komatsu strengthened the recycle-oriented business, establishing a new Reman plant in Southern Africa for the Reman business which remanufactures and reuses components. In the forest machinery business, Komatsu also strengthened the market introduction of machines designed to promote silviculture (growing and cultivating forest crops).

As part of the structural reforms for growth, Komatsu continued its efforts to reassess Komatsu Mining Corp.'s unprofitable business and optimize their production capacity by restructuring production of underground coal mining equipment, selling its conveyor business in the United States and Australia, and transferring its production of roof supports in the United Kingdom.

(In this section, the amounts of sales represent net sales to external customers by customer locations.)

#### Japan

Demand remained steady, centering on public works, on which the coronavirus (COVID-19) pandemic had a small impact. Nevertheless, sales decreased by 5.1% from the fiscal year ended March 31, 2020 to ¥294,890 million, as adversely affected by slack private-sector construction as well as limited sales and service activities in the first six-month period.

#### The Americas

In North America, sales decreased by 22.5% from the fiscal year ended March 31, 2020 to ¥444,366 million. While demand for construction equipment was on a recovery track in the housing sector and the rental industry, it was adversely affected by sluggish economic conditions under the coronavirus (COVID-19) pandemic and that for construction and mining equipment remained slack in the energy-related sector. In Latin America, demand for construction equipment remained steady in Brazil, and sales of mining equipment increased to Chilean copper mines. However, sales decreased by 6.8% from the fiscal year ended March 31, 2020 to ¥288,097 million, as mainly affected by the coronavirus (COVID-19) pandemic, especially in the first six-month period.

#### Europe and CIS

In Europe, sales decreased by 16.5% from the fiscal year ended March 31, 2020 to ¥183,537 million, as demand remained sluggish in the first six-month period, although demand was on a recovery track from the adverse effects of the coronavirus (COVID-19) pandemic in the major markets of Germany, the United Kingdom, and France, as well as in Italy. In CIS, sales decreased by 11.8% from the fiscal year ended March 31, 2020 to ¥112,379 million, affected by sluggish demand for mining equipment in coal mines and depreciation of the Russian ruble, while demand was steady in gold mines and that for construction equipment was on a recovery track in infrastructure development and energy-related sectors.



## China

While the share of sales made by domestic manufacturers increased, demand remained steady, supported by the government's economic stimulus measures, such as infrastructure investment, after containing the coronavirus (COVID-19) pandemic. Furthermore, demand advanced in the fiscal year ended March 31, 2021, driven by the post-Chinese New Year sales season in February, and because the previous year's sales season in February was pushed back by the coronavirus (COVID-19) pandemic. As a result, sales increased by 15.1% from the fiscal year ended March 31, 2020 to ¥146,225 million.

## Asia and Oceania

In Asia, demand showed steady recovery, centering on construction equipment, in Indonesia, Thailand, and Malaysia, and some signs of recovery for mining equipment emerged in coal mines in Indonesia in the fourth quarter against the backdrop of recovering coal prices. However, sales decreased by 32.5% from the fiscal year ended March 31, 2020 to ¥138,790 million, as particularly affected by the coronavirus (COVID-19) pandemic in the first six-month period. In Oceania, sales increased by 13.1% from the fiscal year ended March 31, 2020 to ¥230,122 million, supported by steady demand for mining equipment in iron ore mines, as well as for construction equipment.

## Middle East and Africa

In the Middle East, sales increased by 5.5% from the fiscal year ended March 31, 2020 to ¥32,338 million, supported by steady demand, especially in Turkey, while demand remained slack in Saudi Arabia, largely affected by sluggish crude oil prices and the coronavirus (COVID-19) pandemic. In Africa, demand for construction equipment remained slack in Southern Africa, mainly affected by the coronavirus (COVID-19) pandemic. While some signs of recovery of demand surfaced in other regions, sales decreased by 7.9% from the fiscal year ended March 31, 2020 to ¥90,463 million, as affected by reduced sales of mining equipment as well.

Segment assets as of March 31, 2021 increased by ¥167,781 million to ¥2,689,427 million from March 31, 2020.

Production scale for the construction, mining and utility equipment operating segment decreased by 14.5% from the fiscal year ended March 31, 2020 to approximately ¥1,889.2 billion (based on sales prices on a consolidated basis).

### <Retail Finance operating segment>

While assets increased, reflecting an increase in new contracts centering on North America as well as the affects of foreign exchange rates in the fourth quarter, revenues decreased by 6.4% from the fiscal year ended March 31, 2020 to ¥66,394 million, as affected by a decrease in new contracts in the nine-month period.

Segment assets as of March 31, 2021 increased by ¥46,062 million to ¥887,125 million from March 31, 2020.

### <Industrial Machinery and Others operating segment>

Sales decreased by 3.6% from the fiscal year ended March 31, 2020 to ¥171,255 million. This was 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 coronavirus (COVID-19) pandemic.

Segment assets as of March 31, 2021 decreased by ¥14,918 million to ¥201,810 million from March 31, 2020.

Production scale for the industrial machinery and others operating segment decreased by 9.2% from the fiscal year ended March 31, 2020 to approximately ¥166.4 billion (based on sales prices on a consolidated basis).

(iv) Status of achievement of target management indices, etc.

The targets of our three-year mid-term management plan (ended March 31, 2022) and FY2020 results are as follows.

	Targets	Management Index	FY2020 Results
Growth	▪ Growth rate above the industry's average	▪ Sales growth rate	(10.4%)
Profitability	▪ Industry's top-level operating income ratio	▪ Operating income ratio	7.6%
Efficiency	▪ ROE* <sup>1</sup> of 10% or higher	▪ ROE* <sup>1</sup>	5.8%
Financial position	▪ Industry's top-level financial position	▪ Net debt-to-equity ratio* <sup>2</sup>	0.35
Retail finance business	▪ ROA* <sup>3</sup> : 1.5-2.0%	▪ ROA* <sup>3</sup>	1.2%
	▪ 5.0 or under for net debt-to-equity ratio* <sup>2</sup>	▪ Net debt-to-equity ratio* <sup>2</sup>	3.69
ESG	▪ Reduction of environmental impact CO <sub>2</sub> emissions: Decrease by 50% in 2030 from 2010 Renewable energy use: Increase to 50% of total energy use in 2030	▪ Reduction of environmental impact	▪ CO <sub>2</sub> reduction through product use: 14% decrease (expected). ▪ CO <sub>2</sub> reduction through production: 33% decrease (expected). ▪ Renewable energy use : 13% (expected).
	▪ Evaluation by external organizations: Selected for DJSI* <sup>4</sup> (World & Asia Pacific) and CDP* <sup>5</sup> A-list (Climate Changes and Water Risk), etc.	▪ Evaluation by external organizations	▪ DJSI* <sup>4</sup> : Selected. ▪ CDP* <sup>5</sup> : Scored of Climate Changes A. ▪ CDP* <sup>5</sup> : Scored of Water Risk A.
Shareholder return	▪ Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment.	▪ Consolidated payout ratio	48.9%
	▪ Set the goal of a consolidated payout ratio of 40% or higher.		

Notes:

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

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

\*4 Dow Jones Sustainability Indices: SRI indices operated by S&P Dow Jones Indices of U.S.A. and RobecoSAM of Switzerland

\*5 International non-profit organization, protecting water resources and forests by advocating the reduction of greenhouse gas emissions by companies and governments

#### **4. Material Agreements, etc.**

The Company resolved the following matters at the meeting of the Board of Directors held on April 30, 2021. On the same day, the Company, NTT DOCOMO, INC. (hereafter “DOCOMO”), Sony Semiconductor Solutions Corporation (hereafter “Sony”), and Nomura Research Institute, Ltd. (hereafter “NRI”) entered into a joint venture agreement and an investment agreement.

- (1) The Company will engage in the joint business (hereafter the “Joint Business”) of developing, providing, and servicing digital solutions (worksite visualization devices, platforms, and applications) for the construction industry at LANDLOG Ltd. (hereafter “LANDLOG”), a wholly-owned subsidiary of the Company, with DOCOMO, Sony, and NRI.
- (2) Toward the Joint Business, the Company will transfer part of the rights and obligations related to the SMARTCONSTRUCTION business to LANDLOG through a company split (absorption-type company split) with effective date of July 1, 2021 (scheduled), and then 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.

For additional information, see “Note 26. Material Subsequent Events” in “Notes to Consolidated Financial Statements” of “1. Consolidated Financial statements, etc.” of “Item 5. Financial Information” and “Significant Subsequent Event” in “Notes to Non-Consolidated Financial Statements” of “2. Non-Consolidated Financial Statements, etc.” of “Item 5. Financial Information”.

## 5. Research and Development Activities

With commitment to providing “Quality and Reliability,” Komatsu is actively promoting research and development activities for new technologies and new products in the fields of construction, mining and utility equipment, industrial machinery and others.

With respect to the structure of Komatsu’s research and development, the Office of Chief Technology Officer (CTO), research and development departments of the Development Division of the Company, which focus on construction, mining and utility equipment and the technology departments of the Company’s subsidiaries and affiliates participate in its research and development activities. The total amount of research and development expenses for the fiscal year ended March 31, 2021 was ¥73,840 million. The objectives, results and expenses of the research and development activities by operating segment are described below.

### (1) Construction, Mining and Utility Equipment

In order to efficiently develop construction, mining and utility equipment that can be used in various locations of the world, Komatsu has established research and development departments in Japan and overseas, which constitute a framework for global development, and also encourages joint research and development programs and personnel exchanges. Mainly through the Office of CTO, Komatsu is also proactively cooperating and collaborating, to create innovations, with Japanese and overseas universities, research institutes, and companies that have cutting-edge technologies in promising fields and striving to accelerate technological innovation achieved by merging core Komatsu technologies with external insight (Open innovation). Komatsu is pursuing following medium- and long-term research and development objectives intended to realize the safe, highly productive, smart and clean workplace of the future together with our customers.

#### <ICT (Information Communication Technology)>

Komatsu promotes the research and development activities of ICT (including remote management of equipment by obtaining information regarding machine locations, operating conditions and vehicle health using state-of-the-art remote sensing and telecommunication technologies), control technology and intelligent machine technology. Equipment with control systems and management systems Komatsu developed using these technologies has been rapidly penetrating in the market and contributing to productive operation and management of equipment. Through use of such technologies as ICT-intensive construction and “KOMTRAX”, Komatsu is progressing “customer-perspective-oriented” activities towards research and development of new generation products.

Komatsu developed intelligent Machine Control bulldozers and hydraulic excavators, by which constructions were made automated, and more precise and more efficient operation was realized. In addition, Komatsu expanded the areas and scale of the deployment of service business, “SMARTCONSTRUCTION”, that provides solutions to various problems of construction sites and realizes “Jobsite of the future”. By utilization of precision surveying technologies and connection of all information on construction sites by ICT, “SMARTCONSTRUCTION” makes it possible to improve customer’s productivities and safety on construction site.

For construction worksites, Komatsu is going to promote “LANDLOG”, our open platform which deals with digital transformation needs, upgrade ICT-intensive construction equipment for autonomous and collaborative operations, and develop construction simulations designed to take full advantage of our manufacturing engineering expertise and to optimize construction.

For agricultural and forestry workplaces, Komatsu is proposing “smart forestry” which aims to streamline the entire process of forestry through know-how from “SMARTCONSTRUCTION”, and will be working to commercialize agriculture-specific ICT-intensive construction equipment.

#### <Environmental Friendliness, Resource Saving and Safety>

As the Corporate Principle under Komatsu Earth Environment Charter, Komatsu is committed to develop and manufacture products for customer satisfaction with both well-environmental performance and economic efficiency. Komatsu is striving to minimize the impact on the environment throughout the product’s life cycle from production to disposal and recycle, while at the same time, aiming for innovation in economically superior products with improved fuel consumption.

Komatsu is placing special emphasis on research and development activities related to technologies improving fuel consumptions, which relates to both the environment (by reducing CO<sub>2</sub> emissions) and the economy (by decreasing fuel expenses). Hybrid hydraulic excavators have been launched first in Japan, and later in China, North America, Europe, Latin America, Asia, Oceania and Middle East. Accumulated number of introduced units has exceeded 5,000.

Construction equipment with clean diesel engines that meet the stringent emission standards in North America (Tier 4 Final), Europe (StageV) and Japan (Specified Special Vehicle Exhaust Gas Standard 2014) have been successfully launched to the market.

Komatsu is actively working to reduce the amount of materials that place burdens on the environment. Komatsu considers not only the earth environment but also the human environment and is proactively working to make further improvements to the working conditions of machine operators by enhancing safety measures and reducing noise and vibration levels of its machines, and by promoting electrification.

The principal products developed and launched to the market in the construction, mining and utility equipment operating segment during the fiscal year ended March 31, 2021 are listed below:

Product	Model
Hydraulic Excavators	PC138US-11E0, PC7000-11, PC130-10M0, PC200-10M0, PC138US-11 equipped with KomVision Human Detection System
Bulldozers	D51-24E0, D71-24, D37/39-24, D51/61-24, D275A-6 (Extremely Cold Spec.)
Wheel Loaders	WA200-8E0, WA270/320-8 equipped with Obstruction Detecting System
Dump Trucks	HD1500-8/8E0, 830E-5AT
Utilities	PC78US-11/11E0, PC88MR-11, PW98MR-11E0
Forklift Trucks	FH100/120/135/160-1, FE25/25H/30-1 Collision detection alarm system, FE25/30-2
Mobile Crushers	BR380JG-3E0
Forestry Equipment	PC135F-10M0

The total amount of research and development expenses in the construction, mining and utility equipment operating segment for the fiscal year ended March 31, 2021 was ¥65,145 million.

## (2) Industrial Machinery and Others

The Company and some of subsidiaries belonging to the Industrial Machinery and Others operating segment take in charge of research and development in the fields of metal forging and stamping presses, sheet metal machines, machine tools and others.

In the metal forging and stamping presses business, in order to avoid sudden press line outages, Komatsu is proliferating predictive maintenance system with expanding components to be predicted and improving AI accuracy. In addition, drive recorder of press production and “KOMTRAX” Usage Monitor Functions for stamping presses such as forming load monitoring, peak load trend monitoring, and auto time study have been released as options.

In the sheet metal machines business, Komatsu changed the plasma cutting machine “TFP/TFPL series (Type-3)” so that it can handle higher speeds and thick plates, and started selling it. In addition, in the punching machine, the “GT3165” with 165 type specifications was added to the “GT3300” with 300 type specifications and released.

In the machine tool business, Komatsu has developed the machining center “NH4555Y” for finishing the valve surface. And has begun developing a new model of machining center “NX500” for manufacturing the diesel engine of construction equipment and truck.

In the others business, Komatsu enhanced its activities, excimer laser for semiconductor lithography system, EUV light source, and semiconductor package substrate ablation, precise temperature control equipment and high-performance thermoelectric heat exchange units for semiconductor manufacturing, micro thermo-modules for use in high speed optical communications, and thermoelectric power generation modules and its systems.

The total amount of research and development expenses in the industrial machinery and others operating segment for the fiscal year ended March 31, 2021 was ¥8,695 million.

### Item 3. Property, Plants and Equipment

#### 1. Overview of Capital Investment

Komatsu (the Company and its consolidated subsidiaries) invests capital each year in the development and production of new products and the improvement of the operating efficiency of its production infrastructure, primarily focusing on the construction, mining and utility equipment operating segment. Capital investment (figures based on property, plants and equipment acquired; amounts do not include consumption taxes, etc.) for the fiscal year ended March 31, 2021 by operating segment was as follows:

(Millions of yen)	Fiscal year ended March 31, 2021	Percentage change as compared to the fiscal year ended March 31, 2020
Construction, Mining and Utility Equipment	117,059	0.7%
Retail Finance	41,722	(8.6)%
Industrial Machinery and Others	4,393	(5.2)%
Total	163,174	(2.0)%

With respect to the construction, mining and utility equipment operating segment, Komatsu made capital investments to enhance production efficiency and flexibility and to enhance its rental-to-used equipment business. With respect to the retail finance operating segment, Komatsu made capital investments for operating lease equipment.

With respect to the industrial machinery and others operating segment, Komatsu made capital investments to renew obsolete equipment.

## 2. Major Facilities

Major facilities of Komatsu are as follows:

(1) The Company

(As of March 31, 2021)

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Awazu Plant Komatsu, Ishikawa	Construction, Mining and Utility Equipment, Industrial Machinery and Others	Manufacturing of bulldozers, hydraulic excavators, wheel loaders, motor graders, ammunition, etc.	16,532	8,448	2,975 (659)	1,276	29,232	2,321
Kanazawa Plant Kanazawa, Ishikawa	Construction, Mining and Utility Equipment, Industrial Machinery and Others	Manufacturing of hydraulic excavators, metal forging and stamping presses, sheet-metal machines, etc.	4,006	470	1,240 (97)	231	5,949	330
Himi Plant Himi, Toyama	Construction, Mining and Utility Equipment	Manufacturing of steel castings, iron castings, patterns for casting	5,034	3,356	2,345 (452)	3,528	14,264	834
Osaka Plant Hirakata, Osaka *1	Construction, Mining and Utility Equipment	Manufacturing of bulldozers, hydraulic excavators, recycling equipment, etc.	19,683	10,744	4,236 (542)	1,914	36,579	2,197
Ibaraki Plant Hitachinaka, Ibaraki	Construction, Mining and Utility Equipment	Manufacturing of dump trucks, wheel loaders, etc.	8,594	1,866	10,086 (309)	349	20,897	808
Shonan Plant Hiratsuka, Kanagawa	Construction, Mining and Utility Equipment	Manufacturing of controllers, monitors, hybrid components, etc.	1,840	579	2,214 (68)	228	4,863	742
Oyama Plant Oyama, Tochigi	Construction, Mining and Utility Equipment	Manufacturing of engines, hydraulic equipment, etc.	17,380	11,375	584 (584)	3,312	32,653	1,907

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Tochigi Plant Oyama, Tochigi	Construction, Mining and Utility Equipment	Manufacturing of industrial vehicles, hydraulic excavators, etc.	4,858	1,493	2,779 (214)	372	9,504	542
Koriyama Plant Koriyama, Fukushima	Construction, Mining and Utility Equipment	Manufacturing of hydraulic equipment	2,502	2,042	876 (369)	564	5,985	372
Head office Minato-ku, Tokyo	-	Others	1,660	61	1,179 (2)	589	3,490	1,134

\*1 Osaka Plant's book value and employees include those of the Rokko Plant, Kobe, Hyogo.

(2) Subsidiary located in Japan

(As of March 31, 2021)

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Komatsu NTC Ltd. Nanto, Toyama	Industrial Machinery and Others	Manufacturing of machine tools, industrial machinery, etc.	4,560	1,163	4,345 (234)	492	10,560	1,231



## (3) Subsidiaries located in overseas

(As of March 31, 2021)

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Komatsu America Corp. Chattanooga, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, etc.	762	1,271	219 (215)	260	2,512	289
Komatsu America Corp. Peoria, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of dump trucks	2,560	1,228	95 (529)	645	4,528	579
Hensley Industries, Inc. Dallas, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of construction and mining equipment components	1,573	1,632	437 (104)	614	4,256	398
Joy Global Surface Mining Inc Milwaukee, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of rope shovel, etc.	495	2,662	824 (170)	14,132	18,113	707
Joy Global Longview Operations LLC Longview, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of wheel loaders, etc.	2,826	1,385	1,045 (518)	5,497	10,753	512
Komatsu do Brasil Ltda. Suzano, Brazil	Construction, Mining and Utility Equipment	Manufacturing of bulldozers, hydraulic excavators, etc.	851	1,111	14 (634)	907	2,883	1,026
Komatsu UK Ltd. Birtley, U.K.	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, etc.	881	1,359	— (200)	28	2,268	306
Komatsu Germany GmbH Dusseldorf, Germany	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators	2,069	2,205	1,119 (111)	934	6,327	707

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Komatsu Germany GmbH Hannover, Germany	Construction, Mining and Utility Equipment	Manufacturing of wheel loaders, etc.	2,542	881	474 (155)	1,112	5,009	617
Komatsu Italia Manufacturing S.p.A. Este, Italy	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, backhoe loaders, etc.	979	655	332 (143)	255	2,221	197
Komatsu Forest AB Umea, Sweden	Construction, Mining and Utility Equipment	Manufacturing of forestry equipment.	239	583	263 (43)	7,041	8,126	604
Komatsu Manufacturing Rus, LLC Yaroslavl, Russia	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, dump trucks, etc.	1,600	692	5 (450)	35	2,332	314
Komatsu (Changzhou) Construction Machinery Corp. Jiangsu, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, wheel loaders, etc.	6,563	1,225	— (—) [295]	222	8,010	469
Komatsu Shantui Construction Machinery Co., Ltd. Shandong, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators	4,343	2,354	— (—) [411]	407	7,104	773
Komatsu (Shandong) Construction Machinery Corp. Shandong, China *2	Construction, Mining and Utility Equipment	Manufacturing of steel castings, construction and mining equipment components, etc.	2,829	4,003	— (—) [313]	515	7,347	891
PT Komatsu Indonesia Jakarta, Indonesia	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, bulldozers and dump trucks, etc.	2,761	1,912	3,521 (305)	296	8,490	1,308

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
PT Komatsu Undercarriage Indonesia Bekasi, Indonesia	Construction, Mining and Utility Equipment	Manufacturing of construction and mining equipment components	1,206	1,673	514 (64)	219	3,612	781
Bangkok Komatsu Co., Ltd. Chonburi, Thailand	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, iron castings, etc.	1,081	1,150	1,503 (179)	106	3,840	720
Komatsu India Pvt. Ltd Kanchipuram, India *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, dump trucks, etc.	2,356	1,041	— (—) [240]	303	3,700	530

\*2 These companies rent the land for their operation. The figures in square brackets in the “Land” represent areas of rented land, which are not included in the figures immediately above.

Note: The amount of “Others” is the total of tools, furniture and fixtures and construction in progress. These amounts in the above table don’t include consumption taxes, etc.

### 3. Plans for Capital Investment, Disposal of Property, Plants and Equipment, etc.

#### (1) Capital investment

Komatsu has not decided any detail plans of capital investment for individual projects at the end of fiscal year ended March 31, 2021, because Komatsu operates its various types of business all over the world. Therefore, Komatsu discloses capital investment amounts by operating segment.

Komatsu plans to make capital investments of ¥170,500 million in the fiscal year ending March 31, 2022 (figures based on property, plants and equipment acquired; amounts do not include consumption taxes, etc.), and the principal investment objectives and the sources of funding by operating segment are set forth in the table below.

Operating segment	Approximate expected capital investment amount in the fiscal year ending March 31, 2022 (Millions of yen)	Principal investment detail and objectives	Sources of funding
Construction, Mining and Utility Equipment	131,000	To enhance production efficiency and flexibility	Funds on hand, bank borrowings, etc.
Retail Finance	35,500	Operating lease equipment	Funds on hand, bank borrowings, etc.
Industrial Machinery and Others	4,000	To renew obsolete equipment	Funds on hand, bank borrowings, etc.
Total	170,500		

Notes:

1) Capital investment amounts do not include consumption taxes, etc.

2) An outline of capital investment plan for each segment is as follows:

With respect to the construction, mining and utility equipment operating segment, Komatsu plans to make capital investments to enhance production efficiency and flexibility.

With respect to the retail finance operating segment, Komatsu plans to make capital investments for operating lease equipment.

With respect to the industrial machinery and others operating segment, Komatsu plans to make capital investments to renew obsolete equipment.

## Item 4. Information on the Company

### 1. Information on the Company's Share, etc.

#### (1) Total number of shares, etc.

##### (i) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common shares	3,955,000,000
Total	3,955,000,000

##### (ii) Issued shares

Class	Number of issued shares at the end of the fiscal year (March 31, 2021) (Shares)	Number of issued shares as of the filing date (June 17, 2021) (Shares)	Name of stock exchange on which the Company is listed or names of authorized financial instruments firms associations	Description
Common shares	972,887,610	972,887,610	Tokyo Stock Exchange (First Section)	This is the standard of the Company's shares, whose holders have unlimited rights. The number of shares constituting one unit is 100 shares.
Total	972,887,610	972,887,610	—	—

**(2) Stock acquisition rights, etc.****(i) Stock option plans**

Although the Company had issued Stock Acquisition Rights as remuneration to its Directors and without consideration to its employees, etc. in accordance with the Companies Act of Japan, it did not issue new Stock Acquisition Rights as it introduced restricted stock compensation system in the fiscal year 2018.

Stock Acquisition Rights issued for the Directors of the Company as remuneration in accordance with the Companies Act of Japan are as follows:

Date of resolution	July 10, 2015 (Meeting of the Board of Directors)
Category and number of individuals covered by the plan	Directors of the Company: 10
Number of Stock Acquisition Rights (Units)*	116 [0] *1
Class of shares subject to Stock Acquisition Rights*	Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*	11,600 [0] *2
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share
Period for exercising Stock Acquisition Rights*	From August 3, 2018 to July 31, 2023
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price ¥1 *3 Additional paid-in capital per share ¥1
Conditions for exercising the Stock Acquisition Rights*	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4

\*These items indicate the status as of the end of the fiscal year (March 31, 2021). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2021) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.

2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after July 10, 2015 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company  
 In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).
  - (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
 Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
  - (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
 The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
  - (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
 The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
  - (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
 The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
  - (5) Exercise period for the Stock Acquisition Rights  
 The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.

- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
- (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.



Date of resolution	July 14, 2016 (Meeting of the Board of Directors)	
Category and number of individuals covered by the plan	Directors of the Company: 10	
Number of Stock Acquisition Rights (Units)*	157 [7] *1	
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	15,700 [700] *2	
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share	
Period for exercising Stock Acquisition Rights*	From August 1, 2019 to July 31, 2024	
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price	¥1 *3
	Additional paid-in capital per share	¥1
Conditions for exercising the Stock Acquisition Rights*	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4	

\*These items indicate the status as of the end of the fiscal year (March 31, 2021). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2021) are indicated in the bracket “[ ]”. Other items have not been changed since the end of the fiscal year.

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after July 14, 2016 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.

4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company

In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

(1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted

Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.

(2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights

The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights

The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.

(4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights

The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.

(5) Exercise period for the Stock Acquisition Rights

The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.

(6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights

(i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

(ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.

(7) Restriction on acquisition of the Stock Acquisition Rights by transfer

Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

(8) Provisions pertaining to acquisition of the Stock Acquisition Rights

The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

Date of resolution	July 13, 2017 (Meeting of the Board of Directors)	
Category and number of individuals covered by the plan	Directors of the Company: 8	
Number of Stock Acquisition Rights (Units)*	122 [12] *1	
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	12,200 [1,200] *2	
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share	
Period for exercising Stock Acquisition Rights*	From August 1, 2020 to July 31, 2025	
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price	¥1 *3
	Additional paid-in capital per share	¥1
Conditions for exercising the Stock Acquisition Rights*	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4	

\*These items indicate the status as of the end of the fiscal year (March 31, 2021). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2021) are indicated in the bracket “[ ]”. Other items have not been changed since the end of the fiscal year.

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after July 13, 2017 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.

4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company

In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

(1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted

Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.

(2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights

The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights

The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.

(4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights

The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.

(5) Exercise period for the Stock Acquisition Rights

The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.

(6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights

(i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

(ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.

(7) Restriction on acquisition of the Stock Acquisition Rights by transfer

Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

(8) Provisions pertaining to acquisition of the Stock Acquisition Rights

The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

Stock Acquisition Rights issued without consideration for certain employees of the Company, etc., in accordance with the Companies Act of Japan are as follows:

Date of resolution	Ordinary General Meeting of Shareholders	June 19, 2013
	Meeting of the Board of Directors	July 17, 2013
Category and number of individuals covered by the plan	Employees of the Company: 71 Directors of major subsidiaries of the Company: 15	
Number of Stock Acquisition Rights (Units)*	96 *1	
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	9,600 *2	
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share	
Period for exercising Stock Acquisition Rights*	From August 1, 2016 to July 31, 2021	
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price	¥1 *3
	Additional paid-in capital per share	¥1
Conditions for exercising the Stock Acquisition Rights*	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4	

\*These items indicate the status as of the end of the fiscal year (March 31, 2021). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2021) are indicated in the bracket “[ ]”. Other items have not been changed since the end of the fiscal year.

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after June 19, 2013 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company

In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

(1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted

Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.

(2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights

The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights

The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.

(4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights

The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.

(5) Exercise period for the Stock Acquisition Rights

The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.

(6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights

(i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

(ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.

(7) Restriction on acquisition of the Stock Acquisition Rights by transfer

Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

(8) Provisions pertaining to acquisition of the Stock Acquisition Rights

The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

Date of resolution	Ordinary General Meeting of Shareholders	June 18, 2014
	Meeting of the Board of Directors	July 11, 2014
Category and number of individuals covered by the plan	Employees of the Company: 74 Directors of major subsidiaries of the Company: 14	
Number of Stock Acquisition Rights (Units)*	230 *1	
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	23,000 *2	
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share	
Period for exercising Stock Acquisition Rights*	From August 1, 2017 to July 31, 2022	
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price	¥1 *3
	Additional paid-in capital per share	¥1
Conditions for exercising the Stock Acquisition Rights*	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4	

\*These items indicate the status as of the end of the fiscal year (March 31, 2021). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2021) are indicated in the bracket “[ ]”. Other items have not been changed since the end of the fiscal year.

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.



2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after June 18, 2014 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company  
 In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).
  - (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
 Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
  - (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
 The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
  - (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
 The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
  - (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
 The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
  - (5) Exercise period for the Stock Acquisition Rights  
 The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.

- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
- (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer
- Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights
- The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

Date of resolution	Ordinary General Meeting of Shareholders	June 24, 2015
	Meeting of the Board of Directors	July 10, 2015
Category and number of individuals covered by the plan	Employees of the Company: 73 Representative Directors of major subsidiaries of the Company: 11	
Number of Stock Acquisition Rights (Units)*	410 [385] *1	
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	41,000 [38,500] *2	
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share	
Period for exercising Stock Acquisition Rights*	From August 3, 2018 to July 31, 2023	
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price	¥1 *3
	Additional paid-in capital per share	¥1
Conditions for exercising the Stock Acquisition Rights*	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4	

\*These items indicate the status as of the end of the fiscal year (March 31, 2021). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2021) are indicated in the bracket “[ ]”. Other items have not been changed since the end of the fiscal year.

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after June 24, 2015 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company

In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

(1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted

Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.

(2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights

The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights

The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.

(4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights

The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.

(5) Exercise period for the Stock Acquisition Rights

The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.

(6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights

(i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

(ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.

(7) Restriction on acquisition of the Stock Acquisition Rights by transfer

Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

(8) Provisions pertaining to acquisition of the Stock Acquisition Rights

The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

Date of resolution	Ordinary General Meeting of Shareholders	June 22, 2016
	Meeting of the Board of Directors	July 14, 2016
Category and number of individuals covered by the plan	Employees of the Company: 74 Representative Directors of major subsidiaries of the Company: 10	
Number of Stock Acquisition Rights (Units)*	680 *1	
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	68,000 *2	
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share	
Period for exercising Stock Acquisition Rights*	From August 1, 2019 to July 31, 2024	
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price	¥1 *3
	Additional paid-in capital per share	¥1
Conditions for exercising the Stock Acquisition Rights*	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4	

\*These items indicate the status as of the end of the fiscal year (March 31, 2021). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2021) are indicated in the bracket “[ ]”. Other items have not been changed since the end of the fiscal year.

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.

2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after June 22, 2016 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company  
 In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).
  - (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
 Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
  - (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
 The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
  - (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
 The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
  - (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
 The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
  - (5) Exercise period for the Stock Acquisition Rights  
 The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.

- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
- (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.



Date of resolution	Ordinary General Meeting of Shareholders	June 20, 2017
	Meeting of the Board of Directors	July 13, 2017
Category and number of individuals covered by the plan	Employees of the Company: 78 Representative Directors of major subsidiaries of the Company: 10	
Number of Stock Acquisition Rights (Units)*	1,104 [1,077] *1	
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	110,400 [107,700] *2	
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share	
Period for exercising Stock Acquisition Rights*	From August 1, 2020 to July 31, 2025	
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price	¥1 *3
	Additional paid-in capital per share	¥1
Conditions for exercising the Stock Acquisition Rights*	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4	

\*These items indicate the status as of the end of the fiscal year (March 31, 2021). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2021) are indicated in the bracket “[ ]”. Other items have not been changed since the end of the fiscal year.

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after June 20, 2017 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company

In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

(1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted

Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.

(2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights

The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights

The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.

(4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights

The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.

(5) Exercise period for the Stock Acquisition Rights

The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.

(6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights

(i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

(ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.

(7) Restriction on acquisition of the Stock Acquisition Rights by transfer

Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

(8) Provisions pertaining to acquisition of the Stock Acquisition Rights

The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(ii) Rights plan

Not applicable.

(iii) Other stock acquisition rights, etc.

Not applicable.

**(3) Exercises, etc., of moving strike convertible bonds, etc.**

Not applicable.

**(4) Changes in number of issued shares, capital stock, etc.**

Date	Changes in number of issued shares (Shares)	Balance of number of issued shares (Shares)	Changes in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
September 3, 2018 *1	284,800	972,252,460	441	70,561	441	140,581
September 2, 2019 *2	328,770	972,581,230	412	70,973	412	140,993
September 1, 2020 *3	306,380	972,887,610	348	71,322	348	141,341

Notes:

- 1) Due to the allotment to third parties with consideration for the purpose of the payment of the restricted stock compensation implemented.  
Issue price per share                    ¥ 3,098  
Increase of capital per share            ¥ 1,549  
Subject persons of allotment          Directors (excluding Outside Directors) and employees of the Company, and the Directors and employees of subsidiaries of the Company, totaling 87 persons
- 2) Due to the allotment to third parties with consideration for the purpose of the payment of the restricted stock compensation implemented.  
Issue price per share                    ¥ 2,507.5  
Increase of capital per share            ¥ 1,253.75  
Subject persons of allotment          Directors (excluding Outside Directors) and employees of the Company, and the Directors and employees of subsidiaries of the Company, totaling 89 persons
- 3) Due to the allotment to third parties with consideration for the purpose of the payment of the restricted stock compensation implemented.  
Issue price per share                    ¥ 2,275  
Increase of capital per share            ¥ 1,137.5  
Subject persons of allotment          Directors (excluding Outside Directors) and employees of the Company, and the Directors and employees of subsidiaries of the Company, totaling 87 persons

**(5) Shareholding by shareholder category**

(As of March 31, 2021)

Category	Status of shares (1 unit = 100 shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	3	172	58	1,304	925	108	163,346	165,916	-
Number of shares held (Units)	603	3,406,085	303,826	193,625	4,141,271	584	1,675,372	9,721,366	751,010
Shareholding ratio (%)	0.00	35.03	3.12	1.99	42.59	0.00	17.23	100.00	-

## Notes:

- 1) 27,319,487 shares of treasury stock held by the Company are included in “Individuals and others” and “Share less than one unit” in the table. These amounts are 273,194 units and 87 shares, respectively.
- 2) The shares registered in the name of the Japan Securities Depository Center, Incorporated are included in “Other corporations” and “Share less than one unit” in the table. These amounts are 70 units and 16 shares, respectively.
- 3) The figures of “Shareholding ratio” in the table have been rounded down to the second decimal place.

**(6) Major shareholders**

(As of March 31, 2021)

Name	Address	Number of shares held (Thousands of - shares)	Shareholding ratio (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsuchou, Minato-ku, Tokyo, Japan	86,574	9.15
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	56,175	5.94
SSBTC Client Omnibus Account (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	One Lincoln Street, Boston MA U.S.A. 02111 (3-11-1, Nihonbashi, Chuo-ku, Tokyo, Japan)	30,574	3.23
JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (2-15-1, Konan, Minato-ku, Tokyo, Japan)	27,433	2.90
Taiyo Life Insurance Company	2-7-1, Nihonbashi, Chuo-ku, Tokyo, Japan	27,200	2.87
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan (2-11-3, Hamamatsuchou, Minato-ku, Tokyo, Japan)	26,626	2.81
The Bank of New York Mellon as Depository Bank for Depository Receipt Holders (Standing proxy: Sumitomo Mitsui Banking Corporation)	240 Greenwich Street, 8th Floor West, New York, NY. 10286, U.S.A. (1-1-2, Marunouchi, Chiyoda-ku, Tokyo, Japan)	25,644	2.71
Custody Bank of Japan, Ltd. (Trust Account 7)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	19,748	2.08
Custody Bank of Japan, Ltd. (Trust Account 5)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	13,890	1.46
State Street Bank West Client - Treaty 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1776 Heritage Drive, North Quincy, MA 02171 U.S.A. (2-15-1, Konan, Minato-ku, Tokyo, Japan)	13,542	1.43
Total	—	327,412	34.62

Notes:

- 1) The figures of “Shareholding ratio (excluding treasury stock) (%)” in the table are rounded down to the second decimal place.
- 2) 27,319,000 shares of treasury stock held by the Company are excluded from the list.
- 3) All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account), Custody Bank of Japan, Ltd. (Trust Account), Custody Bank of Japan, Ltd. (Trust Account 7) and Custody Bank of Japan, Ltd. (Trust Account 5) are held through trusts.

- 4) The Change Report No.3 pertaining to Report of Possession of Large Volume relating to the Company's shares was filed in the joint names of Nomura Securities Co., Ltd. and two joint holders at the date of July 21, 2020 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders' list of the Company and does not reflect the information in the Report, because the Company is not able to confirm the actual state of shareholdings as of March 31, 2021. The major content of the report is as follows:

Name, address and number of shares held (As of July 15, 2020)

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	1,848,610	0.19
Nomura International PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	2,903,427	0.30
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo, Japan	56,223,700	5.78
Total	—	60,975,737	6.27

- 5) The Report of Possession of Large Volume relating to the Company's shares was filed in the joint names of BlackRock Japan Co., Ltd. and five joint holders at the date of August 7, 2020 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders' list of the Company and does not reflect the information in the Report, because the Company is not able to confirm the actual state of shareholdings as of March 31, 2021. The major content of the report is as follows:

Name, address and number of shares held (As of July 31, 2020)

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	13,622,700	1.40
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, U.K.	1,497,728	0.15
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, Ireland	4,254,662	0.44
BlackRock Fund Advisors	400 Howard Street, San Francisco, CA, U.S.A.	11,743,700	1.21
BlackRock Institutional Trust Company, N.A.	400 Howard Street, San Francisco, CA, U.S.A.	12,993,202	1.34
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue, London, U.K.	4,651,391	0.48
Total	—	48,763,383	5.01

- 6) The Report of Possession of Large Volume relating to the Company's shares was filed in the joint names of Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset management Co., Ltd. at the date of September 23, 2020 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders' list of the Company and does not reflect the information in the Report, because the Company is not able to confirm the actual state of shareholdings as of March 31, 2021. The major content of the report is as follows:

Name, address and number of shares held (As of September 15, 2020)

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo, Japan	29,750,700	3.06
Nikko Asset management Co., Ltd.	9-7-1, Akasaka Minato-ku, Tokyo, Japan	21,060,300	2.16
Total	—	50,811,000	5.22



**(7) Voting rights**

## (i) Issued shares

(As of March 31, 2021)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(treasury stock) Common shares 27,319,400	-	This is the standard of the Company's shares, whose holders have unlimited rights. The number of shares constituting one unit is 100 shares.
	(reciprocally held shares) Common shares 976,000	-	Same as above
Shares with full voting rights (others)	Common shares 943,841,200	9,438,412	Same as above
Shares less than one unit	Common shares 751,010	-	Same as above
Number of issued shares	972,887,610	-	-
Total number of voting rights	-	9,438,412	-

Note: "Shares with full voting rights (others)" include the shares registered in the name of Japan Securities Depository Center, Incorporated. The amount is 7,000 shares (70 voting rights).

(ii) Treasury stock, etc.

(As of March 31, 2021)

Name of shareholders, address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
The Company 2-3-6, Akasaka, Minato-ku, Tokyo, Japan	27,319,400	-	27,319,400	2.80
KOMATSU DOUTOU LTD. 1-3-4, Nishinjuyonjokita, Obihiro City, Hokkaido, Japan	300,000	-	300,000	0.03
KOMATSU TOCHIGI LTD. *1 38-12, Hiradekougyodanchi, Utsunomiya City, Tochigi, Japan	287,000	12,000	299,000	0.03
KOMATSU AKITA LTD. *1 9-48, Kawashiiriokawamachi, Akita City, Akita, Japan	-	88,900	88,900	0.00
KOMATSU AWAJI LTD. *1 1-1-7, Kuwama, Sumoto City, Hyogo, Japan	-	87,500	87,500	0.00
KOMATSU SHIGA LTD. *1 2-12-14, Fudanotsuji, Oumi-City, Shiga, Japan	49,000	21,600	70,600	0.00
TOCHIGI SHEARING LTD. *2 1-22, Owada, Moka City, Tochigi, Japan	-	57,100	57,100	0.00
KOMATSU SANIN LTD. *1 1876, Higashitsudacho, Matsue City, Shimane, Japan	10,000	19,400	29,400	0.00
KOMATSU IBARAKI LTD. *1 358-1, Yoshizawacho, Mito City, Ibaraki, Japan	-	28,200	28,200	0.00
HAMAMATSU KOMATSU FORKLIFT LTD. 1-6-15, Sakuradai, Nishi-ku, Hamamatsu City, Shizuoka, Japan	6,000	-	6,000	0.00
SHIZUOKA KOMATSU FORKLIFT LTD. 1-31-4, Kitamariko, Suruga-ku, Shizuoka City, Shizuoka, Japan	3,800	-	3,800	0.00
OITA KOMATSU FORKLIFT LTD. 4-2-12, Toyomi, Oita City, Oita, Japan	3,000	-	3,000	0.00
KOMATSU MIYAZAKI LTD. *1 2957-12, Shimonaka, Sadowaracho, Miyazaki City, Miyazaki, Japan	-	2,200	2,200	0.00
YAMAGATA KOMATSU FORKLIFT LTD. 1-2-1, Ryutsu-Center, Yamagata City, Yamagata, Japan	300	-	300	0.00
Total	27,978,500	316,900	28,295,400	2.90

Notes:

- 1) A registered shareholder described in “Number of shares held under the names of others” in the table is Komatsu Dealers’ Shareholding Association (2-3-6, Akasaka, Minato-ku, Tokyo, Japan).
- 2) A registered shareholder described in “Number of shares held under the names of others” in the table is Komatsu Suppliers’ Shareholding Association (2-3-6, Akasaka, Minato-ku, Tokyo, Japan).
- 3) The figures of “Ownership percentage to the total number of issued shares” for each shareholder are rounded down to the second decimal place. Accordingly, the sum of the amounts indicated in each row does not necessarily add up to the figure provided as “Total.”

## 2. Acquisitions, etc. of Treasury Stock

Classes of shares, etc.

Acquisition of common stock in accordance with Article 155, Item 7 of the Companies Act of Japan, Article 155, Item 8 of the Companies Act of Japan, and Article 155, Item 13 of the Companies Act of Japan.

(1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisitions by a resolution of the Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Resolution of the Board of Directors meeting (May 18, 2021) (Acquisition period: May 19, 2021)	196,826	634,370,198
Treasury stock acquired before the fiscal year	—	—
Treasury stock acquired during the fiscal year	—	—
Total number and total value of remaining shares to be acquired by the resolution	—	—
Unexercised rate as of the end of the fiscal year (%)	—	—
Treasury stock acquired during the current period*1	196,826	634,370,198
Unexercised rate as of the filing date (%)	—	—

Notes:

- 1) Treasury stock acquired during the current period consists of the purchase of shares constituting less than one unit of shares of untraceable shareholders as treasury stock.
- 2) Purchase price per share is the closing price of Komatsu's common stock on the Tokyo Stock Exchange, Inc. on the purchase date.

(3) Acquisitions not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the fiscal year*1	26,887	19,071,571
Treasury stock acquired during the current period*2	959	3,201,195

Notes:

- 1) Treasury stock acquired during the fiscal year consists of the purchase of shares constituting less than one unit of shares and the acquisition of restricted stock without consideration.
- 2) Treasury stock acquired during the current period does not include shares constituting less than one unit of shares purchased during the period from June 1, 2021 to the filing date of this Annual Securities Report.

## (4) Disposals or holding of acquired treasury stock

Category	During the fiscal year		During the current period*1	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury stock that was offered to subscribers for subscription	—	—	—	—
Acquired treasury stock that was canceled	—	—	—	—
Acquired treasury stock that was transferred due to merger, exchange of shares, issue of shares, or corporate split	—	—	—	—
Acquired treasury stock that was disposed of in other ways (Exercise of stock options)*2	186,800	186,800	42,800	42,800
(Request for sale of shares less than one unit of shares)	556	1,356,728	0	0
Number of treasury stock held	27,319,487	—	27,474,472	—

## Notes:

- 1) The number of treasury stock held during the current period does not include shares disposed of through exercise of stock options or request for sale of shares less than one unit of shares during the period from June 1, 2021 to the filing date of this Annual Securities Report.
- 2) “Total disposal amount” in the table shows the total amount paid in on exercise of stock options.

### 3. Dividend Policy

The Company is working to secure a sound financial position and strengthen our competitiveness to sustainably increase its corporate value. Concerning cash dividends to shareholders, the Company maintains the policy of continuing stable dividends by comprehensively considering consolidated business results, future investment plans, cash flows and other related factors. Specifically, the Company has the policy of maintaining a consolidated payout ratio of 40% or higher. The Company distributes dividends twice a year (i.e., year-end dividends and interim dividends). The distribution of year-end dividends and interim dividends are to be resolved at the Ordinary General Meeting of Shareholders and the meeting of the Board of Directors, respectively.

Concerning cash dividends for the fiscal year, after considering consolidated business results for the fiscal year and future business prospects under its dividend policy, the Company is planning to set the fiscal year-end common stock dividend at ¥27 per share. At the same time, the Company plans to pay the 100<sup>th</sup> anniversary (May 13, 2021) commemorative cash dividend of ¥10 per share. As a result, year-end cash dividends for the fiscal year should amount to ¥37 per share. Annual cash dividends for the 152<sup>nd</sup> fiscal year, including the interim dividend of ¥18 per share, are expected to amount to ¥55 per share.

The Company considers using its retained earnings for expanding its business and enhancing its operating structures by investing actively for its global operation activities, its development and introduction activities of new products which have technical competitiveness, etc.

The Company can declare an interim dividend once a fiscal year according to its Articles of Incorporation under Article 454, Paragraph 5 of the Companies Act of Japan.

Dividends for the 152<sup>nd</sup> fiscal year are as follows:

Date of resolution	Total dividend amount (Millions of yen)	Dividend amount per share (Yen)
October 28, 2020 Resolution of the meeting of the Board of Directors	17,019	18
June 18, 2021 (planned) Resolution of the Ordinary General Meeting of Shareholders*	34,986	37

Note: These are the year-end dividends of the Company whose record date shall be March 31, 2021, including the commemorative dividend of ¥10 per share for the 152<sup>nd</sup> fiscal year. These are proposed to be resolved at the Ordinary General Meeting of Shareholders of the Company to be held on June 18, 2021.

#### 4. Corporate Governance, etc.

##### (1) Overview of corporate governance

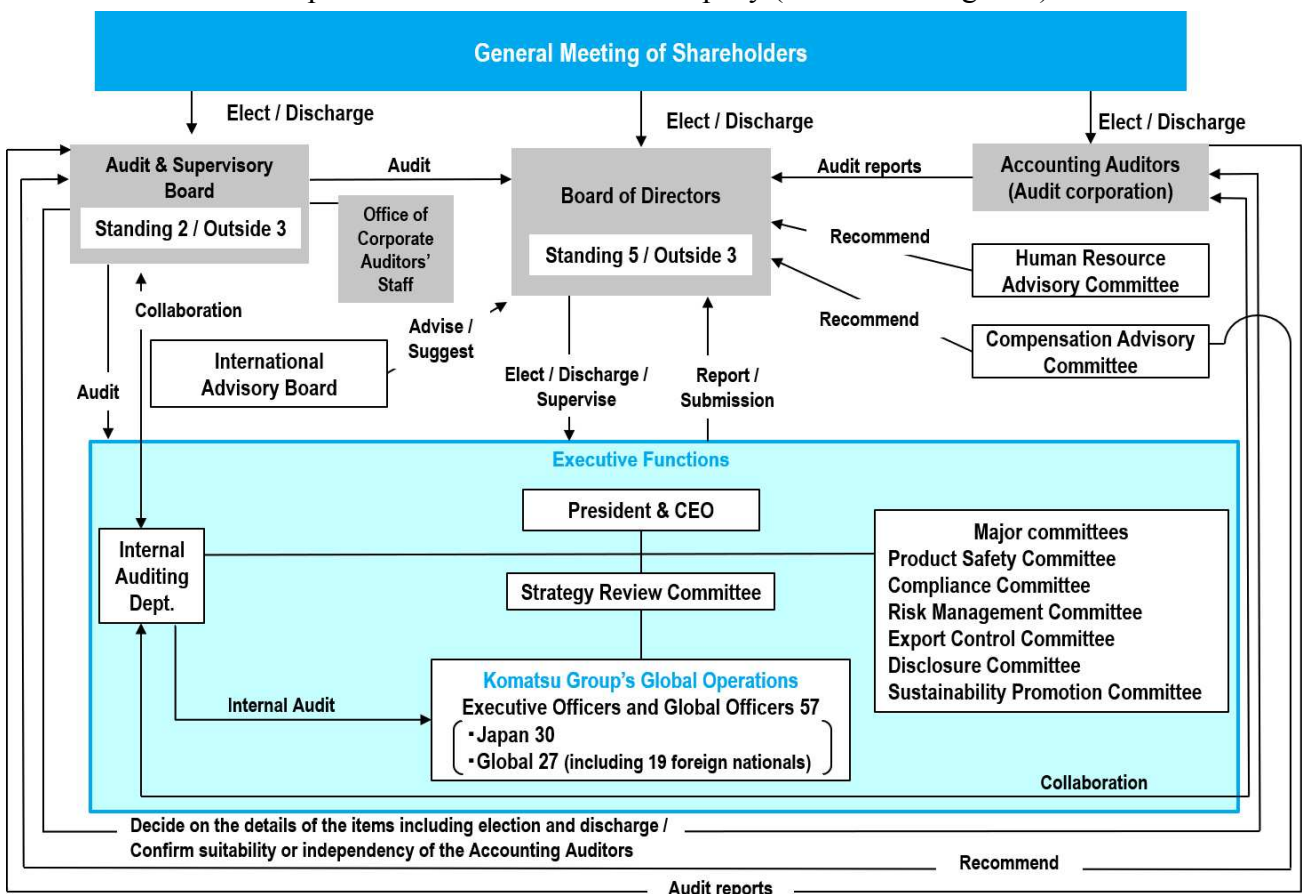
###### A. Basic stance on corporate governance

The Company believes its 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, the Company is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis. To further improve the transparency of management for its shareholders and investors, the Company discloses information in a fair and timely manner and actively engages in investor relations' activities by holding meetings with shareholders and investors.

###### B. Current Corporate Governance Structure

###### 1. Overview of current corporate governance structure

Corporate Governance of the Company (As of the filing date)



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 holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the eight (8) Directors on the Board, three (3) are Outside Directors to ensure transparent and objective management.

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.

Furthermore, at least half of the five (5) Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. The Audit & Supervisory Board determines such matters as audit policies and the division of duties among Audit & Supervisory Board Members. Each Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings and audits the execution of duties by Directors. Meetings of the Audit & Supervisory Board are in principle held periodically at least once every month, and the Board performs appropriate audits by such means as hearing reports from members of the executive management team on their execution of duties. The Company has also established the Office of Corporate Auditors' Staff to assist the Audit & Supervisory Board Members in their duties.

Note: The Company is going to propose the agendas of Election of nine (9) Directors and Election of two (2) Audit & Supervisory Board Members as the matters requiring a resolution by the 152<sup>nd</sup> Ordinary General Meeting of Shareholders scheduled for June 18, 2021. When the said agendas are approved, the Company will have nine (9) Directors (including four (4) Outside Directors), five (5) Audit & Supervisory Board Members (including three (3) Outside Audit & Supervisory Board Members), and four (4) Directors who concurrently serve executive functions.

To promote efficient management of the Board of Directors, the Company has established 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.

As a means to supplement executive functions, the Company established the International Advisory Board (IAB) in 1995. Through the IAB, the Company aims to secure objective advice and suggestions from experts from Japan and abroad about how to function as a global company by exchanging opinions and holding discussions.

The Human Resource Advisory Committee, consisting of three (3) Outside Directors (one of them as Committee Chairperson), Chairperson of the Board and President, appoints the candidates for directors and auditors, and discusses appointment and discharge of executive officers and other senior management officers including President (CEO), and reports the results to the Board of Directors. When selecting the candidates, the Committee also considers diversity, as represented by gender and nationality. Based on the report, the Board of Directors discusses and decides appointments of the candidates for directors and Audit & Supervisory Board Members as well as appointments and discharges of executive and other officers.

[Members of the Human Resource Advisory Committee] Chairperson: Makoto Kigawa. Members: Takeshi Kunibe, Arthur M. Mitchell, Tetsuji Ohashi and Hiroyuki Ogawa. (As of the filing date of this Annual Securities Report)

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit & Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee, which consists of seven (7) Outside Members [three (3) Outside Directors (including one (1) as the Chairperson of the Committee), three (3) Outside Auditors, and one (1) Outside Expert] and one (1) Internal Member. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit & Supervisory Board Members is determined by discussions by the Audit & Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders.

[Members of the Compensation Advisory Committee] Chairperson: Makoto Kigawa. Members: Takeshi Kunibe, Arthur M. Mitchell, Hirohide Yamaguchi, Eiko Shinotsuka, Kotaro Ohno, Shinji Hatta and Tetsuji Ohashi. (As of the filing date of this Annual Securities Report)

Furthermore, the Company works to mitigate legal risks by securing timely advice from expert law offices regarding important legal issues.

## 2. Reason for adoption of the current corporate governance system

The Company organizes the above framework to ensure effective and adequate performance of matters related to decision making, management and supervision, such as separation of corporate management from business execution, enhancement of corporate management decision making by the Board of Directors, strict management and supervision of business execution, measures undertaken by Outside Directors to improve transparency and objectivity of management, and measures undertaken by the Audit & Supervisory Board to appropriately audit Directors' execution of duties.

## 3. Basic policy on internal control system and status of maintenance and development thereof

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 defines 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 approved documents, 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 compliance, environment, product quality, accidents 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 surface. 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 surface, 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 Agenda of Board Meetings, thereby clarifying the matters on which the Board of Directors should make decisions.
- ii) Together with the introduction of the Executive Officer 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, Executive Officers and other senior managers.
- 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 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 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 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. Each department or division of the Company in charge of affiliated companies shall manage and support each relevant company, 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 monitor 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, operational status and results of internal control systems across the Komatsu 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 Komatsu 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 the agenda of board meetings, 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 Komatsu, 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 circulars per management approval sent around to obtain the sanction of executives, which are important decision-making documents of the Company, and essential prior settlement documents.
- iv) Audit & Supervisory Board Members may appoint legal counsels and 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, respectively discussing compliance matters and risk management matters, and Export Control Committee.

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 there is no clear connection with 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 oversee the policy, 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 or groups and to prevent any business relationship with those movements or groups.
- 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.

4. 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 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 amounts stipulated by laws and regulations.

**C. Articles of Incorporation of the Company**

The following are prescribed by the Articles of Incorporation of the Company.

- 1) The Company shall have no more than fifteen (15) Directors.
- 2) A resolution for the election of a Director shall be adopted by a majority of the voting rights of the shareholders who are eligible to exercise the voting rights and who are present at the meeting, where the shareholders holding one-third (1/3) or more of the voting rights of all shareholders eligible to exercise the voting rights must be present.
- 3) Cumulative voting shall not be used in a resolution for the election of a Director.
- 4) To ensure a quorum can be secured, when a special resolution is required, resolutions made pursuant to Article 309, Paragraph 2 of the Companies Act of Japan shall be adopted by two-thirds (2/3) or more of the voting rights of the shareholders who are eligible to exercise the voting rights and who are present at the meeting, where the shareholders holding one-third (1/3) or more of the voting rights of all shareholders eligible to exercise the voting rights must be present.
- 5) To enable the execution of flexible capital policy to respond to changes in the business environment, pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act of Japan, the Company may acquire its own shares through transactions on the market, etc., by a resolution of the Board of Directors.
- 6) To ensure Directors and Audit & Supervisory Board Members can fully perform the role expected of them, in accordance with the provisions of Article 426, Paragraph 1 of the Companies Act of Japan, the Company may, by a resolution of the Board of Directors, exempt a Director or an Audit & Supervisory Board Member from his/her liability for damages caused by his/her dereliction of duty, within the limits stipulated by laws or regulations.
- 7) To provide flexible redistribution of profits to shareholders, the Company may distribute interim dividends, by a resolution of the Board of Directors, by setting the record date as of September 30 of each year.

**(2) Board of Directors and Audit & Supervisory Board Members**

**A. List of Board of Directors and Audit & Supervisory Board Members**

1. The Board of Directors and Audit & Supervisory Board Members of the Company as of June 17, 2021 (As of the filing date of this Annual Securities Report) are shown as below.

Male: eleven (11) persons, Female: two (2) persons (percentage of the female: 15.4 %)

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Chairman of the Board and Representative Director	Tetsuji Ohashi	Mar. 23, 1954	Apr. 1977	Joined the Company Product Control Section, Planning & Coordination Department of Awazu Plant	*4	176
			Jun. 1982	Graduate School, Stanford University, U.S.A. (until Jun. 1984)		
			Oct. 1998	General Manager of Planning & Cooperation Department of Awazu Plant, Production Division		
			Oct. 2001	Plant Manager of Moka Plant, Production Division		
			Jan. 2004	President and COO of Komatsu America Corp.		
			Apr. 2007	Took office as Executive Officer of the Company		
			Apr. 2007	President of Production Division		
			Apr. 2008	Took office as Senior Executive Officer		
			Jun. 2009	Took office as Director and Senior Executive Officer		
			Apr. 2012	Took office as Director and Senior Executive Officer		
			Apr. 2013	Took office as President and Representative Director, and CEO		
			Apr. 2019	Took office as Chairman of the Board and Representative Director (current)		
President and Representative Director and CEO	* Hiroyuki Ogawa	Mar. 23, 1961	Apr. 1985	Joined the Company Production Engineering Section, Production Engineering Department of Kawasaki Plant	*4	77
			Apr. 2004	Plant Manager of Chattanooga Manufacturing Operation, Komatsu America Corp.		
			Apr. 2007	General Manager of Planning & Coordination Department of Osaka Plant, Production Division		
			Apr. 2010	Took office as Executive Officer		
			Apr. 2010	Plant Manager of Ibaraki Plant, Production Division		
			Apr. 2013	President of Procurement Division in Production Division		
			Apr. 2014	Representative of All Indonesia Operations Chairman of PT Komatsu Marketing & Support Indonesia (until Mar. 2016)		
			Apr. 2015	Took office as Senior Executive Officer		
			Apr. 2016	President of Production Division		
			Apr. 2018	Took office as Senior Executive Officer		
			Jun. 2018	Took office as Director and Senior Executive Officer		
			Apr. 2019	Took office as President and Representative Director (current)		
			Apr. 2019	CEO (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	* Masayuki Moriyama	Feb. 5, 1960	Apr. 1982	Joined the Company Technology Management Department, Vehicle Development Center of Kawasaki Plant	*4	64
			Jul. 1988	Graduate School, Cornell University, U.S.A. (until Jun. 1990)		
			Mar. 2000	Komatsu America Corp. (until Mar. 2003)		
			Apr. 2010	Took office as Executive Officer of the Company		
			Apr. 2010	General Manager of Construction Equipment Technical Center 1, Development Division		
			Apr. 2014	President and COO of Komatsu America Corp.		
			Apr. 2015	Took office as Senior Executive Officer		
			Apr. 2017	President of Mining Business Division (current)		
			Apr. 2018	Took office as Senior Executive Officer		
			Jun. 2019	Took office as Director and Senior Executive Officer (current)		
Director	* Kiyoshi Mizuhara	Jan. 13, 1960	Apr. 1983	Joined the Company General Sales Department, Export Sales Division	*4	44
			Sep. 1988	Komatsu Dresser Company (currently Komatsu America Corp.) (until Mar. 1993)		
			Mar. 1997	Komatsu Hanomag GmbH (currently Komatsu Germany GmbH) (until Mar. 2003)		
			Apr. 2008	General Manager of Business Control Department, Construction & Mining Equipment Marketing Division		
			Apr. 2011	General Manager of Construction Equipment Corporate Planning Department, Construction & Mining Equipment Marketing Division		
			Apr. 2013	Took office as Executive Officer		
			Apr. 2013	Representative of All India Operations President of Komatsu India Pvt. Ltd.		
			Apr. 2017	Took office as Senior Executive Officer		
			Apr. 2017	President of Construction Equipment Marketing Division		
			Apr. 2019	Took office as Senior Executive Officer		
			Jun. 2019	Took office as Director and Senior Executive Officer (current)		
			Apr. 2021	CMO and President, Construction Equipment Solution Division (current)		
Director	Kuniko Urano	Oct. 19, 1956	Apr. 1979	Joined the Company Education Section, Human Resources Department	*4	44
			Apr. 2005	General Manager of Logistics Planning Department, Production Division		
			Apr. 2010	General Manager of Corporate Communications Department		
			Apr. 2011	Took office as Executive Officer		
			Apr. 2014	General Manager of Human Resources Department		
			Apr. 2016	Took office as Senior Executive Officer		
			Jun. 2018	Took office as Director and Senior Executive Officer		
			Apr. 2021	Director (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	Makoto Kigawa	Dec. 31, 1949	Apr. 1973	Joined the Fuji Bank, Limited (currently Mizuho Bank, Ltd.)	*4	-
			Apr. 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.)		
			Mar. 2005	Retired from Mizuho Corporate Bank, Ltd.		
			Apr. 2005	Joined Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.)		
			Jun. 2005	Took office as Managing Director		
			Nov. 2005	Took office as Representative Managing Director of Yamato Holdings Co., Ltd.		
			Apr. 2006	Took office as Representative Director and Managing Executive Officer		
			Jun. 2006	Took office as Representative Director and Senior Managing Executive Officer		
			Mar. 2007	Took office as Representative Director and Executive Officer		
			Mar. 2007	Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.		
			Apr. 2011	Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd.		
			Apr. 2015	Took office as Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd.		
			Jun. 2016	Took office as Director of the Company (current)		
			Apr. 2018	Took office as Director and Chairman of Yamato Holdings Co., Ltd.		
			Apr. 2019	Director of Yamato Holdings Co., Ltd.		
Jun. 2019	Took office as Special Adviser of Yamato Holdings Co., Ltd. (current)					

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	Takeshi Kunibe	Mar. 8, 1954	Apr. 1976	Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter the “SMBC”)	*4	-
			Jun. 2003	Took office as Executive Officer of SMBC		
			Oct. 2006	Took office as Managing Executive Officer of SMBC		
			Apr. 2007	Took office as Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. (hereinafter “SMFG”)		
			Jun. 2007	Took office as Director of SMFG		
			Apr. 2009	Took office as Director and Senior Managing Executive Officer of SMBC		
			Apr. 2011	Took office as Representative Director, President and Chief Executive Officer of SMBC		
			Apr. 2017	Took office as Representative Director and President of SMFG		
			Apr. 2017	Retired from Director of SMBC		
			Jun. 2017	Took office as Director President and Representative Executive Officer of SMFG		
			Apr. 2019	Took office as Chairman of the Board of SMFG (current)		
			Jun. 2020	Took office as Director of the Company (current)		
Director	Arthur M. Mitchell	Jul. 23, 1947	Jul. 1976	Registered as attorney at law in New York State, U.S.A. (current)	*4	-
			Jan. 2003	Took office as General Counsel of Asian Development Bank		
			Sep. 2007	Joined White & Case LLP		
			Jan. 2008	Registered as registered foreign lawyer (current)		
			Jan. 2008	Registered foreign lawyer of White & Case LLP (current)		
			Jun. 2020	Took office as Director of the Company (current)		
Standing Audit & Supervisory Board Member	Hironobu Matsuo	Jul. 22, 1958	Apr. 1982	Joined the Company Accounting Section, Administration Department of Osaka Plant	*5	23
			Dec. 1992	Hanomag AG (currently Komatsu Germany GmbH)		
			Oct. 1995	Komatsu Baumaschinen Deutschland GmbH (until Jun. 1997)		
			Jan. 2006	Vice President of Komatsu (China) Ltd.		
			Apr. 2008	General Manager of Corporate Controlling Department of the Company		
			Jun. 2012	General Manager of Internal Auditing Department		
			Apr. 2013	Took office as Executive Officer		
			Apr. 2017	Advisor to President		
			Jun. 2017	Took office as Standing Audit & Supervisory Board Member (current)		



Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Standing Audit & Supervisory Board Member	Terumi Sasaki	Dec. 24, 1960	Apr. 1983 Jul. 1996 Jun. 2011 Sep. 2012 Apr. 2017 Apr. 2020 Jun. 2020	Joined the Company Shipping Section, Transportation Department, Export Sales Division Komatsu Hanomag GmbH (currently Komatsu Germany GmbH) (until Oct. 2003) General Manager of IFRS Implementation Department Vice President, Finance and Control of Komatsu America Corp. Executive Vice President and CFO of Komatsu Mining Corp. Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*6	21
Audit & Supervisory Board Member	Hirohide Yamaguchi	Mar. 6, 1951	Apr. 1974 Oct. 2008 Mar. 2013 Jul. 2013 Jun. 2014	Joined the Bank of Japan (hereinafter "BOJ") Took office as Deputy Governor of BOJ Retired from BOJ Took office as Chairman of the Advisory Board of Nikko Financial Intelligence, Inc. (currently Nikko Research Center, Inc.) (current) Took office as Audit & Supervisory Board Member of the Company (current)	*7	-
Audit & Supervisory Board Member	Eiko Shinotsuka	May. 1, 1942	Apr. 1993 Apr. 2008 Jun. 2015	Took office as professor at Ochanomizu University Took office as professor emeritus at Ochanomizu University (current) Took office as Audit & Supervisory Board Member of the Company (current)	*8	-
Audit & Supervisory Board Member	Kotaro Ohno	Apr. 1, 1952	Apr. 1976 Jul. 2009 Jul. 2012 Jul. 2014 Sep. 2016 Nov. 2016 Jun. 2017	Appointed as Prosecutor Took office as Vice-Minister of Justice Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office Took office as Prosecutor-General of Supreme Public Prosecutors Office Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office Attorney at law, Special Counsel of Mori Hamada & Matsumoto (current) Took office as Audit & Supervisory Board Member of the Company (current)	*5	-
Total						453

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) The Company introduced an executive officer system in June 1999. As of June 17, 2021, the Company has 46 officers including 3 persons simultaneously holding the position of director. Such persons have been marked with an asterisk above their names in the table.
- 4) The term of office of the Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year of the Company ending within 1 year after the Ordinary General Meeting of Shareholders held on June 18, 2020.

- 5) The term of office of Audit & Supervisory Board Members Hironobu Matsuo and Kotaro Ohno shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 20, 2017.
- 6) The term of office of Audit & Supervisory Board Member Terumi Sasaki shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 18, 2020.
- 7) The term of office of Audit & Supervisory Board Member Hirohide Yamaguchi shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 19, 2018.
- 8) The term of office of Audit & Supervisory Board Member Eiko Shinotsuka shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 18, 2019.
- 9) The names of organizations and subsidiaries, etc., of the Company shown in the “Career summary” above present those at the time.

2. The Board of Directors and Audit & Supervisory Board Members of the Company will be as shown below, when the proposed items of “Election of nine (9) Directors” and “Election of two (2) Audit & Supervisory Board Members” will be resolved at the Ordinary General Meeting of Shareholders to be held on June 18, 2021. The table below also shows the proposed items, including titles and positions, to be resolved at the Board of Directors and Audit & Supervisory Board of the Company to be held immediately after the Ordinary General Meeting of Shareholders.

Male: twelve (12) persons, Female: two (2) persons (percentage of the female: 14.3%)

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Chairman of the Board and Representative Director	Tetsuji Ohashi	Mar. 23, 1954	Apr. 1977	Joined the Company Product Control Section, Planning & Coordination Department of Awazu Plant	*4	176
			Jun. 1982	Graduate School, Stanford University, U.S.A. (until Jun. 1984)		
			Oct. 1998	General Manager of Planning & Cooperation Department of Awazu Plant, Production Division		
			Oct. 2001	Plant Manager of Moka Plant, Production Division		
			Jan. 2004	President and COO of Komatsu America Corp.		
			Apr. 2007	Took office as Executive Officer of the Company		
			Apr. 2007	President of Production Division		
			Apr. 2008	Took office as Senior Executive Officer		
			Jun. 2009	Took office as Director and Senior Executive Officer		
			Apr. 2012	Took office as Director and Senior Executive Officer		
			Apr. 2013	Took office as President and Representative Director, and CEO		
			Apr. 2019	Took office as Chairman of the Board and Representative Director (current)		
President and Representative Director and CEO	* Hiroyuki Ogawa	Mar. 23, 1961	Apr. 1985	Joined the Company Production Engineering Section, Production Engineering Department of Kawasaki Plant	*4	77
			Apr. 2004	Plant Manager of Chattanooga Manufacturing Operation, Komatsu America Corp.		
			Apr. 2007	General Manager of Planning & Coordination Department of Osaka Plant, Production Division		
			Apr. 2010	Took office as Executive Officer		
			Apr. 2010	Plant Manager of Ibaraki Plant, Production Division		
			Apr. 2013	President of Procurement Division in Production Division		
			Apr. 2014	Representative of All Indonesia Operations Chairman of PT Komatsu Marketing & Support Indonesia (until Mar. 2016)		
			Apr. 2015	Took office as Senior Executive Officer		
			Apr. 2016	President of Production Division		
			Apr. 2018	Took office as Senior Executive Officer		
			Jun. 2018	Took office as Director and Senior Executive Officer		
			Apr. 2019	Took office as President and Representative Director (current)		
			Apr. 2019	CEO (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	* Masayuki Moriyama	Feb. 5, 1960	Apr. 1982	Joined the Company Technology Management Department, Vehicle Development Center of Kawasaki Plant	*4	64
			Jul. 1988	Graduate School, Cornell University, U.S.A. (until Jun. 1990)		
			Mar. 2000	Komatsu America Corp. (until Mar. 2003)		
			Apr. 2010	Took office as Executive Officer of the Company		
			Apr. 2010	General Manager of Construction Equipment Technical Center 1, Development Division		
			Apr. 2014	President and COO of Komatsu America Corp.		
			Apr. 2015	Took office as Senior Executive Officer		
			Apr. 2017	President of Mining Business Division (current)		
			Apr. 2018	Took office as Senior Executive Officer		
			Jun. 2019	Took office as Director and Senior Executive Officer (current)		
Director	* Kiyoshi Mizuhara	Jan. 13, 1960	Apr. 1983	Joined the Company General Sales Department, Export Sales Division	*4	44
			Sep. 1988	Komatsu Dresser Company (currently Komatsu America Corp.) (until Mar. 1993)		
			Mar. 1997	Komatsu Hanomag GmbH (currently Komatsu Germany GmbH) (until Mar. 2003)		
			Apr. 2008	General Manager of Business Control Department, Construction & Mining Equipment Marketing Division		
			Apr. 2011	General Manager of Construction Equipment Corporate Planning Department, Construction & Mining Equipment Marketing Division		
			Apr. 2013	Took office as Executive Officer		
			Apr. 2013	Representative of All India Operations President of Komatsu India Pvt. Ltd.		
			Apr. 2017	Took office as Senior Executive Officer		
			Apr. 2017	President of Construction Equipment Marketing Division		
			Apr. 2019	Took office as Senior Executive Officer		
			Jun. 2019	Took office as Director and Senior Executive Officer (current)		
			Apr. 2021	CMO and President, Construction Equipment Solution Division (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	* Takeshi Horikoshi	Aug. 1, 1961	Apr. 1985	Joined the Company Accounting Section, Administration Department of Osaka Plant	*4	24
			Feb. 1996	Komatsu UK Ltd.		
			Sep. 1998	Komatsu France S.A.S (until May. 2003)		
			Nov. 2008	Komatsu Europe International N.V. (until Nov. 2011)		
			Jun. 2012	General Manager of Finance & Treasury Department		
			May. 2016	General Manager of Corporate Controlling Department		
			Apr. 2017	Took office as Executive Officer		
			Apr. 2018	CFO (current)		
			Apr. 2020	Took office as Senior Executive Officer (current)		
			Jun. 2021	Took office as Director and Senior Executive Officer (current)		
Director	Makoto Kigawa	Dec. 31, 1949	Apr. 1973	Joined the Fuji Bank, Limited (currently Mizuho Bank, Ltd.)	*4	-
			Apr. 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.)		
			Mar. 2005	Retired from Mizuho Corporate Bank, Ltd.		
			Apr. 2005	Joined Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.)		
			Jun. 2005	Took office as Managing Director		
			Nov. 2005	Took office as Representative Managing Director of Yamato Holdings Co., Ltd.		
			Apr. 2006	Took office as Representative Director and Managing Executive Officer		
			Jun. 2006	Took office as Representative Director and Senior Managing Executive Officer		
			Mar. 2007	Took office as Representative Director and Executive Officer		
			Mar. 2007	Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.		
			Apr. 2011	Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd.		
			Apr. 2015	Took office as Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd.		
			Jun. 2016	Took office as Director of the Company (current)		
			Apr. 2018	Took office as Director and Chairman of Yamato Holdings Co., Ltd.		
			Apr. 2019	Director of Yamato Holdings Co., Ltd.		
			Jun. 2019	Took office as Special Adviser of Yamato Holdings Co., Ltd. (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	Takeshi Kunibe	Mar. 8, 1954	Apr. 1976	Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter the “SMBC”)	*4	-
			Jun. 2003	Took office as Executive Officer of SMBC		
			Oct. 2006	Took office as Managing Executive Officer of SMBC		
			Apr. 2007	Took office as Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. (hereinafter “SMFG”)		
			Jun. 2007	Took office as Director of SMFG		
			Apr. 2009	Took office as Director and Senior Managing Executive Officer of SMBC		
			Apr. 2011	Took office as Representative Director, President and Chief Executive Officer of SMBC		
			Apr. 2017	Took office as Representative Director and President of SMFG		
			Apr. 2017	Retired from Director of SMBC		
			Jun. 2017	Took office as Director President and Representative Executive Officer of SMFG		
			Apr. 2019	Took office as Chairman of the Board of SMFG (current)		
			Jun. 2020	Took office as Director of the Company (current)		
Director	Arthur M. Mitchell	Jul. 23, 1947	Jul. 1976	Registered as attorney at law in New York State, U.S.A. (current)	*4	-
			Jan. 2003	Took office as General Counsel of Asian Development Bank		
			Sep. 2007	Joined White & Case LLP		
			Jan. 2008	Registered as registered foreign lawyer (current)		
			Jan. 2008	Registered foreign lawyer of White & Case LLP (current)		
			Jun. 2020	Took office as Director of the Company (current)		
Director	Naoko Saiki	Oct. 11, 1958	Apr. 1982	Joined the Ministry of Foreign Affairs (hereinafter “MOFA”)	*4	-
			Jul. 2014	Took office as Director-General, Economic Affairs Bureau and Councillor, Cabinet Secretariat		
			Oct. 2015	Took office as Director-General, International Legal Affairs Bureau		
			Jul. 2017	Took office as Director-General, Foreign Service Training Institute, MOFA		
			Jan. 2019	Retired from MOFA		
			Apr. 2020	Took office as Visiting Professor, Graduate School of Public Policy, The University of Tokyo (current)		
			Jun. 2021	Took office as Director of the Company (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Standing Audit & Supervisory Board Member	Terumi Sasaki	Dec. 24, 1960	Apr. 1983 Jul. 1996 Jun. 2011 Sep. 2012 Apr. 2017 Apr. 2020 Jun. 2020	Joined the Company Shipping Section, Transportation Department, Export Sales Division Komatsu Hanomag GmbH (currently Komatsu Germany GmbH) (until Oct. 2003) General Manager of IFRS Implementation Department Vice President, Finance and Control of Komatsu America Corp. Executive Vice President and CFO of Komatsu Mining Corp. Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*5	21
Standing Audit & Supervisory Board Member	Yasuhiro Inagaki	Aug. 21, 1961	Apr. 1984 Jul. 1989 Apr. 2003 Apr. 2010 Apr. 2010 Apr. 2015 Apr. 2015 Apr. 2018 Apr. 2021 Jun. 2021	Joined the Company Legal Section, Administration Department Graduate School, Cornell Law School, U.S.A. (until Jan. 1991) General Manager of Business Development Department Took office as Executive Officer General Manager of Business Development Department and General Manager of Legal Department Took office as Senior Executive Officer General Manager of Business Coordination Department Representative of All China Operations Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*6	49
Audit & Supervisory Board Member	Hirohide Yamaguchi	Mar. 6, 1951	Apr. 1974 Oct. 2008 Mar. 2013 Jul. 2013 Jun. 2014	Joined the Bank of Japan (hereinafter "BOJ") Took office as Deputy Governor of BOJ Retired from BOJ Took office as Chairman of the Advisory Board of Nikko Financial Intelligence, Inc. (currently Nikko Research Center, Inc.) (current) Took office as Audit & Supervisory Board Member of the Company (current)	*7	-
Audit & Supervisory Board Member	Eiko Shinotsuka	May. 1, 1942	Apr. 1993 Apr. 2008 Jun. 2015	Took office as professor at Ochanomizu University Took office as professor emeritus at Ochanomizu University (current) Took office as Audit & Supervisory Board Member of the Company (current)	*8	-

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Audit & Supervisory Board Member	Kotaro Ohno	Apr. 1, 1952	Apr. 1976	Appointed as Prosecutor	*6	-
			Jul. 2009	Took office as Vice-Minister of Justice		
			Jul. 2012	Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office		
			Jul. 2014	Took office as Prosecutor-General of Supreme Public Prosecutors Office		
			Sep. 2016	Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office		
			Nov. 2016	Attorney at law, Special Counsel of Mori Hamada & Matsumoto (current)		
			Jun. 2017	Took office as Audit & Supervisory Board Member of the Company (current)		
Total						458

Notes:

- 1) Directors Makoto Kigawa, Takeshi Kunibe, Arthur M. Mitchell and Naoko Saiki are Outside Directors.
- 2) Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are Outside Audit & Supervisory Board Members.
- 3) The Company introduced an executive officer system in June 1999. As of June 18, 2021, the Company has 46 officers including 4 persons simultaneously holding the position of director. Such persons have been marked with an asterisk above their names in the table.
- 4) The term of office of the Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year of the Company ending within 1 year after the Ordinary General Meeting of Shareholders held on June 18, 2021.
- 5) The term of office of Audit & Supervisory Board Member Terumi Sasaki shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 18, 2020.
- 6) The term of office of Audit & Supervisory Board Members Yasuhiro Inagaki and Kotaro Ohno shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 18, 2021.
- 7) The term of office of Audit & Supervisory Board Member Hirohide Yamaguchi shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 19, 2018.
- 8) The term of office of Audit & Supervisory Board Member Eiko Shinotsuka shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 18, 2019.
- 9) The names of organizations and subsidiaries, etc., of the Company shown in the "Career summary" above present those at the time.



## **B. Outside Directors and Outside Audit & Supervisory Board Members**

The Company has three (3) Outside Directors and three (3) Outside Audit & Supervisory Board Members as of June 17, 2021 (As of the filing date of this Annual Securities Report).

Note: The Company is going to propose the agendas of Election of nine (9) Directors and Election of two (2) Audit & Supervisory Board Members as the matters requiring a resolution by the 152<sup>nd</sup> Ordinary General Meeting of Shareholders scheduled for June 18, 2021. When the said agendas are approved, the Company will have four (4) Outside Directors and three (3) Outside Audit & Supervisory Board Members.

Outside Directors of the Company perform their duty of contributing to the maintenance of management transparency and soundness by providing advice and suggestions based on their considerable insight and rich experience from an independent standpoint for proposed items and their discussions at the meetings of the Board of Directors. Outside Audit & Supervisory Board Members perform their duty of enforcing audit activities throughout the fiscal year based on the audit policy, audit plan, audit method and assignment of duties, which they discussed and decided at the meeting of the Audit & Supervisory Board in collaboration with Standing Audit & Supervisory Board Members, as well as provide comments as necessary based on their professional standpoint and rich experience at the meetings of the Board of Directors and of the Audit & Supervisory Board.

The Board of Directors of the Company has determined the independence standards for Outside Directors and Outside Audit & Supervisory Board Members as follows. Outside Directors Makoto Kigawa, Takeshi Kunibe and Arthur M. Mitchell and Outside Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are unlikely to have a conflict of interest with general shareholders, because there are no special interests between them and the Company. Accordingly, they are considered to be Independent Directors and Audit & Supervisory Board Members.

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

### 1. Basic stance:

Independent 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 Ordinance 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)

The reasons for electing Outside Directors and Outside Audit & Supervisory Board Members of the Company as of June 17, 2021 (As of the filing date of this Annual Securities Report) are outlined below.

<Outside Directors>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for appointment as Outside Director
Makoto Kigawa (June 2016)	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.	<p>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.</p> <p>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 appointed him as an Outside Director.</p> <p>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.</p> <p>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.</p>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for appointment as Outside Director
Takeshi Kunibe (June 2020)	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.	<p>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.</p> <p>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.</p> <p>Therefore, the Company appointed him as an Outside Director.</p> <p>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.</p> <p>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 138.2billion, which was 15.2% of the total amount of interest-bearing liabilities.</p>
Arthur M. Mitchell (June 2020)	Registered foreign lawyer of White & Case LLP Outside Director of Sumitomo Mitsui Financial Group, Inc.	<p>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.</p> <p>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.</p> <p>Therefore, the Company appointed him as an Outside Director.</p> <p>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.</p>

<Outside Audit & Supervisory Board Members>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reasons for appointment as Outside Audit & Supervisory Board Members
Hirohide Yamaguchi (June 2014)	Chairman of the Advisory Board of Nikko Research Center, Inc. Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd.	Having served as Deputy Governor of the Bank of Japan, Mr. Hirohide Yamaguchi has been active internationally in the financial field and has considerable insight and rich experience in the finance world. Utilizing this insight 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 appointed him as an Outside Audit & Supervisory Board Member. Mr. Hirohide Yamaguchi 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.
Eiko Shinotsuka (June 2015)	Professor emeritus at Ochanomizu University	After engaging in research in economic fields at Japan Center for Economic Research, Ms. Eiko Shinotsuka, in addition to professor emeritus at Ochanomizu University, has the experience of having served as a member of the policy Board of the bank of Japan, Chairperson of the Cooperation Conference for the Gender Equality Promotion of the Cabinet Office, Executive Director of the Japan Legal Support Center and Commissioner of the National Personnel Authority, etc. and she has held numerous other official posts in public office up until now. Accordingly, she possesses wide-ranging knowledge and abundant experience, the Company expects her to execute her duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company appointed her as an Outside Audit & Supervisory Board Member. Ms. Eiko Shinotsuka is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers her as an Independent Audit & Supervisory Board Member and has submitted the relevant notification to the Tokyo Stock Exchange.
Kotaro Ohno (June 2017)	Attorney at law, Special Counsel of Mori Hamada & Matsumoto Outside Director of AEON Co., Ltd. Outside Corporate Auditor of ITOCHU Corporation	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 appointed him as an Outside Audit & Supervisory Board Member. 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.

Note: The Company is going to propose the agendas of Election of nine (9) Directors and Election of two (2) Audit & Supervisory Board Members as the matters requiring a resolution by the 152<sup>nd</sup> Ordinary General Meeting of Shareholders scheduled for June 18, 2021. When the said agendas are approved, Outside Directors of the Company are following four (4) persons and Outside Audit & Supervisory Board Members of the Company are following three (3) persons.

<Outside Directors>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for nomination as candidate for Outside Director
Makoto Kigawa (June 2016)	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.	<p>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.</p> <p>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.</p> <p>Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>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.</p> <p>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.</p>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for nomination as candidate for Outside Director
Takeshi Kunibe (June 2020)	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.	<p>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.</p> <p>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.</p> <p>Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>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.</p> <p>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 138.2billion, which was 15.2% of the total amount of interest-bearing liabilities.</p>
Arthur M. Mitchell (June 2020)	Registered foreign lawyer of White & Case LLP Outside Director of Sumitomo Mitsui Financial Group, Inc.	<p>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.</p> <p>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.</p> <p>Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>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.</p>
Naoko Saiki (June 2021)	Visiting Professor, Graduate School of Public Policy, The University of Tokyo Outside Director of Sojitz Corporation Outside Audit & Supervisory Board Member of Development Bank of Japan Inc.	<p>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 Economic Affairs Bureau and Director-General of International Legal Affairs Bureau at MOFA.</p> <p>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.</p> <p>Therefore, the Company nominates her as a candidate for Outside Director.</p> <p>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.</p>

<Outside Audit & Supervisory Board Members>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reasons for appointment as Outside Audit & Supervisory Board Members and nomination as candidate for Outside Audit & Supervisory Board Members
Hirohide Yamaguchi (June 2014)	Chairman of the Advisory Board of Nikko Research Center, Inc. Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd.	Having served as Deputy Governor of the Bank of Japan, Mr. Hirohide Yamaguchi has been active internationally in the financial field and has considerable insight and rich experience in the finance world. Utilizing this insight 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 appointed him as an Outside Audit & Supervisory Board Member. Mr. Hirohide Yamaguchi 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.
Eiko Shinotsuka (June 2015)	Professor emeritus at Ochanomizu University	After engaging in research in economic fields at Japan Center for Economic Research, Ms. Eiko Shinotsuka, in addition to professor emeritus at Ochanomizu University, has the experience of having served as a member of the policy Board of the bank of Japan, Chairperson of the Cooperation Conference for the Gender Equality Promotion of the Cabinet Office, Executive Director of the Japan Legal Support Center and Commissioner of the National Personnel Authority, etc. and she has held numerous other official posts in public office up until now. Accordingly, she possesses wide-ranging knowledge and abundant experience, the Company expects her to execute her duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company appointed her as an Outside Audit & Supervisory Board Member. Ms. Eiko Shinotsuka is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers her as an Independent Audit & Supervisory Board Member and has submitted the relevant notification to the Tokyo Stock Exchange.
Kotaro Ohno (June 2017)	Attorney at law, Special Counsel of Mori Hamada & Matsumoto Outside Director of AEON Co., Ltd.	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. 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.



[Support for Outside Directors and Outside Audit & Supervisory Board Members]

As a general rule, the Company provides materials for Board meetings to Outside Directors and Outside Audit & Supervisory Board Members in advance of the meetings so that they have sufficient time to review the matters that are to be discussed. With respect to matters that may be of particular importance, the Board of Directors discusses them at the Board meeting prior to the Board meeting where such matters are scheduled for resolution. In this manner, the Company ensures that the Directors have sufficient time to review the matters before decisions are made and that they will have an opportunity to consider the points noted in earlier discussions before deciding upon such matters.

For newly appointed Outside Director(s) and Outside Audit & Supervisory Board Member(s), the concerned department(s) conducts explanatory meeting(s) concerning the information requiring decision-making by the Board of Directors, as needed. Such meetings are attended by the Secretariat of the Board of Directors and held prior to Board of Director meetings. The Company has built the database which houses materials, minutes, other information of the Board of Directors and other major committee meetings in the past. This database can be accessed by all members of the Board of Directors and the Audit & Supervisory Board Members, including Outside Member(s). The Company has also built the database which houses materials and minutes of the Board of the Audit & Supervisory Board in the past. This database can be accessed by all members of the Board of the Audit & Supervisory Board Members, including Outside Member(s).

**C. Coordination among supervisions or audits by Outside Directors or Outside Audit & Supervisory Board Members, internal audits, audits by Audit & Supervisory Board Members and accounting audits, and relations with the Internal Control Department.**

Collaboration between Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members), the Independent Public Accounting Firm and the Internal Audit Department and Processes as well as relations with the Internal Control Department are described in (3) Conditions of Audits, A. Audit & Supervisory Board Members' Audit and B. Internal Audit.

### (3) Conditions of Audits

#### A. Audit & Supervisory Board Members' Audit

There are five (5) members in the Audit & Supervisory Board, and the Company has consistently made sure that at least half of them are Outside Audit & Supervisory Board Members.

Standing Audit & Supervisory Board Members Hironobu Matsuo and Terumi Sasaki have long engaged in accounting-related duties at the Company, and have considerably profound knowledge concerning financial affairs and accounting.

The Company has established the Office of Corporate Auditors' Staff and assigned seven (7) employees who work as assistants to Audit & Supervisory Board Members either exclusively or concurrently in another position within the Company.

The activity status of Audit & Supervisory Board Members and the Audit & Supervisory Board is as follows.

#### • Frequency of meetings of the Audit & Supervisory Board held and status of attendance

In the fiscal year ended March 31, 2021, 15 meetings of the Audit & Supervisory Board were held, and the status of attendance of individual Audit & Supervisory Board Members is as follows:

Title & Position	Name	Number of attendance	Attendance rate
Standing Audit & Supervisory Board Member	Hironobu Matsuo	15	100%
Standing Audit & Supervisory Board Member	Kosuke Yamane	4	100%*1
Standing Audit & Supervisory Board Member	Terumi Sasaki	11	100%*2
Outside Audit & Supervisory Board Member	Hirohide Yamaguchi	15	100%
Outside Audit & Supervisory Board Member	Eiko Shinotsuka	15	100%
Outside Audit & Supervisory Board Member	Kotaro Ohno	15	100%

#### Notes:

\*1 calculated the rate based on the meeting held before his retirement, June, 18, 2020

\*2 calculated the rate based on the meeting held after his attendance, June, 18, 2020

#### • Major matters to be examined by the Audit & Supervisory Board

Major matters to be examined by the Audit & Supervisory Board include the audit policies, audit plan, audit report and assignment of duties, appointment and discharge of the Independent Public Accounting Firm, audit method and appropriateness of results as well as results of internal audits of the Company and its subsidiaries.

#### • Activity status of Audit & Supervisory Board Members

In accordance with the audit policies, assignment of duties and other matters determined by the Audit & Supervisory Board, Audit & Supervisory Board Members attended important meetings of the Board of Directors, the Strategy Review Committee, the Compliance Committee, the Risk Management Committee, etc., and inspected and confirmed business operations and state of properties through review of important authorized documents and associated information, and on-site inspection of sites of the Company and its subsidiaries.

Moreover, Audit & Supervisory Board Members endeavored to communicate and exchange information with representative directors, other Directors and Audit & supervisory board members and management of the Company and its subsidiaries, and received explanations and reports on execution of their duties and the status of businesses, as well as periodically received explanations and reports on the establishment, improvement and operation of the internal control system, and expressed opinions as needed. In addition, Audit & Supervisory Board Members worked to improve the environment for audit through liaison meetings and individual interviews, etc. with the Internal Audit Department and subsidiaries' Standing Audit & Supervisory Board Members, and maintain close contact to enhance the effectiveness.

Furthermore, Audit & Supervisory Board Members also monitored and verified whether the Independent Public Accounting Firm maintained its independent position and implemented appropriate audits, and received reports on the execution of duties from the firm, and requested an explanation as needed.

## **B. Internal Audit**

There are twenty-four (24) employees in the Internal Audit Department, which is in charge of the corporate internal audit of the Company.

The Internal Audit Department audits each in-house department and subsidiaries, points out problems and recommends correction of the problems as well as confirms the improvement. In addition, the Internal Audit Department assesses internal control over financial reporting under the Financial Instruments and Exchange Act. Coordination among audits by Audit & Supervisory Board Members, accounting audits and internal audits, and relations between these audits and the Internal Control Department are as follows:

### **•Collaboration between audits by Audit & Supervisory Board Members and accounting audit**

To complete the audit process effectively and efficiently, Audit & Supervisory Board Members exchange opinions with contracted Independent Public Accounting Firm concerning audit policies, audit items to be focused upon and audit approaches. Audit & Supervisory Board Members also observe the Independent Public Accounting Firm, when the firm audits Komatsu's business bases and subsidiaries, and Audit & Supervisory Board Members and the Independent Public Accounting Firm hold meetings to exchange audit information as needed during a given fiscal year. These exchanges lead to better coordination between Audit & Supervisory Board Members and the Independent Public Accounting Firm and a more expeditious audit process. In addition, Audit & Supervisory Board Members receive reports of the Independent Public Accounting Firm's review at the end of the first, second and third quarters, and review and confirm important financial statement matters at the end of the second quarter and the fiscal year-end. Furthermore, Audit & Supervisory Board Members evaluate the methods and results of the Independent Public Accounting Firm's review and audit by listening to their summaries and receiving their review and audit reports at the meetings of the Audit & Supervisory Board.

The Audit & Supervisory Board exchanges information with the accounting firm as needed, and confirms the independence of the accounting firm concerning its service to the Company and its consolidated subsidiaries.

### **•Collaboration between audits by Audit & Supervisory Board Members and internal audits**

Audit & Supervisory Board Members observe audits by the Internal Audit Department, form their own audit opinions, and give advice and recommendations to the Internal Audit Department.

In addition to the audit results reported by the Internal Audit Department to the Audit & Supervisory Board, the Audit & Supervisory Board closely maintains substantive cooperation with the Internal Audit Department, such as receiving various pieces of information relevant to their duties on a routine basis.

### **•Collaboration between internal audits and accounting audits**

In the assessment of internal control over financial reporting, etc. implemented by the Internal Audit Department, the Independent Public Accounting Firm collaborates with the Internal Audit Department as needed by exchanging opinions and sharing information.

### **•Relations between audits by Audit & Supervisory Board Members, accounting audits and internal audits, and the Internal Control Department**

In their respective audit procedures, Audit & Supervisory Board Members, the Independent Public Accounting Firm and the Internal Audit Department share information with the accounting and finance departments and other relevant internal control departments as needed, and exchange opinions on risk assessment, effectiveness of internal control and other matters.

## **C. Accounting Audit**

### **1. Name of the Audit Corporation**

KPMG AZSA LLC

### **2. The number of consecutive years they have conducted audits**

51 years

Note: Above years are counted since Asahi & Co (predecessor of KPMG AZSA LLC) was incorporated audit corporation. The number of consecutive years become seventy (70) if the period that private accountant office audited the Company before Asahi & Co audited it is included in aggregation range.

### **3. Certified public accountants who performed the work**

Masafumi Tanabu (engaged for six (6) consecutive years in auditing)

Tomoo Nishigori (engaged for two (2) consecutive years in auditing)

Daisuke Toyama (engaged for two (2) consecutive years in auditing)

### **4. Composition of assistants who supported the audit work**

Twenty-eight (28) other certified public accountants

Thirty-eight (38) associates

### **5. The policy of dismissal or non-reappointment of Independent Public Accounting Firm**

The Audit & Supervisory Board confirms that, subject to the policy of dismissal or non-reappointment of Independent Public Accounting Firm, the Independent Public Accounting Firm is not found to fall under any of the items in Article 340, Paragraph 1 of the Companies Act of Japan, and there is no problem in properly performing their duties regarding the independence, reliability, etc.

We decided to continue selecting (re-appointing) KPMG AZSA LLC as the Independent Public Accounting Firm also considering the result of the evaluation of the firm by the Audit & Supervisory Board that was conducted as evaluation of the Independent Public Accounting Firm.

### **6. The evaluation of the Independent Public Accounting Firm by The Audit & Supervisory Board**

The Audit & Supervisory Board determines the evaluation of the Independent Public Accounting Firm by appropriately receiving reports therefrom on quality control systems, audit plans, audit summaries, etc., and taking into consideration the results of various examinations for the Independent Public Accounting Firm by external organizations, and of the hearing of opinions from related internal divisions, in particular.

The Audit & Supervisory Board has determined that there are no problematic facts found regarding the Independent Public Accounting Firm's activities and its independence and reliability, etc. in the current fiscal year.

## D. Details of audit fee, etc.

### 1. Details of fee to auditors

Details of fee to KPMG AZSA LLC, the Company's Independent Public Accounting Firm, were comprised of the following:

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2020	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	362	12	365	9
Consolidated subsidiaries	287	-	287	2
Total	649	12	652	11

Note: Non-audit services provided to the Company and consolidated subsidiaries for the fiscal years ended March 31, 2021 and 2020 were services regarding issuance of bonds, etc.

### 2. Details of fee to individual member firms affiliated with the same network, to which auditors belong

Details of fee to individual member firms affiliated with KPMG International, to which KPMG AZSA LLC belongs, were comprised of the following:

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2020	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	-	11	-	22
Consolidated subsidiaries	1,603	133	1,573	109
Total	1,603	144	1,573	131

Note: Non-audit services provided to the Company for the fiscal years ended March 31, 2021 and 2020 were advisory services regarding CSR activities, etc. Non-audit services provided to consolidated subsidiaries for the fiscal years ended March 31, 2021 and 2020 were advisory services regarding tax, etc.

### 3. Other material fees for audit services

Not applicable.

### 4. Policy on determining audit fee

Not applicable; however, the Company determines audit fees by taking into consideration the size, the characteristics, the number of days, etc., of audit.

### 5. Reason for the Audit & Supervisory Board gives consent to remuneration for the Accounting Auditors

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.

#### (4) Compensation

##### A. Aggregate amount of remuneration, etc., paid to each classification of Directors and Audit & Supervisory Board Members of the Company, aggregate amount of remuneration, etc., by type thereof, as well as the number of Directors and Audit & Supervisory Board Members of the Company

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

##### Notes:

- 1) 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.
- 2) 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. 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.
- 3) 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).

- 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.

**B. Total amount of remuneration paid, etc., paid by the Company to persons whose total remuneration paid equaled or exceeded ¥100 million for the fiscal year ended March 31, 2021.**

(Millions of yen)

Name and title	Fixed Remuneration	Non-Monetary Remuneration		Amount of Remuneration Paid
	Monetary Remuneration		Non-Monetary Remuneration, etc.	
	Basic Remuneration	Bonus in Cash	Stock-Based Remuneration	
	Hiroyuki Ogawa Director of the Company	103	28	
Tetsuji Ohashi Director of the Company	93	25	32	149

Notes:

- 1) 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, 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.
- 2) The portions of salaries as employees for Directors concurrently serving as employees are not paid.
- 3) Amounts of less than one (1) million yen are rounded to the nearest million yen.

### **C. Details and decision process of the policy on deciding the amounts of remuneration or calculation method thereof**

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

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

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 the Chairman of the Board and Representative Director Tetsuji Ohashi and the 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]

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

a) 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\*<sup>1</sup>, consolidated ROA\*<sup>2</sup> 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* <sup>1</sup>	50%
	Consolidated ROA* <sup>2</sup>	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 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.

[Management Indicators and Management Targets in Mid-Term Management Plan (FY2019-FY2021)]

Management Indicators		Management Targets
Growth	Sales growth rate	Growth rate above the industry's average* <sup>1</sup>
Profitability	Operating income ratio	Industry's top-level operating income ratio* <sup>1</sup>
Efficiency	ROE	ROE of 10% or higher
Financial Position	Net debt-to-equity ratio* <sup>2</sup>	Industry's top-level financial position
Retail finance business	ROA	ROA 1.5% to 2.0%
	Net debt-to-equity ratio* <sup>2</sup>	5.0 or under for net debt-to-equity ratio* <sup>2</sup>
ESG	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* <sup>3</sup> (World & Asia Pacific) and for CDP* <sup>4</sup> A-list (Climate Changes and Water Risk), etc.

\*1 Relative comparison with domestic and foreign major competitors in the same industry.

\*2 Net debt-to-equity ratio = (Interest-bearing debt - Cash and cash equivalents - Time deposits) / Shareholders' equity of the Company

\*3 Dow Jones Sustainability Indices: SRI indices generated by S&P Dow Jones of the United States and RobecoSAM of Switzerland.

\*4 International non-profit organization which advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments.

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

(1) Overview

- Under the System, the Company shall grant Directors excluding the Outside Directors of the Company (hereinafter "Eligible Directors") monetary compensation receivables for the allocation of restricted stock for each fiscal year in principle, and, by having the Eligible Directors make contribution in kind to the Company using the monetary compensation receivables as contributed assets, shall issue or dispose of its shares of common stock to the Eligible Directors and allow them to hold such shares.
- The Company shall conclude a restricted stock grant agreement (hereinafter "Grant Agreement") with the Eligible Directors. With regard to the shares granted pursuant to the Grant Agreement (hereinafter "Granted Shares"), the Eligible Directors shall not be allowed to transfer, create a security interest on, or otherwise dispose (hereinafter "Transfer") of them at will (hereinafter "Restrictions") during a given period provided by the Grant Agreement (hereinafter "Restricted Period").

The Company shall acquire from the Eligible Directors, free of charge, the Granted Shares with respect to which the Restrictions have not been lifted as a result of the occurrence of prescribed events, including the failure to accomplish performance targets determined by the Board of Directors based on reports of the Compensation Advisory Committee.

The Grant Agreement shall stipulate that during the Restricted Period and after the Restrictions have been lifted, if the Board of Directors resolves that it is appropriate to make the Eligible Directors return the shares granted to them in accordance with the System, the Eligible Directors shall return the corresponding portion of shares to the Company.

- Other details regarding the administration of the System shall be determined by the Board of Directors based on reports of the Compensation Advisory Committee.

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid- 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.

	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)
(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 stocks 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.	
(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	<p>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.</p>	<p>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.</p> <p>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.</p>
(8) Other matters to be determined by the Board of Directors	<p>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.</p>	

## (5) Shareholdings

### A. Classification of investment securities

The Company classifies investment securities by holding purpose, for pure investment or other than pure investment. Pure investment means that the Company owns shares only for purpose of returns from stock price fluctuations and/or dividends.

### B. Investment securities held for purpose other than pure investment

#### 1. Policy of holding listed stocks

In light of avoiding risks resulting from stock price fluctuations and improving asset efficiency, the Company owns no listed shares except for the cases in which business relationships with invested companies and/or business cooperation with the Company are needed.

#### 2. Number of stock names and amount on the balance sheet

	Number of stock names	Amount on the balance sheet (Millions of yen)
Unlisted stocks	44	1,656
Other than unlisted stocks	-	-

#### Information on stocks whose number of shares increased in the fiscal year ended March 31, 2021

	Number of stock names	Acquisition cost for the increase of number of shares (Millions of yen)	Reason for acquisition
Unlisted stocks	-	-	-
Other than unlisted stocks	-	-	-

#### Information on stocks whose number of shares decreased in the fiscal year ended March 31, 2021

	Number of stock names	Sales amount for the decrease of number of shares (Millions of yen)
Unlisted stocks	1	2
Other than unlisted stocks	-	-

#### 3. Stock name, number of shares, amount on the balance sheet etc. of specified investment securities and deemed shareholdings

Not applicable.

### C. Investment securities held for pure investment

Not applicable.

### D. Investment securities for which the holding purpose has changed from pure investment to other than pure investment in the fiscal year ended March 31, 2021

Not applicable.

### E. Investment securities for which the holding purpose has changed from other than pure investment to pure investment in the fiscal year ended March 31, 2021

Not applicable.

## **Item 5. Financial Information**

### **1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements**

(1) The consolidated financial statements of the Company are prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”), pursuant to Paragraph 3, Supplementary Provisions of the “Cabinet Office Ordinance for Partial Revision of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements”, the Ordinance of the Cabinet Office No. 11 of 2002.

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance of the Ministry of Finance No. 59 of 1963 “Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereinafter “Ordinance on Financial Statements, etc.”).

Also, the Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements, etc.

### **2. Audit certification**

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2020 to March 31, 2021 and the non-consolidated financial statements for the 152nd fiscal year (from April 1, 2020 to March 31, 2021) were audited by KPMG AZSA LLC.

### **3. Particular efforts to secure the appropriateness of the consolidated financial statements, etc.**

The Company carries out special measures for ensuring the appropriateness of consolidated financial statements, etc. Specifics of such efforts are shown below.

(1) For the purpose of both ensuring that the Company has an appropriate grasp of the contents of Accounting Standards and related regulations, and properly preparing consolidated financial statements, etc., the Company became a member of the Financial Accounting Standards Foundation, and is kept informed of changes in Accounting Standards and other events by participating in seminars and other events hosted by the foundation.

(2) The Company works to keep every employee informed about Accounting Standards by developing internal accounting regulations and manuals and other means.

(3) The Company confirms the appropriateness of consolidated financial statements, etc. by setting up internal structures such as the Information Disclosure Committee.

# 1. Consolidated Financial Statements, etc.

## (1) Consolidated Financial Statements

### Consolidated Balance Sheets

Komatsu Ltd. and Consolidated Subsidiaries as of March 31, 2021 and 2020

Assets	2021		2020	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
<b>Current assets</b>				
Cash and cash equivalents (Note 21)	¥ 241,803		¥ 247,616	
Time deposits (Note 21)	1,324		2,057	
Trade notes and accounts receivable, net (Notes 4, 7, 15, 17 and 24)	820,698		744,395	
Inventories (Note 5)	793,852		805,309	
Other current assets (Notes 7, 9, 20, 21, 22 and 24)	131,615		147,413	
<b>Total current assets</b>	<b>1,989,292</b>	<b>52.6</b>	<b>1,946,790</b>	<b>53.3</b>
<b>Long-term trade receivables, net</b> (Notes 4, 15, 17, 21 and 24)	<b>446,860</b>	<b>11.8</b>	<b>420,918</b>	<b>11.5</b>
<b>Investments</b>				
Investments in and advances to affiliated companies (Note 7)	39,286		38,210	
Investment securities (Note 6)	8,236		7,328	
Other	2,511		2,436	
<b>Total investments</b>	<b>50,033</b>	<b>1.3</b>	<b>47,974</b>	<b>1.3</b>
<b>Property, plant and equipment</b>				
– less accumulated depreciation and amortization (Notes 8 and 17)	787,373	20.8	757,679	20.8
<b>Operating lease right-of-use assets</b> (Note 17)	<b>57,930</b>	<b>1.5</b>	<b>53,454</b>	<b>1.5</b>
<b>Goodwill</b> (Notes 3 and 10)	<b>170,687</b>	<b>4.5</b>	<b>157,521</b>	<b>4.3</b>
<b>Other intangible assets</b>				
– less accumulated amortization (Notes 3 and 10)	168,981	4.5	162,062	4.4
<b>Deferred income taxes and other assets</b> (Notes 12, 16, 20, 21, 22 and 24)	<b>113,685</b>	<b>3.0</b>	<b>107,288</b>	<b>2.9</b>
<b>Total assets</b>	<b>¥ 3,784,841</b>	<b>100.0</b>	<b>¥ 3,653,686</b>	<b>100.0</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Short-term debt (Notes 11 and 21)	¥ 271,462		¥ 483,658	
Current maturities of long-term debt (Notes 11 and 21)	98,004		118,880	
Trade notes, bills and accounts payable (Note 7)	258,316		220,160	
Income taxes payable (Note 16)	26,858		23,169	
Current operating lease liabilities (Note 17)	15,882		14,933	
Other current liabilities (Notes 12, 15, 19, 20, 21, 22 and 24)	322,347		297,825	
<b>Total current liabilities</b>	<b>992,869</b>	<b>26.2</b>	<b>1,158,625</b>	<b>31.7</b>
<b>Long-term liabilities</b>				
Long-term debt (Notes 11 and 21)	540,517		409,840	
Liability for pension and retirement benefits (Note 12)	104,083		96,392	
Long-term operating lease liabilities (Note 17)	39,982		38,624	
Deferred income taxes and other liabilities (Notes 15, 16, 19, 20, 21 and 22)	95,365		93,980	
<b>Total long-term liabilities</b>	<b>779,947</b>	<b>20.6</b>	<b>638,836</b>	<b>17.5</b>
<b>Total liabilities</b>	<b>1,772,816</b>	<b>46.8</b>	<b>1,797,461</b>	<b>49.2</b>
<b>Commitments and contingent liabilities</b> (Note 19)				
<b>Equity</b>				
<b>Komatsu Ltd. shareholders' equity</b> (Note 13)				
Common stock:				
Authorized 3,955,000,000 shares				
Issued 972,887,610 shares				
Outstanding 945,121,166 shares in 2021 and 944,621,957 shares in 2020	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) (Notes 12, 14, 20 and 22)	(42,012)		(130,666)	
Treasury stock at cost,				
27,766,444 shares in 2021 and 27,959,273 shares in 2020 (Note 13)	(48,855)		(49,166)	
<b>Total Komatsu Ltd. shareholders' equity</b>	<b>1,912,297</b>	<b>50.5</b>	<b>1,771,606</b>	<b>48.5</b>
<b>Noncontrolling interests</b>	<b>99,728</b>	<b>2.7</b>	<b>84,619</b>	<b>2.3</b>
<b>Total equity</b>	<b>2,012,025</b>	<b>53.2</b>	<b>1,856,225</b>	<b>50.8</b>
<b>Total liabilities and equity</b>	<b>¥ 3,784,841</b>	<b>100.0</b>	<b>¥ 3,653,686</b>	<b>100.0</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Komatsu Ltd. and Consolidated Subsidiaries

For the fiscal years ended March 31, 2021 and 2020

Consolidated Statements of Income

	2021		2020	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 7, 14, 15, 17 and 20)	¥ 2,189,512	100.0	¥ 2,444,870	100.0
Cost of sales (Notes 8, 10, 12, 14, 17, 20 and 25)	1,608,457	73.5	1,749,048	71.5
Selling, general and administrative expenses (Notes 3, 8, 10, 12, 13, 17 and 25)	408,716	18.7	440,792	18.0
Impairment loss on long-lived assets (Notes 23 and 25)	2,403	0.1	3,194	0.1
Impairment loss on goodwill (Note 10)	—	—	3,699	0.2
Other operating income (expenses), net (Note 25)	(2,608)	(0.1)	2,570	0.1
<b>Operating income</b>	<b>167,328</b>	<b>7.6</b>	<b>250,707</b>	<b>10.3</b>
<b>Other income (expenses), net</b> (Note 25)				
Interest and dividend income (Note 7)	5,293	0.2	7,378	0.3
Interest expense	(13,766)	(0.6)	(24,592)	(1.0)
Other, net (Notes 6, 12, 14 and 20)	3,920	0.2	(10,379)	(0.4)
Total	(4,553)	(0.2)	(27,593)	(1.1)
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>162,775</b>	<b>7.4</b>	<b>223,114</b>	<b>9.1</b>
<b>Income taxes</b> (Notes 14 and 16)				
Current	52,207		66,464	
Deferred	(5,288)		(3,591)	
Total	46,919	2.1	62,873	2.6
<b>Income before equity in earnings of affiliated companies</b>	<b>115,856</b>	<b>5.3</b>	<b>160,241</b>	<b>6.6</b>
<b>Equity in earnings of affiliated companies</b>	<b>2,760</b>	<b>0.1</b>	<b>3,443</b>	<b>0.1</b>
<b>Net income</b>	<b>118,616</b>	<b>5.4</b>	<b>163,684</b>	<b>6.7</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>12,379</b>	<b>0.6</b>	<b>9,840</b>	<b>0.4</b>
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 106,237</b>	<b>4.9</b>	<b>¥ 153,844</b>	<b>6.3</b>
	Yen			
<b>Per share data</b> (Note 18):				
<b>Net income attributable to Komatsu Ltd.:</b>				
Basic	¥ 112.43		¥ 162.93	
Diluted	¥ 112.39		¥ 162.80	

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2021	2020
<b>Net income</b>	¥ 118,616	¥ 163,684
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments (Notes 14 and 16)	105,466	(94,938)
Pension liability adjustments (Notes 12, 14 and 16)	(7,297)	(1,096)
Net unrealized holding gains (losses) on derivative instruments (Notes 14, 16 and 20)	(690)	(1,392)
Total	97,479	(97,426)
<b>Comprehensive income</b>	216,095	66,258
<b>Less: Comprehensive income attributable to noncontrolling interests</b>	21,543	3,259
<b>Comprehensive income attributable to Komatsu Ltd.</b>	¥ 194,552	¥ 62,999

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Equity  
Komatsu Ltd. and Consolidated Subsidiaries

For the fiscal year ended March 31, 2021

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Un-appropriated					
<b>Balance at March 31, 2020</b>	<b>¥ 68,689</b>	<b>¥ 136,459</b>	<b>¥ 46,813</b>	<b>¥ 1,699,477</b>	<b>¥ (130,666)</b>	<b>¥ (49,166)</b>	<b>¥ 1,771,606</b>	<b>¥ 84,619</b>	<b>¥ 1,856,225</b>
Cash dividends				(53,878)			(53,878)	(6,108)	(59,986)
Transfer to retained earnings appropriated for legal reserve			565	(565)			—		—
Other changes		(639)		(357)	339		(657)	(326)	(983)
Net income				106,237			106,237	12,379	118,616
Other comprehensive income (loss), for the period, net of tax (Note 14)					88,315		88,315	9,164	97,479
Issuance and exercise of stock acquisition rights (Note 13)		(405)					(405)		(405)
Purchase of treasury stock						(57)	(57)		(57)
Sales of treasury stock		74				368	442		442
Restricted stock compensation (Note 13)	348	346					694		694
<b>Balance at March 31, 2021</b>	<b>¥ 69,037</b>	<b>¥ 135,835</b>	<b>¥ 47,378</b>	<b>¥ 1,750,914</b>	<b>¥ (42,012)</b>	<b>¥ (48,855)</b>	<b>¥ 1,912,297</b>	<b>¥ 99,728</b>	<b>¥ 2,012,025</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

For the fiscal year ended March 31, 2020

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Un-appropriated					
<b>Balance at March 31, 2019</b>	<b>¥ 68,311</b>	<b>¥ 136,798</b>	<b>¥ 46,028</b>	<b>¥ 1,654,105</b>	<b>¥ (39,792)</b>	<b>¥ (49,868)</b>	<b>¥ 1,815,582</b>	<b>¥ 87,286</b>	<b>¥ 1,902,868</b>
Cash dividends				(107,687)			(107,687)	(6,065)	(113,752)
Transfer to retained earnings appropriated for legal reserve			785	(785)			—		—
Other changes		10			(29)		(19)	139	120
Net income				153,844			153,844	9,840	163,684
Other comprehensive income (loss), for the period, net of tax (Note 14)					(90,845)		(90,845)	(6,581)	(97,426)
Issuance and exercise of stock acquisition rights (Note 13)		(759)					(759)		(759)
Purchase of treasury stock						(33)	(33)		(33)
Sales of treasury stock		35				735	770		770
Restricted stock compensation (Note 13)	378	375					753		753
<b>Balance at March 31, 2020</b>	<b>¥ 68,689</b>	<b>¥ 136,459</b>	<b>¥ 46,813</b>	<b>¥ 1,699,477</b>	<b>¥ (130,666)</b>	<b>¥ (49,166)</b>	<b>¥ 1,771,606</b>	<b>¥ 84,619</b>	<b>¥ 1,856,225</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows  
 Komatsu Ltd. and Consolidated Subsidiaries  
 For the fiscal years ended March 31, 2021 and 2020

	Millions of yen	
	2021	2020
<b>Operating activities</b>		
Net income	¥ 118,616	¥ 163,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	133,126	131,596
Deferred income taxes	(5,288)	(3,591)
Impairment loss and net gain on valuation of investment securities, net	(47)	(97)
Net gain on sale of fixed assets	(875)	(4,714)
Loss on disposal of fixed assets	2,921	3,980
Impairment loss on long-lived assets	2,403	3,194
Impairment loss on goodwill	—	3,699
Pension and retirement benefits, net	(148)	(1,672)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(39,209)	44,568
Decrease (increase) in inventories	56,156	(9,915)
Increase (decrease) in trade payables	30,483	(38,340)
Increase (decrease) in income taxes payable	2,967	(19,445)
Other, net	53,024	22,234
Net cash provided by operating activities	354,129	295,181
<b>Investing activities</b>		
Capital expenditures	(181,548)	(184,707)
Proceeds from sale of fixed assets	18,332	14,968
Proceeds from sale of investment securities	22	844
Purchases of investment securities	(772)	(630)
Acquisition of subsidiaries and equity investees, net of cash acquired	(1,770)	(21,646)
Other, net	2,679	241
Net cash used in investing activities	(163,057)	(190,930)
<b>Financing activities</b>		
Proceeds from debt issued (Original maturities greater than three months)	702,701	587,157
Payment on debt (Original maturities greater than three months)	(725,363)	(436,952)
Short-term debt, net (Original maturities three months or less)	(114,126)	(37,449)
Dividends paid	(53,878)	(107,687)
Other, net	(9,001)	(8,526)
Net cash used in financing activities	(199,667)	(3,457)
<b>Effect of exchange rate change on cash and cash equivalents</b>	2,782	(1,657)
<b>Net increase (decrease) in cash and cash equivalents</b>	(5,813)	99,137
<b>Cash and cash equivalents, beginning of year</b>	247,616	148,479
<b>Cash and cash equivalents, end of year</b>	¥ 241,803	¥ 247,616

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**Notes to Consolidated Financial Statements**  
**Komatsu Ltd. and Consolidated Subsidiaries**  
**For the fiscal years ended March 31, 2021 and 2020**

**1. Description of Business, Basis of Financial Statement Presentation and Summary of Significant Accounting Policies**

**Description of Business**

In this report, Komatsu Ltd. is hereinafter referred to as the “Company” and together with its consolidated subsidiaries as “Komatsu.”

Komatsu primarily manufactures and markets various types of construction, mining and utility equipment throughout the world, provides retail financing to customers and sales distributors and is also engaged in the manufacture and sale of industrial machinery and others.

The consolidated net sales of Komatsu for the fiscal year ended March 31, 2021 consisted of the following: construction, mining and utility equipment business – 89.5%, retail finance business – 2.7%, industrial machinery and others business – 7.8%.

Sales are made principally under the Komatsu brand name, and are almost entirely executed through sales subsidiaries and sales distributors. These subsidiaries and distributors are responsible for marketing and distribution and primarily sell to retail dealers in their geographical area. Of consolidated net sales for the fiscal year ended March 31, 2021, 82.4% were generated outside Japan, with 36.5% in the Americas, 14.1% in Europe and CIS, 7.7% in China, 18.5% in Asia (excluding Japan and China) and Oceania, and 5.6% in the Middle East and Africa.

The manufacturing operations of Komatsu are conducted primarily at plants in Japan, the United States, Brazil, the United Kingdom, Germany, Italy, Sweden, Russia, China, Indonesia, Thailand and India.

**Basis of Financial Statement Presentation**

The accompanying consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States of America (hereinafter “U.S. GAAP”).

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates.

Some adjustments without being booked on each subsidiaries’ and affiliates’ financial statements are added to the accompanying consolidated financial statements. These adjustments are mainly due to the gaps of accounting principles between Japan and the United States of America. See Note 27 “Terminology, Forms and Preparation Methods of Consolidated Financial Statements”.

**Preparation of Financial Statements and Registration with the U.S. Securities and Exchange Commission**

The Company has been preparing its consolidated financial statements in accordance with U.S. GAAP since 1963, because the Company issued foreign currency convertible bonds at European market in 1964. The Company registered its convertible bonds issued in the United States in 1967 and its common shares issued for U.S. shareholders as well as Japanese shareholders in 1970 with the U.S. Securities and Exchange Commission (hereinafter “SEC”). Since then, the Company, as a non-U.S. issuer, had been having the reporting obligations, such as filing annual report with its consolidated financial statements in accordance with U.S. GAAP, under the Securities Exchange Act of 1934. The Company’s registration with SEC was terminated on June 30, 2014.

## Summary of Significant Accounting Policies

### (1) Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all of its majority-owned Japanese and foreign subsidiaries, except for certain immaterial subsidiaries.

Variable interest entities are consolidated for which the Company is the primary beneficiary in accordance with Financial Accounting Standards Board (hereinafter “FASB”) Accounting Standards Codification™ (hereinafter “ASC”) 810, “Consolidation”. The consolidated balance sheets as of March 31, 2021 and 2020 include assets for the Variable interest entities of ¥10,658 million and ¥15,211 million, respectively. Consolidated variable interest entities mainly engage in equipment leasing in Europe. The majority of these assets are cash and cash equivalents, trade notes and accounts receivable, and long-term trade receivables.

Investments in affiliated companies whereby Komatsu has the ability to exercise significant influence over the operational and financial policies of a company, but does not have a controlling financial interest, are accounted for by the equity method.

### (2) Foreign Currency Translation and Transactions

Assets and liabilities of foreign operations are translated at the exchange rates in effect at each fiscal year-end, and income and expenses of foreign operations are translated at the average rates of exchange prevailing during each fiscal year in consolidating the financial statements of overseas subsidiaries. The resulting translation adjustments are included as a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated financial statements. All foreign currency transaction gains and losses are included in other income (expenses), net in the period incurred.

### (3) Allowance for Doubtful Trade Receivables

Komatsu calculates a general allowance for doubtful receivables based on historical loss rates. On the other hand, for those doubtful receivables with the possibility of default, including those in cases where a customer’s ability to meet its financial obligations has become doubtful due to a bankruptcy filing or deterioration in its business performance, Komatsu estimates credit losses based on the credit status of individual customers and an analysis on the overdue status of receivables, and then recognizes a specific allowance for doubtful receivables at an amount of the estimated credit losses reduced by an expected amount recoverable from the collateral. The amount of estimated credit losses is further adjusted to reflect changes in customer circumstances.

### (4) 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. The cost of finished parts is mainly stated using the first-in first -out method. The cost of raw materials and supplies is stated at periodic average cost.

### (5) Investment Securities

Komatsu’s investments in marketable equity securities are stated at fair value. Changes in fair values are included in net income in the accompanying consolidated statements of income.

Komatsu measures equity securities without readily determinable fair values at the carrying amount after the writedown 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.

## **(6) Property, Plant and Equipment, and Related Depreciation and Amortization**

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated by the straight-line method based on the estimated useful lives of the assets.

The estimated useful lives used in computing depreciation of property, plant and equipment are as follows:

<u>Asset</u>	<u>Life</u>
Buildings	2 to 60 years
Machinery and equipment	2 to 20 years

Ordinary maintenance and repairs are charged to expense as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the costs of those properties and the related accumulated depreciation are removed from the consolidated balance sheets and the differences between the costs of those properties and the related accumulated depreciation are recognized in other operating income (expenses), net in the consolidated statements of income.

## **(7) Leases**

Komatsu has leasing arrangements as a lessee. Komatsu determines if an arrangement is a lease at the inception of each contract in accordance with FASB ASC 842, "Leases". Some of the contracts include lease and non-lease components, which are not separated and accounted all components as those of a single lease. Additionally, Komatsu has adopted the rule in which an entity does not recognize operating lease right-of-use assets regarding operating leases agreement with an initial estimated lease term of twelve months or less.

Komatsu has leasing arrangements as a lessor. Komatsu determines if an arrangement is a lease at the inception of each contract in accordance with FASB ASC 842, "Leases".

The details are as described in Note 17 "Leases".

## **(8) Goodwill and Other Intangible Assets**

Komatsu uses the acquisition method of accounting for business combinations. Goodwill is tested for impairment at least once annually and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Any recognized intangible assets determined to have an indefinite useful life are not to be amortized, but instead tested for impairment at least once annually and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount until its useful life is determined to no longer be indefinite. Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment whenever there is an indicator of possible impairment. An impairment loss would be recognized when the carrying amount of an asset or an asset group exceeds the estimated undiscounted cash flows expected to be generated by the asset or an asset group. The amount of the impairment loss to be recorded is determined by the difference between the fair value of the asset or an asset group estimated using a discounted cash flow valuation model and carrying value.

## **(9) Revenue Recognition**

Komatsu recognizes revenue based on the following five steps in accordance with FASB ASC 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 Note 15 "Revenue".

Taxes collected from customers and paid to governmental-authorities including consumption taxes are excluded from revenue.

**(10) Income Taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

If a tax position meets the more-likely-than-not recognition threshold based on the technical merits of the position, Komatsu recognizes the benefit of such position in the financial statements. The benefit of the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement with appropriate taxing authority.

**(11) Product Warranties**

After the product were sold or delivered, Komatsu repairs 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 and is classified as other current liabilities and other liabilities.

**(12) Pension and Retirement Benefits**

Komatsu recognizes the overfunded or underfunded status of the defined benefit plans as an asset or liability in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax.

Amortization of actuarial net gain or loss is included as a component of Komatsu's net periodic pension cost for defined benefit plans for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of (1) the projected benefit obligation or (2) the fair value of that plan's assets.

In such case, the amount of amortization recognized is the resulting excess divided by average remaining service period of active employees expected to receive benefits under the plan. The prior service cost due to defined benefit plan amendments is amortized on a straight-line basis over the average remaining service period of employees at the time of occurrence of such cost. The expected return on plan assets is determined based on the historical long-term rate of return on plan assets. The discount rate is determined based on the rates of return of high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits.

**(13) Share-Based Compensation**

The Company recognizes share-based compensation expense using the fair value method. The compensation expense for the stock option plans is measured at grant-date fair value and charged to expense over the vesting period. The compensation expense for the restricted stock compensation is expensed over the service period and recorded at the expected compensation amount.

**(14) Per Share Data**

Basic net income attributable to Komatsu Ltd. per share has been computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during each fiscal year, after deducting treasury stock. Diluted net income attributable to Komatsu Ltd. per share reflects the potential dilution computed on the basis that all stock options were exercised (less the number of treasury stock assumed to be purchased from proceeds using the average market price of the Company's common shares) to the extent that each is not antidilutive.



### **(15) Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the date of purchase.

Komatsu's overseas subsidiaries participate in a global cash pooling system based on agreement with a single financial institution, which is used to fund short-term liquidity needs. This agreement contains specific provisions for the right to offset positive and negative cash balances on a global basis. The facility allows for cash withdrawals from this financial institution up to our aggregate cash deposits within the same financial institution. Komatsu's consolidated balance sheets as of March 31, 2021 and 2020 reflect cash net of withdrawals of ¥271,433 million and ¥267,138 million, respectively.

### **(16) Derivative Financial Instruments**

Komatsu uses various derivative financial instruments to manage its interest rate and foreign exchange exposure. All derivatives, including derivatives embedded in other financial instruments, are measured at fair value and recognized as either assets or liabilities on the consolidated balance sheet. Changes in the fair values of derivative instruments not designated or not qualifying as hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments which designated as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair values of derivative instruments which designated as cash flow hedges are reported in accumulated other comprehensive income (loss), and recognized in earnings when the hedged item is recognized in earnings.

### **(17) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of**

Long-lived assets and certain identifiable intangibles to be held and used by Komatsu are reviewed for impairment based on a cash flow analysis of the asset or an asset group whenever events or changes in circumstances indicate that the carrying amount of an asset or an asset group may not be recoverable. The assets to be held for use are considered to be impaired when estimated undiscounted cash flows expected to result from the use of the assets and their eventual disposition is less than their carrying amounts. The impairment losses are measured as the amount by which the carrying amount of the asset or an asset group exceeds the fair value. Long-lived assets and identifiable intangibles to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

### **(18) Use of Estimates**

Komatsu 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 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, pension liabilities and expenses, product warranty liabilities, 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 COVID-19 pandemic on the financial position and results 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 calculation of the estimated credit losses, the likelihood of recovery 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 adversely affected.

### **(19) Recently Issued Accounting Standards Not Yet Adopted**

In June 2016, the FASB issued ASU 2016-13 “Financial Instruments — Credit Losses: Measurement of Credit Losses on Financial Instruments”. This update requires an entity to recognize credit losses for many financial assets based on current expected credit loss model instead of existing incurred loss model. The new current expected credit loss model requires an entity to immediately recognize estimated credit losses expected to occur over the remaining life of the financial assets which are within the scope of this update. For all entities other than SEC filers, this update was planned to be effective for annual reporting periods beginning after December 15, 2020, including interim periods within that reporting period originally. In November 2019, the FASB changed the effective date of this update and this update will be effective for annual reporting periods beginning after December 15, 2022, including interim periods within that reporting period. Early adoption is permitted. This update should be adopted under the modified-retrospective approach through a cumulative-effect adjustment to retained earnings at the beginning of the initial application period. Komatsu is currently considering the adoption date and the impact of this update on Komatsu’s financial position and results of operations.

### **2. Supplemental Cash Flow Information**

Additional cash flow information for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
<b>Additional cash flow information:</b>		
Interest paid	¥ 13,814	¥ 24,876
Income taxes paid, net	35,544	89,558

### 3. Business Combination

#### Immersive Corporation Pty Ltd

On July 1, 2019, the Company acquired Immersive Corporation Pty Ltd (hereafter “Immersive”), a mining workforce optimization company, through a wholly-owned subsidiary of the Company by purchasing all of the outstanding shares of Immersive.

Immersive develops, manufactures and sells mining equipment simulators for training machine operators for surface and underground mines. Immersive also offers educational programs designed to enhance the safety and productivity of customers’ site operations by using simulators, and provides training solutions designed to promote operational optimization by proposing recommendations.

In April 2019, Komatsu embarked on the new three-year mid-term management plan (FY2019– 2021), “DANTOTSU Value – FORWARD Together for Sustainable Growth,” working together with its customers to achieve safe, highly productive, smart and clean worksites of the future. By integrating Immersive’s solutions into its line-up, Komatsu anticipates improvements in safety and productivity, as well as optimization of operations for our mining customers.

The fair value measurement of the acquired assets and assumed liabilities under ASC 805, “Business Combinations” was completed on January 31, 2020.

Following is a summary of the acquired assets and assumed liabilities after the allocation of acquisition cost on the acquisition date.

	Millions of yen	
Consideration		
Cash and cash equivalents	¥	15,755
Fair value of total consideration transferred		15,755
Recognized amounts of identifiable acquired assets and assumed liabilities		
Current assets	¥	3,583
Property, plant and equipment		444
Intangible assets		8,158
Other non-current assets		84
Total acquired assets		12,269
Current liabilities		(1,571)
Long-term liabilities		(2,576)
Total assumed liabilities		(4,147)
Net acquired assets		8,122
Goodwill		7,633
	¥	15,755

Intangible assets of ¥8,158 million are all intangible assets subject to amortization and primarily consist of the following.

	Millions of yen		Amortization period
		Gross carrying amount	
Customer relationships	¥	2,026	16 years
Technology assets		5,844	13 years

The goodwill of ¥7,633 million was assigned to the Construction, Mining and Utility Equipment operating segment. The goodwill is not deductible for tax purpose.

Acquisition-related costs for the fiscal year ended March 31, 2020 are ¥300 million (accumulated acquisition-related costs: ¥332 million) and included in selling, general and administrative expenses in the consolidated statements of income for the fiscal year ended March 31, 2020.

Immersive's results of operations included in the consolidated statements of income for the fiscal year ended March 31, 2020 since the date of acquisition were immaterial.

Assuming this acquisition had been made on April 1, 2018, the impact on Net Sales and Net income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2020 and 2019 would be immaterial.

#### 4. Trade Notes and Accounts Receivable

Receivables at March 31, 2021 and 2020 are summarized as follows:

	Millions of yen			
	2021		2020	
Trade notes and accounts receivable	¥	831,501	¥	756,161
Less: allowance-current		(10,803)		(11,766)
Trade notes and accounts receivable, net	¥	820,698	¥	744,395
Long-term trade receivables		453,206		425,974
Less: allowance-noncurrent		(6,346)		(5,056)
Long-term trade receivables, net	¥	446,860	¥	420,918

Installment and lease receivables (less unearned interest) are included in trade notes and accounts receivable and long-term trade receivables.

The roll-forward schedule of the allowance for credit losses of the financing receivables of retail finance business (hereinafter "retail finance receivables") for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021		2020	
Balance at beginning of year	¥	9,221	¥	8,004
Provision		6,277		5,071
Charge-offs		(4,027)		(3,507)
Other		423		(347)
Balance at end of year	¥	11,894	¥	9,221

Komatsu considers that retail finance receivables are past due, if unpaid for greater than 30 days. The balance of retail finance receivables at March 31, 2021 and 2020 were ¥761,691 million and ¥694,632 million, respectively. Cumulative past due retail financing receivables (31-90 days, greater than 90 days) at March 31, 2021 and 2020 were summarized as follows:

	Millions of yen			
	2021		2020	
31-90 days past due	¥	1,738	¥	1,088
Greater than 90 days past due		2,669		773
Total past due	¥	4,407	¥	1,861

Nonaccrual financing receivables at March 31, 2021 and 2020 were not material.

Komatsu did not have any cash flows from securitization activities for the fiscal years ended March 31, 2021 and 2020.

Komatsu did not have any securitized trade notes and accounts receivable at March 31, 2021 and 2020.

## 5. Inventories

At March 31, 2021 and 2020, inventories comprise the following:

	Millions of yen			
	2021		2020	
Finished products, including finished parts held for sale	¥	571,103	¥	586,468
Work in process		159,515		153,082
Materials and supplies		63,234		65,759
Total	¥	793,852	¥	805,309

## 6. Investment Securities

The realized gains and losses and gross unrealized holding gains and losses for such equity securities which are recorded in other income (expenses), net in the accompanying consolidated statements of income, respectively, for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021		2020	
Net gains and losses recognized during the year on equity securities	¥	47	¥	97
Less: net gains and losses recognized during the year on equity securities sold during the year		6		(185)
Unrealized gains and losses recognized during the year on equity securities still held as of March 31, 2021 and 2020	¥	41	¥	282

Komatsu measures equity securities without readily determinable fair values at the carrying amount after the writedown 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. As of March 31, 2021 and 2020, the carrying amounts of these investments were ¥8,236 million and ¥7,328 million, respectively. Any impairment or any adjustment relating to observable price changes recorded until March 31, 2021 and 2020 were not material.

## 7. Investments in and Advances to Affiliated Companies

At March 31, 2021 and 2020, investments in and advances to affiliated companies comprised the following:

	Millions of yen			
	2021		2020	
Investments in capital stock	¥	37,707	¥	36,610
Advances		1,579		1,600
<b>Total</b>	<b>¥</b>	<b>39,286</b>	<b>¥</b>	<b>38,210</b>

The investments in and advances to affiliated companies relate mainly to 20% to 50% of voting rights owned companies whereby Komatsu has the ability to exercise significant influence over the operational and financial policies.

At March 31, 2021 and 2020, trade notes and accounts receivable and short-term loans receivable from and trade notes, bills and accounts payable to affiliated companies comprised the following:

	Millions of yen			
	2021		2020	
Trade notes and accounts receivable, net	¥	28,417	¥	27,976
Short-term loans receivable		1,296		1,723
Trade notes, bills and accounts payable		8,997		5,876

Net sales to and dividends received from affiliated companies for the fiscal years ended March 31, 2021 and 2020 are as follows.

	Millions of yen			
	2021		2020	
Net sales	¥	70,092	¥	81,730
Dividends		1,453		1,399

Intercompany profits (losses) have been eliminated in the consolidated financial statements.

As of March 31, 2021 and 2020, consolidated unappropriated retained earnings included Komatsu's share of undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥25,062 million and ¥23,937 million, respectively.

The difference between the carrying value of the investments in affiliated companies and Komatsu's equity in the underlying net assets of such affiliated companies is insignificant as of March 31, 2021 and 2020.

Summarized financial information for affiliated companies as of March 31, 2021 and 2020, and for the fiscal years ended March 31, 2021 and 2020 is as follows:

	Millions of yen			
	2021		2020	
Current assets	¥	148,689	¥	151,972
Net property, plant and equipment – less accumulated depreciation and amortization		54,653		54,568
Investments and other assets		32,151		32,342
<b>Total assets</b>	<b>¥</b>	<b>235,493</b>	<b>¥</b>	<b>238,882</b>
Current liabilities	¥	92,618	¥	97,745
Noncurrent liabilities		32,883		36,785
Equity		109,992		104,352
<b>Total liabilities and equity</b>	<b>¥</b>	<b>235,493</b>	<b>¥</b>	<b>238,882</b>

	Millions of yen			
	2021		2020	
Net sales	¥	211,911	¥	236,507
Net income		8,649		10,276

## 8. Property, Plant and Equipment

The major classes of property, plant and equipment at March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Land	¥ 112,403	¥ 112,683
Buildings	540,582	512,160
Machinery and equipment	691,456	660,007
Equipment leased to others	334,862	335,248
Construction in progress	52,150	31,909
Total	1,731,453	1,652,007
Less: accumulated depreciation and amortization	(944,080)	(894,328)
Net property, plant and equipment	¥ 787,373	¥ 757,679

Depreciation for the fiscal years ended March 31, 2021 and 2020 were ¥109,574 million and ¥111,108 million, respectively.

## 9. Pledged Assets

At March 31, 2021 and 2020, assets pledged as collateral for guarantees for debt are as follows:

	Millions of yen	
	2021	2020
Other current assets	¥ 149	¥ 211
Total	¥ 149	¥ 211

The above assets were pledged against the following liabilities:

	Millions of yen	
	2021	2020
Guarantees for debt	¥ 149	¥ 211
Total	¥ 149	¥ 211



## 10. Goodwill and Other Intangible Assets

Intangible assets other than goodwill at March 31, 2021 and 2020 are as follows:

	Millions of yen					
	2021			2020		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥ 63,605	¥ (25,376)	¥ 38,229	¥ 52,813	¥ (21,678)	¥ 31,135
Leasehold	7,146	(1,842)	5,304	6,959	(1,675)	5,284
Trademarks	56,262	(15,241)	41,021	52,444	(10,866)	41,578
Customer relationships	77,204	(29,170)	48,034	73,505	(25,197)	48,308
Technology assets	39,278	(13,415)	25,863	37,423	(11,950)	25,473
Other	7,278	(4,757)	2,521	7,292	(4,635)	2,657
Total	250,773	(89,801)	160,972	230,436	(76,001)	154,435
Other intangible assets not subject to amortization			8,009			7,627
Total other intangible assets			<u>¥ 168,981</u>			<u>¥ 162,062</u>

The aggregate amortization expense of other intangible assets subject to amortization for the fiscal years ended March 31, 2021 and 2020 were ¥20,858 million and ¥18,417 million, respectively.

At March 31, 2021, the future estimated amortization expenses for each of five years relating to intangible assets currently recorded in the consolidated balance sheet are as follows:

<u>Year ending March 31</u>	<u>Millions of yen</u>	
2022	¥	22,633
2023		21,554
2024		18,422
2025		16,104
2026		13,105

The changes in carrying amounts of goodwill by operating segment for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
<b>Balance at March 31, 2019</b>				
Goodwill	168,568	776	15,017	184,361
Accumulated impairment losses	(8,504)	—	(13,936)	(22,440)
	<u>¥ 160,064</u>	<u>¥ 776</u>	<u>¥ 1,081</u>	<u>¥ 161,921</u>
Goodwill acquired during the year	11,007	—	—	11,007
Impairment losses	(3,699)	—	—	(3,699)
Foreign exchange impact	(11,580)	(128)	—	(11,708)
<b>Balance at March 31, 2020</b>				
Goodwill	167,995	648	15,017	183,660
Accumulated impairment losses	(12,203)	—	(13,936)	(26,139)
	<u>¥ 155,792</u>	<u>¥ 648</u>	<u>¥ 1,081</u>	<u>¥ 157,521</u>
Foreign exchange impact	13,179	180	—	13,359
Goodwill sold during the year	(193)	—	—	(193)
<b>Balance at March 31, 2021</b>				
Goodwill	180,981	828	15,017	196,826
Accumulated impairment losses	(12,203)	—	(13,936)	(26,139)
	<u>¥ 168,778</u>	<u>¥ 828</u>	<u>¥ 1,081</u>	<u>¥ 170,687</u>

## 11. Short-Term and Long-Term Debt

(1) Short-term debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen			
	2021		2020	
Banks, insurance companies and other financial institutions	¥	80,804	¥	178,733
Commercial paper		190,658		304,925
Short-term debt	¥	271,462	¥	483,658

The weighted-average annual interest rates applicable to short-term debt outstanding at March 31, 2021 and 2020 were 0.6% and 1.9%, respectively.

The Company and certain consolidated subsidiaries have entered into contracts for committed credit lines totaling ¥458,330 million and have unused committed lines of credit amounting to ¥443,989 million with certain financial institutions at March 31, 2021 which are available for full and immediate borrowings. The Company and Komatsu Finance America Inc. are a party to a committed ¥300,000 million and U.S.\$962 million commercial paper program and unused committed commercial paper program amounting to ¥190,000 million and U.S.\$233 million at March 31, 2021 are available upon the satisfaction of certain customary procedural requirements.

(2) Long-term debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen			
	2021		2020	
Long-term debt without collateral:				
Banks, insurance companies and other financial institutions maturing serially through 2021–2027, weighted-average rate 2.1%	¥	340,807	¥	268,356
Euro Medium-Term Notes maturing serially through 2021–2025, weighted-average rate 2.3%		138,397		102,845
0.05% Unsecured Bonds due 2020		—		50,000
2.12% Unsecured Bonds due 2020		—		32,638
2.44% Unsecured Bonds due 2022		55,300		54,323
0.001% Unsecured Bonds due 2023		40,001		—
0.85% Unsecured Bonds due 2023		33,098		—
0.11% Unsecured Bonds due 2024		20,000		20,000
0.13% Unsecured Bonds due 2025		10,000		—
Other		918		558
Total		638,521		528,720
Less: current maturities		(98,004)		(118,880)
Long-term debt	¥	540,517	¥	409,840

(3) The Company, Komatsu Finance America Inc. and Komatsu Europe Coordination Center N.V. registered as an issuer under the Euro Medium-Term Note (hereinafter “EMTN”) Program on the London Stock Exchange. The registered amount of the EMTN Program at March 31, 2021 and 2020 were U.S.\$2,000 million and U.S.\$1,500 million respectively.

Under the EMTN Program, each of the issuers may from time to time issue notes denominated in any currency as may be agreed between the relevant issuers and dealers. The issuers under the EMTN Program issued ¥47,797 million during the fiscal year ended March 31, 2021 and ¥2,989 million during the fiscal year ended March 31, 2020.

In November 2020, the Company’s bond program was renewed so that it could issue up to ¥100,000 million of variable-term bonds within a two-year period. As of March 31, 2021, ¥100,000 million remained unused under this program. In September 2017, the Komatsu Finance America Inc. issued U.S.\$800 million of variable-term bonds within a three-year or a five-year period and also issued U.S.\$300 million of variable-term bonds within a three-year period in September 2020. On the other hand, ¥70,000 million in the aggregate principal amount of bonds outstanding as of March 31, 2021 was issued under the past bond program prior to its 2020 renewal.

(4) As is customary in Japan, substantially all long-term and short-term bank loans are made under general agreements.

(5) Maturities of long-term debt at March 31, 2021 and 2020 respectively are as follows. There are no market value adjustments excluded from the amount of 2021 and 2020.

	Millions of yen	
	2021	2020
Due within one year	¥ 98,004	¥ 118,880
Due after one year through two years	257,462	102,080
Due after two years through three years	128,342	221,213
Due after three years through four years	81,390	12,218
Due after four years through five years	73,242	74,329
Due after five years	81	—
<b>Total</b>	<b>¥ 638,521</b>	<b>¥ 528,720</b>

## 12. Liability for Pension and Other Retirement Benefits

The Company's employees, with certain minor exceptions, are covered by a lump-sum severance payment and a defined benefit cash balance pension plan. The plan provides that approximately 60% of the employee benefits are payable as a pension payment, commencing upon mandatory retirement and that the remaining benefits are payable as a lump-sum severance payment based on remuneration, years of service and certain other factors at the time of retirement. The plan also provides for lump-sum severance payments, payable upon earlier termination of employment.

Under the cash balance pension plan, each employee has an account which is credited yearly based on the current rate of pay and market-related interest rate.

Certain subsidiaries have various funded pension plans and/or unfunded severance payment plans for their employees, which are based on years of service and certain other factors. Komatsu's funding policy is to contribute the amounts to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

In the fiscal year ended March 31, 2021, the Company and certain subsidiaries in Japan, to respond to diversifying the work style of employees, decided to introduce 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), and to make revisions to a retirement benefit plan, including the introduction of a defined contribution pension plan and promoted the Mid-Career support program on April 1, 2021 or July 1, 2021.

Due to such revisions in plans whereby retirement benefits are added consistently until the employees' age reaches the selected retirement age, Komatsu's benefit obligations increased by ¥11,989 million as of March 31, 2021 and the same amount of prior service cost was incurred. The 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.

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

The reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets of the defined benefit plans are as follows:

	Millions of yen			
	2021		2020	
	Domestic	Overseas	Domestic	Overseas
Change in benefit obligations:				
Benefit obligations, beginning of year	¥ 138,563	¥ 219,518	¥ 135,947	¥ 234,821
Service cost	9,174	973	8,400	988
Interest cost	81	6,024	79	6,922
Actuarial loss (gain)	1,535	13,332	(574)	1,397
Plan participants' contributions	—	125	—	162
Plan amendment	11,989	385	1,329	—
Settlements	—	(1,386)	—	(1,637)
Benefits paid	(6,839)	(12,294)	(6,618)	(12,821)
Foreign currency exchange rate change	—	13,818	—	(10,314)
Benefit obligations, end of year	¥ 154,503	¥ 240,495	¥ 138,563	¥ 219,518
Change in plan assets:				
Fair value of plan assets, beginning of year	¥ 82,302	¥ 203,019	¥ 82,257	¥ 216,623
Actual return on plan assets	7,425	15,961	(775)	8,631
Employers' contributions	3,666	1,535	3,707	1,893
Plan participants' contributions	—	125	—	162
Plan amendment	—	—	984	—
Settlements	—	(1,386)	—	(1,637)
Benefits paid	(4,122)	(11,858)	(3,871)	(12,493)
Foreign currency exchange rate change	—	14,228	—	(10,160)
Fair value of plan assets, end of year	¥ 89,271	¥ 221,624	¥ 82,302	¥ 203,019
Funded status, end of year	¥ (65,232)	¥ (18,871)	¥ (56,261)	¥ (16,499)

Amounts recognized in the consolidated balance sheets at March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021		2020	
	Domestic	Overseas	Domestic	Overseas
Deferred income taxes and other assets	¥ —	¥ 14,191	¥ —	¥ 16,930
Other current liabilities	(57)	(637)	(146)	(607)
Liability for pension and retirement benefits	(65,175)	(32,425)	(56,115)	(32,822)
	¥ (65,232)	¥ (18,871)	¥ (56,261)	¥ (16,499)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021		2020	
	Domestic	Overseas	Domestic	Overseas
Actuarial loss	¥ 18,930	¥ 22,359	¥ 24,641	¥ 16,665
Prior service cost	13,197	1,178	1,512	909
	¥ 32,127	¥ 23,537	¥ 26,153	¥ 17,574

The accumulated benefit obligations for all defined benefit plans at March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021		2020	
	Domestic	Overseas	Domestic	Overseas
Accumulated benefit obligations	¥ 137,945	¥ 236,825	¥ 123,630	¥ 216,445

Information for pension plans with accumulated benefit obligations in excess of plan assets and pension plans with projected benefit obligations in excess of plan assets is as follows:

	Millions of yen			
	2021		2020	
	Domestic	Overseas	Domestic	Overseas
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	¥ 136,763	¥ 193,670	¥ 122,514	¥ 126,785
Fair value of plan assets	87,752	163,481	80,988	95,535
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	¥ 154,503	¥ 198,454	¥ 138,563	¥ 129,179
Fair value of plan assets	89,271	165,392	82,302	95,750

Net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2021 and 2020 consisted of the following components:

	Millions of yen			
	2021		2020	
	Domestic	Overseas	Domestic	Overseas
Service cost	¥ 9,174	¥ 973	¥ 8,400	¥ 988
Interest cost on projected benefit obligations	81	6,024	79	6,922
Expected return on plan assets	(1,240)	(8,590)	(1,236)	(9,692)
Amortization of actuarial loss or gain	1,061	267	1,051	(57)
Amortization of prior service cost	304	116	175	134
Net periodic cost	¥ 9,380	¥ (1,210)	¥ 8,469	¥ (1,705)

Net periodic cost components other than the service cost are recorded in other income (expenses), net in the accompanying consolidated statements of income.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2021 and 2020 are summarized as follows:

	Millions of yen			
	2021		2020	
	Domestic	Overseas	Domestic	Overseas
Current year actuarial loss (gain)	¥ (4,650)	¥ 5,961	¥ 1,437	¥ 2,458
Amortization of actuarial loss or gain	(1,061)	(267)	(1,051)	57
Current year prior service cost	11,989	385	345	—
Amortization of prior service cost	(304)	(116)	(175)	(134)
	¥ 5,974	¥ 5,963	¥ 556	¥ 2,381

Weighted-average assumptions used to determine benefit obligations of Komatsu's defined benefit plans at March 31, 2021 and 2020 are as follows:

	2021		2020	
	Domestic	Overseas	Domestic	Overseas
Discount rate	0.1%	2.8%	0.1%	3.1%
Assumed rate of increase in future compensation levels (Point-based benefit system)	4.1%	—	4.5%	—
Assumed rate of increase in future compensation levels	2.6%	3.7%	2.6%	3.1%
Interest crediting rate for cash balance plans	1.0%	—	1.0%	—

Weighted-average assumptions used to determine net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2021 and 2020 are as follows:

	2021		2020	
	Domestic	Overseas	Domestic	Overseas
Discount rate	0.1%	3.1%	0.1%	3.4%
Assumed rate of increase in future compensation levels (Point-based benefit system)	4.5%	—	4.5%	—
Assumed rate of increase in future compensation levels	2.6%	3.1%	2.6%	3.8%
Expected long-term rate of return on plan assets	1.5%	4.4%	1.5%	4.6%
Interest crediting rate for cash balance plans	1.0%	—	1.0%	—

The Company and certain Japanese subsidiaries have defined benefit cash balance pension plans. These companies adopt the assumed rate of increase in future compensation levels under the point-based benefit system. Komatsu determines the expected long-term rate of return on plan assets based on the consideration of the current expectations for future returns and actual historical returns of each plan asset category.

**Plan assets**

In order to secure long-term comprehensive earnings, Komatsu's investment policy is designed to ensure adequate plan assets to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, Komatsu formulates a basic portfolio comprised of the judged optimum combination of equity and debt securities. Plan assets are principally invested in equity securities, debt securities and life insurance company general accounts in accordance with the guidelines of the basic portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. Komatsu evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the basic portfolio. Komatsu revises the basic portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets. The "Pension and Retirement Benefit Committee" is organized in the Company in order to periodically monitor the performance of such plan assets.

The Company and its Japanese subsidiaries' targeted basic portfolio for plan assets consists of three major components: approximately 20% invested in equity securities, approximately 30% invested in debt securities, and approximately 50% invested in other assets, primarily consisting of investments in life insurance company general accounts. Foreign subsidiaries' targeted basic portfolio for plan assets, which varies by country, primarily consists of as follows: approximately 35% invested in equity securities and approximately 65% invested in debt securities. The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, Komatsu has investigated the business condition of the investee companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds and municipal bonds, and corporate bonds. Prior to investing, Komatsu has investigated the quality of the issue, including credit rating, interest rate and repayment dates, and has appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity described above. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. With respect to investments in foreign investment assets, Komatsu has investigated the stability of the underlying governments and economies, the market characteristics such as settlement systems and the taxation systems. For each such investment, Komatsu has selected the appropriate investment country and currency. There is no significant concentration of risk within the portfolio of investments. The three levels of input used to measure fair value are more fully described in Note 22.



The fair values of benefit plan assets at March 31, 2021 and 2020 by asset class are as follows:

	Millions of yen									
	Domestic					Overseas				
	Level 1	Level 2	Level 3	Investments measured at net asset value	Total	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
<b>At March 31, 2021</b>										
Plan assets										
Cash	¥ 528	¥ —	¥ —	¥ —	¥ 528	¥ (2,132)	¥ —	¥ —	¥ —	¥ (2,132)
Equity securities										
Japanese equities	9,658	—	—	—	9,658	939	—	—	—	939
Foreign equities	9,729	—	—	875	10,604	11,555	38,900	—	35	50,490
Pooled funds	—	—	—	—	—	—	—	—	—	—
Debt securities										
Government bonds and municipal bonds	22,031	180	—	—	22,211	495	45,230	—	—	45,725
Corporate bonds	225	3,438	—	—	3,663	544	107,942	1,886	—	110,372
Other assets										
Life insurance company general accounts	—	37,040	—	—	37,040	—	—	—	—	—
Other	343	751	1,135	3,338	5,567	341	3,781	12,108	—	16,230
<b>Total</b>	<b>¥ 42,514</b>	<b>¥ 41,409</b>	<b>¥ 1,135</b>	<b>¥ 4,213</b>	<b>¥ 89,271</b>	<b>¥ 11,742</b>	<b>¥ 195,853</b>	<b>¥ 13,994</b>	<b>¥ 35</b>	<b>¥ 221,624</b>

	Millions of yen									
	Domestic					Overseas				
	Level 1	Level 2	Level 3	Investments measured at net asset value	Total	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
<b>At March 31, 2020</b>										
Plan assets										
Cash	¥ 396	¥ —	¥ —	¥ —	¥ 396	¥ (2,841)	¥ —	¥ —	¥ —	¥ (2,841)
Equity securities										
Japanese equities	7,379	—	—	—	7,379	794	—	—	—	794
Foreign equities	5,869	—	—	565	6,434	8,438	37,040	—	30	45,508
Pooled funds	—	—	—	—	—	55	—	—	—	55
Debt securities										
Government bonds and municipal bonds	22,100	151	—	—	22,251	123	43,802	—	—	43,925
Corporate bonds	228	3,418	—	—	3,646	—	97,175	1,721	—	98,896
Other assets										
Life insurance company general accounts	—	36,982	—	—	36,982	—	—	—	—	—
Other	641	452	1,050	3,071	5,214	1,188	5,000	10,494	—	16,682
<b>Total</b>	<b>¥ 36,613</b>	<b>¥ 41,003</b>	<b>¥ 1,050</b>	<b>¥ 3,636</b>	<b>¥ 82,302</b>	<b>¥ 7,757</b>	<b>¥ 183,017</b>	<b>¥ 12,215</b>	<b>¥ 30</b>	<b>¥ 203,019</b>

(1) The plan's equity securities include common stock of the Company in the amount of ¥24 million and ¥12 million at March 31, 2021 and 2020, respectively.

(2) The plan's government bonds and municipal bonds include approximately 10% Japanese bonds and 90% foreign bonds.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not indicate the risks of the assets.

Level 1 assets are comprised principally of equity and debt securities, which are valued using quoted prices in active markets. Level 2 assets are comprised of equity securities, debt securities and investments in life insurance company general accounts. Equity and debt securities are valued using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. Investments in life insurance company general accounts are valued at conversion value.

The fair value of Level 3 assets mainly consist of the U.K. buy-in contracts held by foreign subsidiaries. The amount of these buy-in contracts are ¥12,108 million and ¥10,494 million at March 31, 2021 and 2020, respectively. These buy-in contracts are categorized as Level 3 due to the lack of active markets for these types of investments and the use of unobservable measurement inputs. Amounts of actual returns on, purchases and sales of, these buy-in contracts for the fiscal years ended March 31, 2021 and 2020 are not material.

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the three-level fair value hierarchy but have been recorded separately.

## Cash flows

### (1) Contributions

Komatsu expects to contribute ¥3,053 million and ¥1,402 million to their domestic benefit plans and their overseas benefit plans, respectively in the fiscal year ending March 31, 2022.

### (2) Estimated future benefit payments

The benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter which reflect estimated future employee service are as follows:

<u>Fiscal year ending March 31</u>	Millions of yen			
	Domestic		Overseas	
	¥		¥	
2022		1,798		12,465
2023		1,888		12,524
2024		5,224		12,568
2025		6,456		12,601
2026		5,737		12,612
Through 2027-2031		38,593		62,085

### Other postretirement benefit plans

Some U.S. subsidiaries provide certain postretirement health care and life insurance benefits for substantially all of their employees. The plans are contributory, with contributions indexed to salary levels. Employee contributions are adjusted to provide for any costs of the plans in excess of those paid for by the subsidiaries. The policy is to fund the cost of these benefits as claims and premiums are paid. In the fiscal year ended March 31, 2008 certain U.S. subsidiaries established a Voluntary Employees' Beneficiary Association ("VEBA") trust to hold assets and pay substantially all of these subsidiaries' self-funded post employment benefit plan obligations. The VEBA trust arrangement provides for segregation and legal restriction of the plan assets to satisfy plan obligations, and tax deductibility for contributions to the trust, subject to certain tax code limitations.

The reconciliation of beginning and ending balances of the accumulated postretirement benefit obligations and the fair value of the plan assets of the U.S. subsidiaries' plans are as follows:

	Millions of yen	
	2021	2020
Change in accumulated postretirement benefit obligations:		
Accumulated postretirement benefit obligations, beginning of year	¥ 15,160	¥ 16,537
Service cost	511	558
Interest cost	410	562
Actuarial loss (gain)	(886)	(328)
Plan amendment	—	(1,157)
Benefits paid	(767)	(828)
Foreign currency exchange rate change	378	(184)
Accumulated postretirement benefit obligation, end of year	¥ 14,806	¥ 15,160
Change in plan assets:		
Fair value of plan assets, beginning of year	¥ 10,406	¥ 11,019
Actual return on plan assets	1,981	(36)
Employers' contributions	145	153
Benefits paid	(485)	(504)
Foreign currency exchange rate change	254	(226)
Fair value of plan assets, end of year	¥ 12,301	¥ 10,406
Funded status, end of year	¥ (2,505)	¥ (4,754)

Amounts recognized in the consolidated balance sheets at March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Deferred income taxes and other assets	¥ 3,737	¥ 2,446
Other current liabilities	(196)	(190)
Liability for pension and retirement benefits	(6,046)	(7,010)
	¥ (2,505)	¥ (4,754)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Actuarial loss (gain)	¥ (1,019)	¥ 1,426
Prior service cost	(1,031)	(1,149)
	¥ (2,050)	¥ 277

Accumulated postretirement benefit obligations exceed plan assets for most of the U.S. subsidiaries' plans.

Net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2021 and 2020 included the following components:

	Millions of yen	
	2021	2020
Service cost	¥ 511	¥ 558
Interest cost on projected benefit obligations	410	562
Expected return on plan assets	(493)	(583)
Amortization of actuarial loss or gain	71	39
Amortization of prior service cost	(118)	6
Net periodic cost	¥ 381	¥ 582

Net periodic cost components other than the service cost are recorded in other income (expenses), net in the accompanying consolidated statements of income.

Other changes in plan assets and accumulated postretirement benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2021 and 2020 are summarized as follows:

	Millions of yen	
	2021	2020
Current year actuarial loss (gain)	¥ (2,374)	¥ 291
Amortization of actuarial loss or gain	(71)	(39)
Current year prior service cost	—	(1,157)
Amortization of prior service cost	118	(6)
	¥ (2,327)	¥ (911)

Weighted-average assumptions used to determine accumulated postretirement benefit obligations of the U.S. subsidiaries' plans at March 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	3.2%	3.3%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Current healthcare cost trend rate	5.9%	6.3%
Ultimate healthcare cost trend rate	5.0%	4.9%
Number of years to reach ultimate healthcare cost trend rate	4	5

Weighted-average assumptions used to determine net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	3.3%	3.9%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Expected long-term rate of return on plan assets	5.0%	5.6%
Current healthcare cost trend rate	6.3%	6.5%
Ultimate healthcare cost trend rate	4.9%	5.0%
Number of years to reach ultimate healthcare cost trend rate	5	4

## Plan assets

The U.S. subsidiaries' investment policies are to provide returns that will maximize principal growth while accepting only moderate risk.

The U.S. subsidiaries' asset portfolio will be invested in a manner that emphasizes safety of capital while achieving total returns consistent with prudent levels of risk. The basic portfolio for the plan assets are comprised approximately of 35% equity securities and 65% debt securities.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, the U.S. subsidiaries have investigated the business condition of the invested companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds and municipal bonds, and corporate bonds. Prior to investing, the U.S. subsidiaries have investigated the quality of the issue, including credit rating, interest rate and repayment dates, and have appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity described above. There is no significant concentration of risk within the portfolio of investments.

The three levels of input used to measure fair value are more fully described in Note 22.

The fair values of postretirement benefit plan assets at March 31, 2021 and 2020 by asset class are as follows:

	Millions of yen				
	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
<b>At March 31, 2021</b>					
<b>Plan assets</b>					
Cash	¥ 479	¥ —	¥ —	¥ —	¥ 479
<b>Equity securities</b>					
Foreign equities	4,672	—	—	—	4,672
<b>Debt securities</b>					
Government bonds and municipal bonds	—	4,994	—	—	4,994
Corporate bonds	380	1,412	—	—	1,792
<b>Other assets</b>					
Other	—	364	—	—	364
<b>Total</b>	<b>¥ 5,531</b>	<b>¥ 6,770</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 12,301</b>
<b>At March 31, 2020</b>					
<b>Plan assets</b>					
Cash	¥ 526	¥ —	¥ —	¥ —	¥ 526
<b>Equity securities</b>					
Foreign equities	3,493	—	—	—	3,493
<b>Debt securities</b>					
Government bonds and municipal bonds	—	4,126	—	—	4,126
Corporate bonds	503	1,490	—	—	1,993
<b>Other assets</b>					
Other	—	268	—	—	268
<b>Total</b>	<b>¥ 4,522</b>	<b>¥ 5,884</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 10,406</b>

Note: The plan's government bonds consist of U.S. government bonds.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not indicate the risks of the assets.

Level 1 assets are comprised principally of equity securities, which are valued using quoted prices in active markets. Level 2 assets are comprised of debt securities, which are valued using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

## Cash flows

### (1) Contributions

The U.S. subsidiaries will not expect to contribute to their postretirement benefit plans in the fiscal year ending March 31, 2022.

### (2) Estimated future benefit payments

The benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter which reflect estimated future employee service are as follows:

<u>Fiscal year ending March 31</u>	<u>Millions of yen</u>	
2022	¥	834
2023		841
2024		836
2025		824
2026		815
Through 2027-2031		3,996

Directors of Japanese subsidiaries are primarily covered by unfunded retirement allowance plans. At March 31, 2021 and 2020, the amounts required if all directors covered by the plans had terminated their service have been fully accrued. Such amounts are not material to Komatsu's financial position and results of operations for any of the periods presented.

Certain subsidiaries maintain various defined contribution plans covering certain employees. The amount of cost recognized for the fiscal years ended March 31, 2021 and 2020 are ¥9,881 million and ¥10,180 million, respectively.

### 13. Komatsu Ltd. Shareholders' Equity

(1)The Company's common shares owned by affiliated companies at March 31, 2021 and 2020 both were 824,200 shares which represent 0.09% of the Company's common shares outstanding.

(2)The Companies Act of Japan (hereinafter "the Act") imposes certain limitations on the amount of retained earnings available for dividends. Accordingly, total shareholders' equity of ¥567,127 million, included in the Company's general books of account as of March 31, 2021 is available for dividends under the Act.

The payment of a cash dividend totaling ¥34,986 million to shareholders of record on March 31, 2021 will be discussed at the Ordinary General Meeting of Shareholders held on June 18, 2021. The dividend has not been reflected in the consolidated financial statements as of March 31, 2021. Dividends are reported in the consolidated statements of equity when they are approved.

(3)The Company had a stock option plan as stock-based remuneration.

#### The stock option plans resolved by the meeting of the Board of Directors held in and after July 2010.

The right to purchase the Company's shares is granted at an exercise price of ¥1 per share to directors and certain employees, and certain representative directors of major subsidiaries.

The Company transfers treasury stock without issuance of new stock when the Stock Acquisition Rights are exercised.

The following table summarizes information about stock option activities for the fiscal years ended March 31, 2021 and 2020:

	2021		2020	
	Number of shares	Weighted average exercise price Yen	Number of shares	Weighted average exercise price Yen
Outstanding at beginning of year	478,300	¥ 1	892,300	¥ 1
Granted	—	—	—	—
Exercised	(186,800)	1	(414,000)	1
Forfeited	—	—	—	—
Outstanding at end of year	291,500	1	478,300	1
Exercisable at end of year	291,500	1	278,600	1

The intrinsic values of options exercised were ¥447 million and ¥912 million for the fiscal years ended March 31, 2021 and 2020.

The information for options outstanding and options exercisable at March 31, 2021 is as follows:

Number of shares	Outstanding			Options Exercisable			
	Weighted average exercise price	Intrinsic value	Weighted average remaining contractual life	Weighted average exercise price	Intrinsic value	Weighted average remaining contractual life	
	Yen	Millions of yen	Years	Yen	Millions of yen	Years	
291,500	¥ 1	¥ 996	3.3	¥ 1	¥ 996	3.3	

(4)From the fiscal year ended March 31, 2019, the Company has introduced a new compensation plan, i.e., the restricted stock compensation system for the purpose of providing directors (other than outside directors) and employees of the Company and directors and employees of major subsidiaries (hereinafter the “Eligible Directors, etc.”) with medium- to long-term incentives and advancing the sharing of value between the directors and shareholders of the Company. The system is comprised of the following two compensation systems:

#### **Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)**

As an alternative to stock acquisition rights which have been granted as stock-based remuneration, 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, etc. each fiscal year. The restrictions will, in principle, be lifted 3 years after the grant of the granted shares. If, prior to the expiry of the restriction period, the Eligible Director, etc. retires without any reason recognized as legitimate by the Board of Directors of the Company, the Company shall acquire, free of charge, all or part of the granted shares.

#### **Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan)**

With respect to the period of the Company’s mid-range management plan, the Company shall grant restricted stock to the Eligible Directors, etc. each fiscal year based on the base amount of remuneration for each position. After the expiry of the period of the mid-range management plan, the Company shall determine the number of shares with respect to which the restrictions will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc. In principle, the Company shall lift the restrictions 3 years after the grant of the granted shares. The Company shall acquire, free of charge, the granted shares with respect to which the Company decides not to lift the restrictions pursuant to the above provision. If, prior to the expiry of the restriction period, the Eligible Director, etc. retires without any reason recognized as legitimate by the Board of Directors of the Company, the Company shall acquire, free of charge, all or part of the granted shares.

The granted shares have the same rights as common shares to net income attributable to Komatsu Ltd. regardless of whether the restrictions are still existing.

Based on the resolutions of the Ordinary General Meeting of Shareholders on June 19, 2018 and the Board of Directors on July 17, 2020, the Company issued 306,380 shares of common shares of the Company as the restricted stock compensation to the Eligible Directors, etc.

Based on the resolutions of the Ordinary General Meeting of Shareholders on June 19, 2018 and the Board of Directors on July 12, 2019, the Company issued 328,770 shares of common shares of the Company as the restricted stock compensation to the Eligible Directors, etc.

The Company recognizes compensation expense using the fair value method. The fair values of the restricted stock are measured at grant-date fair value of common shares of the Company. Compensation expense for the fiscal year ended March 31, 2021 and 2020 were recorded in selling, general and administrative expenses, and were not material to Komatsu’s financial position and results of operations.

The following table summarizes information about the restrict stock activities for the fiscal year ended March 31, 2021 and 2020:

	2021		2020	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		Yen		Yen
Outstanding at beginning of year	588,450	¥ 2,768	281,660	¥ 3,098
Granted	306,380	2,275	328,770	2,508
Lifted	—	—	—	—
Forfeited	(19,830)	2,652	(21,980)	3,098
Outstanding at end of year	<u>875,000</u>	<u>2,598</u>	<u>588,450</u>	<u>2,768</u>



#### 14. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the year	¥(103,975)	¥ (26,976)	¥ 285	¥(130,666)
Other comprehensive income (loss) before reclassifications	105,466	(8,471)	(503)	96,492
Amounts reclassified from accumulated other comprehensive income (loss)	—	1,174	(187)	987
Net other comprehensive income (loss)	105,466	(7,297)	(690)	97,479
Less: other comprehensive income (loss) attributable to noncontrolling interests	9,016	17	131	9,164
Other comprehensive income (loss) attributable to Komatsu Ltd.	96,450	(7,314)	(821)	88,315
Equity transactions with noncontrolling interests	339	—	—	339
Balance, end of the year	¥ (7,186)	¥ (34,290)	¥ (536)	¥ (42,012)

All amounts are net of tax.

	Millions of yen			
	2020			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the year	¥ (15,438)	¥ (25,890)	¥ 1,536	¥ (39,792)
Other comprehensive income (loss) before reclassifications	(95,102)	(2,061)	94	(97,069)
Amounts reclassified from accumulated other comprehensive income (loss)	164	965	(1,486)	(357)
Net other comprehensive income (loss)	(94,938)	(1,096)	(1,392)	(97,426)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(6,430)	(10)	(141)	(6,581)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(88,508)	(1,086)	(1,251)	(90,845)
Equity transactions with noncontrolling interests	(29)	—	—	(29)
Balance, end of the year	¥(103,975)	¥ (26,976)	¥ 285	¥(130,666)

All amounts are net of tax.

Reclassification out of accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Affected line items in consolidated statements of income
	2021		
<b>Pension liability adjustments</b>			
Amortization of actuarial loss or gain	¥	(1,399)	Other income (expenses), net: Other, net
Amortization of prior service cost		(302)	Other income (expenses), net: Other, net
		(1,701)	Total before tax
		527	Income taxes
		(1,174)	Net of tax
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Forwards contracts		1,886	Net sales
		(369)	Cost of sales
		(1,246)	Other income (expenses), net: Other, net
		271	Total before tax
		(84)	Income taxes
		187	Net of tax
Total reclassification for the year	¥	(987)	Net of tax
	Millions of yen		Affected line items in consolidated statements of income
	2020		
<b>Foreign currency translation adjustments</b>			
Liquidation and sale	¥	(164)	Other income (expenses), net: Other, net
		(164)	Total before tax
		—	Income taxes
		(164)	Net of tax
<b>Pension liability adjustments</b>			
Amortization of actuarial loss or gain		(1,033)	Other income (expenses), net: Other, net
Amortization of prior service cost		(315)	Other income (expenses), net: Other, net
		(1,348)	Total before tax
		383	Income taxes
		(965)	Net of tax
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Forwards contracts		1,725	Net sales
		(211)	Cost of sales
		333	Other income (expenses), net: Other, net
		1,847	Total before tax
		(361)	Income taxes
		1,486	Net of tax
Total reclassification for the year	¥	357	Net of tax

Tax effects allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		
	2021		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
<b>Foreign currency translation adjustments</b>			
Foreign currency translation adjustments arising during the year	¥ 105,518	¥ (52)	¥ 105,466
Less: reclassification adjustment for gains included in net income	—	—	—
Net foreign currency translation adjustments	105,518	(52)	105,466
<b>Pension liability adjustments</b>			
Pension liability adjustments arising during the year	(11,311)	2,840	(8,471)
Less: reclassification adjustment for losses included in net income	1,701	(527)	1,174
Net pension liability adjustments	(9,610)	2,313	(7,297)
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Unrealized holding losses arising during the year	(728)	225	(503)
Less: reclassification adjustment for gains included in net income	(271)	84	(187)
Net unrealized holding losses	(999)	309	(690)
<b>Other comprehensive income (loss)</b>	<b>¥ 94,909</b>	<b>¥ 2,570</b>	<b>¥ 97,479</b>
	Millions of yen		
	2020		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
<b>Foreign currency translation adjustments</b>			
Foreign currency translation adjustments arising during the year	¥ (95,128)	¥ 26	¥ (95,102)
Less: reclassification adjustment for losses included in net income	164	—	164
Net foreign currency translation adjustments	(94,964)	26	(94,938)
<b>Pension liability adjustments</b>			
Pension liability adjustments arising during the year	(3,374)	1,313	(2,061)
Less: reclassification adjustment for losses included in net income	1,348	(383)	965
Net pension liability adjustments	(2,026)	930	(1,096)
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Unrealized holding gains arising during the year	639	(545)	94
Less: reclassification adjustment for gains included in net income	(1,847)	361	(1,486)
Net unrealized holding losses	(1,208)	(184)	(1,392)
<b>Other comprehensive income (loss)</b>	<b>¥ (98,198)</b>	<b>¥ 772</b>	<b>¥ (97,426)</b>

## 15. Revenue

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.

#### (1) Disaggregation of revenue

Revenue from contracts with customers and other sources during the fiscal year ended March 31, 2021 and 2020 are as follows.

	Millions of yen	
	2021	2020
Revenue recognized from contracts with customers	¥ 1,971,691	¥ 2,234,629
Revenue recognized from other sources	217,821	210,241
<b>Total</b>	<b>¥ 2,189,512</b>	<b>¥ 2,444,870</b>

The disaggregation of revenue by operating and geographic segment are described in Note 23.

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

#### (2) Contract balances

Contract balances arising from contracts with customers at March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Receivables *1	¥ 1,036,127	¥ 980,371
Contract assets *2	2,886	3,483
Contract liabilities *3	106,990	100,472

\*1 Receivables are included in trade notes and accounts receivable, net and long-term trade receivables, net in the accompanying consolidated balance sheets. These amounts are before deducting allowance for doubtful trade receivables.

\*2 Contract assets are included in trade notes and accounts receivable, net and long-term trade receivables, net in the accompanying consolidated balance sheets. These amounts are before deducting allowance for doubtful trade receivables.

\*3 Contract liabilities are included in other current liabilities and deferred income taxes and other liabilities in the accompanying consolidated balance sheets.

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 ¥55,849 million. Revenue recognized for the fiscal year ended March 31, 2020 that was included in the contract liability balance as of March 31, 2019 was ¥52,387 million.

The amount of revenue recognized during the fiscal year ended March 31, 2021 and 2020 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 during the fiscal year ended March 31, 2021 and 2020.

### (3) Transaction price allocated to the remaining performance obligations

As of March 31, 2021, the aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year was ¥169,127 million, of which ¥80,489 million is expected to be recognized as revenue in the fiscal year ending March 31, 2022.

## 16. Income Taxes

The sources of income before income taxes and equity in earnings of affiliated companies and the sources of income taxes for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen	
	2021	2020
Income before income taxes and equity in earnings of affiliated companies:		
Japan	¥ 17,234	¥ 65,421
Foreign	145,541	157,693
	¥ 162,775	¥ 223,114
Income taxes:		
Current –		
Japan	¥ 14,384	¥ 21,642
Foreign	37,823	44,822
	¥ 52,207	¥ 66,464
Deferred –		
Japan	¥ (4,897)	¥ 1,427
Foreign	(391)	(5,018)
	¥ (5,288)	¥ (3,591)
Total	¥ 46,919	¥ 62,873

Total income taxes recognized for the fiscal years ended March 31, 2021 and 2020 were applicable to the following:

	Millions of yen	
	2021	2020
Income before income taxes and equity in earnings of affiliated companies	¥ 46,919	¥ 62,873
Other comprehensive income(loss):		
Foreign currency translation adjustments	52	(26)
Pension liability adjustments	(2,313)	(930)
Net unrealized holding gains(losses) on derivative instruments	(309)	184
Total income taxes	¥ 44,349	¥ 62,101

Temporary differences and tax loss carryforwards which gave rise to deferred tax assets and liabilities at March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Deferred tax assets:		
Allowances provided, not yet recognized for tax	¥ 8,963	¥ 7,473
Accrued expenses	38,292	40,601
Investment securities	1,083	1,054
Pension and retirement benefits	20,375	17,504
Property, plant and equipment	1,468	1,398
Operating lease liabilities	14,647	15,116
Inventories	13,580	11,959
Net operating loss carryforwards	39,364	31,794
Research and development expenses	1,435	1,431
Tax credit carryforwards	2,454	2,123
Other	11,650	9,013
Total gross deferred tax assets	153,311	139,466
Less: valuation allowance	(36,080)	(25,779)
Total deferred tax assets	¥ 117,231	¥ 113,687
Deferred tax liabilities:		
Property, plant and equipment	¥ 20,735	¥ 24,280
Operating lease right-of-use assets	14,883	15,093
Intangible assets	26,236	28,825
Undistributed earnings of foreign subsidiaries and affiliated companies accounted for by the equity method	7,325	8,294
Other	505	239
Total deferred tax liabilities	¥ 69,684	¥ 76,731
Total deferred tax assets	¥ 47,547	¥ 36,956

Net deferred tax assets and liabilities as of March 31, 2021 and 2020 are reflected on the consolidated balance sheets under the following captions:

	Millions of yen	
	2021	2020
Deferred income taxes and other assets	¥ 71,782	¥ 62,832
Deferred income taxes and other liabilities	(24,235)	(25,876)
	¥ 47,547	¥ 36,956



The valuation allowance was ¥29,118 million as of March 31, 2019. The net changes in the total valuation allowance for the fiscal years ended March 31, 2021 and 2020 were an increase of ¥10,301 million and a decrease of ¥3,339 million, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and net operating losses available to be utilized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets, net of the existing valuation allowances at March 31, 2021 and 2020, are deductible, management believes it is more likely than not that the companies will realize the benefits of these deductible differences and net operating loss carryforwards. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

As of March 31, 2021, Komatsu had tax credit carryforwards of ¥2,454 million, which will expire within the year ending March 31, 2027.

The Company and its Japanese subsidiaries are subject to a National Corporate tax rate of approximately 23%, an inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 5%, which in the aggregate resulted in a Japanese statutory tax rate of approximately 31.3% for the fiscal year ended March 31, 2021 and 2020. The inhabitant tax rate and Enterprise tax rate vary by local jurisdiction.

The differences between the Japanese statutory tax rates and the effective tax rates for the fiscal years ended March 31, 2021 and 2020 are summarized as follows:

	2021	2020
Japanese statutory tax rate	31.3%	31.3%
Increase (decrease) in tax rates resulting from:		
Change in valuation allowance	1.1	(0.5)
Expenses not deductible for tax purposes	0.4	2.1
Income of foreign subsidiaries taxed at lower than Japanese normal rate	(3.9)	(4.0)
Tax credit for research and development expenses	(1.6)	(1.9)
Other, net	1.5	1.2
Effective tax rate	<u>28.8%</u>	<u>28.2%</u>

Foreign subsidiaries are subject to income taxes of the countries in which they operate. At March 31, 2021 and 2020, undistributed earnings of foreign subsidiaries amount to ¥1,122,680 million and ¥1,055,635 million, respectively. The Company has a policy to distribute a certain portion of undistributed earnings of foreign subsidiaries. As of March 31, 2021 and 2020, Komatsu recognized deferred tax liabilities of ¥984 million and ¥2,612 million, respectively, associated with those earnings. As of March 31, 2021 and 2020, Komatsu did not recognize deferred tax liabilities of ¥52,929 million and ¥49,269 million, respectively, for such portion of undistributed earnings of foreign subsidiaries that the Company intends to reinvest indefinitely.

At March 31, 2021, certain subsidiaries had net operating loss carryforwards aggregating ¥76,088 million, which may be used as a deduction in determining taxable income in future periods. The period available to offset future taxable income varies in each tax jurisdiction as follows:

<u>At March 31, 2021</u>	<u>Millions of yen</u>	
Within 5 years	¥	32,717
6 to 20 years		1,645
Indefinite periods		41,726
Total	¥	<u>76,088</u>

For other net operating loss carryforwards than the aforementioned amount, at March 31, 2021, some U.S. subsidiaries had net operating loss carryforwards associated with state tax aggregating ¥234,952 million, which may be used as a deduction in determining taxable income in future periods. The deferred tax assets associated with those net operating loss carryforwards were ¥14,946 million.

The reconciliation of beginning and ending balances of unrecognized tax benefits are as follows:

	<u>Millions of yen</u>			
	<u>2021</u>		<u>2020</u>	
Balance at beginning of year	¥	16,389	¥	16,094
Additions for tax positions related to current period		394		1,215
Additions for tax positions related to prior period		683		386
Reductions for tax positions related to prior period		(40)		(411)
Reductions for settlements		(88)		(766)
Other		27		(129)
Balance at end of year	¥	<u>17,365</u>	¥	<u>16,389</u>

Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	17,237	16,389
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Although Komatsu believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in the future periods. For the fiscal years ended March 31, 2021 and 2020, interest and penalties related to unrecognized tax benefits were not material. Based on the information available as of March 31, 2021, Komatsu does not expect significant changes to the unrecognized tax benefits within the next twelve months.

Komatsu files income tax returns in Japan and various foreign tax jurisdictions. Komatsu is no longer subject to income tax examinations by the tax authority before and in the fiscal year ended March 31, 2015 in Japan and, is no longer subject to income tax examinations by the tax authority before and in the fiscal year ended March 31, 2013 in the United States. In other foreign tax jurisdictions, the other subsidiaries are no longer subject to income tax examinations by tax authorities before and in the fiscal year ended March 31, 2011 with few exceptions.

## 17. Leases

### (1) Lessee

Komatsu leases lands, buildings, vehicles, employee housings, etc. through finance and operating leases. Some of these leases may include options to extend or terminate the lease with preliminary notice. Komatsu determines lease terms with the options on the lease commencement date if it is reasonably certain that Komatsu will exercise those options. As a rate implicit in the most of Komatsu's leases cannot be determined, Komatsu recognizes right-of-use assets and lease liabilities calculated present value of lease payments by using incremental borrowing rate based on the information available. Komatsu's finance leases are not material.

Supplementary information to operating leases on the balance sheets as of March 31, 2021 and 2020 are as follows:

	2021	2020
Weighted average remaining lease term	9.1years	8.6years
Weighted average discount rates	2.2%	1.9%

Amounts of maturities of operating lease liabilities in each of the next five years and in the aggregate for the five years thereafter as of March 31, 2021 are as follows:

	Millions of yen	
	2021	
2022	¥	16,526
2023		10,565
2024		6,660
2025		4,966
2026		3,878
Thereafter		20,141
Total minimum lease payments	¥	62,736
Less: Imputed interest		(6,872)
Total lease liabilities	¥	55,864

Lease costs for the fiscal years ended March 31, 2021 and 2020 are comprised of the following:

	Millions of yen			
	2021		2020	
Operating lease cost	¥	19,271	¥	18,834
Short term lease cost		4,141		4,479

Variable lease payments that are not included in lease liabilities are not material.

Supplementary cash flow information to leases for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021		2020	
Cash paid for amount included in the measurement of lease liabilities				
Operating leases				
Cash flows by operating activities	¥	20,125	¥	19,214
Noncash activity – Rights of use assets obtained in exchange for lease liabilities				
Operating leases	¥	18,772	¥	17,475

Leases that have not yet commenced but that create significant rights and obligations as of March 31, 2021 and 2020 are not material.

(2) Lessor

Komatsu provides sales-type and operating leases as a lessor for leveling cash payments of its customers when customers purchase primarily Komatsu's construction and mining equipment. Revenue from the sale of these products under sales-type leases is recognized at the inception of the lease. Interest income on sales-type leases is recognized over the life of each lease using the interest method. Revenue from operating leases is recognized on a straight-line basis over the lease term. Some of these leases may include options to extend or terminate the lease. Some of these leases also may include options for the lessee to purchase the underlying assets at stated fixed price or fair market value.

The residual value of Komatsu's leased equipment is determined based on its estimated end-of-term market values. Komatsu estimates the residual value of leased equipment at the inception of the lease based on historical used equipment market sales prices, latest trends of the market, etc. Komatsu monitors estimated residual values of the leased equipment during the term of leases through understanding trends of the market. The present values of guaranteed residual values provided by customers as of March 31, 2021 and 2020 are ¥9,825 million and ¥8,425 million.

Net investments in the sales-type leases as of March 31, 2021 and 2020 are comprised of the following:

	Millions of yen			
	2021		2020	
Lease receivables	¥	229,502	¥	181,560
Unguaranteed residual assets		9,406		8,105
Net investment in the sales-type leases *	¥	238,908	¥	189,665
Less: current portion		(105,306)		(82,700)
	¥	133,602	¥	106,965

\* The net investments in the sales-type leases are included in trade notes and accounts receivable, net and long-term trade receivables, net on the consolidated balance sheets.

Undiscounted lease payments to be received under sales-type and operating leases in each of the next five years and in the aggregate for the five years thereafter as of March 31, 2021 are as follows:

	Millions of yen			
	2021			
	Sales-type leases		Operating leases	
2022	¥	105,275	¥	35,162
2023		75,077		18,132
2024		40,413		9,002
2025		16,285		5,129
2026		5,688		2,147
Thereafter		2,713		176
Total undiscounted lease payments to be received	¥	245,451	¥	69,748
Less: Imputed interest		(15,949)		—
Total lease receivables	¥	229,502	¥	—

Revenues from sales-type and operating leases as a lessor, included in net sales on the consolidated statement of income, for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021		2020	
Sales-type lease revenue				
Revenue recognized at the commencement date *	¥	111,881	¥	91,122
Interest income		8,769		9,859
Total sales-type lease revenue		120,650		100,981
Operating lease revenue		79,977		92,664
Total	¥	200,627	¥	193,645

\* The revenues recognized at the commencement dates are included in net sales of the Construction, Mining and Utility Equipment operating segment.

### 18. Net Income Attributable to Komatsu Ltd. per Share

The Company has the restricted stock compensation system (hereinafter, the “System”) for directors (other than outside directors) and employees of the Company and directors and employees of major subsidiaries. Among the new shares issued under the System, those transfer restrictions which have not been cancelled are distinguished as participating securities from common shares. Each common share and restricted stock has the same rights to net income attributable to Komatsu Ltd.

A reconciliation of the numerators and denominators of the basic net income attributable to Komatsu Ltd. per share computations is as follows:

	Millions of yen	
	2021	2020
Net income attributable to Komatsu Ltd.	¥ 106,237	¥ 153,844
Net income attributable to participating securities (restricted stocks)	85	75
Net income attributable to common shareholders	¥ 106,152	¥ 153,769

	Number of shares	
	2021	2020
Weighted average number of common shares outstanding, less treasury stock	944,905,204	944,230,565
Weighted average number of participating securities (restricted stocks)	758,982	459,183
Weighted average number of common shares	944,146,222	943,771,382

	Yen	
	2021	2020
Basic net income attributable to Komatsu Ltd. per share	¥ 112.43	¥ 162.93

A reconciliation of the numerators and denominators of the diluted net income attributable to Komatsu Ltd. per share computations is as follows:

	Millions of yen	
	2021	2020
Net income attributable to Komatsu Ltd.	¥ 106,237	¥ 153,844
Net income attributable to participating securities (restricted stocks)	85	75
Net income attributable to common shareholders	¥ 106,152	¥ 153,769

	Number of shares	
	2021	2020
Weighted average number of common shares outstanding, less treasury stock	944,905,204	944,230,565
Dilutive effect of:		
Stock options	374,987	741,949
Weighted average number of participating securities (restricted stocks)	758,982	459,183
Weighted average number of diluted common shares	944,521,209	944,513,331

	Yen	
	2021	2020
Diluted net income attributable to Komatsu Ltd. per share	¥ 112.39	¥ 162.80

## 19. Commitments and Contingent Liabilities

At March 31, 2021, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥18 million.

Komatsu provides guarantees to third parties of loans of the employees, affiliated companies, customers and other companies. The guarantees of loans relating to the employees are mainly made for their housing loans. The guarantees of loans relating to the affiliated companies, customers and other companies are made to enhance the credit of those companies. For each guarantee provided, Komatsu would have to perform under a guarantee if the borrower defaults on a payment within the contract terms. The contract terms are from 10 years to 30 years in the case of employees with housing loans, and from 1 year to 6 years in the case of loans relating to the affiliated companies, customers and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default at March 31, 2021 and 2020 were ¥9,769 million and ¥12,142 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at March 31, 2021 were insignificant. Certain of those guarantees were secured by collateral and insurance issued to Komatsu.

Komatsu provides guarantees that subsidiaries of the Company perform the obligations of the terms and conditions of contracts by standby letters of credit issued by banks. Komatsu would have to pay the liabilities incurred to banks if the subsidiaries don't perform the obligations of the terms and conditions of contracts. The maximum amount of undiscounted payments Komatsu would have had to make in the event of defaults of the contracts at March 31, 2021 and 2020 were ¥18,618 million and ¥15,590 million, respectively.

Management of the Company believes that losses from those contingent liabilities, if any, would not have a material effect on the consolidated financial statements.

Commitments for capital investment outstanding at March 31, 2021 and 2020 aggregated approximately ¥38,900 million and approximately ¥52,300 million, respectively.

Komatsu is involved in certain legal actions and claims arising mainly in the ordinary course of its business. It is the opinion of management and legal counsel that such litigation and claims will be resolved without material effect on Komatsu's financial position.

Komatsu has business activities with customers, dealers and associates around the world and its trade receivables from such parties and the guarantees for them are well diversified to minimize concentrations of credit risks.

Management does not anticipate incurring losses on its trade receivables in excess of established allowances.

Komatsu also issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the years ended March 31, 2021 and 2020 are summarized as follows:

	Millions of yen			
	2021		2020	
Balance at beginning of year	¥	38,459	¥	43,565
Addition		31,172		25,942
Utilization		(33,038)		(29,227)
Other		1,543		(1,821)
Balance at end of year	¥	38,136	¥	38,459

## 20. Derivative Financial Instruments

### Risk Management Policy

Komatsu is exposed to market risk primarily from changes in foreign currency exchange and interest rates with respect to debt obligations, international operations and foreign currency denominated credits and debts. In order to manage these risks that arise in the normal course of business, Komatsu enters into various derivative transactions for hedging pursuant to its policies and procedures (Notes 21 and 22). Komatsu does not enter into derivative financial transactions for trading or speculative purposes.

Komatsu has entered into interest rate swap and cap agreements, partly concurrent with currency swap agreements for the purpose of managing the risk resulting from changes in cash flow or fair value that arise in their interest rate and foreign currency exposure with respect to certain short-term and long-term debts.

Komatsu operates internationally, which exposes Komatsu to the foreign exchange risk against existing assets and liabilities and transactions denominated in foreign currencies (principally the U.S. dollar and the Euro). In order to reduce these risks, Komatsu executes forward exchange contracts and option contracts based on its projected cash flow in foreign currencies.

Komatsu is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments, but Komatsu does not expect any counterparties to fail to meet their obligations because of the high credit rating of the counterparties. Komatsu has not held any derivative instruments which consisted of credit-risk-related contingent features.

### Cash Flow Hedges

Komatsu uses derivative financial instruments designated as cash flow hedges to manage Komatsu's foreign exchange risks associated with forecasted transactions and Komatsu's interest risks associated with debt obligations. For transactions denominated in foreign currencies, Komatsu typically hedges forecasted and firm commitment exposures to the variability in cash flow basically up to one year. For the variable rate debt obligations, Komatsu enters into interest rate swap contracts to manage the changes in cash flows. Komatsu records the changes in fair value of derivative instruments designated as cash flow hedges in accumulated other comprehensive income (loss). These amounts are reclassified into same location as earnings derived from hedged item when the hedged items impact earnings. Approximately ¥606 million of existing income included in accumulated other comprehensive income (loss) at March 31, 2021 will be reclassified into earnings within twelve months from that date. Cash flow hedges discontinued during the fiscal year ended March 31, 2021 as a result of anticipated transactions that are no longer probable of occurring were not material to Komatsu's financial position and results of operations.

### Undesignated Derivative Instruments

Komatsu has entered into interest rate swap and cross-currency swap contracts not designated as hedging instruments under ASC 815, "Derivatives and Hedging" as a means of managing Komatsu's interest rate exposures for short-term and long-term debts. Forward contracts not designated as hedging instruments under ASC 815 are also used to hedge certain foreign currency exposures. The changes in fair value of such instruments are recognized currently in earnings.

### Notional Principal Amounts of Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021		2020	
Forwards contracts:				
Sale of foreign currencies	¥	185,798	¥	147,655
Purchase of foreign currencies		138,820		101,835
Interest rate swaps and cross-currency swap agreements		105,380		83,088



Fair value of derivative instruments at March 31, 2021 and 2020 on the consolidated balance sheets are as follows:

Millions of yen				
2021				
	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
<b>Derivative instruments designated as hedging instruments</b>				
Forwards contracts	Other current assets	¥ 738	Other current liabilities	¥ 3,057
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	11
Interest rate swaps and cross-currency swap agreements	Other current assets	—	Other current liabilities	28
	Deferred income taxes and other assets	42	Deferred income taxes and other liabilities	615
<b>Total</b>		<b>¥ 780</b>		<b>¥ 3,711</b>
	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
<b>Undesignated derivative instruments</b>				
Forwards contracts	Other current assets	¥ 1,459	Other current liabilities	¥ 2,182
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	5
Interest rate swaps and cross-currency swap agreements	Other current assets	181	Other current liabilities	282
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	—
<b>Total</b>		<b>¥ 1,640</b>		<b>¥ 2,469</b>
<b>Total Derivative Instruments</b>		<b>¥ 2,420</b>		<b>¥ 6,180</b>
Millions of yen				
2020				
	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
<b>Derivative instruments designated as hedging instruments</b>				
Forwards contracts	Other current assets	¥ 1,567	Other current liabilities	¥ 1,836
	Deferred income taxes and other assets	9	Deferred income taxes and other liabilities	318
Interest rate swaps and cross-currency swap agreements	Other current assets	—	Other current liabilities	4
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	866
<b>Total</b>		<b>¥ 1,576</b>		<b>¥ 3,024</b>
	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
<b>Undesignated derivative instruments</b>				
Forwards contracts	Other current assets	¥ 7,511	Other current liabilities	¥ 1,673
	Deferred income taxes and other assets	2	Deferred income taxes and other liabilities	2
Interest rate swaps and cross-currency swap agreements	Other current assets	546	Other current liabilities	196
	Deferred income taxes and other assets	207	Deferred income taxes and other liabilities	—
<b>Total</b>		<b>¥ 8,266</b>		<b>¥ 1,871</b>
<b>Total Derivative Instruments</b>		<b>¥ 9,842</b>		<b>¥ 4,895</b>

The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the fiscal years ended March 31, 2021 and 2020 are as follows:

### Derivative instruments designated as cash flow hedging relationships

Millions of yen			
2021			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives	
		Location of consolidated statements of income	Amount
Forwards contracts	¥ (1,196)	Net sales	¥ 1,886
		Cost of sales	(369)
		Other income (expenses), net: Other, net	(1,246)
Interest rate swaps and cross-currency swap agreements	468	—	—
<b>Total</b>	<b>¥ (728)</b>		<b>¥ 271</b>

Millions of yen			
2020			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives	
		Location of consolidated statements of income	Amount
Forwards contracts	¥ 1,146	Net sales	¥ 1,725
		Cost of sales	(211)
		Other income (expenses), net: Other, net	333
Interest rate swaps and cross-currency swap agreements	(507)	—	—
<b>Total</b>	<b>¥ 639</b>		<b>¥ 1,847</b>

\* OCI stands for other comprehensive income (loss).

### Derivative instruments not designated as hedging instruments relationships

Millions of yen		
2021		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net	¥ (3,619)
Interest rate swaps and cross-currency swap agreements	Cost of sales	(105)
	Other income (expenses), net: Other, net	14
<b>Total</b>		<b>¥ (3,710)</b>

Millions of yen		
2020		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net	¥ 4,067
Interest rate swaps and cross-currency swap agreements	Cost of sales	(34)
	Other income (expenses), net: Other, net	(27)
<b>Total</b>		<b>¥ 4,006</b>

## 21. Fair Values of Financial Instruments

### (1) Cash and cash equivalents, Time deposits, Short-term debt

The carrying amounts approximate fair value because of the short maturity of these instruments.

### (2) Long-term trade receivables, net, excluding lease receivables (Note 4)

The fair values of long-term trade receivables are based on the present value of future cash flows through maturity, discounted using the current interest rates for similar receivables of comparable maturity. The carrying amounts approximate the fair values computed on such a basis.

### (3) Long-term debt, including current portion

The fair values of each of the long-term debt are based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the current market borrowing rate for similar debt of comparable maturity.

### (4) Derivatives (Notes 20 and 22)

The fair values of derivative financial instruments are stated in Note 22 and therefore are not included in the table below.

The carrying amounts and the estimated fair values of the financial instruments as of March 31, 2021 and 2020 and fair value levels are summarized as follows:

	Millions of yen				Fair Value Levels
	2021		2020		
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	
Cash and cash equivalents	¥ 241,803	¥ 241,803	¥ 247,616	¥ 247,616	Level 1
Time deposits	1,324	1,324	2,057	2,057	Level 2
Long-term trade receivables, net, excluding lease receivables	316,111	316,111	314,592	314,592	Level 2
Short-term debt	271,462	271,462	483,658	483,658	Level 2
Long-term debt, including current portion	638,521	639,139	528,720	528,460	Level 2

#### Notes:

- 1) Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could affect the estimates.
- 2) The fair value levels are stated in Note 22.

## 22. Fair Value Measurements

ASC 820, “Fair Value Measurements” defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

**Level 1** – Quoted prices in active markets for identical assets or liabilities

**Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

**Level 3** – Unobservable inputs for the assets or liabilities

### Assets and liabilities that are measured at fair value on a recurring basis

The fair value hierarchy levels of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2021 and 2020 are as follows:

		Millions of yen			
<u>At March 31, 2021</u>		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Derivatives					
Forward contracts	¥	—	¥ 2,197	¥	¥ 2,197
Interest rate swaps and cross-currency swap agreements		—	223	—	223
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 2,420</b>	<b>¥</b>	<b>¥ 2,420</b>
<b>Liabilities</b>					
Derivatives					
Forward contracts	¥	—	¥ 5,255	¥	¥ 5,255
Interest rate swaps and cross-currency swap agreements		—	925	—	925
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 6,180</b>	<b>¥</b>	<b>¥ 6,180</b>
		Millions of yen			
<u>At March 31, 2020</u>		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Derivatives					
Forward contracts	¥	—	¥ 9,089	¥	¥ 9,089
Interest rate swaps and cross-currency swap agreements		—	753	—	753
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 9,842</b>	<b>¥</b>	<b>¥ 9,842</b>
<b>Liabilities</b>					
Derivatives					
Forward contracts	¥	—	¥ 3,829	¥	¥ 3,829
Interest rate swaps and cross-currency swap agreements		—	1,066	—	1,066
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 4,895</b>	<b>¥</b>	<b>¥ 4,895</b>

**Derivatives** (Notes 20 and 21)

Derivatives primarily represent foreign exchange contracts and interest rate swap agreements. The fair value of foreign exchange contracts is based on a valuation model that discounts cash flows resulting from the differential between contract rate and the market-based forward rate and is classified in Level 2 in the fair value hierarchy. The fair value of interest rate swap agreements is based on a valuation model that discounts cash flows based on the terms of the contract and the swap curves and is classified in Level 2 in the fair value hierarchy.

**Assets and liabilities that are measured at fair value on a non-recurring basis**

For the fiscal years ended March 31, 2021 and 2020, assets and liabilities that were measured at fair value on a non-recurring basis were not material.

### 23. Business Segment and Geographic Information

Komatsu has three operating segments: 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Those operating segments which have separate financial information are available for allocating resources and assessing its performance by management.

The accounting policies employed for the preparation of segment information are identical to those employed for the preparation of the consolidated financial statements of the Company.

Segment profit available for allocating resources and assessing its performance by management is determined by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment. Segment profit excludes certain general corporate administration and finance expenses, such as costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations. Segment profit also excludes certain charges which may otherwise relate to operating segments, including impairments of long-lived assets and goodwill.

The following tables present financial information regarding Komatsu's operating segments and geographic information at March 31, 2021 and 2020, and for the fiscal years then ended:

#### Operating segments:

	Millions of yen	
	2021	2020
<b>Net sales:</b>		
Construction, Mining and Utility Equipment –		
External customers	¥ 1,961,207	¥ 2,205,976
Intersegment	14,751	5,287
Total	1,975,958	2,211,263
Retail Finance –		
External customers	58,377	62,952
Intersegment	8,017	7,958
Total	66,394	70,910
Industrial Machinery and Others –		
External customers	169,928	175,942
Intersegment	1,327	1,644
Total	171,255	177,586
Elimination	(24,095)	(14,889)
Consolidated	¥ 2,189,512	¥ 2,444,870
<b>Segment profit:</b>		
Construction, Mining and Utility Equipment	¥ 143,788	¥ 227,311
Retail Finance	10,574	12,673
Industrial Machinery and Others	16,342	13,703
Total segment profit	170,704	253,687
Corporate expenses and elimination	1,635	1,343
Total	172,339	255,030
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
Interest and dividend income	5,293	7,378
Interest expense	(13,766)	(24,592)
Other, net	3,920	(10,379)
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 162,775	¥ 223,114

	Millions of yen	
	2021	2020
<b>Segment assets:</b>		
Construction, Mining and Utility Equipment	¥ 2,689,427	¥ 2,521,646
Retail Finance	887,125	841,063
Industrial Machinery and Others	201,810	216,728
Corporate assets and elimination	6,479	74,249
Consolidated	¥ 3,784,841	¥ 3,653,686
<b>Depreciation and amortization:</b>		
Construction, Mining and Utility Equipment	¥ 93,883	¥ 91,049
Retail Finance	30,393	32,266
Industrial Machinery and Others	6,156	6,210
Consolidated	¥ 130,432	¥ 129,525
<b>Capital investment:</b>		
Construction, Mining and Utility Equipment	¥ 117,059	¥ 116,282
Retail Finance	41,722	45,636
Industrial Machinery and Others	4,393	4,634
Consolidated	¥ 163,174	¥ 166,552

Business categories and principal products and services included in each operating segment are as follows:

a) Construction, Mining and Utility Equipment operating segment:

Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, underground mining equipment, recycling equipment, industrial vehicles, other equipment, engines and components, casting products and logistics

b) Retail Finance operating segment:

Financing

c) Industrial Machinery and Others operating segment:

Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment and optical machinery

Transfers between segments are made at estimated arm's length prices.

Segment assets are those assets used in the operations of each segment. Unallocated corporate assets consist primarily of cash and cash equivalents maintained for general corporate purposes.

Amortization for the fiscal years ended March 31, 2021 and 2020 does not include amortization of long-term prepaid expenses of ¥2,694 million and ¥2,071 million.

Impairment loss on long-lived assets recorded in each segment asset for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Construction, Mining and Utility Equipment	¥ 1,986	¥ 2,158
Retail Finance	—	1
Industrial Machinery and Others	417	1,035
Total	¥ 2,403	¥ 3,194

**Geographic information:**

Net sales determined by customer location for the fiscal year ended March 31, 2021 are as follows:

	Millions of yen			
	2021			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 294,890	¥ 2,090	¥ 87,322	¥ 384,302
The Americas	732,463	42,540	23,387	798,390
Europe and CIS	295,916	4,089	8,039	308,044
China	146,225	3,056	20,317	169,598
Asia (excluding Japan and China) and Oceania	368,912	6,383	30,740	406,035
Middle East and Africa	122,801	219	123	123,143
<b>Total</b>	<b>¥ 1,961,207</b>	<b>¥ 58,377</b>	<b>¥ 169,928</b>	<b>¥ 2,189,512</b>

Net sales to U.S.A. in the Americas for the fiscal year ended March 31, 2021 were ¥411,102 million.

The amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements for the fiscal year ended March 31, 2021 within the net sales of the Construction, Mining and Utility Equipment operating segment are ¥35,132 million in Japan, ¥24,977 million in the Americas, ¥38,040 million in Europe and CIS, ¥46,934 million in China, and ¥15,120 million in Asia (excluding Japan and China) and Oceania. Net sales of the Retail Finance operating segment for the fiscal year ended March 31, 2021 are primarily the amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements.

Net sales determined by customer location for the fiscal year ended March 31, 2020 are as follows:

	Millions of yen			
	2020			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 310,856	¥ 2,324	¥ 83,404	¥ 396,584
The Americas	882,842	49,042	18,966	950,850
Europe and CIS	347,138	2,527	9,914	359,579
China	127,064	3,135	25,615	155,814
Asia (excluding Japan and China) and Oceania	409,158	5,845	37,728	452,731
Middle East and Africa	128,918	79	315	129,312
<b>Total</b>	<b>¥ 2,205,976</b>	<b>¥ 62,952</b>	<b>¥ 175,942</b>	<b>¥ 2,444,870</b>

Net sales to U.S.A. in the Americas for the fiscal year ended March 31, 2020 were ¥511,966 million.



The amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements for the fiscal year ended March 31, 2020 within the net sales of the Construction, Mining and Utility Equipment operating segment are ¥35,733 million in Japan, ¥32,865 million in the Americas, ¥30,986 million in Europe and CIS, ¥32,636 million in China, and ¥15,752 million in Asia (excluding Japan and China) and Oceania. Net sales of the Retail Finance operating segment for the fiscal year ended March 31, 2020 are primarily the amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements.

Net sales determined by geographic origin for the fiscal years ended March 31, 2021 and 2020, and property, plant and equipment determined based on physical location at March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Net sales:		
Japan	¥ 500,258	¥ 534,514
The Americas	726,325	891,329
Europe and CIS	316,155	355,928
China	158,536	137,257
Others	488,238	525,842
Total	<u>¥ 2,189,512</u>	<u>¥ 2,444,870</u>
Property, plant and equipment:		
Japan	¥ 368,755	¥ 364,347
The Americas	242,499	244,603
Europe and CIS	50,592	40,885
Others	125,527	107,844
Total	<u>¥ 787,373</u>	<u>¥ 757,679</u>

There were no sales to a single major external customer for the fiscal years ended March 31, 2021 and 2020. Property, plant and equipment located in U.S.A. in the Americas at March 31, 2021 and 2020 were ¥164,332 million and ¥173,024 million, respectively.

## 24. Supplementary Information to Balance Sheets

At March 31, 2021 and 2020, other current assets were comprised of the following:

	Millions of yen	
	2021	2020
Prepaid expenses	¥ 13,727	¥ 14,521
Short-term loans receivable:		
Affiliated companies	1,296	1,723
Other	224	30
Total	¥ 1,520	¥ 1,753
Other	116,368	131,139
Total	¥ 131,615	¥ 147,413

At March 31, 2021 and 2020, other current liabilities were comprised of the following:

	Millions of yen	
	2021	2020
Accrued expenses	¥ 116,777	¥ 110,310
Advances received	59,656	58,248
Other	145,914	129,267
Total	¥ 322,347	¥ 297,825

Valuation and qualifying accounts deducted from assets to which they apply for the fiscal years ended March 31, 2021 and 2020 were comprised of the following:

	Millions of yen	
	2021	2020
Allowance for doubtful receivables		
Balance at beginning of year	¥ 16,822	¥ 12,758
Additions		
Charged to costs and expenses	8,138	10,589
Charged to other accounts	121	22
Deductions	(7,932)	(6,547)
Balance at end of year	¥ 17,149	¥ 16,822

Deductions were principally collectible or uncollectible accounts and notes charged to the allowance.

	Millions of yen	
	2021	2020
Valuation allowance for deferred tax assets		
Balance at beginning of year	¥ 25,779	¥ 29,118
Additions		
Charged to costs and expenses	14,954	2,364
Charged to other accounts	—	—
Deductions	(4,653)	(5,703)
Balance at end of year	¥ 36,080	¥ 25,779

Deductions were principally changes in the expected realization of deferred tax assets and realization or expiration of net operating loss carryforwards.

## 25. Supplementary Information to Statements of Income

The following information shows research and development expenses and advertising costs, for the fiscal years ended March 31, 2021 and 2020. Research and development expenses and advertising costs are charged to expense as incurred and are included in cost of sales and selling, general and administrative expenses in consolidated statements of income.

	Millions of yen			
	2021		2020	
Research and development expenses	¥	73,840	¥	74,761
Advertising costs		1,874		3,694

Shipping and handling costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen			
	2021		2020	
Shipping and handling costs	¥	44,424	¥	48,217

For the fiscal years ended March 31, 2021 and 2020, Komatsu recognized an impairment loss of ¥2,403 million and ¥3,194 million related to property, plant and equipment and intangible assets at the Company and certain subsidiaries, as profitability of the assets was expected to be low in the future and Komatsu estimated the carrying amounts would not be recovered by the future cash flows.

Other operating income (expenses), net for the fiscal years ended March 31, 2021 and 2020 were comprised of the following:

	Millions of yen			
	2021		2020	
Gain on sale of fixed assets	¥	1,421	¥	5,955
Loss on disposal or sale of fixed assets		(3,467)		(5,221)
Other		(562)		1,836
Total	¥	(2,608)	¥	2,570

Other income (expenses), net for the fiscal years ended March 31, 2021 and 2020 were comprised of the following:

	Millions of yen			
	2021		2020	
Interest income				
Installment receivables	¥	1,222	¥	1,684
Other		3,079		5,174
Dividends		992		520
Interest expense		(13,766)		(24,592)
Impairment loss and net loss (gain) on valuation of investment securities		47		97
Exchange gain (loss), net		1,274		(12,904)
Other		2,599		2,428
Total	¥	(4,553)	¥	(27,593)

## **26. Material Subsequent Events**

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

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

## **27. Terminology, Forms and Preparation Methods of Consolidated Financial Statements**

The terminology, forms and preparation methods of the Company's consolidated financial statements are in accordance with U.S. GAAP.

The main differences between consolidated financial statements prepared in accordance with U.S. GAAP and those prepared in accordance with the Accounting Standards for Consolidated Financial Statements and the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements of Japan (hereinafter "J. GAAP") are as follows.

### **(1) Scope of consolidation**

For consolidated financial statements in accordance with J. GAAP, the scope of consolidation is determined on an effective control and influence basis. For consolidated financial statements in accordance with U.S. GAAP, the scope of consolidation is determined on the shareholding basis on which the determination is based on voting rights and on a consolidation basis of variable interest entities.

### **(2) Accounting policies**

#### **a. Deferred income on installment sales**

Although deferral of income on installment sales is permitted in accordance with J. GAAP, the Company recognizes income at the time of sales without deferring income on installment sales in its consolidated financial statements in accordance with U.S. GAAP.

#### **b. Share issuance cost**

Although in accordance with J. GAAP, share issuance cost is permitted to be recognized in profit or loss when incurred, the Company treats such cost in a deduction item from capital surplus as expenses incidental to capital transactions in its consolidated financial statements in accordance with U.S. GAAP.

#### **c. Accounting for retirement benefits**

Although in accordance with J. GAAP, net actuarial gains or losses are required to be amortized over certain periods that are shorter than the average remaining years of service, the Company has adopted the corridor approach in its consolidated financial statements in accordance with U.S. GAAP.

#### **d. Business combination and goodwill**

Goodwill is required to be amortized over certain periods in accordance with J. GAAP, while U.S. GAAP requires companies to implement impairment test at least once annually without goodwill being amortized. For intangible fixed assets with indefinite useful lives, U.S. GAAP also requires companies to implement impairment test without such assets being amortized.

### **(3) Presentation methods and other matters**

#### **a. Presentation of legal retained earnings**

Although in accordance with J. GAAP, legal retained earnings is recorded as retained earnings together with other surplus, the Company separately presents as appropriated legal reserve in its consolidated financial statements in accordance with U.S. GAAP.

#### **b. Extraordinary income and loss**

In accordance with J. GAAP, gain or loss on certain sales of non-current assets, such as gain or loss from the sale of fixed assets, is presented as extraordinary income or loss. However, since there is no concept of extraordinary items in U.S. GAAP, extraordinary income or loss is not presented in the Company's consolidated financial statements.

#### **c. Investment and rental properties**

In accordance with J. GAAP, if the investment and rental properties are material, disclose notes for the outline, the carrying amount in the consolidated balance sheets and fair value of these properties are required. However, such notes are omitted in the Company's consolidated financial statements because the total amount of investment and rental properties is immaterial.

## Supplementary Schedule

### Detailed Statements of Bonds

Refer to Note 11 in the notes of consolidated financial statements.

### Detailed Statements of Borrowings, etc.

Refer to Note 11 in the notes of consolidated financial statements.

### Detailed Statements of Asset Retirement Obligation

The amounts of asset retirement obligation at the beginning and end of this fiscal year are less than a hundredth of the amounts of total liabilities and total equity at the beginning and end of this fiscal year, respectively. This statement has been omitted because it is immaterial.

## (2) Others

### Quarterly Financial Information

	Millions of yen except per share amounts			
	Three months ended June 30, 2020	Six months ended September 30, 2020	Nine months ended December 31, 2020	Fiscal year ended March 31, 2021
Net sales	¥ 458,731	¥ 957,717	¥ 1,513,310	¥ 2,189,512
Income before income taxes and equity in earnings of affiliated companies	28,497	58,530	103,359	162,775
Net income attributable to Komatsu Ltd.	16,251	37,294	65,976	106,237
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	17.20	39.48	69.83	112.43
Diluted	17.20	39.46	69.80	112.39

	Yen			
	Three months ended June 30, 2020	Three months ended September 30, 2020	Three months ended December 31, 2020	Three months ended March 31, 2021
Net income attributable to Komatsu Ltd. per share				
Basic	17.20	22.27	30.35	42.60
Diluted	17.20	22.26	30.34	42.59

## 2. Non-Consolidated Financial Statements, etc.

### (1) Non-Consolidated Financial Statements

#### Non-Consolidated Balance Sheet

(Years ended March 31, 2021 and 2020)

	Millions of yen	
	2021	2020
<b>Assets</b>		
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

	Millions of yen	
	2021	2020
<b>Liabilities</b>		
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
<b>Total liabilities</b>	<b>535,136</b>	<b>527,649</b>
<b>Net Assets</b>		
Shareholders' equity:		
Capital stock	71,322	70,973
Capital surplus:		
Legal capital surplus	141,341	140,993
Other capital surplus	359	285
Total capital surplus	141,701	141,279
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:		
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	632	1,036
<b>Total net assets</b>	<b>797,596</b>	<b>829,003</b>
<b>Total liabilities and net assets</b>	<b>1,332,733</b>	<b>1,356,652</b>



**Non-Consolidated Statement of Income**

(Years ended March 31, 2021 and 2020)

	Millions of yen	
	2021	2020
Net sales	653,587	719,292
Cost of sales	541,128	563,160
Gross profit	112,458	156,132
Selling, general and administrative expenses		
Haulage expenses	24,098	24,859
Salaries and allowances	45,953	48,579
Provision for bonuses	3,698	4,581
Provision for directors' bonuses	44	177
Retirement benefit expenses	2,996	2,962
Depreciation	11,350	9,434
Research and development expenses	51,288	51,662
Other	(17,098)	(12,223)
Total 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 2,739
Other	4,562	1,925
Total non-operating income	43,761	44,553
Non-operating expenses		
Interest expenses	319	179
Transfer pricing taxation adjustment	*2 3,284	–
Other	5,229	8,464
Total non-operating expenses	8,834	8,644
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	–
Total extraordinary income	3,024	772
Extraordinary losses		
Impairment loss	224	–
Loss on revision of retirement benefit plan	*3 9,014	–
Total extraordinary losses	9,238	–
Income before income taxes	18,840	62,781
Income taxes - current	1,289	3,575
Income taxes - deferred	(4,323)	889
Total income taxes	(3,034)	4,464
Net income	21,875	58,316

Non-Consolidated Statement of Changes in Net Assets  
(From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	70,973	140,993	285	141,279	18,036	99	12,082	210,359	423,662	664,240
Cumulative effects of changes in accounting policies									1,014	1,014
Restated balance	70,973	140,993	285	141,279	18,036	99	12,082	210,359	424,677	665,255
Changes of items during the period										
Reversal of reserve for special depreciation						(75)			75	—
Reversal of reserve for advanced depreciation of non-current assets							(354)		354	—
Dividends from surplus									(53,878)	(53,878)
Net income									21,875	21,875
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)	—	(31,573)	(32,003)
Balance at the end of current period	71,322	141,341	359	141,701	18,036	24	11,728	210,359	393,103	633,252

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(48,761)	827,731	234	234	1,036	829,003
Cumulative effects of changes in accounting policies		1,014				1,014
Restated balance	(48,761)	828,746	234	234	1,036	830,018
Changes of items during the period						
Reversal of reserve for special depreciation		—				—
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends from surplus		(53,878)				(53,878)
Net income		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	313	(30,918)	(1,098)	(1,098)	(404)	(32,421)
Balance at the end of current period	(48,448)	797,827	(863)	(863)	632	797,596

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

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	70,561	140,581	260	140,841	18,036	174	12,030	210,359	473,008	713,610
Changes of items during the period										
Reversal of reserve for special depreciation						(75)			75	—
Provision of reserve for advanced depreciation of non-current assets							405		(405)	—
Reversal of reserve for advanced depreciation of non-current assets							(353)		353	—
Dividends from surplus									(107,686)	(107,686)
Net income									58,316	58,316
Purchase of treasury stock										
Disposal of treasury stock			25	25						
Restricted stock compensation	412	412		412						
Net changes of items other than shareholders' equity										
Total changes of items during the period	412	412	25	437	—	(75)	51	—	(49,346)	(49,369)
Balance at the end of current period	70,973	140,993	285	141,279	18,036	99	12,082	210,359	423,662	664,240

(Millions of yen)

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

## 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.

4) Provision for directors' bonuses

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

5) Provision for product warranties

Provision for product warranties is provided for product after-sales service expenses based on the historical performance, etc.

6) Provision for retirement benefits

In order to provide for employee retirement benefits, the Company accrues liabilities for severance payments and pension at the amount calculated based on the projected benefit obligations and plan assets at the balance sheet date.

When calculating the projected benefit obligations, the benefit formula basis is used to attribute expected benefits to the period through to the end of the fiscal year. Prior service cost is 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 10-year period, which is shorter than the average remaining service period of employees, beginning with the following term when the difference is recognized.

(5) Accounting for income and expenses

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 “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 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 the 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.



## **Notes to Changes in Accounting Policies**

### **Adoption of Accounting Standard for Revenue Recognition**

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 to Changes in Presentation Method**

The Company has adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020, hereinafter the “Accounting Standard for Estimates”) from the end of the fiscal year ended March 31, 2021, and disclosed Significant Accounting Estimates.

Regarding the application of the Accounting Standard for Estimates, the Company follows the transitional treatment provided for in the proviso of Paragraph 11 of the accounting standard, and the notes stipulated in Paragraph 6 and Paragraph 7 of the accounting standard are not included in the notes to the non-consolidated financial statements for previous fiscal years.

### Additional Information

To respond to diversifying the work style of employees, the Company concluded an agreement between management and labor in October 2020 about which introducing 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), making revisions to a retirement benefit plan, including the introduction of a defined contribution pension plan, promoting the Mid-Career support program on April 1, 2021, 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

(Years ended March 31, 2021 and 2020)

#### 1. Receivables from, and debts payable to subsidiaries and affiliates

	Millions of yen	
	2021	2020
Short-term receivables from subsidiaries and affiliates	169,081	156,087
Short-term debts payable to subsidiaries and affiliates	63,081	51,354
Long-term receivables from subsidiaries and affiliates	17,983	15,187

#### 2. Contingency liability

	Millions of yen	
	2021	2020
Balance of guarantees for bonds and debt for borrowings from financial institutions by subsidiaries and affiliates	190,020	206,028
Balance of guarantees for debt for borrowings from financial institutions by employees (home loans)	440	540
Balance of keep-well agreements for the bonds of subsidiaries and affiliates	151,610	106,815
Balance of guarantees for loans financed by subsidiaries and affiliates	499	-

### Notes to Non-Consolidated Statement of Income

(Years ended March 31, 2021 and 2020)

#### 1. Trading with subsidiaries and affiliates

	Millions of yen	
	2021	2020
Sales	538,383	593,637
Purchases	122,147	119,735
Trading other than operating transactions	51,983	48,528

#### \*2. Transfer pricing taxation adjustment

Loss or gain on adjustments paid and received with, or to be paid to Komatsu America Corp. and Komatsu Europe International N.V. based on the agreements of the prior applications submitted for approval regarding transfer pricing.

\*3. 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 costs arising from such a revision to the retirement benefit plan.

## Notes to Non-Consolidated Statement of Changes in Net Assets

The 152<sup>nd</sup> Fiscal Year (From April 1, 2020 to March 31, 2021)

(1) Type and number of shares issued

(Thousands of shares)

	Number of Shares at Fiscal Year- beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
Common stock*	972,581	306	-	972,887
Total	972,581	306	-	972,887

Note: The 306 thousand-share increase in the number of common stock is due to the issuance of new shares as restricted stock compensation

(2) Dividends

1) Payment amount of dividends

Resolution	Type of Shares	Total Dividends (Millions of yen)	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 18, 2020	Common stock	36,358	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 and effective date is in the next fiscal year

The Company proposed the following dividends to be resolved at the Ordinary General Meeting of Shareholders to be held on June 18, 2021.

Planned Resolution	Type of Shares	Total Dividends (Millions of yen)	Resource of Dividends	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 18, 2021	Common stock	34,986	Retained earnings	37	March 31, 2021	June 21, 2021

The 151<sup>st</sup> Fiscal Year (From April 1, 2019 to March 31, 2020)

(1) Type and number of shares issued

(Thousands of shares)

	Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
Common stock*	972,252	328	-	972,581
Total	972,252	328	-	972,581

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

(2) Dividends

1) Payment amount of dividends

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

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

Resolution	Type of Shares	Total Dividends (Millions of yen)	Resource of Dividends	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 18, 2020	Common stock	36,858	Retained earnings	39	March 31, 2020	June 19, 2019

**Securities**

Fair values for shares of subsidiaries (carrying amount of ¥384,729 million and ¥383,992 million as of March 31, 2021 (152<sup>nd</sup> fiscal year) and March 31, 2020 (151<sup>st</sup> fiscal year), respectively) and shares of affiliated companies (carrying amount of ¥6,264 million and ¥6,114 million as of March 31, 2021 (152<sup>nd</sup> fiscal year) and March 31, 2020 (151<sup>st</sup> fiscal year), respectively) are not presented because their market prices are not available and it is extremely difficult to determine their fair values.

## Tax Effect Accounting

1. Major Reasons for the accrual of deferred tax assets and deferred tax liabilities  
(Years ended March 31, 2021 and 2020)

	Millions of yen	
	2021	2020
<b>Deferred tax assets</b>		
Provision for product warranties	2,638	3,037
Inventories	1,625	1,035
Accrued enterprise tax	35	—
Provision for bonuses	2,546	3,156
Provision for retirement benefits	15,012	12,140
Allowance for investment loss	696	696
Impairment loss	872	910
Investment securities and stocks of subsidiaries and affiliates	3,538	3,542
Excess over depreciation limit	1,559	1,657
Allowance for doubtful accounts	385	651
Others	7,763	6,799
Subtotal deferred tax assets	36,674	33,628
Less valuation allowance	(5,437)	(5,577)
Total deferred tax assets	31,236	28,050
<b>Deferred tax liabilities</b>		
Enterprise tax receivable	—	(223)
Reserve for advanced depreciation of non-current assets	(5,222)	(5,382)
Others	(1,372)	(2,163)
Total deferred tax liabilities	(6,595)	(7,769)
Net deferred tax assets	24,641	20,280

2. Major components of difference between the statutory tax rate and the effective tax rate after tax effect accounting is applied

	2021	2020
Statutory tax rate	30.5%	30.5%
<b>Adjustments</b>		
Expenses not deductible permanently such as entertainment expenses	8.9	3.7
Income not taxable permanently such as dividend income	(58.6)	(18.6)
Foreign tax credit	(5.5)	(2.7)
Transfer pricing taxation adjustment	8.8	0.9
Foreign withholding tax	11.0	1.6
Valuation allowance	(0.7)	(1.1)
Tax credit for experiment and research expenses	(8.5)	(4.5)
Others	(2.0)	(2.7)
Effective tax rate after tax effect accounting is applied	(16.1)	7.1

## **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.

## Significant Subsequent Event

The 152<sup>nd</sup> fiscal year (From April 1, 2020 to March 31, 2021)

The Company resolved the following matters at the meeting of the Board of Directors 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., 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

**Non-consolidated supplementary schedule for the 152<sup>nd</sup> Fiscal Year (From April 1, 2020 to March 31, 2021)**

**Detailed statement of property, plant and equipment, etc.**

(Millions of yen)

Category	Type of assets	Balance at Fiscal Year-beginning	Increase During the Fiscal Year ended March 31, 2021	Decrease During the Fiscal Year ended March 31, 2021	Depreciation and amortization during the Fiscal Year ended March 31, 2021	Balance at Fiscal Year-end	Accumulated depreciation and amortization
Property, plant and equipment	Buildings	92,008	8,766	245	5,825	94,703	127,434
	Structures	16,175	984	71	1,507	15,581	32,647
	Machinery and equipment	42,785	11,250	580 [2]	9,016	44,439	234,676
	Vehicles	810	319	7	298	823	3,291
	Tools, furniture and fixtures	11,102	5,519	409 [24]	4,959	11,253	69,849
	Rental equipment	53,403	15,930	5,013 [46]	10,564	53,755	34,842
	Land	45,857	8	387 [224]	–	45,477	–
	Construction in progress	5,837	27,067	25,057 [12]	–	7,847	–
	Total	267,981	69,846	31,773 [310]	32,171	273,882	502,741
Intangible assets	Software	26,782	14,347	121	7,943	33,065	–
	Other intangible assets	119	139	–	26	233	–
	Total	26,902	14,487	121	7,969	33,298	–

Notes: 1. The figures in square brackets in the “Decrease During the Fiscal Year ended March 31, 2021” column represent amounts of impairment loss included in the figures above.

2. The increase in rental equipment was mainly due to the increase in construction machinery and other equipment owned for the purpose of leasing to other companies. The increase in construction in progress was mainly due to the increase in rental equipment.

3. The increase of software in the fiscal year ended March 31, 2021 was mainly as follows.

Software related to KOMTRAX ¥4,137 million

Software related to SMARTCONSTRUCTION ¥3,679 million

**Detailed statement of reserves**

(Millions of yen)

Item	Balance 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	Balance at the End of the Fiscal Year ended March 31, 2021
Allowance for doubtful accounts	2,134	375	1,244	1,265
Allowance for investment loss	2,285	–	–	2,285
Provision for bonuses	10,349	8,348	10,349	8,348
Provision for directors’ bonuses	157	232	318	71
Provision for product warranties	9,958	8,652	9,958	8,652

**(2) Primary assets and liabilities**

As the consolidated financial statements are prepared, this information is omitted here.

**(3) Others**

There are no special items to report.

## Item 6. Stock-Related Administration for the Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date of dividends	Interim dividends : September 30 Year-end dividends : March 31
Number of shares constituting one unit *	100 shares
Purchase and sales of shares less than one unit Handling office	(Special account) Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Transfer agent	(Special account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Forward office	-
Purchase and sales fee	Free of charge
Method of public notice	The method of public notice by the Company shall be electronic public notice, provided, however, that if, the use of the electronic public notice becomes impossible, due to an accident or any other unavoidable reason, the public notices of the Company shall be made by publication in The Nihon Keizai Shimbun published in Tokyo. URL for public notice is following <a href="https://home.komatsu/jp/">https://home.komatsu/jp/</a>
Special benefit for shareholders	The Gift of Gratitude to Long-term Shareholders  1. Qualified shareholders Shareholders of record as of March 31 every year, who own at least three (3) units (300 shares) and have continuously owned any number of shares of the Company at least for the last three (3) years* as of March 31 every year. *Shareholders who qualify for the shareholding of at least the last three (3) years are shown in the register of shareholders as of March 31 and September 30 every year, with the statement saying that they have continuously held shares of the Company seven (7) times, i.e., for a period of seven (7) x six (6) months, or more, including the record date, under the same shareholder numbers.  2. Gift of gratitude Original miniature models of Komatsu products (not for sale) One miniature model per qualified shareholder

Note:

Shareholders of the Company are not entitled to exercise their rights pertaining to shares constituting less than one (1) unit (Tangen) of shares held by them, except for the following rights:

- (1) The rights provided for in each item of Article 189, Paragraph 2 of the Companies Act of Japan;
- (2) The right to make a request provided for in the provisions of Article 166, Paragraph 1 of the Companies Act of Japan;
- (3) The right to receive the allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by each shareholder;
- (4) The right to make a request to the Company for transfer of shares constituting less than one unit

## Item 7. Reference Information on the Company

### 1. Information on the Parent Company

Not applicable.

### 2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2021 to the filing date of Annual Securities Report.

(1)	Annual Securities Report and Documents Attached, and Confirmation Letter	Business Term (151 <sup>st</sup> )	From April 1, 2019 To March 31, 2020	Filed with Director-General of the Kanto Local Finance Bureau on June 29, 2020
(2)	Internal Control Report and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on June 29, 2020
(3)	Quarterly Report and Confirmation Letter	(152 <sup>nd</sup> First Quarter)	From April 1, 2020 To June 30, 2020	Filed with Director-General of the Kanto Local Finance Bureau on August 7, 2020
		(152 <sup>nd</sup> Second Quarter)	From July 1, 2020 To September 30, 2020	Filed with Director-General of the Kanto Local Finance Bureau on November 11, 2020
		(152 <sup>nd</sup> Third Quarter)	From October 1, 2020 To December 31, 2020	Filed with Director-General of the Kanto Local Finance Bureau on February 12, 2021
(4)	Extraordinary Report	Pursuant to Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with Director-General of the Kanto Local Finance Bureau on June 22, 2020
(5)	Securities Registration Statement (issuance of new shares under the restricted stock compensation plan) and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on July 17, 2020
(6)	Amendment to Securities Registration Statement	Amendment to the Securities Registration Statement filed on July 17, 2020		Filed with Director-General of the Kanto Local Finance Bureau on July 30, 2020
		Amendment to the Securities Registration Statement filed on July 17, 2020		Filed with Director-General of the Kanto Local Finance Bureau on August 7, 2020
(7)	Shelf Registration Statement and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on November 20, 2020

### Part II Information on Guarantors, etc., for the Company

Not applicable.

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

**Independent Auditor's Report on the Financial Statements**  
**and**  
**Internal Control Over Financial Reporting**

June 17, 2021

To The Board of Directors of 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

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of Komatsu Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the Komatsu's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of equity and the consolidated statement of cash flows for the fiscal year then ended, and notes to the consolidated financial statements and supplementary schedules, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America, pursuant to Paragraph 3 of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (the Cabinet Office Ordinance No.11 of 2002).

**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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the Company's estimates of a specific allowance for those doubtful receivables with the possibility of default among Retail Finance Receivables	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note 4 "Trade Notes and Accounts Receivable" to the consolidated financial statements, trade notes and accounts receivable, and long-term trade receivables recognized in the consolidated balance sheet of Komatsu Ltd. and subsidiaries (hereinafter, collectively referred to as the "Company") as of March 31, 2021 included installment and lease receivables in the retail finance business (hereinafter, "Retail Finance Receivables") of ¥761,691 million, for which an allowance for doubtful receivables of ¥11,894 million has been recorded.</p> <p>As described in Note 1 "Description of Business, Basis of Financial Statement Presentation and Summary of Significant Accounting Policies" to the consolidated financial statements, the Company calculates a general allowance for doubtful receivables based on historical loss rates. On the other hand, for those doubtful receivables with the possibility of default, including those in cases where a customer's ability to meet its financial obligations has become doubtful due to a bankruptcy filing or deterioration in its business performance, the Company estimates credit losses based on the credit status of individual customers and an analysis on the overdue status of receivables, and then recognizes a specific allowance for doubtful receivables at an amount of the estimated credit losses reduced by an expected amount recoverable from the collateral.</p> <p>The key elements of the valuation model used to estimate a specific allowance for doubtful receivables are set out below. Each of these elements involved a high degree of uncertainty and required a high degree of management judgement.</p> <ul style="list-style-type: none"> <li>•selection of doubtful receivables subject to a specific allowance;</li> <li>•calculation of estimated credit losses based on the assessment of customers' ability to meet their financial obligations; and</li> <li>•calculation of an expected amount recoverable from the collateral</li> </ul> <p>In addition, the collection period of Retail Finance Receivables spans a long time, and customers' ability to meet their financial obligations may be affected by the novel coronavirus disease (COVID-19).</p>	<p>In order to assess the reasonableness of the Company's estimates of a specific allowance for those doubtful receivables with the possibility of default among Retail Finance Receivables, we requested the component auditors of consolidated subsidiaries to perform the procedures set out below. We then evaluated the reports from the component auditors to conclude on whether sufficient and appropriate audit evidence was obtained from these procedures.</p> <p>(1) Internal control testing Testing the design and operating effectiveness of certain of the Company's internal controls relevant to the estimates of a specific allowance for doubtful receivables.</p> <p>(2) Assessment of the reasonableness of the estimates of a specific allowance for doubtful receivables</p> <p>1)Involved credit specialists who assisted in our assessment of the appropriateness of the valuation model used to estimate a specific allowance for doubtful receivables.</p> <p>2)Obtained an understanding of management's judgement process by inquiring of management about the following:</p> <ul style="list-style-type: none"> <li>•selection of doubtful receivables subject to a specific allowance;</li> <li>•calculation of estimated credit losses that reflected the assessment of customers' ability to meet their financial obligations based on the credit status of individual customers and an analysis on the overdue status of receivables, considering the impact of COVID-19; and</li> <li>•calculation of an expected amount recoverable from the collateral.</li> </ul> <p>3)Assessed the reasonableness of the Company's estimates of a specific allowance for doubtful receivables, including the aforementioned management judgments, that took into account: customers' payment history; the status of collateral setting; market environments related to the customers' business; overdue status, the reasonableness of the estimates of a specific allowance in the past; and additional information obtained subsequent to the year end related to the customers' ability to meet their financial obligations.</p>



We, therefore, determined that our assessment of the reasonableness of the Company's estimates of a specific allowance for those doubtful receivables with the possibility of default among Retail Finance Receivables was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	
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### **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 accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, 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 accounting principles generally accepted in the United States of America, 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 their duties with regard to the design, implementation and maintenance of the Group's 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 Group'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 modified opinion 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 accounting principles generally accepted in the United States of America, 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.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Audit of the Internal Control Report**

### **Opinion**

We also have audited the accompanying internal control report of the Company as at March 31, 2021, in accordance with Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2021, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other 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 Internal Control Report**

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

### **Auditor's Responsibilities for the Audit of the Internal Control Report**

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that expresses our opinion on the internal control report based on our audit from an independent point of view.

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

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated, and other matters required by internal control 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.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act 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 Financial Instruments and Exchange Act of Japan.

**Independent Auditor's Report on the Financial Statements**

June 17, 2021

To The Board of Directors of 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 of Komatsu Ltd. provided in the "Financial Information" section in the Komatsu's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, significant accounting policies, the related notes, and the supplementary schedules of Komatsu Ltd. as at March 31, 2021 and for the 152nd fiscal year from April 1, 2020 to March 31, 2021, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Komatsu Ltd. as at March 31, 2021, and its financial performance for the fiscal year then ended 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 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 in Japan, and we have fulfilled our other 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Judgment Regarding the Likelihood of Recovery of Deferred Tax Assets	
The key audit matter	How the matter was addressed in our audit
<p>The amount recorded on the Non-Consolidated Balance Sheet of Komatsu Ltd. for Deferred tax assets is ¥24,641 million. As described in the Notes to Non-Consolidated Financial Statements "Tax Effect Accounting", the amount of deferred tax assets before offsetting against deferred tax liabilities was ¥31,236 million, which was the total deferred tax assets of ¥36,674 million less the valuation allowance of ¥5,437 million.</p> <p>As described in the Notes to Non-consolidated Financial Statements "Notes to Accounting Estimates", Komatsu Ltd. recognizes deferred tax assets to the extent of deductible temporary differences that are allowed to reduce the tax amount payable into the future.</p> <p>The future taxable income used in determining the likelihood of recovery of deferred tax assets is estimated based on the business plan created by management. Furthermore, because the forecast of future net sales based on this business plan includes key assumptions involving a high degree of judgment by management, including the impact from COVID-19, the estimates of future taxable income have a high level of uncertainty.</p> <p>We, therefore, determined that our assessment of the appropriateness of the likelihood of recovery of deferred tax assets was of most significance in our audit of the Non-consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>We mainly applied the following audit procedures in order to assess the appropriateness of the judgment regarding the likelihood of recovery of deferred tax assets.</p> <p>(1) Assessment of internal controls Testing the design and operating effectiveness of certain of the Company's internal controls relevant to the likelihood of recovery of deferred tax assets, including those related to formulating the business plan</p> <p>(2) Assessment of the reasonableness of future taxable income estimates</p> <p>1) Questions to management regarding the basis for future taxable income estimates</p> <p>2) With respect to the future taxable income used in determining the likelihood of recovery of deferred tax assets, confirmation of consistency with the business plan approved by the Board of Directors</p> <p>3) With respect to future net sales on which the business plan is based, assessment of the reasonableness of management's assumptions, including the impact of COVID-19 in consideration of the following:</p> <ul style="list-style-type: none"> <li>• Analysis of level of achievement for the previous plan and differences with the plan.</li> <li>• Confirmation of consistency with future market trend forecasts created by outside research institutions</li> </ul> <p>4) In accordance with the calculated taxable income for the current fiscal year, assessment of the appropriateness of scheduling for when the deductible temporary differences are expected to be settled and the appropriateness of taxable income adjustments included in the calculation of future taxable income</p>

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

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements 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 that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements 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 their duties including the design, implementation and maintenance of the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether the non-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 non-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 non-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 non-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 non-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 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 related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 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, including the related notes thereto, and whether the non-consolidated financial statements 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.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act 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 Financial Instruments and Exchange Act of Japan.

## Cover

<b>【Document title】</b>	Internal Control Report
<b>【Clause of stipulation】</b>	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
<b>【Place of filing】</b>	Director-General of the Kanto Local Finance Bureau
<b>【Filing date】</b>	June 17, 2021
<b>【Company name】</b>	Kabushiki Kaisha Komatsu Seisakusho
<b>【Company name in English】</b>	KOMATSU LTD.
<b>【Title and name of representative】</b>	Hiroyuki Ogawa, President and Representative Director
<b>【Title and name of chief financial officer】</b>	Takeshi Horikoshi, Senior Executive Officer
<b>【Address of registered head office】</b>	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
<b>【Place for public inspection】</b>	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

## **1. Matters relating to the basic framework for internal control over financial reporting**

Mr. Hiroyuki Ogawa, President and Representative Director, and Mr. Takeshi Horikoshi, Senior Executive Officer, are responsible for establishing and maintaining internal control over financial reporting of Komatsu Group (Komatsu Ltd., its subsidiaries and equity-method affiliates) and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

## **2. Matters relating to the scope of assessment, the base date of assessment and the assessment procedures**

Komatsu Ltd. (the “Company”) assessed the effectiveness of our internal control over financial reporting on the base date as of March 31, 2021 and made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, the Company evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis (“company-level controls”) and based on the result of this assessment, the Company appropriately selected business processes to be evaluated. In making these business processes assessment, the Company analyzed these selected business processes, identified key controls that may have a material impact on the reliability of internal control over financial reporting and assessed the design and operation of these key controls.

The Company determined the required assessment scope of internal controls over financial reporting for Komatsu Group from the perspective of the materiality that may affect the reliability of its financial reporting. The materiality that may affect the reliability of its financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. The Company reasonably determined the assessment scope of internal controls over business processes after considering the assessment results of company-level controls conducted for Komatsu Group. The Company did not include those consolidated subsidiaries and equity-method affiliates which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the assessment scope of company-level controls.

Regarding the assessment scope of internal control over business processes, the Company accumulated business units in descending order of net sales (after eliminating inter-company transactions) for the previous fiscal year, and those business units whose combined amount of net sales reaches approximately two-thirds of net sales on a consolidated basis were selected as significant business units.

At the selected significant business units, the Company included, in the assessment scope, those business processes leading to net sales, accounts receivables and inventories as accounts closely relating to business objectives of the Company.

Further, not only at selected significant business units, but also at other business units, the Company added to the assessment scope, those business processes having greater materiality considering their impact on the financial reporting, those business processes relating to greater likelihood of material misstatements in significant accounts involving estimates or forecasts as these significant accounts that may have a material impact on its business objectives; or those business processes relating to businesses or operations dealing with high-risk transactions.

## **3. Matters relating to the results of the assessment**

As a result of the assessment above, the Company concluded that internal control over financial reporting of Komatsu Group was effective as of March 31, 2021.

## **4. Additional notes**

Not applicable.

## **5. Special notes**

Not applicable.



## Cover

<b>【Document title】</b>	Confirmation Letter
<b>【Clause of stipulation】</b>	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
<b>【Place of filing】</b>	Director-General of the Kanto Local Finance Bureau
<b>【Filing date】</b>	June 17, 2021
<b>【Company name】</b>	Kabushiki Kaisha Komatsu Seisakusho
<b>【Company name in English】</b>	KOMATSU LTD.
<b>【Title and name of representative】</b>	Hiroyuki Ogawa, President and Representative Director
<b>【Title and name of chief financial officer】</b>	Takeshi Horikoshi, Senior Executive Officer
<b>【Address of registered head office】</b>	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
<b>【Place for public inspection】</b>	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

## **1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report**

Komatsu's President and Representative Director Hiroyuki Ogawa, and Chief Financial Officer and Senior Executive Officer Takeshi Horikoshi, have confirmed that the content of the Annual Securities Report of Komatsu Ltd. of the 152<sup>nd</sup> fiscal year (from April 1, 2020 to March 31, 2021) was described properly based on the laws and regulations concerning the Financial Instruments and Exchanges Act and Related Regulations.

## **2. Special Notes**

Not applicable.