KOMATSU REPORT 2014

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About KOMATSU REPORT

We at Komatsu Ltd. prepare KOMATSU REPORT by reflecting on the fundamental concepts developed by the International Integrated Reporting Council (IIRC).

With respect to the content of this REPORT, we work to focus our attention on the most important information and express it in a concise manner. Concerning financial conditions, environmental conservation and corporate social responsibility, we separately prepare the respective reports in more detail and disclose information therein.

Organization of Komatsu’s Annual Reports

Note: KOMATSU REPORT, Securities Report, CSR Report and Environmental Report, in both Japanese and English, are uploaded on Komatsu’s website.

Reporting Period
April 1, 2013 -- March 31, 2014

Unless otherwise indicated, all figures in this Report represent those for FY2013 ended March 31, 2014, namely from April 1, 2013 to March 31, 2014.

Cautionary Statement
This Report contains forward-looking statements that reflect management’s views and assumptions in the light of information currently available with respect to certain future events, including financial position, operating results and business strategies. These statements can be identified by the use of terms, such as “will,” “believes,” “should,” “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 Komatsu 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 foreign 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.
FY2013 Highlights

Consolidated Results

Environmental Performance
Consolidated Results

Net Sales

Operating Income and Ratio

Net Income and ROE

Shareholders’ Equity, Net Interest-Bearing Debt* and Net Debt-to-Equity Ratio

Cash Dividend

Note: All projected figures for FY2014 reflect those announced on April 25, 2014.
Environmental Performance

Reducing CO₂ Emissions in Manufacturing Operations

Effective Utilization of Resources in Manufacturing Operations (Waste)

Amount of Waste Generated
(Data coverage: Komatsu Ltd. and Komatsu Group manufacturing facilities in Japan)

Effective Utilization of Resources in Manufacturing Operations (Water Resources)
Effective Utilization of Resources in Manufacturing Operations (Water Resources)

Amount of Water Resources Used and Base Measurement Units
(Data coverage: Komatsu Ltd. and Komatsu Group manufacturing facilities in Japan)
(Reflects results of the reviews of the data on Komatsu Castex Ltd. for the year 2009 and earlier)
To All Our Stakeholders
To All Our Stakeholders

Performance

For the fiscal year under review (April 1, 2013 - March 31, 2014), in the construction, mining and utility equipment business, while demand for mining equipment remained slack, that for construction equipment increased in Japan, China and some other regions. In addition, reflecting the Japanese yen's depreciation, sales increased from the previous fiscal year. With respect to the industrial machinery and others business, while sales of sheet-metal and press machines were firm, total sales declined from the previous fiscal year, largely affected by a further decline in sales of wire saws. As a result, consolidated net sales for the year increased by 3.6% from the previous fiscal year, to JPY1,953.6 billion.

Concerning profits, operating income improved by 13.7% from the previous fiscal year, to JPY240.4 billion, supported by the Japanese yen's depreciation and our continued focus on improving selling prices and production costs, as well as curtailing fixed costs. Operating income ratio was 12.3%, up 1.1 percentage point.
FY2013 Highlights

Based on the belief that "our corporate value is the total sum of trust given to us by society and all our stakeholders," we are further strengthening our commitment to ensure sustainable growth of society by promoting group-wide efforts. We think about what we can and must do by capitalizing on our strengths built over time.

- Not only strengthening our distributors outside of Japan, but also developing people to meet the needs of local communities around the world.
- Enhancing economy and safety but also responding to social issues, such as labor shortage.
- In the area of human resource development, we are focused on a global scale as follows.

Developing people

- By increasing the number of employees, we are committed to develop a recycling-oriented society and conserve air and water environments as well as biodiversity.

- In response to the latest emission regulations in Japan, the United States and Europe, but also cut down environmental load in the entire group.

Environmental Conservation Efforts

- In the area of product development, we are making concerted efforts to not only develop models featuring super fuel economy and low CO2 emissions but also integrate cutting-edge technologies, at the Awazu Plant in Ishikawa Prefecture, Japan.

- At the same time, we are working to strengthen the aftermarket business, which includes the provision of services and sales expansion of strategic parts.

- Concerning strategies of existing businesses, by taking advantage of KOMTRAX (Komatsu Machine Tracking System) information about machine operations, we worked to strengthen the aftermarket business, which includes the provision of services and sales expansion of strategic parts.

Achievements and Tasks Ahead

In April 2013, we embarked on the "Together We Innovate GEMBA Worldwide" three-year, mid-range management plan. Since then, we have engaged in business that emphasizes three focused efforts: 1) growth strategies based on innovation; 2) growth strategies of existing businesses; and 3) structural reforms designed to reinforce our business foundation.

With respect to growth strategies based on innovation, we launched the medium-sized D61PXi-23 intelligent Machine Control (iMC) dozers in North America, Europe and Japan. This model features the world's first automatic blade control as a next-generation product. We also widened its model range. Concerning strategies of existing businesses, by taking advantage of KOMTRAX (Komatsu Machine Tracking System) information about machine operations, we worked to strengthen the aftermarket business, which includes the provision of services and sales expansion of strategic parts.

With respect to models certified for new emission regulations, which have become effective in the United States, Europe and Japan since 2011, we continued an aggressive market introduction together with KOMATSU CARE, a service program designed to reduce the total lifecycle costs of these models and prolong machine life. In structural reforms designed to reinforce our business foundation, we facilitated activities to cut down electric power consumption to half at all plants in Japan, including a new factory which will feature dynamic energy-saving and productivity by means of cutting-edge technologies, at the Awazu Plant in Ishikawa Prefecture, Japan.
Looking ahead, we will step up our group-wide efforts to reinforce business models designed to offer comprehensive merits to customers, and strive to expand sales in the entire value chain, which includes not only sales of new equipment but also rental-to-used equipment and retail finance businesses. At the same time, we will also make continuous efforts to improve selling prices, production costs and the like.

**Environmental Conservation Efforts**

We consider environmental conservation efforts a top management priority of the Komatsu Group. Based on the Komatsu Earth Environment Charter, the Komatsu Group is working to reduce environmental impact in each and every aspect of its business activities.

In the area of product development, we are making concerted efforts to not only develop models featuring super fuel economy and low CO2 emissions in response to the latest emission regulations in Japan, the United States and Europe, but also cut down environmental load in the entire product lifecycle, for example, by developing IMC dozers capable of dramatically shortening the construction period.

With respect to production, we are promoting the project to cut down power consumption volume to half in all plants in Japan. In May 2014, we began operation at a new assembly factory at the Awazu Plant. This factory incorporates dynamic process reforms and cutting-edge, high-efficiency facilities, achieving both improved productivity and outstanding reduction of purchase power consumption. We will continue to implement production reforms driven by reduction of power consumption in all other plants in Japan as planned. At the same time, we are also continuing to advocate the development of a recycling-oriented society and conserve air and water environments as well as biodiversity.

**CSR Efforts**

We define our CSR priorities by understanding where our business activities intersect with our contributions to society, and we specify three areas of focused efforts on a global scale as follows.

- Enhancing quality of life: providing products required by society
- Developing people
- Growing with society

Through innovations, such as Autonomous Haulage System (AHS) and IMC dozers, we are working to provide realistic solutions by not only enhancing economy and safety but also responding to social issues, such as labor shortage. In the area of human resource development, we are not only strengthening our distributors outside of Japan, but also developing people to meet the needs of local communities around the world. To ensure sustainable growth of society by promoting group-wide efforts, we think about what we can and must do by capitalizing on our strengths built on through business, such as reconstruction assistance in the regions destroyed by the Great East Japan Earthquake and tsunami of 2011 as well as removal of landmines and community redevelopment in Cambodia and Angola.

Based on the belief that “our corporate value is the total sum of trust given to us by society and all our stakeholders,” we are further strengthening our corporate governance to ensure sound and transparent management, while improving management efficiency. We will also ensure all employees share The KOMATSU Way and continue to constantly address the fundamentals of safety, environmental conservation, compliance and business performance. We will also facilitate both the development of corporate strength and the achievement of social responsibility in a well-balanced manner.

On behalf of the members of the Board, we would like to extend our sincere appreciation to our stakeholders around the world for their support.

July 2014

Kunio Noji  
Chairman of the Board

Tetsuji Ohashi  
President and CEO
Sources of Growth

Basic Management Principles
Outline of Operations
Our Strengths
Mid-range Management Plan
Sources of Growth

Basic Management Principles

Management Policy

The cornerstone of Komatsu’s management principles is to maximize its corporate value through commitment to Quality and Reliability. We at the Komatsu Group believe our corporate value is the total sum of trust given to us by society and all stakeholders.

To enhance this trust, we have not only taken action with full awareness of corporate social responsibility, but also worked to strengthen corporate governance and sharpen manufacturing competitiveness, thereby building on the source of our strengths.

By introducing brand management based on this line of thought, we have been promoting efforts to change our way of thinking from the conventional perspective of a company (supplier) to that of customers, thereby further improving group-wide corporate fundamentals and promoting human resource development.

Commitment to Quality and Reliability

We believe our commitment to Quality and Reliability should not be limited to products and services but also extend to organizations, businesses, employees and all aspects of management. To enhance this Quality and Reliability, we have focused on the following five management guidelines.

- To always think about the needs of customers and to strive to provide not only products, services and systems that are safe, environmentally friendly and innovative, but also optimal solutions to their problems.
- To always engage in self-initiated innovation of technology and management.
- To promote consolidated management from the global perspective.
- To contribute to the welfare of the local community as a good corporate citizen.
- To protect the safety of employees and their families and provide employees with opportunities for self-initiated innovation and achievements.

Emphasis on Corporate Governance

To improve Quality and Reliability of management, the top management of each Komatsu Group company shall not only make constant efforts toward, but also have full awareness of corporate social responsibility, thereby removing risky, speculative businesses and practicing sound management. Komatsu Group companies also strive to vitalize their Board of Directors, the core organization for corporate governance, and establish their internal control system, thereby working to maintain and improve transparent and sound management.

Reinforcement of Manufacturing Competitiveness

By Manufacturing Competitiveness, we mean to provide our customers with those products, services and solutions that they highly appreciate. It also requires due considerations on safety and environmental conservation in all processes and become indispensable to our customers.

Reinforcement of Manufacturing Competitiveness requires teamwork on two main platforms. First, this teamwork exists within the Komatsu Group, involving relevant departments, such as R&D, procurement, production, marketing, servicing and administration. Second, the same level of teamwork functions throughout the value chain, involving our suppliers, distributors and other business partners. This teamwork demonstrates our Gemba (workplace) capability, i.e., the vitality of all our employees and organizations plus our ability to continuously improve workplaces. In this way we continuously embrace the challenge of manufacturing safe and innovative products.

Brand Management

Through Brand Management, guidelines for marketing and customer relations, we confront, along with our customers, the problems of equipment deployed on their jobsites and propose ideas for improvement, thereby enhancing their reliability (the degree of their dependence on us) and our relationship (the degree of continuously being chosen as their partner).

To solve the problems of jobsite operations with our customers, we not only increase our visits to their jobsites and opportunities for communication, but also make their jobsite operations “visible” by means of ICT application. Once problems are identified, we capitalize on our group-wide resources in an integrated manner to develop solutions.
The KOMATSU Way

We complied a record of Komatsu’s strengths, which our forerunners had built up, fundamental beliefs and mindsets underlying such strengths, as well as patterns of behaviors for practical implementation in the course of Komatsu’s growth, based on management policy. Then, we documented them in writing as The KOMATSU Way in 2006.

The KOMATSU Way describes the values that must be shared by all employees of the Komatsu Group, including top management, and must be passed on to the generations to come at all workplaces.

Dissemination of The KOMATSU Way

Against the backdrop of a declining number of veteran employees in Japan and a growing number of foreign employees around the world, we implement a wide variety of dissemination and human resource development programs under the leadership of the KOMATSU Way Global Institute in order to distribute The KOMATSU Way among all Komatsu Group companies worldwide.

At overseas subsidiaries, local senior managers, who have worked for Komatsu for many years, translated The KOMATSU Way into their native languages. In this manner, we have ensured that it is easy to understand for all employees in addition to a thorough understanding by top management.

To reinforce Gemba (workplace) capabilities, the KOMATSU Way Global Institute offers our time-tested TQM (total quality management) training and other courses designed to advance employees’ abilities in different specializations, such as proprietary technologies, special skills and management.

Komatsu’s Code of Worldwide Business Conduct

The Rules of the Business Community are not limited to laws but also include rules which are generally respected in society. Today, each and every employee is expected to fully become aware of corporate social responsibilities and take action to meet, and even surpass, the reliability demands of society. This is becoming an important part of the Rules.

In 2001, we devised Komatsu’s Code of Worldwide Business Conduct to describe basic rules, policies and stance to be followed anywhere in the world. Since then, we have revised it eight times, updating the latest information about the Rules. On par with The KOMATSU Way, Komatsu’s Code of Worldwide Business Conduct provides invaluable guidelines, describing what we should be as a company.
Outline of Operations

Business Model at a Glance

We utilize a diverse range of resources, such as people, organizations, suppliers, distributors and intellectual property, and engage in a wide variety of business activities.
Our Strengths

- Competitive Manufacturing
- Strengths in Development and Production
- Strengths in Sales and Service

We have derived our strengths by working to reinforce corporate governance and competitive manufacturing. Based on this approach, we have introduced brand management in order to change the mindset of Komatsu Group employees from that based on a supplier to that of a customer. This is further strengthening Komatsu Group’s corporate muscle and facilitating human resource development.

Competitive Manufacturing

We define competitive manufacturing as work not limited to people on the shop floor but as teamwork among all internal departments, such as R&D, production, sales and product support, as well as all value-chain partners, such as suppliers and distributors.

Gemba (Workplace) Capability

We define workplace capability as the capability of each and every employee to improve his/her work spontaneously and continually. We have nurtured this workplace capability through TQM (Total Quality Management) over the years, thereby enhancing competitive manufacturing.

Solid Partnership with Suppliers and Distributors

We conduct business as we team up with our suppliers and distributors in charge of sales and service activities by sharing values and principles. We have “Midori-kai”, the group of our suppliers in Japan, and regard it as the center of reinforcing collaboration. Midori-kai suppliers are asked to get involved in the development stage of products in order to enhance our product competitiveness. They are also invited to participate in our human resource development programs. We have also organized “Midori-kai” outside of Japan.

Strengths in Development and Production

In-house Development and Production of Key Components

We develop and produce key components, such as engines and hydraulic equipment, including the metal casting process, in Japan where we can capitalize on time-tested competitive manufacturing. In this way, we are well positioned to enhance our product competitiveness by reassessing all processes, including the design stage, when necessary. Further, we supply key components, which incorporate the world’s top-level quality, cost and delivery advantages, to our assembly plants around the world.

Mother Plant System

We position assembly plants equipped with product development capability as Mother plants. When producing new products or making model changes, development and production divisions as well as suppliers team up to “build in” thorough quality, cost and delivery advantages. Mother plants are responsible for Safety, Legal compliance, Quality, Delivery and Cost of Child plants when producing the same models. In addition, Mother plants not only ensure the stable global supply of their products, but also work to transfer competitive manufacturing to Child plants.
Source of Growth

Assembly Plants for Construction and Mining Equipment

Flexible Global Production

We have 22 assembly plants (Mother and Child plants together) worldwide. We assemble the equipment at the best possible plants, chosen especially by considering local market demand, foreign exchange rates and equalization of production load, and cross-sourced finished products around the world. Except for key components, parts with superior quality and low costs are supplied to assembly plants around the world from China and Southeast Asia.

Construction and Mining Equipment: Production Bases and Main Models

Cross sourcing
- Production of the same models at more than one plant
- Production at the best possible plant in tune with demand and foreign exchange rate changes

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of assembly plants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>6</td>
</tr>
<tr>
<td>Americas</td>
<td>4</td>
</tr>
<tr>
<td>Europe &amp; CIS</td>
<td>6</td>
</tr>
<tr>
<td>Asia</td>
<td>3</td>
</tr>
<tr>
<td>China</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Main Assembler</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Komatsu Shizuoka</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Komatsu Shantou</td>
</tr>
<tr>
<td>China</td>
<td>Komatsu Chongzhou</td>
</tr>
<tr>
<td>The United Kingdom</td>
<td>Komatsu Hanamiga</td>
</tr>
<tr>
<td>Brazil</td>
<td>Komatsu Mining Germany</td>
</tr>
<tr>
<td>The United States</td>
<td>Komatsu Hanamiga</td>
</tr>
<tr>
<td>Germany</td>
<td>Komatsu Shizuoka</td>
</tr>
</tbody>
</table>

Number of Production Bases by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Production Bases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>4 (7)</td>
</tr>
<tr>
<td>Europe</td>
<td>6 (5)</td>
</tr>
<tr>
<td>Asia</td>
<td>3 (4)</td>
</tr>
<tr>
<td>China</td>
<td>3 (3)</td>
</tr>
<tr>
<td>Japan</td>
<td>6 (8)</td>
</tr>
<tr>
<td>Total</td>
<td>22 (27)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Type of Assembly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Hydraulic excavators</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Hydraulic excavators</td>
</tr>
<tr>
<td>China</td>
<td>Hydraulic excavators</td>
</tr>
<tr>
<td>The United Kingdom</td>
<td>Hydraulic excavators</td>
</tr>
<tr>
<td>Brazil</td>
<td>Hydraulic excavators</td>
</tr>
<tr>
<td>Germany</td>
<td>Wheel-type hydraulic excavators</td>
</tr>
<tr>
<td>Japan</td>
<td>Wheel loaders</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Wheel loaders</td>
</tr>
<tr>
<td>China</td>
<td>Wheel loaders</td>
</tr>
<tr>
<td>The United Kingdom</td>
<td>Wheel loaders</td>
</tr>
<tr>
<td>Brazil</td>
<td>Wheel loaders</td>
</tr>
<tr>
<td>Germany</td>
<td>Wheel loaders</td>
</tr>
<tr>
<td>Japan</td>
<td>Dump trucks</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Dump trucks</td>
</tr>
<tr>
<td>China</td>
<td>Dump trucks</td>
</tr>
<tr>
<td>The United Kingdom</td>
<td>Dump trucks</td>
</tr>
<tr>
<td>Brazil</td>
<td>Dump trucks</td>
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<tr>
<td>Germany</td>
<td>Dump trucks</td>
</tr>
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</table>

<table>
<thead>
<tr>
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<th>Main Assembler</th>
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<td>Japan</td>
<td>Komatsu Shizuoka</td>
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<td>Komatsu Hanamiga</td>
</tr>
<tr>
<td>Brazil</td>
<td>Komatsu Mining Germany</td>
</tr>
<tr>
<td>Germany</td>
<td>Komatsu Hanamiga</td>
</tr>
</tbody>
</table>

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**Strengths in Sales and Service**

**Global Sales and Service Networks**

Our network of 201 distributors in 151 countries covers 99% of the countries and regions with demand around the world. For mining equipment, Komatsu and its subsidiaries team up to engage in customer-tailored sales and service activities.

Global Sales and Service Networks (Distributors)

<table>
<thead>
<tr>
<th>Global Sales and Service Networks (Distributors)</th>
<th>Number of distributors by region</th>
<th>Total: 201 (incl. 13 subsidiaries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>33 companies (incl. 2 subsidiaries)</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>43 companies (incl. 2 subsidiaries)</td>
<td></td>
</tr>
<tr>
<td>CIS</td>
<td>8 companies</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>33 companies (incl. 1 subsidiary)</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>17 companies (incl. 1 subsidiary)</td>
<td></td>
</tr>
<tr>
<td>Middle East</td>
<td>10 companies</td>
<td></td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>17 companies (incl. 1 subsidiary)</td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>15 companies (incl. 4 subsidiaries)</td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>25 companies (incl. 2 subsidiaries)</td>
<td></td>
</tr>
</tbody>
</table>
ICT Applications: KOMTRAX

Komatsu has been setting the pace for implementing ICT applications in the construction and mining equipment industry. The number of KOMTRAX (Komatsu Machine Tracking System)-installed construction equipment has exceeded 340,000 worldwide, and we are utilizing a massive amount of information gained from the KOMTRAX in marketing and service operations. Concerning the use of all ICT-based information, we share it with our customers and distributors. Together we make customers’ jobsite operations “visible” and improve their operations, thereby building up a solid relationship with customers.

Human Resource Development around the World

We are converging efforts to develop human resources centering on 20 training centers and 27 service support centers worldwide. We are also promoting the localization of management by training top management of overseas subsidiaries. Today, seven overseas subsidiaries are managed by those of respective citizenships who have worked for Komatsu over the years.

Product Support Bases

Komatsu has established a global support operation capable of promptly providing parts, repairs, maintenance and the like in order not to stop machines at customers’ jobsites.

- Parts centers (to distribute spare parts): 49 centers
- Service support centers (to train and support distributors): 27 centers
- Training centers (to train mechanics for skills): 20 centers
- Reman / rebuild* centers (to repair and remanufacture engines and other key components): 12 centers

*Reman / rebuild
Business to remanufacture or rebuild used components, such as engines and transmissions, to quality on par with new ones by exchanging or repairing worn-out parts.

(As of March 31, 2014)

Zero Inventory Project for Distributors

Under this project, we own distributors’ finished products for them so that they can focus on sales and service. In this way we should become able to find out retail demand in a timely way around the world.
Mid-range Management Plan

The Komatsu Group has been conducting business in tune with the “Together We Innovate GEMBA Worldwide” three-year management plan, which started in April 2013 and will continue through March 2016.

Market Environment

Demand for construction and mining equipment is growing, supported by the business cycle, in some regions of the world. However, we need to anticipate that it will remain at a standstill into the near future, due to a delay in demand recovery in emerging countries and a drop in demand for mining equipment against the backdrop of sluggish prices of commodities. In light of dynamic changes in the market, the number of uncertain factors is growing in the short- and medium-term projections.

In the long term, however, we are in a growth industry, as we project an increase in demand for construction and mining equipment, supported by growing population and urbanization on a global scale.

Demand for Construction and Mining Equipment: 7 Major Products

* 7 major products (excl. mini equipment):
  1) Crawler-type hydraulic excavators, 2) wheel-type hydraulic excavators, 3) bulldozers, 4) wheel loaders, 5) dump trucks, 6) articulated dump trucks, and 7) motor graders.
Outline of the Plan

The Komatsu Group will continue to focus efforts on the core businesses of construction and mining equipment as well as industrial machinery, promote two growth strategies by capitalizing on the Group’s strengths and structural reforms designed to reinforce its business foundation, and improve the level of profit redistribution to shareholders.

Effective engagement in focused activities necessarily calls for teamwork of employees with Gemba (workplace) capability, i.e., the vitality of all our employees and organizations plus our ability to continuously improve the workplace. Based on The KOMATSU Way, all of us in the Komatsu Group will advance improvement efforts at our respective workplaces around the world.

We are also going to put more efforts on brand management activities, through which we strive to have a thorough understanding of our customers' workplaces and become indispensable to them. By making all these efforts, we are aiming at developing human resources needed for global business expansion.

<table>
<thead>
<tr>
<th>Source of Growth</th>
<th>Target figures for FY2015</th>
<th>FY2013 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income ratio</td>
<td>18 - 20%</td>
<td>12.3%</td>
</tr>
<tr>
<td>ROE*1</td>
<td>18 - 20%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Net debt-to-equity ratio*2</td>
<td>0.3 or below</td>
<td>0.37</td>
</tr>
<tr>
<td>Consolidated payout ratio</td>
<td>30 - 50% stably</td>
<td>35%</td>
</tr>
</tbody>
</table>

*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

<Premises>

<table>
<thead>
<tr>
<th>Source of Growth</th>
<th>Target figure for FY2015</th>
<th>FY2013 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guideline on sales</td>
<td>JPY2,300 bn +/- JPY200 bn</td>
<td>JPY1,953.6 bn</td>
</tr>
<tr>
<td>Guidelines for exchange rates</td>
<td>Per USD JPY90-95</td>
<td>JPY99.6</td>
</tr>
<tr>
<td></td>
<td>Per EUR JPY120-125</td>
<td>JPY132.8</td>
</tr>
<tr>
<td></td>
<td>Per RMB JPY15.0-15.3</td>
<td>JPY16.3</td>
</tr>
</tbody>
</table>
Sources of Growth

Focused Activities

(1) Growth Strategies Based on Innovation

We will continue to advance our strengths we have built on, such as ICT (Information and Communication Technology), development and production of key components, global sales and service networks, as well as flexible procurement and production, step up our efforts in technology development, and create DANTOTSU (unrivaled) products, DANTOTSU services, and DANTOTSU solutions. Together with our customers and through these DANTOTSU strides, we will speedily innovate their jobsite operations and generate innovation designed to create new value.

- Activities

D39PX iMC dozer
We are developing solutions by using information transmitted from the machines in use and are making customers’ jobsite operations “visible” through a construction management system and the like.

Establishment of joint-ownership company for next-generation underground mining equipment
Jointly with General Electric Company of the United States, we established Komatsu GE Mining Systems in April 2014 to develop next-generation underground mining equipment.

Related page: Machine Control Construction equipment
Sources of Growth

(2) Growth Strategies of Existing Businesses

In our existing businesses, we are taking the fullest advantage of ICT to “visualize” customers’ jobsite operations and are implementing quicker delivery of spare parts and service. This is done while expanding businesses throughout the value chain, including the rental-to-used equipment and retail finance businesses, thereby further improving customer satisfaction. In the spare parts business, we will not only continue to reform ordering/receiving operations and logistics, but also work to accelerate sales in Strategic Markets as well as sales of strategic parts, such as buckets, teeth and track shoes, in order to expand profits.

In response to new emission control regulations (e.g., Tier 4 Final in the United States) which have been effective in the United States, Europe and Japan since 2014, we are well prepared to combine our strengths of in-house development and production of key components, such as engines, hydraulic equipment and control systems, and cutting-edge technologies, thereby ensuring the smooth development and market introduction of new products.

- Activities

PC200/220-8M0 medium-sized hydraulic excavator for use in emerging countries
Having analyzed how hydraulic excavators are being used in China, we have incorporated optimal specs into these models to reduce lifecycle costs.

New FE25-1 battery-powered forklift truck
Launched in Japan in May 2014, this new model features prolonged hours of daily use, thanks to rapid charging, as well as enhanced water and dust resistance. As a result, it can operate on jobsites where conventional electric forklift trucks haven't been able to do so.
(3) Structural Reforms to Reinforce Our Business Foundation

While we have almost doubled consolidated sales for the last 10 years, we have kept fixed costs about flat. Based on our policy of separating costs from growth, we will continue to sustain an appropriate level of fixed costs into the future. Towards the target of cutting down the purchase of electricity to half at all our plants in Japan, we are promoting manufacturing reforms and consolidating or renewing factory buildings, thereby working to achieve a substantial reduction of production-related fixed costs.

Fixed Costs

Centering on the Global HANSEI Operation Center, we are also working to improve the levels of planning of sales, production and inventories worldwide. At the same time, we are applying the Zero Inventory program to more distributors in order to achieve an appropriate level of inventories of products and parts on a global scale.

To facilitate direct linkages between our plants and our customers’ jobsites, we are going to reassess our human resources and organizations to secure human and other resources needed for investment for our future growth.

• Activities

Construction of the new assembly factory completed at the Awazu Plant in May 2014.
Related page: The new assembly factory at the Awazu Plant

Training distributors’ service mechanics at the Techno Training Center (Komatsu City, Ishikawa Prefecture)
In April 2014, we established the Department for Promotion of Distributor Human Resources Development to accelerate the training of sales and service distributors around the world.
Related page: TQM training at Chinese subsidiary
Mid-range Focused Activities

Growth Strategies: Innovation
ICT-intensive Construction

Growth Strategies: Existing Businesses
Lifecycle Costs

Structural Reforms (1)
A New Assembly Factory Begins Operation at the Awazu Plant

Structural Reforms (2)
Chinese Subsidiary Wins the Deming Prize
Mid-range Focused Activities

Growth Strategies Based on Innovation

ICT-intensive Construction

- Machine Control Construction Equipment: Improving rough cutting and finish grading
- Making the Jobsite Operation "Visible"
- Working to Develop a New Business Model

With this iMC dozer,
our work style is changing.
Possibilities are unlimited.

Machine Control Construction Equipment: Improving rough cutting and finish grading

In June 2013, we launched D61PXi/EXi-23 intelligent Machine Control dozers featuring the world's first automatic blade control in North America. We have broadened the model range to four today. We are also planning to introduce Machine Control hydraulic excavators to Japan, Europe and North America this fall.

We have already sold over 200 iMC dozers worldwide (as of March 31, 2014), increasing the number of completed jobsites. In Japan, iMC dozers, rented through Komatsu Group rental companies, have completed about 40 jobsites.

Capable of automatically controlling the blade from rough cutting to finish grading, our iMC dozers have a proven record of an outstanding reduction of ground-leveling time. They also enable customers to skip staking. Customers' comments include, "Even when this dozer was rolled, the blade was accurately controlled, which is very difficult even for veteran operators." "As this dozer required no support worker around it, we were free from worrying about safety."

Customers' quotes in the U.S.

With this iMC dozer,
our work style is changing.
Possibilities are unlimited.
Mid-range Focused Activities

Making the Jobsite Operation “Visible”

Based on position information from the survey system installed on the iMC dozer as well as machine operating information from KOMTRAX (Komatsu Machine Tracking System), we can find out and analyze daily progress on the jobsites. This is the process “visualization.” We can anticipate the future workflow of transmitting daily work instructions to construction equipment from the office, after receiving information concerning the progress of work from the machines, and planning the next day’s work flow, including machine allocation, in the PC in the office.

We are on the start line of developing a business model of Machine Control construction equipment. As we approach the development of a business model by transcending the conventional framework of a manufacturer of construction equipment, we can see a number of possibilities of novel civil engineering and construction jobsites with Machine Control equipment. To develop such a new business model, it is indispensable for us to look into an open innovation in which we incorporate the latest know-how and technologies through an academic-industrial or private-sector industrial collaboration and integrate them with our technologies. To accelerate our efforts in this direction, we created the Office of Chief Technology Officer in April 2014.

Working to Develop a New Business Model

We paid special attention to the importance of ICT to our business many years ago, and have since promoted ICT applications, such as the standardization of KOMTRAX for our construction equipment and the use of KOMTRAX Plus for our mining equipment. By sharing information gained from these systems with distributors and customers, we are making progress in improving lifecycle costs of equipment. As a leading solution with ICT, we have successfully commercialized our Autonomous Haulage System for the first time in the world. To enhance customers’ productivity and safety through ICT, we are expanding our business domain into customers’ jobsites from the conventional domain of equipment per se.

We are aggressively advancing ICT applications to construction and mining equipment and making data “visible”. Together with customers, we are working to develop DANTOTSU (unrivaled) solutions with new value for them.
Analyzing Running Costs of Construction and Mining Equipment

Construction and mining equipment must meet the two most important needs of customers: 1) no downtime, especially that caused by mechanical failure, and 2) larger profits from more work at smaller costs.

After purchasing new equipment, customers have to meet lots of expenses while operating their machines until reselling as used equipment or scrapping them. Such expenses include for spare parts, maintenance service, fuel and operators in addition to the equipment itself. These expenses are called lifecycle costs.

Lifecycle Costs
**Mid-range Focused Activities**

**Lifecycle Costs in Emerging Countries (Conceptual)**

![Lifecycle Costs Diagram]

Typically, lifecycle costs after purchasing equipment double or more that of the price of equipment. Furthermore, lease fees and interest of installment buying are also included in some cases.

As lifecycle costs differ depending on the country, region, machine type, way of machine use, etc., it was extremely difficult for us to accurately determine them. While working to understand customers’ jobsite operations, we are utilizing a massive amount of data transmitted from over 340,000 units equipped with KOMTRAX (Komatsu Machine Tracking System) from around the world. We are now better positioned to analyze their lifecycle costs.

**Thailand: B-Connect Warranty Program**

We are also developing methods to curtail lifecycle costs. Bangkok Komatsu Sales Co., Ltd. (BKS), our sales affiliate in Thailand, commercialized the B-Connect Warranty program, designed to minimize the lifecycle costs of Komatsu equipment, in 2010. By providing periodic service focused on preventive maintenance, we can keep the best possible machine performance, improve utilization rates, and increase their trade-in values. BKS’ product support service representatives can learn about customers’ jobsite operations and propose ideas to improve their operations.

Based on a survey conducted by BKS in the first half of FY2013, we have found that, among customers of 20-ton hydraulic excavators, compared to those who had not used the B-Connect Warranty program, 21% more program users continued to buy new Komatsu equipment.

Common praise for the program by customers included:

“I feel more confident about machine performance, because I can rely on a long-term coverage, that is, three years or 7,000 hours, whichever comes first, and 14 maintenance services which consist of replacement of oil filters and inspection of the equipment, especially when we are short of workers.”

“I am highly satisfied with this program, because BKS inspects our equipment every 500 hours by using KOMTRAX and submits the reports of inspection.”

“I think the extended warranty period for seven kinds of key components demonstrates Komatsu’s confidence in Quality and Reliability. BKS’s product support capability and the B-Connect Warranty program. I feel completely safe about our machines and I appreciate this warranty program very much.”
South Africa: Providing High Value-added Aftermarket Part

Komatsu Africa Holdings (Pty) Ltd. (formerly, Komatsu Southern Africa (Pty) Ltd.: KSAf) has been working to reduce lifecycle costs of Komatsu machines at mineral sands operations. At Namakwa Sands, in the north-western part of South Africa, KSAf's customer, Tronox, mines hard mineral sands which consist of jircon for manufacturing refractory materials as well as rutile, a raw material of titanium. Due to the hard ground of the mine, the wear-out rate of their bulldozer's undercarriage was drastic, expanding its lifecycle costs. KSAf recommended the use of dual bushings, which feature better resistance to wear and easy replacement, and successfully improved the lifecycle costs.

KSAf has also been improving productivity at Namakwa Sands by using KOMTRAX data. For HM400 articulated dump trucks, they have offered training programs to improve operators’ driving skills, based on KOMTRAX data, and have received excellent remarks from their customer.

Interview

Komatsu’s service and support offer high value. We welcome Komatsu as a good partner.

Mr. Hannes Du Randt, Mining Manager, Namakwa Sands
Productivity: Doubling productivity by area by taking full advantage of improvement efforts over the years.

There were previously two factories at the Awazu Plant, but they were built over 40 years ago and equipped with many, outdated facilities. Their structure also posed some problems in productivity. As the productivity of assembling is fundamentally determined by parts logistics (preparation of parts), the pillar and floor structure can also become obstacle. The new assembly factory (shop floor area: 28,000m²) features a great degree of freedom (flexibility) capable of accommodating production lines 50 years ahead. The wide open space of the shop offers an outstanding degree of freedom when rearranging the floor layout in the future. It is secured by its innovative pit structure of the entire shop floor and application of an aircraft hangar structure which has provided a great distance between pillars. Power sources, pipes and auxiliary facilities along the assembly lines are all stored in the pit, which also promotes easy maintenance work and safety of the workers.

For the new assembly line for wheel-type construction equipment which began operation in May this year, our assembly experts thoroughly incorporated their improvement measures in the design stage, reducing the line length from 150m to 120m and doubling productivity per floor area. For the new line for crawler-type models, scheduled to start operations in July this year, the length has also been shortened, from 180m to 130m, enhancing per-space productivity.
Mid-range Focused Activities

We adopted the roof design similar to an aircraft hangar, achieving the maximum distance of 32m between pillars, about 4 times longer than the previous assembly factory. In this way, we have successfully eliminated the obstacle of the pillars in designing assembly lines.

Interview

“For our young manufacturing engineers who will lead Komatsu into the future, this new factory has offered a great opportunity to transform their ideas for improvement into actual things.”

Interview: Tatsuya Nakaizumi, Project Manager, Awazu Plant

An innovative pit for the entire shop floor of a plant which handles heavy equipment. Flat floor surface along the lines enables relatively easy rearrangement of the lines by removing floorboards and moving the facilities in the pit.
Mid-range Focused Activities

Energy Savings: Taking on the challenge of reducing over 90%

The new assembly factory uses leading-edge energy-saving facilities and equipment, such as variable LED lights and high-density and high-insulation materials, which should reduce our annual purchase of electric volume by over 90% from the combined volume of the previous two factories. By using the entire pit as an air-conditioning duct, we are achieving stratified air conditioning limited to workers, another energy-saving measure.

Overall Energy-savings and -generation at the Awazu Plant

In addition to the new assembly factory, we are working on energy-savings and -generation at the Awazu Plant by taking full advantage of local nature and our strengths.

Air Conditioning System with Groundwater

We have originally developed an air conditioning system which uses the rich groundwater of the Hakusan mountain range and steadily introduced it to buildings at the Awazu Plant since February 2012, including the new assembly factory. We expect that we should be able to cut down power consumption used for air conditioning of all buildings of the entire plant to half by using this system. In collaboration with Kanazawa University, we have also analyzed and ensured the amenity, energy savings and hygienic safety.

Biomass Power Generation

As part of our assistance to the local forestry industry, we are going to start full-scale biomass power generation by the end of 2014 by using wood from trees thinned from the forest, which are usually discarded. This should result in a significant reduction in purchasing electricity. To ensure a stable supply of this thinned wood, we have entered a contract with the Kaga Forestry Association.
Power Generation by Using KELK-made Thermoelectric Modules

To exhaustively use waste heat from heat treatment and other processes, we have been testing thermoelectric modules made by KELK Ltd., our subsidiary, for power generation for the last few years. We are planning to use KELK’s new thermoelectric units at seven furnaces, partly as their durability test before the end of the current fiscal year. To store and reuse power generated at night by the thermoelectric units and biomass power generation system, we are also developing a large-scale power storage system with sealed batteries for Komatsu forklift trucks.
Structural Reforms Designed to Reinforce Our Business Foundation

Chinese Subsidiary Wins the Deming Prize
- Komatsu Shantui Construction Machinery Co., Ltd. -

Introducing TQM

We established Komatsu Shantui Construction Machinery Co., Ltd. (KSC) jointly with Shandong Shantui Construction Co., Ltd. in Shandong Province, China in July 1995. KSC has grown into China’s leading construction equipment manufacturer, supplying medium-sized hydraulic excavators today.

In June 2010, KSC embarked on an all-involved Total Quality Management (TQM)* project, including the president, in order to strengthen its workplace capability, a core of The KOMATSU Way, which calls for continuous, self-determined improvement efforts. To obtain an objective assessment of the results, they took on the challenge of the Deming Prize, an internationally reputed TQM standard, and won the Prize in November 2013.

*TQM: Systematic activity designed to help achieve organizational goals by managing the entire organization efficiently and effectively to accomplish the objectives of Quality, Cost and Delivery of products and services.
Introducing TQM

Many KSC employees had not even heard the term TQM itself before the project began. Therefore, the TQM Division started the project by fostering mutual awareness of problems as a practical method of introducing TQM. Basic Quality Control (QC) education also addressed the importance of becoming aware of problems. All employees with one full year of employment at KSC enrolled in this program.

At the same time, they trained QC instructors who were chosen from all departments. To improve manufacturing skills, they established the Technical Training Center in Jining, where they made focused efforts to train instructors in the areas of assembling, welding, painting and inspection with help from their Mother plant in Osaka. Now that their in-house training is over, these instructors are also training instructors of a Komatsu Group company and their suppliers in Jining.
Mid-range Focused Activities

Achievements

KSC was able to generate more-than-anticipated results in the areas of quality, costs and delivery as a result of developing the TQM-based operation. For example, in the process of solving problems, employees needed to collaborate with other employees engaging in processes before and after their own and solve problems. TQM Division spent a lot of time and effort to anchor an orientation toward customers among all employees, an ultimate end-process.

On the shop floor, all employees thoroughly understood the Three-Gen Principle, i.e., Gemba (actual workplace), Genbutsu (real things) and Genjitsu (real situation). Today, when problems develop, they scientifically collect data from a multitude of angles to identify the cause(s) in line with the objective(s), and analyze data by applying a variety of tools.

Most importantly, workplace capability, i.e., employees taking the initiative to engage in continuous improvement of respective workplaces, is being rooted at this plant in China.

Liu Fangchang, who worked on the TQM project at KSC and became president in April 2013, remembers very clearly the following words of a Japanese expat who was in charge of the project: “Finding no problem is a big problem itself.” He adds, “His words have been very helpful for me to keep an awareness of potential problems all the time. Unless we face reality with an awareness of problems, we won’t be able to identify problems. I also feel that a climate of thinking first about the benefits for customers is being anchored at KSC.”

Today, KSC is making further efforts to train manufacturing engineering and purchase staffs as well as suppliers by focusing on cost improvement, while receiving instructions from the Osaka Plant, their Mother plant.

Interview

Quality and Reliability in The KOMATSU Way and customer orientation of TQM say the same thing in different words.

Liu Fangchang, President, KSC

Interview

We began the project, when I had no idea about TQM myself.

Zhu Lei, Manager, TQM (Total Quality Management) Division, KSC
Review of FY2013 Operations

5-Year Summary
Construction, Mining & Utility Equipment
Industrial Machinery & Others

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Zhu Lei, Manager, TQM (Total Quality Management) Division, KSC

Structural Reforms Designed to Reinforce Our Business Foundation

Chinese Subsidiary Wins the Deming Prize

- Komatsu Shantui Construction Machinery Co., Ltd.

Introducing TQM Achievements

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Today, KSC is making further efforts to train manufacturing engineering and purchase staffs as well as suppliers by focusing on cost improvement, while receiving instructions from the Osaka Plant, their Mother plant.
## 5-Year Summary

Komatsu Ltd. and Consolidated Subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2012</th>
<th>FY2011</th>
<th>FY2010</th>
<th>FY2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the fiscal period</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>¥1,953,657</td>
<td>¥1,884,991</td>
<td>¥1,981,763</td>
<td>¥1,843,127</td>
<td>¥1,431,564</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>1,393,048</td>
<td>1,377,459</td>
<td>1,440,765</td>
<td>1,343,464</td>
<td>1,101,559</td>
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<tr>
<td>Operating income</td>
<td>240,495</td>
<td>211,602</td>
<td>256,343</td>
<td>222,929</td>
<td>67,035</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>12.3%</td>
<td>11.2%</td>
<td>12.9%</td>
<td>12.1%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Income before income taxes and equity in earnings of affiliated companies</td>
<td>242,056</td>
<td>204,603</td>
<td>249,609</td>
<td>219,809</td>
<td>64,979</td>
</tr>
<tr>
<td>Net income attributable to Komatsu Ltd.</td>
<td>159,518</td>
<td>126,321</td>
<td>167,041</td>
<td>150,752</td>
<td>33,559</td>
</tr>
<tr>
<td>Capital investment</td>
<td>179,070</td>
<td>136,962</td>
<td>122,038</td>
<td>97,738</td>
<td>96,191</td>
</tr>
<tr>
<td><strong>At fiscal period-end</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥2,651,556</td>
<td>¥2,517,857</td>
<td>¥2,320,529</td>
<td>¥2,149,137</td>
<td>¥1,959,055</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>701,201</td>
<td>664,480</td>
<td>536,682</td>
<td>444,384</td>
<td>398,375</td>
</tr>
<tr>
<td>Long-term debt – less current maturities</td>
<td>667,347</td>
<td>585,220</td>
<td>529,656</td>
<td>508,387</td>
<td>525,100</td>
</tr>
<tr>
<td>Komatsu Ltd. shareholders’ equity</td>
<td>311,067</td>
<td>343,814</td>
<td>312,519</td>
<td>291,152</td>
<td>356,985</td>
</tr>
<tr>
<td>Komatsu Ltd. shareholders’ equity per share</td>
<td>1,376,391</td>
<td>1,193,194</td>
<td>1,009,696</td>
<td>923,843</td>
<td>833,975</td>
</tr>
<tr>
<td>As percentage of total assets</td>
<td>51.9%</td>
<td>47.4%</td>
<td>43.5%</td>
<td>43.0%</td>
<td>42.6%</td>
</tr>
<tr>
<td><strong>Per share data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to Komatsu Ltd. per share: Basic</td>
<td>¥ 167.36</td>
<td>¥ 132.64</td>
<td>¥ 173.47</td>
<td>¥ 155.77</td>
<td>¥ 34.67</td>
</tr>
<tr>
<td>Diluted</td>
<td>167.18</td>
<td>132.51</td>
<td>173.32</td>
<td>155.66</td>
<td>34.65</td>
</tr>
<tr>
<td>Cash dividends per share*</td>
<td>53.00</td>
<td>45.00</td>
<td>41.00</td>
<td>26.00</td>
<td>26.00</td>
</tr>
<tr>
<td>Komatsu Ltd. shareholders’ equity per share</td>
<td>1,443.97</td>
<td>1,252.33</td>
<td>1,060.31</td>
<td>954.48</td>
<td>861.51</td>
</tr>
</tbody>
</table>

*Cash dividends per share provided above are based on dividends paid each fiscal year.
Construction, Mining and Utility Equipment

While demand for mining equipment remained slack in coal and iron ore mines, demand for construction equipment was brisk in Japan, especially against the backdrop of thriving construction investment, and increased steadily in China where it upturned for recovery during the fiscal year under review. In addition, as the Japanese yen depreciated against the U.S. dollar, euro and renminbi, sales of construction, mining and utility equipment increased by 4.3% from the previous fiscal year, to JPY1,752.2 billion. Segment profit improved by 15.9% to JPY242.1 billion.

Sales by Region for the Fiscal Year ended March 31, 2014
(To Outside Customers)

Traditional Markets
- Japan: 20% JPY 342.1 billion (+16.9% from FY2012)
- North America: 16% JPY 276.1 billion (-0.1% from FY2012)
- Europe: 7% JPY 121.9 billion (+21.5% from FY2012)

Strategic Markets
- Latin America: 15% JPY 266.7 billion (+2.6% from FY2012)
- CIS: 4% JPY 68.5 billion (-23.4% from FY2012)
- China: 9% JPY 162.0 billion (+35.1% from FY2012)
- Asia: 11% JPY 193.9 billion (-11.1% from FY2012)
- Oceania: 9% JPY 154.7 billion (-19.9% from FY2012)
- Middle East: 3% JPY 55.3 billion (+66.6% from FY2012)
- Africa: 5% JPY 108.2 billion (+10.4% from FY2012)
Demand for construction equipment advanced, reflecting an increase in sales as more customers anticipated more stringent emission regulations for the near future. In addition, there were full-scale start-ups of reconstruction projects in the regions destroyed by the Great East Japan Earthquake and tsunami. In particular, demand in rental companies was strong. As a result, sales advanced from the previous fiscal year.

North America
While renewal demand since FY2012 in the rental industry ran its course and demand declined for equipment, especially for use in coal mines, demand grew in the housing sector and infrastructure development, such as highway construction. Sales remained about flat from the previous fiscal year.

Europe
While demand remained slack in Germany and France, among the major European markets, against the backdrop of the Eurozone crisis, sales increased from the previous fiscal year, reflecting the Japanese yen’s depreciation.

Latin America
While demand for equipment declined for use in copper mines in Chile and Peru, sales increased from the previous fiscal year, reflecting the Japanese yen’s depreciation.

CIS
Sales declined from the previous fiscal year, adversely impacted by the downturn of demand for equipment for use in gold mines and the energy sector.

China
Demand, which had been sluggish since FY2011, upturned for recovery in April 2013 and increased for the fiscal year, albeit with some slowdown after the Chinese New Year in January 2014. Komatsu worked to expand sales of the 20-ton class PC200-8M0 hydraulic excavator with improved performance of fuel economy. As a result, sales improved from the previous fiscal year.

Asia
In Indonesia, the largest market of Southeast Asia, demand for mining and construction equipment dropped, mainly affected by the sluggish international price of thermal coal and the accelerating depreciation of the Indonesian rupiah since August 2013. As a result, sales declined from the previous fiscal year.

Oceania
As demand for mining equipment in iron ore mines and that for construction equipment remained slack, sales declined from the previous fiscal year.

Middle East
As demand for construction equipment grew steadily in some of the Gulf nations, sales advanced from the previous fiscal year.

Africa
Komatsu promoted proactive sales and service activities by effectively utilizing information obtained from the KOMTRAX Plus, Komatsu’s mining equipment management system, and made good sales in mines in Namibia, in addition to South Africa. As a result, sales advanced from the previous fiscal year.
Industrial Machinery and Others

Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>JPY Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>251.1</td>
</tr>
<tr>
<td>2012</td>
<td>218.2</td>
</tr>
<tr>
<td>2013</td>
<td>209.1</td>
</tr>
</tbody>
</table>

Segment Profit and Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Segment Profit Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>16.7%</td>
</tr>
<tr>
<td>2012</td>
<td>6.2%</td>
</tr>
<tr>
<td>2013</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

While sales of sheet-metal and press machines remained firm, mainly within the automobile manufacturing industry, sales of wire saws further declined in particular. As a result, sales of the industrial machinery and others business declined by 3.3% from the previous fiscal year, to JPY209.1 billion. Segment profit decreased by 67.2% to JPY2.0 billion. During the year under review, Komatsu realized a loss of JPY 10.8 billion for wire saw inventories.

In the business of machine tools, as well as sheet metal and press machines, Komatsu worked to expand sales of strategic products, such as the NTG-4SP grinder, the H1F-2 small AC Servo press and the new KFL Series fiber laser cutting machine, all designed to enhance customers’ productivity, safety and environmental performance.

KFL 2051 fiber laser cutting machine
For Sustainable Growth

Risk Management
Corporate Governance
Environmental Conservation Efforts
CSR Efforts
Risk Management

Komatsu recognizes compliance, the environment, product quality, accidents and information security, as risk factors for sustainable growth and is therefore implementing the following countermeasures.

Basic Principles and System for Risk Management
Komatsu has established the Risk Management Rules to correctly recognize and manage risks, for which the company has appointed personnel in charge of individual risks, further promoting the build-up of a solid foundation for risk management. Komatsu has also established the Risk Management Committee to devise risk management policies of the Komatsu Group, evaluate and follow up 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. When serious risks surface, Komatsu will establish an emergency headquarters and work to minimize damage(s) and implement appropriate measures.

Promoting a Business Continuity Plan
Komatsu has formulated a business continuity plan (BCP) to carry out major operations without suspension, or restore them after a short suspension, should a disaster or accident occur. At the Head Office, we conduct regular drills to ensure that employees are capable of taking appropriate action in the event of a real emergency, assuming the occurrence of an earthquake striking beneath the greater Tokyo metropolitan area. At all our plants, we have been enhancing the seismic strength of their buildings and facilities in addition to developing measures against torrential rainfall in accordance with the plans each plant has formulated. With respect to health risks of employees, we also strive to deepen employees’ understanding by providing an action manual on how to prevent and respond to an outbreak of infectious disease, and related education.

Promoting Group-wide Risk Management
To reinforce the risk management structure across the Group, Komatsu is working to enhance the level of management at each Group company by establishing reporting lines and printing manuals related to risk and through explanatory meetings and study sessions on risk management and BCPs. We are also strengthening our Group-wide system for communications in times of emergency by introducing tools such as an emergency contact and employee safety confirmation system and a wide range two-way radio and by conducting regular drills on using the system and securing communication.

Strengthening Information Security
With the Information Security Committee at its core, Komatsu is developing a structure for information security for the entire Group. As part of this effort, we have distributed Information Security Guidebook to all employees in order to raise their awareness of information security, and have offered training programs based on this booklet. Additional measures include the establishment of a protective framework for our system to prevent information from being falsified, destroyed, leaked or lost due to negligence or unauthorized access from outside the company. Moreover, we undertake information security audits to confirm that measures are being effectively implemented, and to discover defects and make the required improvements.
Business and Other Risks as well as Countermeasures

Komatsu has identified the following risks as its primary risks based on information currently available to it.

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, which differ from region to region. 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. As a result, Komatsu's results of operations may be adversely affected.

[Countermeasure] Quick grasp on retail market conditions by promoting zero inventories at its distributors.

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.

[Countermeasures]
1. Flexible global cross-sourcing
2. Hedging activities to minimize the effects of short-term foreign exchange rate fluctuations

3. Fluctuations in Financial Markets

While Komatsu is currently improving the efficiency of its assets to reduce its interest-bearing debt and minimizing the adverse effect of interest rate fluctuations by mixing long-term, fixed-interest funds, an increase in interest rates may increase Komatsu's interest expenses and thereby adversely affect Komatsu's results of operations. In addition, 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 governmental regulations and approval procedures in the countries in which it operates. If the government of a given country were to introduce new laws and regulations or revise existing laws and regulations relating to customs duties, import and export controls, currency restrictions and other legal requirements, 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

Komatsu's products and business operations are required to meet increasingly stringent environmental laws and regulations in many countries in which Komatsu operates. To comply with the environmental laws and other related regulations of concerned governments, Komatsu expends a significant share of its management resources, such as research and development expenses. If Komatsu is required to incur additional expenses and make additional capital investments due to revised environmental regulations adopted in the future, 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

While Komatsu endeavors to sustain and improve the Quality and Reliability of its operations and products based on stringent standards established internally, Komatsu may face product and quality liability claims or become exposed to other liabilities, if unexpected defects in its products result in recalls or accidents. If the costs for addressing such claims or other liabilities are not covered by Komatsu's existing insurance policies or other protective means, such claims may adversely affect its profits.
7. Alliances and Collaborative Relationships

Komatsu has entered into various alliances and collaborative relationships with distributors, suppliers, and other companies to reinforce its international competitiveness. Through such arrangements, Komatsu is working to improve its product development, production, sales and service capabilities. 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 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 other costs and make price adjustments of its products. Komatsu also strives to minimize the effects of possible procurement or manufacturing issues by promoting closer collaboration among its related 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.

[Countermeasure] Reinforcement of collaboration with suppliers


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 unauthorized access by means of cyber-attacks, tampering, destruction, leakage and losses, Komatsu employs appropriate safety measures, including implementing technological safety measures and strengthening its information management capabilities. However, when its network and information systems crash and/or have problems, such as a leak of confidential information concerning customers and individuals, occur, 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 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.

[Countermeasure] Reinforcement of information security

10. Natural Calamities, Wars, Terrorism, Accidents 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 or computer virus infections were to occur in the regions in which Komatsu operates, Komatsu may incur extensive damage to one or more of its facilities that they 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. Accordingly, if delays or disruption in the procurement of materials and parts, or the production and sales of Komatsu's products and services, or deterioration of the funding environment resulting from confusion on capital markets were to take place as a result of such events, Komatsu's business results may be adversely affected.

[Countermeasure] Risk management
Corporate Governance

Basic Stance

We, at Komatsu Ltd., believe our corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis. To further improve the transparency of management for our shareholders and investors, we disclose information in a fair and timely manner and actively engage in investor relations’ activities by holding meetings with shareholders and investors.

Establishment and Improvement of Corporate Governance

In 1999 Komatsu Ltd. introduced the Executive Officer System and has been working to separate management decisionmaking and supervisory functions from executive functions to the extent permitted by laws and regulations. At the same time, we also limit the Board of Directors to a small number of members and appoint Outside Directors and Outside Audit & Supervisory Board Members. To improve the effectiveness of discussions at meetings of the Board of Directors, we have worked to reform their operational aspect, primarily by putting in place a system to ensure thorough discussions of important management matters and prompt decision making. We have also established the International Advisory Board (IAB) as a means to supplement executive functions.

Corporate Governance of Komatsu

![Diagram of Corporate Governance structure](image)

NOTE: Figures in the diagram are as of June 18, 2014
Organizational Profile

Board of Directors

Komatsu Ltd. holds Board of Directors’ meetings periodically once or twice every month as a general rule. 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 10 Directors on the Board, three are Outside Directors to ensure transparent and objective management.

Outside Directors (As of June 18, 2014)

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Reasons for Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kouichi Ikeda</td>
<td>Corporate Advisor of Asahi Group Holdings, Ltd.</td>
<td>Having served as Representative Director of Asahi Breweries, Ltd. (name then), Mr. Kouichi Ikeda has considerable insight and rich experience in the business world. Using this insight and experience, his proposals concerning the overall management of Komatsu Ltd. are expected to contribute to sustaining and improving the transparency and soundness of management and enhancing corporate governance. Therefore, we have elected him as an Outside Director.</td>
</tr>
<tr>
<td>Masayuki Oku</td>
<td>Chairman of the Board of Sumitomo Mitsui Financial Group, Inc.</td>
<td>Having served as Representative Director of Sumitomo Mitsui Banking Corporation, Mr. Masayuki Oku has been active internationally in the financial field and has considerable insight and rich experience in the business world. Using this insight and experience, his proposals concerning the overall management of Komatsu Ltd. are expected to contribute to sustaining and improving the transparency and soundness of management and enhancing corporate governance. Therefore, we have elected him as an Outside Director.</td>
</tr>
<tr>
<td>Mitoji Yabunaka</td>
<td>Adviser to the Ministry of Foreign Affairs</td>
<td>Having served as Vice-Minister of the Foreign Affairs, Mr. Mitoji Yabunaka has been active in such fields as international policy coordination and overseas consular work, and has considerable insight and rich experience in international relations. Using this insight and experience, his proposals concerning the overall management of Komatsu Ltd. are expected to contribute to the mitigation and avoidance of risk in the Company’s global business operations, and to the enhancement of the Company’s medium- and long-term corporate value. Therefore, we have elected him as an Outside Director.</td>
</tr>
</tbody>
</table>
Audit & Supervisory Board

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 once or twice every month as a general rule, 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.
At least half of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

Outside Audit & Supervisory Board Members (As of June 18, 2014)

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Reasons for Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiroyuki Kamano</td>
<td>Partner (Attorney at law) of Kamano Sogo</td>
<td>Having served as an international attorney at law, Mr. Hiroyuki Kamano has rich experience in the field of international legal affairs. Using this experience, we expect him to execute his duties as Outside Audit &amp; Supervisory Board Member from the standpoint of a specialist. Therefore, we have elected him as Outside Audit &amp; Supervisory Board Member.</td>
</tr>
<tr>
<td>Kunihiro Matsuo</td>
<td>Attorney at law</td>
<td>Having served as Prosecutor-General of the Supreme Public Prosecutors Office, Mr. Kunihiro Matsuo has rich experience in the legal profession. Using this experience, we expect him to execute his duties as Outside Audit &amp; Supervisory Board Member from the standpoint of a specialist. Therefore, we have elected him as Outside Audit &amp; Supervisory Board Member.</td>
</tr>
<tr>
<td>Hirohide Yamaguchi</td>
<td>Chairman of the Advisory Board of Nikko</td>
<td>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. Using this insight and experience, we expect him to execute his duties as Outside Audit &amp; Supervisory Board Member from the standpoint of a specialist. Therefore, we have elected him as Outside Audit &amp; Supervisory Board Member.</td>
</tr>
</tbody>
</table>

Compliance

Komatsu Ltd. has established the Compliance Committee as the group to oversee compliance, and it regularly reports its reviews and activities to the Board of Directors. The Company has also established 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, the Company works to supervise, educate and train Directors, Audit & Supervisory Board Members and employees. In addition, the Company has established the internal reporting system where those who are discretely reporting questionable actions in light of laws and regulations and business rules will not be penalized.
Environmental Conservation Efforts

Komatsu’s Relationship with Nature

The entire Komatsu Group promotes environmentally friendly activities to realize its vision of “What we can and must do for the environment and sustainable development of society.”

In recognition of the fact that our business activities affect the environment on a regional and global level, we have identified the following four areas for our efforts.

1) Climate change
2) Establishment of a sound material-cycle society
3) Conservation of air, water and other natural resources as well as management of chemical substances
4) Biodiversity

The Komatsu Group engages in conservation activities across all its business areas on a global scale in line with the Komatsu Earth Environment Charter revised in 2010.
Komatsu Earth Environment Charter

Basic Principles

1. Contributions to Realization of a Sustainable Society
Mankind must not only promote the further growth of a rich and comfortable society but also pass down this invaluable environment of our planet Earth to future generations in a sound and healthy condition. We, the Komatsu Group, define our environmental conservation efforts as one of our highest priority management tasks. We endeavor to contribute to the sustainable growth of society by integrating advanced technologies into our environmental conservation efforts throughout all our business activities. This is represented by our hybrid construction equipment which features a substantial reduction of CO2 emissions while in operation and by our competitive manufacturing.

2. Simultaneous Realization of Improved Environmental and Economic Performance
We are committed to improving both environmental performance and economic efficiency as a group of companies engaging in competitive manufacturing for customer satisfaction. To this end, while working to minimize the environmental impact of our products throughout their lifecycle, from production to scrapping, we constantly take up the challenge of advancing technologies for the development of products that feature good economic performance supported by improved fuel consumption and recyclability.

3. Corporate Social Responsibility
Each company of the Komatsu Group promotes environmental conservation by not only complying with the applicable laws and regulation of the concerned host community, region and country, but also by establishing its voluntary standards which consider global and local environmental concerns. Each company of the Group also strives to fulfill its corporate social responsibility by actively participating in local environmental conservation programs and thereby promoting close-knit communication with local communities. This is an example of how the companies continue working to remain a company trusted by all Komatsu stakeholders.

Guideline for Corporate Activity

1. Basic Stance on Environmental Problems
We, the Komatsu Group, work toward a sustainable society and Earth-friendly environment through our global business operations by addressing the following four environmental problems.

1) Climate change
2) Establishment of a sound material-cycle society
3) Conservation of air, water and other natural resources as well as management of chemical substances
4) Biodiversity

2. Framework of Our Global, Group-wide Environmental Management System
To reduce our group-wide environmental impact, the Komatsu Head Office as well as the manufacturing facilities and main companies of the Komatsu Group, already with ISO certifications, will continue working to maintain and improve their environmental management system, while other manufacturing facilities and suppliers will also work to establish their environmental management systems.

The Komatsu Environmental Committee develops environmental action plans and common guidelines for the Komatsu Group. Based on these group-wide plans and guidelines, each division or company sets up its own mid-to long-range targets, develops and implements specific action plans, reviews them regularly and works to continuously improve them.

3. Environmental Education and Communication
We, the Komatsu Group, believe that it is important to enhance the environmental awareness of each and every employee and thereby actively promote such education programs for all employees.

We will gather environment-related information concerning not only our manufacturing facilities but also other related entities, such as major affiliated companies and suppliers, and strive to disclose such information, thereby facilitating proactive communication with all our stakeholders, such as customers, employees, local communities and suppliers, and further expanding the content of environmental communication.
Corporate Social Responsibility Efforts

Relationship between Komatsu Management and CSR

Komatsu defines its CSR activities as “our business activities per se, which we can capitalize on our strengths, and we strive to respond to the demands of society through our core businesses.”

Having clearly defined our CSR areas of focus and efforts, we promote our CSR efforts, as we constantly check whether or not our management responds to social expectations and demands and/or understands what CSR priorities should be by engaging in interactive communication with all our stakeholders. In this manner, we would like to enhance the trust given to us by society and drive our sustainable growth.
Our CSR Areas of Focus and Efforts

We have formulated our CSR areas of focus by internally discussing what we must do in relation to the CSR priorities and incorporating the third-party viewpoints of Business for Social Responsibility (BSR), a U.S.-based NPO. Based on our CSR priorities, we have selected three CSR areas we focus on through our business activities. To implement our CSR efforts on a global scale, we will make sure that all Komatsu Group employees understand our CSR priorities which are designed for the driving force of our CSR efforts on a global scale.

1. Enhancing Quality of Life: Providing products required by society
   - Providing products and services that contribute to infrastructure development and improve the quality of life
   - Improving productivity, safety, and efficiency and enhancing energy conservation through the use of Information and Communication Technology (ICT)
   - Improving the environmental efficiency of our products at customers’ jobsites and of our facilities, such as manufacturing facilities
   - Reducing our impact on the environment throughout the product lifecycle
   - Enhancing safety for society, customers, employees, and business partners

2. Human Resource Development
   - Contributing to human resource development in local communities
   - Enhancing our employees and suppliers through The KOMATSU Way
   - Enhancing our employees and distributors through brand management

3. Growing with Society
   - Engaging in dialogue with our stakeholders
   - Contributing to society through our core businesses (e.g., disaster relief and activities to remove anti-personnel landmines)
   - Contributing to local communities where we do business
   - Strengthening our corporate governance and compliance
   - Promoting compliance with environmental, labor, and social norms within the Komatsu Group and among business partners
Corporate Social Responsibility Efforts

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   - Promoting compliance with environmental, labor, and social norms within the Komatsu Group and among business partners
Corporate Information

Outline (As of March 31, 2014)

<table>
<thead>
<tr>
<th>Name</th>
<th>Komatsu Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>2-3-6 Akasaka, Minato-ku, Tokyo 107-8414, Japan</td>
</tr>
<tr>
<td>Date of Establishment</td>
<td>May 13, 1921</td>
</tr>
<tr>
<td>Common Stock Outstanding</td>
<td>Consolidated: ¥67,870 million based on U.S. GAAP</td>
</tr>
<tr>
<td></td>
<td>Non-consolidated: ¥70,120 million</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>Consolidated: 47,208 (Komatsu Ltd. and 143 consolidated subsidiaries)</td>
</tr>
<tr>
<td></td>
<td>Non-consolidated: 10,217</td>
</tr>
</tbody>
</table>

Shareholder Information

| Shares of Common Stock Issued and Outstanding | 953,752,875 shares (excluding 29,377,385 shares of treasury stock) |
| Number of Shareholders                      | 232,666                                                       |
| Number of Shares per Trading Unit           | 100                                                           |
| Securities Code                             | 6301 (Japan)                                                   |
| Stock Listings                               | Tokyo                                                          |
| Transfer Agent for Common Stock/Management  | Mitsubishi UFJ Trust and Banking Corporation                   |
| Institution for Special Account             | 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan      |
| Depositaries (ADRs)                         | The Bank of New York Mellon                                   |
|                                           | 101 Barclay Street, New York, NY 10286, U.S.A.                |
|                                           | Non-U.S. Callers: +1-(201)-880-6825                         |
|                                           | U.S. Callers: 888-269-2377 (888-BNY-ADRS)                     |
|                                           | URL: http://www.adrbnymellon.com                               |
|                                           | Ticker Symbol: KMTUY                                         |
Major Shareholders (As of March 31, 2014)

<table>
<thead>
<tr>
<th>Name of Shareholders</th>
<th>Number of Shares Held (thousand shares)</th>
<th>Equity Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>38,014</td>
<td>3.86</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>36,118</td>
<td>3.67</td>
</tr>
<tr>
<td>Taiyo Life Insurance Company</td>
<td>34,000</td>
<td>3.45</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>29,954</td>
<td>3.04</td>
</tr>
<tr>
<td>State Street Bank and Trust Company</td>
<td>18,519</td>
<td>1.88</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>17,835</td>
<td>1.81</td>
</tr>
<tr>
<td>The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders (Standing proxy: Sumitomo Mitsui Banking Corporation)</td>
<td>16,112</td>
<td>1.63</td>
</tr>
<tr>
<td>JP Morgan Chase Bank 380072 (Standing proxy: Mizuho Bank, Ltd., Settlement &amp; Clearing Services Division)</td>
<td>12,797</td>
<td>1.30</td>
</tr>
<tr>
<td>The Bank of New York Mellon SA/NV 10 (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</td>
<td>12,429</td>
<td>1.26</td>
</tr>
<tr>
<td>The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account (Standing proxy: Mizuho Bank, Ltd., Settlement &amp; Clearing Services Division)</td>
<td>12,142</td>
<td>1.23</td>
</tr>
</tbody>
</table>

Notes: 1) Shareholding ratio is calculated by subtracting treasury stock.
2) Although Komatsu Ltd. holds 29,377 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Breakdown of Shareholders (As of March 31, 2014)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Shareholders</th>
<th>Equity Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>212</td>
<td>29.0%</td>
</tr>
<tr>
<td>Foreign</td>
<td>868</td>
<td>42.7%</td>
</tr>
<tr>
<td>Individual and other</td>
<td>229,794</td>
<td>22.3%</td>
</tr>
<tr>
<td>Corporate</td>
<td>1,610</td>
<td>3.1%</td>
</tr>
<tr>
<td>Securities</td>
<td>182</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Note: Percentage Figures are shown after dropping the last two places of decimals.
Stock Prices on the Tokyo Stock Exchange