

(Translation)

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

May 29, 2017

Dear Shareholders:

Notice of Convocation of the  
148th Ordinary General Meeting of Shareholders  
of Komatsu Ltd.

Komatsu Ltd.

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

*Information in English has been posted on our English website*

*(<http://www.komatsu.com/CompanyInfo/ir/>).*

\* The venue has changed from last year. Please refer to the “Access to the venue” on the last page of this document (*available in Japanese only*) and make sure to go to the correct location.

\* Starting this year, there will not be an opening of an exhibition space or the provision of a light meal after the conclusion of the General Meeting of Shareholders. Thank you for your understanding in this matter.

## To All Our Shareholders



President

A handwritten signature in black ink, appearing to be 'Shigeo Nishiyama', written in a cursive style.

I would like to extend our sincere appreciation to our valued shareholders for your understanding and support for the Komatsu Group. I hereby give notice of convocation of the 148th Ordinary General Meeting of Shareholders, which will be held on June 20, 2017. I am truly looking forward to your attendance. If you are unable to attend the meeting in person, it would be appreciated if you could exercise your voting rights by conventional postal delivery or via the Internet.

In the first year of our three-year mid-range management plan released last April, we stably implemented our focused activities based on three management strategies: “Growth Strategies Based on Innovation,” “Growth Strategies of Existing Businesses,” and “Structural Reforms Designed to Reinforce the Business Foundation.” As a result, we have maintained a top-level income ratio in our industry. Going forward, we will work to expand our customer base and realize further growth that exceeds industry levels.

Furthermore, through our subsidiary, we have completed the merger of Joy Global Inc. this April, which was added to the Komatsu Group under the new name “Komatsu Mining Corp.” The acquisition greatly strengthened the structure of the mining equipment business, which is our core business, giving us a new product lineup and integrating and enhancing the direct sales and direct services in which both companies have abundant experience and knowhow. This acquisition will allow us to make broad, forward-looking proposals to our customers. We expect synergistic effects for our customers through the merger and integration of the two highly compatible companies.

We will continue to take a thorough hands-on approach, and by providing DANTOTSU (Unrivaled) products, DANTOTSU services, and DANTOTSU solutions, promote “Innovation” that creates new value in a range of GEMBA (workplaces) and contribute to the benefit of our customers and society.

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

May, 2017

**NOTICE OF CONVOCATION OF THE**  
**ONE HUNDRED AND FORTY-EIGHTH (148TH)**  
**ORDINARY GENERAL MEETING OF SHAREHOLDERS**  
**OF KOMATSU LTD.**

Securities Code: 6301  
May 29, 2017

Dear Shareholders:

Please be advised that the 148th Ordinary General Meeting of Shareholders of Komatsu Ltd. (hereinafter “the Company”) will be held in accordance with the particulars indicated in the attachment hereto. Your attendance at the meeting is cordially requested.

The venue for the Ordinary General Meeting of Shareholders has changed from last year. Please refer to the “Access to the venue” on the last page of this document (*available in Japanese only*) and make sure to go to the correct location.

If you are unable to attend the above Meeting in person, it would be very appreciated if you could exercise voting rights by conventional postal delivery or via the Internet. Please exercise your voting rights after reviewing the attached “Reference Materials for the General Meeting of Shareholders” (pages 6 to 24).

Sincerely,

Tetsuji Ohashi  
President  
Komatsu Ltd.  
3-6, Akasaka 2-chome, Minato-ku, Tokyo

## **Details**

**1. Date and Time:** Tuesday, June 20, 2017 at 10:00 a.m. (Japan Time)

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

**3. Purpose:**

**Items to Be Reported**

- (1) The Business Report and the Consolidated Financial Statements for the 148th fiscal year (April 1, 2016 – March 31, 2017), as well as the Accounting Auditors’ Report and the Audit & Supervisory Board’s Report on the Result of the Audited Consolidated Financial Statements.
- (2) The Non-Consolidated Financial Statements for the 148th fiscal year (April 1, 2016 – March 31, 2017).

**Items to Be Resolved**

- Item 1:** Appropriation of Surplus
- Item 2:** Election of Eight (8) Directors
- Item 3:** Election of Two (2) Audit & Supervisory Board Members
- Item 4:** Payment of Bonuses for Directors
- Item 5:** Giving the Board of Directors the Authority to Issue Stock Acquisition Rights as Stock-Based Remuneration to Employees of the Company and Representative Directors of Major Subsidiaries of the Company

#### 4. Matters Related to the Exercise of Voting Rights

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

#### Guidance on Methods for Exercise of Voting Rights

Attendance at the General Meeting of Shareholders
Date and time: Tuesday, June 20, 2017 at 10:00 a.m. (Japan Time)
The reception desk is scheduled to open at 9:00 a.m.
Please take the enclosed Card for Exercising Voting Rights and submit it at the reception. * If, on the day of the meeting, all of the seats are taken at the main venue, guidance will be provided to a separate venue. The separate venue will have monitors displaying what is happening at the main venue. * <u>Starting this year, there will not be an opening of an exhibition space or the provision of a light meal after the conclusion of the General Meeting of Shareholders.</u>

By conventional postal delivery
Deadline for exercising voting rights: To arrive at the Company by 5:45 p.m. on Monday, June 19, 2017 (Japan Time)
Please indicate “for” or “against” for each agenda item shown on the enclosed Card for Exercising Voting Rights, and return it via the conventional postal delivery system.

Via the Internet*
Deadline for exercising voting rights: To be performed by 5:45 p.m. on Monday, June 19, 2017 (Japan Time)
Website designated by the Company: <a href="http://www.evotep.jp/">http://www.evotep.jp/</a>
Please indicate “for” or “against” for each agenda item.

- Institutional investors can utilize the electronic platform for exercising voting rights, which is operated by ICJ, Inc.

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

For Internet Disclosure: the Company’s website (<https://home.komatsu.jp/ir/>)

*\*Information in English has been posted on our English website (<http://www.komatsu.com/CompanyInfo/ir/>).*

- Information regarding the items listed below is not contained within this document, entitled “Notice of Convocation of the 148th Ordinary General Meeting of Shareholders of Komatsu Ltd.” In accordance with relevant laws and regulations and with Article 16 of the Company’s Articles of Incorporation, such information in Japanese has been posted separately on our website.

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

The Business Report that the Audit & Supervisory Board Members audited and the Consolidated Financial Statements and Non-Consolidated Financial Statements that the Accounting Auditor and the Audit & Supervisory Board Members audited comprise each document printed in this “Notice of Convocation of the 148th Ordinary General Meeting of Shareholders of Komatsu Ltd.” and matters mentioned in the table above that are posted on

the Company's website on the Internet.

*\*Information in English has been posted on our English website  
(<http://www.komatsu.com/CompanyInfo/ir/>).*

- Please note that any changes in the matters described in Reference Materials for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements in Japanese will be posted on our website.  
*\*Information in English will be posted on our English website  
(<http://www.komatsu.com/CompanyInfo/ir/>).*

## **Reference Materials for the General Meeting of Shareholders**

### **Proposed Items to Be Resolved and Reference Information:**

#### **Item 1: Appropriation of Surplus**

The Company is building a sound financial position and flexible and agile corporate strength to increase its corporate value. Concerning cash dividends to shareholders, the Company continues to maintain the policy of redistributing profits by considering consolidated business results to strive to continue stable dividends.

For the 148th fiscal year, the Company has set the goal of a consolidated payout ratio of 40% or higher, and following the policy of not decreasing dividends as long as a consolidated payout ratio does not surpass 60%, as well as in consideration of the Company's business performance for this fiscal year and future business development, the Company proposes to pay a year-end dividends of surplus as follows.

(1) Type of the dividend assets	Cash
(2) Matters concerning allotment and total amount of the dividend assets	JPY 29 per one (1) common share of the Company (the same amount as the previous fiscal year) Total amount of the dividend assets: JPY 27,362,612,498
(3) Effective date of dividends of surplus	Wednesday, June 21, 2017

Accordingly, combined with the interim dividend of JPY 29 per one (1) common share of the Company, the annual dividend will be JPY 58 per one (1) common share of the Company for this fiscal year, the same amount as the previous fiscal year. The consolidated payout ratio is 48.2%.



## Item 2: Election of Eight (8) Directors

The terms of office of all of the ten (10) Directors will expire as of the close of this Ordinary General Meeting of Shareholders.

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

The Company places the Board of Directors at the core of corporate governance. At this time, the Company will work to strengthen the supervisory functions by reducing the number of internal Directors by two (2) and increasing the ratio of Outside Directors on the Board of Directors.

The candidates for the positions are as follows:

No. of Candidate	Name	(Reference)	
		Position and In Charge at the Company (As of May 16, 2017)	Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2017
1	Reelection <b>Kunio Noji</b>	Chairperson of the Board and Director	100%
2	Reelection <b>Tetsuji Ohashi</b>	President and Representative Director Chief Executive Officer (CEO)	100%
3	Reelection <b>Mikio Fujitsuka</b>	Executive Vice President and Representative Director Chief Financial Officer (CFO) Supervising Accounting & Finance and Investor Relations	100%
4	Reelection <b>Kazunori Kuromoto</b>	Director and Senior Executive Officer Supervising ICT Solution and Mining Business	100%
5	Reelection <b>Masanao Mori</b>	Director and Senior Executive Officer Supervising Human Resources & Education and Safety & Health Care	100%
6	Reelection Outside Director Independent <b>Masayuki Oku</b>	Director	100%
7	Reelection Outside Director Independent <b>Mitoji Yabunaka</b>	Director	94%
8	Reelection Outside Director Independent <b>Makoto Kigawa</b>	Director	100%

Outside Director: Candidate for Outside Director


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

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

The policy of the Board of Directors of the Company is to elect multiple members with abundant experience, sophisticated knowledge and expertise from inside and outside the Company to carry out appropriate decision-making and management supervision. Moreover, in order to increase the objectivity and transparency of its judgment in deciding on its selection of candidates as Directors and Audit & Supervisory Board Members, the Board of Directors has received advice from the Human Resource Advisory Committee, a majority of whose members are Outside Directors.

The knowledge and expertise cultivated by the internal Directors and internal Audit & Supervisory Board Members over their individual careers, and their accumulated experience are taken into consideration when judging whether or not to accept the proposal for their selection. As such, short summaries of their careers are detailed.

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

	<b>1. Reelection</b>	<b>Kunio Noji</b>	(November 17, 1946)
	▶ Number of Years in Office:	18 years	
	▶ Attendance to the Meetings of the Board of Directors:	17/17 (100%)	
	▶ Number of Shares of the Company Held:	163,700 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Outside Director of Ricoh Company, Ltd. Outside Director of NEC Corporation	
	▶ Special Interests Between the Candidate and the Company:	None	


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Career summary and position

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4/1969	Joined the Company Field Testing Department, Technical Division
6/1993	General Manager of Production Control Department, Technical Division in Construction Equipment Division
2/1995	Plant Manager of Chattanooga Manufacturing Operation, Komatsu Dresser Company (now Komatsu America Corp.) (until 2/1997)
3/1997	President of Information Systems Division
6/1997	Took office as Director
6/1999	Resigned as Director, took office as Executive Officer
4/2000	President of Production Division
6/2000	Took office as Senior Executive Officer
6/2001	Took office as Managing Director and Senior Executive Officer
4/2003	Took office as Director and Senior Executive Officer President of Construction & Mining Equipment Marketing Division
6/2007	Took office as President and Representative Director, and CEO
4/2013	Took office as Chairperson of the Board and Representative Director
4/2016	Took office as Chairperson of the Board and Director (current)

Note: Mr. Kunio Noji once retired as Director in June 1999 in accordance with the introduction of the Executive Officer (*Shikko Yakuin*) System in the same month.

	<b>2. Reelection</b>	<b>Tetsuji Ohashi</b>	(March 23, 1954)
	▶ Number of Years in Office:	8 years	
	▶ Attendance to the Meetings of the Board of Directors:	17/17 (100%)	
	▶ Number of Shares of the Company Held:	74,500 shares	
	▶ In Charge at the Company:	Chief Executive Officer (CEO)	
	▶ Important Concurrent Positions Held in Other Organizations:	None	
	▶ Special Interests Between the Candidate and the Company:	None	


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Career summary and position

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4/1977	Joined the Company Product Control Section, Planning & Coordination Department of Awazu Plant
6/1982	Graduate School, Stanford University, USA (until 6/1984)
10/1998	General Manager of Planning & Cooperation Department of Awazu Plant, Production Division
10/2001	Plant Manager of Moka Plant, Production Division
1/2004	President and Chief Operating Officer (COO) of Komatsu America Corp. (until 3/2007)
4/2007	Took office as Executive Officer President of Production Division
4/2008	Took office as Senior Executive Officer
6/2009	Took office as Director and Senior Executive Officer
4/2012	Took office as Director and Senior Executive Officer
4/2013	Took office as President and Representative Director (current) CEO (current)

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	<b>3. Reelection</b>	<b>Mikio Fujitsuka</b>	(March 13, 1955)
	▶ Number of Years in Office:	6 years	
	▶ Attendance to the Meetings of the Board of Directors:	17/17 (100%)	
	▶ Number of Shares of the Company Held:	44,200 shares	
	▶ In Charge at the Company:	Chief Financial Officer (CFO) Supervising Accounting & Finance and Investor Relations	
	▶ Important Concurrent Positions Held in Other Organizations:	None	
	▶ Special Interests Between the Candidate and the Company:	None	


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Career summary and position

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4/1977	Joined the Company Accounting Section, Administration Department of Awazu Plant
7/1988	Komatsu Australia Pty., Ltd. (until 2/1994)
6/2001	General Manager of Corporate Controlling Department
4/2005	Took office as Executive Officer
4/2008	President of Global Retail Finance Business Division and President and Representative Director of Komatsu Business Support Ltd.
2/2009	General Manager of Corporate Planning Division and President of Global Retail Finance Business Division
4/2010	Took office as Senior Executive Officer
4/2011	CFO (current)
6/2011	Took office as Director and Senior Executive Officer
4/2013	Took office as Director and Senior Executive Officer
4/2016	Took office as Executive Vice President and Representative Director (current)

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	<b>4. Reelection</b> <b>Kazunori Kuromoto</b> (May 23, 1955)
	▶ Number of Years in Office:      4 years
	▶ Attendance to the Meetings of the Board of Directors:      17/17 (100%)
	▶ Number of Shares of the Company Held:      29,200 shares
	▶ In Charge at the Company:      Supervising ICT Solution and Mining Business
	▶ Important Concurrent Positions Held in Other Organizations:      None
	▶ Special Interests Between the Candidate and the Company:      None

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Career summary and position

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4/1980	Joined the Company Technical Center of Awazu Plant
6/1985	Graduate School, University of California, Los Angeles, USA (until 6/1987)
4/2006	General Manager of Construction Equipment Electronics, Development Division
4/2007	Took office as Executive Officer
4/2008	President of AHS Business, Construction & Mining Equipment Marketing Division
4/2009	President of IT Construction Business, Construction & Mining Equipment Marketing Division
4/2012	Took office as Senior Executive Officer President of ICT Business Division
4/2013	President of Global Mining Business Division and President of ICT Business Division
6/2013	Took office as Director and Senior Executive Officer
4/2014	President of ICT Solution Division
4/2016	Took office as Director and Senior Executive Officer (current)


	<b>5. Reelection</b> <b>Masanao Mori</b> (February 8, 1958)
	▶ Number of Years in Office:      4 years
	▶ Attendance to the Meetings of the Board of Directors:      17/17 (100%)
	▶ Number of Shares of the Company Held:      19,800 shares
	▶ In Charge at the Company:      Supervising Human Resources & Education and Safety & Health Care
	▶ Important Concurrent Positions Held in Other Organizations:      None
	▶ Special Interests Between the Candidate and the Company:      None

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Career summary and position

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4/1981	Joined the Company Labor Section, Human Resources Department
4/2004	General Manager of General Affairs Department, Engines & Hydraulics Business Division
4/2008	General Manager of Human Resources Department
4/2009	Took office as Executive Officer
4/2013	Took office as Senior Executive Officer
6/2013	Took office as Director and Senior Executive Officer (current)

Outside Director Independent  	<b>6. Reelection</b>	<b>Masayuki Oku</b>	(December 2, 1944)
	▶ Number of Years in Office:	3 years	
	▶ Attendance to the Meetings of the Board of Directors:	17/17 (100%)	
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Director of Sumitomo Mitsui Financial Group, Inc. (scheduled to retire in June 2017) Outside Director of Panasonic Corporation Outside Director of Kao Corporation Outside Director of Chugai Pharmaceutical Co., Ltd. Non-executive Director of The Bank of East Asia, Limited Outside Audit & Supervisory Board Member of Nankai Electric Railway Co., Ltd.	
▶ Special Interests Between the Candidate and the Company:	None		

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Career summary and position

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4/1968 6/1994 11/1998 1/2001 4/2001 12/2002 6/2003 6/2005 4/2011 6/2014 4/2017  (Note)	Joined The Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation, hereinafter the “Bank”) Took office as Director of the Bank Took office as Managing Director of the Bank Took office as Representative Director and Senior Managing Director of the Bank Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Banking Corporation (hereinafter “SMBC”) Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Financial Group, Inc. (hereinafter “SMFG”) Took office as Representative Director and Deputy President of SMBC Took office as Chairperson of the Board and Representative Director of SMFG Took office as Representative Director and President of SMBC Retired from SMBC Took office as Chairperson of the Board and Director of SMFG Took office as Director of the Company (current) Took office as Director of SMFG (current) Mr. Masayuki Oku, as of May 16, 2017, is a non-executive Director of SMFG and is scheduled to retire from the position of Director at said company in June 2017.
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Reason for nomination as candidate for Outside Director

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Having served as Representative Director of Sumitomo Mitsui Banking Corporation, Mr. Masayuki Oku has been active internationally in the financial field and has considerable knowledge and rich experience in the business world.

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

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Matters regarding independence

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

Mr. Oku serves as Director of Sumitomo Mitsui Financial Group, Inc. and held the positions of Representative Director and Senior Managing Director, Representative Director and Deputy President, and Representative Director and President of Sumitomo Mitsui Banking Corporation (including the former The Sumitomo Bank, Ltd.) from January 2001 to April 2011. However, more than six (6) years have passed since his retirement from Sumitomo Mitsui Banking Corporation, and he currently has no involvement with the execution of business at the said bank. Because the Company and its consolidated subsidiaries have several lenders and the said bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, the said bank is not a business partner which has a significant impact on the Company's decision making. As of the end of the most recent fiscal year, the balance of loans from the said bank was JPY 81.5 billion, which was 20.0% of the total amount of loans. (page 38)


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

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Panasonic Corporation, where Mr. Masayuki Oku has been serving as Outside Director since June 2008 to the present, was notified in December 2012 by the European Commission that it had decided to impose a fine on the said company to resolve claims that its cathode ray tubes business unit engaged in certain anticompetitive activities. Panasonic Corporation disputed the fine in court, but the Court of Justice of the European Union denied their dispute in July 2016, and the ruling to impose a fine was finalized. Also, the anticompetitive activities engaged in by the rechargeable battery business unit were settled through the payment of fines to the European Commission in December 2016. However, the aforesaid violations were before Mr. Oku took office as Outside Director of Panasonic Corporation. In addition, Panasonic Corporation entered into agreements with the United States Department of Justice in July 2013 and the Competition Bureau Canada in February 2014, respectively, to pay fines to resolve claims that part of its automotive parts business unit for specific customers engaged in certain anticompetitive activities. While Mr. Oku was not aware of the aforesaid violations until they came to light, he continuously fulfilled his duties through Panasonic Corporation's Board of Directors and other relevant systems from the standpoint of compliance with laws and regulations, and strove to ensure that the said company did not execute business in violation of laws and regulations. Also, after these facts came to light, he has checked the contents of the said company's activities for preventing a recurrence.

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Outside Director Independent  	<b>7. Reelection</b>	<b>Mitoji Yabunaka</b>	(January 23, 1948)
	▶ Number of Years in Office:	3 years	
	▶ Attendance to the Meetings of the Board of Directors:	16/17 (94%)	
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Outside Director of Kawasaki Kisen Kaisha, Ltd. Outside Director of Mitsubishi Electric Corporation Outside Director of Takasago Thermal Engineering Co., Ltd.	
	▶ Special Interests Between the Candidate and the Company:	None	

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Career summary and position

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4/1969	Joined the Ministry of Foreign Affairs (hereinafter "MOFA")
1/2008	Took office as Vice-Minister for Foreign Affairs
8/2010	Took office as Adviser to MOFA
6/2014	Took office as Director of the Company (current)

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#### Reason for nomination as candidate for Outside Director

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Having served as Vice-Minister for Foreign Affairs, Mr. Mitoji Yabunaka has been active in such fields as international policy coordination and overseas consular work, and has considerable knowledge and rich experience in international relations.

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

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

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#### Matters regarding independence

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

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

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In March 2014, Kawasaki Kisen Kaisha, Ltd. ("K" Line), where Mr. Mitoji Yabunaka has been serving as Outside Director since June 2011 to the present, received notification of Cease and Desist orders and Administrative Surcharge orders from the Japan Fair Trade Commission for violating the Anti-Monopoly Act of Japan with respect to the freight transport of automobiles, etc. In September 2014, "K" Line entered into an agreement with the United States Department of Justice, in which it agreed to pay fines, and in December 2015, "K" Line was ordered to pay a penalty from China's National Development and Reform Commission. While Mr. Yabunaka was not aware of the aforesaid violation until it came to light, he continuously fulfilled his duties through "K" Line's Board of Directors and other relevant systems from the standpoint of compliance with laws and regulations, and strove to ensure that the said company did not execute business in violation of laws and regulations. Also, after the fact came to light, he has conducted investigation into the aforesaid fact, provided instructions on recurrence prevention and similar activities through the Board of Directors' meetings, etc.

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In November 2012, Mitsubishi Electric Corporation ("Mitsubishi Electric"), where Mr. Mitoji Yabunaka has been serving as Outside Director since June 2012 to the present, received notification of Cease and Desist orders and Administrative Surcharge orders from the Japan Fair Trade Commission for violating the Anti-Monopoly Act of Japan with respect to some transactions of automobile parts. In September 2013, Mitsubishi Electric entered into an agreement with the U.S. Department of Justice to pay fines, and from August 2014, Mitsubishi Electric was ordered from China's National Development and Reform Commission and the European Commission, etc. for payment of a surcharge. However, it was before Mr. Yabunaka took office as Outside Director of Mitsubishi Electric at the time of the aforesaid violation. After assuming his office, he has checked on the progress and expressed his opinions concerning the status of the facts-related investigation and measures for further strengthening the compliance system for recurrence prevention, and similar activities, through the Board of Directors' meetings, etc.

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In November 2014, Takasago Thermal Engineering Co., Ltd. ("TTE"), where Mr. Mitoji Yabunaka has been serving as Outside Director since June 2014 to the present, received a ruling which required TTE to pay a fine and a former employee of TTE received a prison sentence (suspended sentence) from the Tokyo District Court for a violation of the Anti-Monopoly Act of Japan concerning bidding for facility construction for the Hokuriku Shinkansen, and both decisions were final. Moreover, in relation to the aforesaid violation, in January 2015, TTE received a suspension of business order from the Ministry of Land, Infrastructure, Transport and Tourism. However, it was before Mr. Yabunaka took office as Outside Director of TTE at the time of the aforesaid violation. After assuming his office, in addition to providing instructions and expressing his opinions from the standpoint of compliance with laws and regulations, he has also carried out confirmation of the facts, performed thorough investigation into the cause and provided recommendations for recurrence prevention, and similar activities, through the Board of Directors' meetings, etc.

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<p>Outside Director Independent</p> 	<b>8. Reelection</b>	<b>Makoto Kigawa</b>	(December 31, 1949)
	▶ Number of Years in Office:	1 year	
	▶ Attendance to the Meetings of the Board of Directors:	13/13 (100%)	
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Chairperson of the Board and Representative Director of Yamato Holdings Co., Ltd.	
	▶ Special Interests Between the Candidate and the Company:	None	

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Career summary and position

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

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Reason for nomination as candidate for Outside Director

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

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

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Matters regarding independence

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

Mr. Kigawa serves as Chairperson of the Board and Representative Director of Yamato Holdings Co., Ltd. The Company and its consolidated subsidiaries have transactions with Yamato Holdings Co., Ltd.'s subsidiaries, including Yamato Transport Co., Ltd. for payment of transportation expenses, etc. However, the amount of the payment is less than 0.1% of the consolidated total of cost of sales and selling, general and administrative expenses of the Company and its consolidated subsidiaries for the most recent fiscal year.

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Notes:

1. "Number of Years in Office" shown with the candidates for reelection above indicates the period from the day of the General Meeting of Shareholders when the Director was elected for the first time to the conclusion of this Ordinary General Meeting of Shareholders.
2. The names of divisions and other bodies in the Company in "Career summary and position" above show those that were applicable at each relevant time period.
3. Meeting attendance above shows attendance to the meetings of the Board of Directors held during the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017). As Mr. Makoto Kigawa was elected at the 147th Ordinary General Meeting of Shareholders held in June 2016, the maximum number of meetings

of attendance for the meeting of the Board of Directors is different from that of the other Directors.

4. The Company has entered into an agreement with Mr. Masayuki Oku, Mr. Mitoji Yabunaka and Mr. Makoto Kigawa that limits their liability for damages caused by their negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation. If their reelections are approved, the Company intends to continue the aforesaid agreement. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.

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

The term of office of Mr. Koji Yamada and Mr. Kunihiro Matsuo as Audit & Supervisory Board Members will expire as of the close of this Ordinary General Meeting of Shareholders.


At this juncture, the Company proposes that two (2) Audit & Supervisory Board Members (including one (1) Outside Audit & Supervisory Board Member) be elected. If this election is approved, the Company's Audit & Supervisory Board Members will be five (5) members (including three (3) Outside Audit & Supervisory Board Members).

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

The candidates for the positions are as follows:

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

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


	<b>1.</b> New Candidate for Audit & Supervisory Board Member	<b>Hironobu Matsuo</b>	(July 22, 1958)
	▶ Number of Shares of the Company Held:	10,700 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	None	
	▶ Special Interests Between the Candidate and the Company:	None	

#### Career summary and position

4/1982	Joined the Company Accounting Section, Administration Department of Osaka Plant
12/1992	Hanomag AG (now Komatsu Germany GmbH) (until 10/1995)
10/1995	Komatsu Baumaschinen Deutschland GmbH (until 7/1997)
1/2006	Vice President of Komatsu (China) Ltd. (until 4/2008)
4/2008	General Manager of Corporate Controlling Department of the Company
6/2012	General Manager of Internal Auditing Department
4/2013	Took office as Executive Officer
4/2017	Advisor to President (current)

#### Notes:

1. The names of divisions and other bodies in the Company in "Career summary and position" above show those that were applicable at each relevant time period.
2. Mr. Hironobu Matsuo possesses experiences of accounting- and finance-related duties acquired over many years and has considerable knowledge and rich experience in financial and accounting fields.

<p>Outside Audit &amp; Supervisory Board Member Independent</p> 	<p>New Candidate for Outside Audit &amp; Supervisory Board Member</p> <p><b>2. Kotaro Ohno</b> (April 1, 1952)</p>
	<p>▶ Number of Shares of the Company Held: 0 shares</p>
	<p>▶ Important Concurrent Positions Held in Other Organizations: None</p>
	<p>▶ Special Interests Between the Candidate and the Company: None</p>

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Career summary and position

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

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

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

Although Mr. Ohno has no experience in participating in the management of other companies directly, the Company judged that he would be able to execute the duties of Outside Audit & Supervisory Board Member adequately because of the reason above.

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Matters regarding independence

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Mr. Kotaro Ohno is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Audit & Supervisory Board Member and will submit the relevant notification to the Tokyo Stock Exchange, provided that this item is approved and adopted at this Ordinary General Meeting of Shareholders.

Note: The Company intends to enter into an agreement with Mr. Hironobu Matsuo and Mr. Kotaro Ohno that limits their liability for damages caused by their negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation, provided that this item is approved and adopted at this Ordinary General Meeting of Shareholders. The maximum liability amount specified in this agreement will be equivalent to the amount stipulated by laws and regulations.

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

If Item 3 is approved and adopted, the Company's Audit & Supervisory Board will consist of five (5) members, the majority of which (i.e., three (3) members) will be Outside Audit & Supervisory Board Members, who are also Independent Audit & Supervisory Board Members. The Company's approach to the independence of Outside Audit & Supervisory Board Members is as follows. As for the independence standards, please refer to the next page.

Name (Month and year of taking office)	Matters regarding independence
Hirohide Yamaguchi (6/2014)	Mr. Hirohide Yamaguchi is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit & Supervisory Board Member, and therefore the Company submitted the relevant notification to the Tokyo Stock Exchange.
Eiko Shinotsuka (6/2015)	Ms. Eiko Shinotsuka is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit & Supervisory Board Member, and therefore the Company submitted the relevant notification to the Tokyo Stock Exchange.
Kotaro Ohno (New candidate)	As mentioned in "Matters regarding independence."

\* The important concurrent positions held in other organizations of current Outside Audit & Supervisory Board Members are mentioned in pages 48 to 49, and there are no special interests between concurrent positions of any of Outside Audit & Supervisory Board Members, including the candidates, and the Company.

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

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

### 1. Basic stance:

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

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

### 2. Independence standards:

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

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

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

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

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

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

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

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

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

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

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

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

a. Person to whom 1) through 4) above are applicable

b. Person engaged in business execution of subsidiaries of the Company

c. Director engaged in non-business execution of subsidiaries of the Company (limited to determining Outside Audit & Supervisory Board Members)

d. Person to whom b or c above is applicable for the past one year

e. Person who engaged in business execution of the Company for the past one year

f. Director of the Company engaged in non-business execution for the past one year (limited to determining Outside Audit & Supervisory Board Members)

**Item 4: Payment of Bonuses for Directors**

Under the Company's remuneration system for Directors\*, the Company proposes to pay bonuses within the range of JPY 163 million in total to the ten (10) Directors who were in office as of the end of the 148th fiscal year (of which, JPY 9 million in total to the three (3) Outside Directors).

The Company requests that the details such as the individual amount and timing of payment to each Director shall be left to the decision of the Board of Directors.

\*As for the Company's remuneration system for Directors, please refer to "Policy regarding the determination of remuneration" (pages 49 to 50).

**Item 5: Giving the Board of Directors the Authority to Issue Stock Acquisition Rights as Stock-Based Remuneration to Employees of the Company and Representative Directors of Major Subsidiaries of the Company**

The Company asks for the shareholders' approval to give the Company's Board of Directors the authority to issue Stock Acquisition Rights as "stock-based remuneration" to employees of the Company and Representative Directors of Major Subsidiaries of the Company in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act of Japan.

1. Reasons for Issuing the Stock Acquisition Rights on Preferential Terms and Conditions

The Company would like to grant Stock Acquisition Rights to employees of the Company and to the Representative Directors of major subsidiaries of the Company without consideration not only for the purposes of raising their morale and their motivation to contribute to the improvement of the consolidated performance of the Company, but also for the purpose of clarifying their incentive to enhance the long-term corporate value of the Company by fostering the same perspective on corporate value with the shareholders. The number of Stock Acquisition Rights to be granted without consideration shall be determined based on the Company's consolidated performance with the same payment criteria of the "stock-based remuneration" as the Directors of the Company.

2. The Features and the Maximum Number of the Stock Acquisition Rights that the Board of Directors Can Decide to Issue under the Authority Granted by a Resolution at this Ordinary General Meeting of Shareholders

(1) The maximum number of the Stock Acquisition Rights for which the terms and conditions of the issuance can be determined based on the authority granted by this Ordinary General Meeting of Shareholders

The maximum number of Stock Acquisition Rights to be issued under the conditions described in '2. (3)' below shall be 1,716 units.

The maximum number of common stock to be issued upon the exercise of the Stock Acquisition Rights shall be 171,600 shares, and if the Number of Shares Granted (defined below) subject to Stock Acquisition Rights is adjusted as provided for in '2. (3)' below, the maximum number of common stock to be issued shall be the number obtained by multiplying the above mentioned maximum number of the Stock Acquisition Rights by the adjusted number of shares in connection with the Stock Acquisition Rights.

(2) The Company may issue Stock Acquisition Rights in question without consideration.

(3) The features of the Stock Acquisition Rights to be issued on the basis of the authority granted by this Ordinary General Meeting of Shareholders

1) Type and number of shares to be issued upon the exercise of Stock Acquisition Rights

The shares to be issued for the Stock Acquisition Rights shall be common stock, and the number of shares subject to one (1) Stock Acquisition Right (hereinafter "Number of Shares Granted") shall be 100 shares. However, after the resolution date of this Item (hereinafter "Resolution Date"), if the Company effects stock split of its common stock (including allotment of common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the Number of Shares Granted subject to one (1) Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the Number of Shares Granted after the Resolution Date for reasons other than the aforementioned reasons, the Company shall adjust the Number of Shares Granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable.

Fractions of less than one (1) share resulting from the foregoing adjustment shall be rounded down.

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

The amount of assets to be paid upon exercise of the Stock Acquisition Rights shall be JPY one (1) per each one (1) share to be transferred upon exercise of the Stock Acquisition Rights, multiplied by the Number of Shares Granted in connection with the aforementioned Stock Acquisition Rights.



- 3) Exercise period for the Stock Acquisition Rights  
From August 1, 2020 to July 31, 2025
- 4) Matters concerning the increase in paid-in capital and capital surplus in the event of issuance of shares upon the exercise of the Stock Acquisition Rights
  - i. The amount of paid-in capital increase in the event of the issuance of shares upon the exercise of the Stock Acquisition Rights shall be one half of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Company Accounting of Japan. Fractions less than one (1) yen resulting from the calculation shall be rounded up.
  - ii. An increase in the capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as set forth in '4) i' above.
- 5) Restriction on Acquisition of the Stock Acquisition Rights by Transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Board of Directors of the Company.
- 6) Provisions pertaining to acquisition of the Stock Acquisition Rights by the Company  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition by the Company.
- 7) Conditions for exercising the Stock Acquisition Rights  
If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member or employee of the Company, or a Director, Audit & Supervisory Board Member or employee of an affiliate of the Company, loses his or her all respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described at '3)' above, and the other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided by the Board of Directors of the Company.
- 8) In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as the result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a fully-owned subsidiary) (hereinafter collectively "Restructuring Actions"), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter "Remaining Stock Acquisition Rights") shall be granted the Stock Acquisition Rights of the relevant stock companies prescribed in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act of Japan (hereinafter "Reorganized Company"), in accordance with the conditions set forth below. In this event, the Remaining Stock Acquisition Rights shall become null and void and new Stock Acquisition Rights in the Reorganized Company shall be issued. However, the new Stock Acquisition Rights shall be granted only if provisions for granting them in accordance with the following conditions (i–viii) are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), and a share exchange agreement or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).
  - i. Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of a Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.

- ii. Type of shares of the Reorganized Company to be issued for the Stock Acquisition Rights  
Type of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
- iii. Number of shares of the Reorganized Company to be issued upon exercise of the Stock Acquisition Rights  
The number of shares shall be determined in accordance with '1)' above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- iv. Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon the exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying JPY one (1) per each one (1) share, by the number of shares to be issued for each acquisition right as determined in '8) iii' above.
- v. Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in '3)' above, or on the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the final date of the exercise period for the Stock Acquisition Rights stipulated in '3)' above.
- vi. Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights  
Such increases shall be determined based on '4)' above.
- vii. Restriction on Acquisition of the Stock Acquisition Rights by Transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- viii. Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

9) In case where the number of shares to be issued or transferred to the holders of the Stock Acquisition Rights includes any fraction less than one (1) share, such fraction shall be rounded down.

- (4) Delegation of authority to make decisions regarding the issuance of the Stock Acquisition Rights and related matters  
In addition to the above provisions, decisions regarding the issuance of the Stock Acquisition Rights and all the relevant details shall be decided by the Board of Directors of the Company which shall be held separately.

End

## **Business Report**

(April 1, 2016 - March 31, 2017)

### **1. Current Conditions of Komatsu**

#### **(1) Outline of Operations and Business Results**

Komatsu Ltd. (“Company”) and its consolidated subsidiaries (together “Komatsu”) has established a three-year mid-range management plan, “Together We Innovate GEMBA Worldwide–Growth Toward Our 100th Anniversary (2021) and Beyond–” with the fiscal year ending March 31, 2019 as the goal year, and is actively pursuing our focus items: 1) Growth strategies based on innovation, 2) Growth strategies of existing businesses, and 3) Structural reforms designed to reinforce the business foundation.

For the fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017), consolidated net sales for the year decreased by 2.8% from the previous fiscal year, to JPY 1,802.9 billion. Concerning profits, operating income decreased by 16.5% from the previous fiscal year, to JPY 174.0 billion. Operating income ratio was 9.7%, down 1.5 percentage points. Income before income taxes and equity in earnings of affiliated companies decreased by 18.7% to JPY 166.4 billion. Net income attributable to Komatsu Ltd. decreased by 17.5% to JPY 113.3 billion.

	147th Fiscal Year (April 2015 – March 2016)	Changes From 147th Fiscal Year	148th Fiscal Year (April 2016 – March 2017)
Net sales	JPY 1,854.9 billion	(2.8)%	JPY 1,802.9 billion
Operating income	JPY 208.5 billion	(16.5)%	JPY 174.0 billion
Income before income taxes and equity in earnings of affiliated companies	JPY 204.8 billion	(18.7)%	JPY 166.4 billion
Net income attributable to Komatsu Ltd.	JPY 137.4 billion	(17.5)%	JPY 113.3 billion

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

#### **[Construction, Mining and Utility Equipment]**

	148th Fiscal Year (April 2016 – March 2017)	Changes From 147th Fiscal Year
Sales	JPY 1,576.5 billion	(1.6)%
Segment profit	JPY 161.6 billion	(4.3)%

Notes:

- The amounts stated in the table above are based on the amounts before elimination of transactions between segments.
- Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. Starting in the fiscal year ended March 31, 2017, and after the reassessment of its management decision-making units, Komatsu has separated the retail finance business as a new independent operating segment and changed to three operating segments of 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Accordingly, the figures for the fiscal year ended March 31, 2016, were reclassified and year-on-year changes are presented.

In the construction, mining and utility equipment segment, demand for construction and mining equipment remained slack in the Middle East and some other regions, but was strong mainly in China, CIS and Indonesia. As a result, sales improved from the previous fiscal year on a local currency basis; however, they declined by 1.6 % from the previous fiscal year to JPY 1,576.5 billion, as adversely affected by the Japanese yen's appreciation. Segment profit declined by 4.3 % to JPY 161.6 billion.

We continued to pursue our "SMARTCONSTRUCTION," a solutions business for construction sites, which we have been developing in Japan since February 2015. Not only did our SMARTCONSTRUCTION meet the "i-Construction" standards established by the Japanese government, but also by proactively utilizing open innovation, we pursued the supply of the optimal means of increasing both the safety and productivity at our customers' workplaces.

Additionally, at "MINExpo INTERNATIONAL®2016," the mining equipment exhibition held in the U.S. in September 2016, we unveiled an entirely new concept in our "Innovative Autonomous Haulage Vehicle."

#### Innovative Autonomous Haulage Vehicle:

"Innovative Autonomous Haulage Vehicle" is a new vehicle dedicated to unmanned operations currently being developed of which we are planning a market introduction in the future. By eliminating the cab and distributing equal load to the four wheels both when the vehicle is loaded and unloaded, and adopting four-wheel drive, retarder, and steering, we are aiming for high-performance shuttling of this vehicle in both forward and reverse travel directions, thereby totally eliminating the need for K-turns at loading and unloading sites. We expect that this new vehicle will considerably improve the productivity at mines where existing unmanned haulage vehicles face challenging conditions.

(Reference: Related websites)

<p>Visit the special SMARTCONSTRUCTION website:          ⇒ <a href="http://smartconstruction.komatsu/">http://smartconstruction.komatsu/</a>  <i>* This website is currently available only in Japanese.</i></p> <p><i>For those who are interested in SMARTCONSTRUCTION,          details are available in KOMATSU REPORT 2015</i>          ⇒ <a href="http://www.komatsu.com/CompanyInfo/ir/annual/html/2015/strategies/smart_construction/">http://www.komatsu.com/CompanyInfo/ir/annual/html/2015/strategies/smart_construction/</a></p>
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#### Sales of Construction, Mining and Utility Equipment by Region (to External Customers)

Region	148th Fiscal Year (April 2016 – March 2017)	Changes From 147th Fiscal Year
Japan	JPY 301.5 billion	(2.0)%
Overseas	JPY 1,264.8 billion	(1.2)%
Americas	JPY 541.4 billion	(7.5)%
Europe & CIS	JPY 206.0 billion	10.0%
China	JPY 97.3 billion	39.8%
Asia* & Oceania	JPY 312.2 billion	5.3%
Middle East & Africa	JPY 107.6 billion	(23.7)%
Total	JPY 1,566.3 billion	(1.3)%

\* Excludes Japan and China.

[Retail Finance]

	148th Fiscal Year (April 2016 – March 2017)	Changes From 147th Fiscal Year
Revenues	JPY 49.0 billion	(9.0)%
Segment profit	JPY 4.4 billion	(66.6)%

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

In the retail finance segment, revenues declined by 9.0% from the previous fiscal year to JPY 49.0 billion, due to the adverse effect of the Japanese yen's appreciation, despite an increase in assets in North America and some other regions. Segment profit dropped by 66.6% from the previous fiscal year to JPY 4.4 billion, primarily reflecting allowances and provisions recorded mainly in China.

[Industrial Machinery and Others]

	148th Fiscal Year (April 2016 – March 2017)	Changes From 147th Fiscal Year
Sales	JPY 191.0 billion	(13.2)%
Segment profit	JPY 12.4 billion	(35.7)%

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

In the industrial machinery and others segment, sales declined by 13.2% from the previous fiscal year, to JPY 191.0 billion. This decline came about mainly from reduced sales of presses and machine tools to the automobile manufacturing industry and the exclusion of former Komatsu House Ltd. (currently, System House R&C Co., Ltd.) from the scope of consolidation. Segment profit dropped by 35.7% from the previous fiscal year, to JPY 12.4 billion.

Komatsu NTC Ltd., a subsidiary of the Company, exhibited its cutting-edge machine tools such as machining centers designed to achieve consolidation of processes and high efficiency for overseas automakers at "JIMTOF 2016" (the 28th Japan International Machine Tool Fair) held in November 2016.

(Reference)

Introduction to models exhibited at "JIMTOF2016" (NX400 and NX420):

"NX400" and "NX420" are next-generation machining centers designed to achieve consolidation of processes and high efficiency. Machining centers can automatically exchange tools using computerized numerical control, allowing a single machine to perform multiple processes in line with a goal, and are used to fabricate engine parts for automobiles and construction equipment.

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

In its mid-range management plan “Together We Innovate GEMBA Worldwide–Growth Toward Our 100th Anniversary (2021) and Beyond–” released in April 2016, the Company pledged to conduct management focused on ESG.

The Company has already developed initiatives focused on ESG, and based on taking actions as a “Responsible Company” starting with corporate governance, compliance, and safety, including its business partners, the Company will further enhance its initiatives to “solve social issues through core business.”

**Focused Activities in Each ESG Issue in the Mid-Range Management Plan**

Environment	Reducing CO2 emissions throughout the lifecycle of construction equipment <ul style="list-style-type: none"> <li>• Reducing CO2 emissions produced by product use</li> <li>• Reducing CO2 emissions in manufacturing</li> </ul>
Social	Increasing the safety in customers’ workplaces <ul style="list-style-type: none"> <li>• Through the development of technology to increase safety such as fully unmanned operations and ICT-intensive construction, our goal is zero accidents with our products at our customers’ workplaces</li> </ul>
Corporate Governance	Corporate Governance Thorough safety, health, and compliance Risk management

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

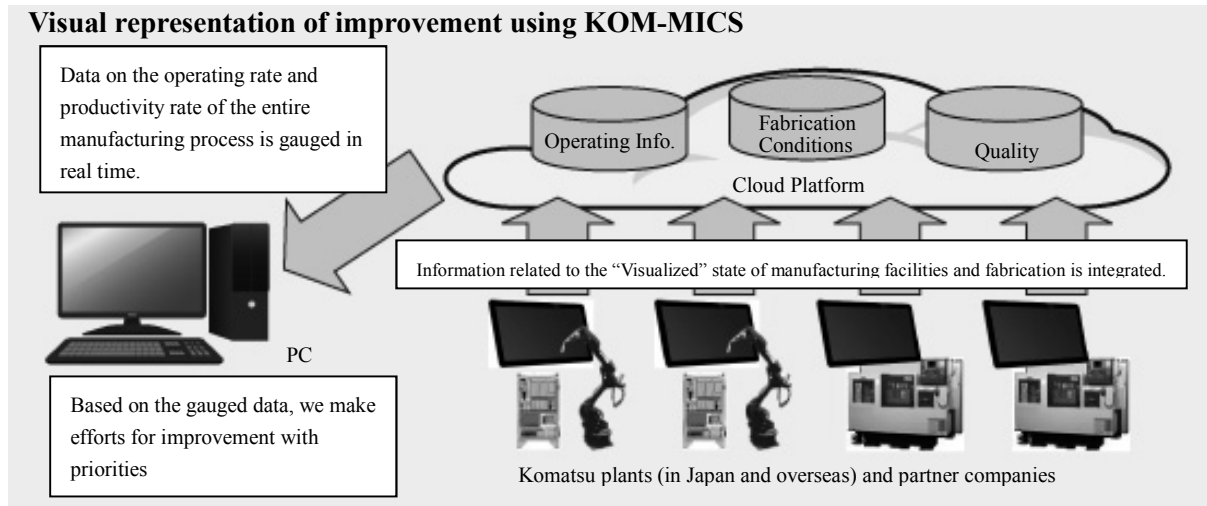
**Initiatives in “E” (Environment) (Komatsu connected plants–increased productivity and energy savings through IoT–)**

The Company has already pursued IoT at our users’ worksites through our KOMTRAX and KomConnect systems, and with our KOM-MICS: Komatsu Manufacturing Innovation Cloud System, which “visualizes” and unifies information regarding the statuses of manufacturing facilities and fabrication, we pursued IoT in manufacturing sites and worked to increase productivity and energy savings.

First, we “Visualized” the operating status of individual machines with monitoring utilizing IoT, reducing the preparation time prior to fabrication and correcting irregularities to achieve more optimized fabrication conditions. For example, in machine fabrication, we engaged in activities aimed at doubling productivity, and achieved large reductions in the power used in fabrication process.

Furthermore, through KOM-MICS, we connected not only Japanese plants, but also existing fabrication facilities and welding robots including overseas plants and partner companies, allowing data on the operating rate and productivity rate to be gauged in real time. Through this ability to “Connect,” we are able to see the state of the entire manufacturing process, identifying facilities which require improvement, allowing examples of efficient facilities improvement to be rolled out easily at other facilities, and for priorities to be accurately assigned in efforts to save energy. Going forward, we aim for further reduction in the required power and energy by reducing the required facilities by half through increased efficiency of manufacturing facilities and making production processes more compact.

The Company will continue to boost productivity through “Visualization” and “Connection” made possible through IoT, and to pursue energy savings starting with reducing power consumption.



### Initiatives in “S” (Social) (Supporting sustainable mining operations)

Reflecting the growth of the global population and urbanization rate, consumption and production volumes for major minerals are projected to increase in the medium and long term. Meanwhile, there is a strong demand at mining operation job sites for efficient operations that are both safe and have low environmental impact. At grueling mining job sites operating 24 hours a day 365 days a year, the risk of operational mistakes and bodily injuries caused by human error is a big issue. The creation of seamless, stable operations systems is also unavoidable in efforts to increase productivity.

To respond to these issues in the mining business, the Company has created a solution in the form of its Autonomous Haulage System (AHS). The AHS dump trucks can be operated with high-precision GPS, obstacle detection sensors, a wireless network system, and various controllers installed in the vehicle. In the AHS, we succeeded in allowing multiple oversized dump trucks carrying up to 300 ton of earth each to be operated remotely from a central control room 1,500 km away, and produced results including dramatically increasing safety, improving fuel efficiency through stable operational control, and extending tire lifespan...

Going forward, through the AHS business, we will continue to propose a more comfortable, attractive working style to workers in the mining business, and to offer solutions geared toward the future of mining workplaces that are safer, friendlier to the environment, and that maintain and increase productivity.

### Initiatives in “G” (Corporate Governance)

Listed in “3. Corporate Governance, Directors and Audit & Supervisory Board Members, etc.” (page 40)

## (2) Capital Investment

Capital investment decreased by JPY 18.0 billion from the previous fiscal year, to JPY 142.0 billion.

### 1) Breakdown by Segment

Segment	Invested Amounts (JPY billion)
Construction, Mining and Utility Equipment	81.7
Retail Finance	54.7
Industrial Machinery and Others	5.5
Total	142.0

Note: Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. Starting in the fiscal year ended March 31, 2017, and after the reassessment of its management decision-making units, Komatsu has separated the retail finance business as a new independent operating segment and changed to three operating segments of 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others.

### 2) Main Facilities Completed in the Fiscal Year Ended March 31, 2017

Segment	Main Facilities
Construction, Mining and Utility Equipment	New construction of Asia Training & Demonstration Center at Komatsu Parts Asia Co., Ltd. (Thailand) · Facility overview: product and technical training for distributors, product demonstrations for customers, operator training

### 3) New Constructions, Expansions and Overhauls of Main Facilities in Progress in the Fiscal Year Ended March 31, 2017

Segment	Main Facilities
Construction, Mining and Utility Equipment	Oyama Plant: Overhauling the existing engine plant and hydraulics plant · Facility overview: production facility for engines and hydraulic equipment

## (3) Financing

In the fiscal year ended March 31, 2017, in order to appropriate funds for working capital and capital investment, the Company procured funds mainly by the issuance of commercial papers, and long-term borrowings from financial institutions.

The balance of interest-bearing debt at the fiscal year-end decreased by JPY 48.8 billion from the previous fiscal year-end to JPY 408.7 billion. This was mainly the result of the redemption of bonds and repayment of debt.

In addition, the net debt-to-equity ratio\* improved from 0.23 at the previous fiscal year-end to 0.18.

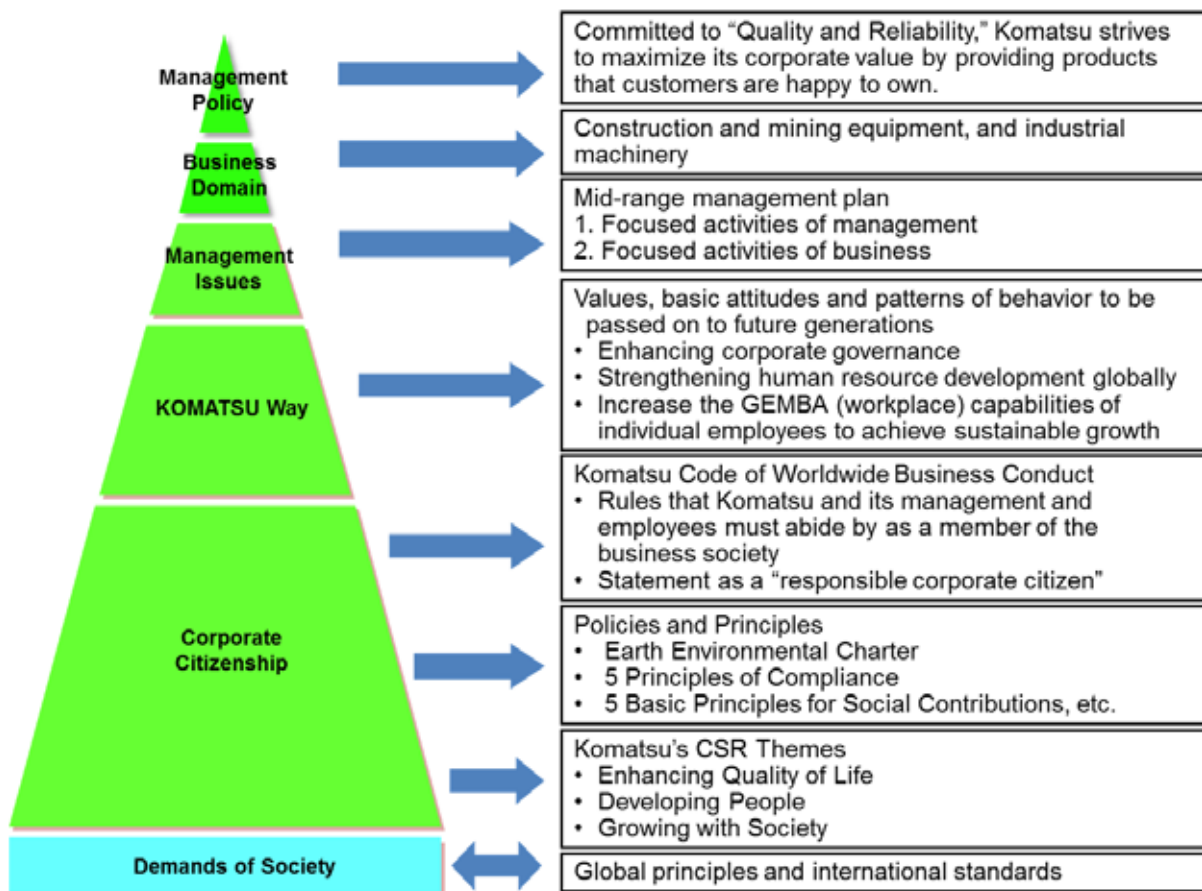
\* Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders' equity



#### (4) Issues Ahead

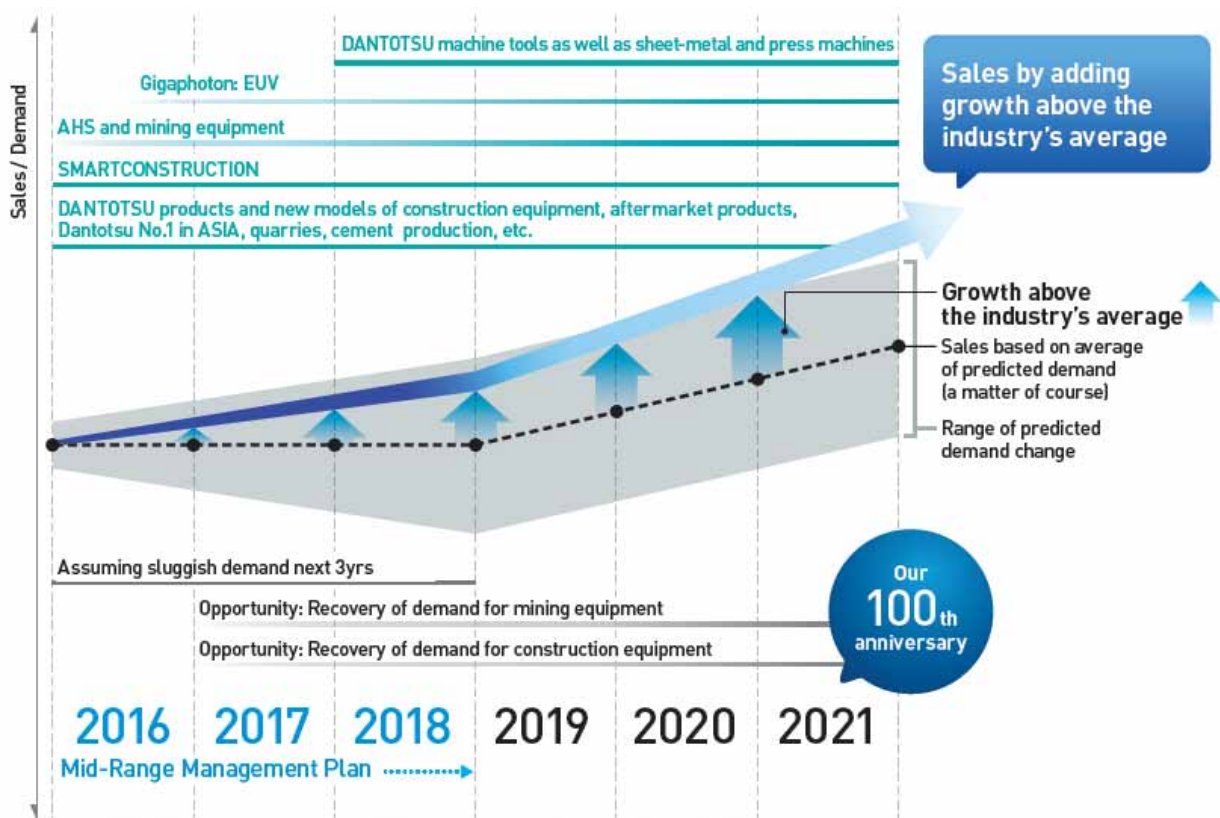
The cornerstone of Komatsu’s management lies in its commitment to Quality and Reliability and the maximization of its corporate value. We at Komatsu define our corporate value as the total sum of trust given to us by society and all stakeholders. In our three-year mid-range management plan, “Together We Innovate GEMBA Worldwide—Growth Toward Our 100th Anniversary (2021) and Beyond—” with the fiscal year ending March 31, 2019 as the goal year, by innovating customers’ GEMBA (workplaces) together with our customers and providing innovation that creates new value, toward our 100th anniversary, we aim for growth in our core businesses of construction and mining equipment and industrial machinery, and are pursuing our three focused activity items: 1) Growth strategies based on innovation, 2) Growth strategies of existing businesses, and 3) Structural reforms designed to reinforce the business foundation. All of us at Komatsu will work to improve business performance, further strengthen our corporate foundation, and achieve our social mission in a well-balanced manner, as we make teamwork efforts in the focused activity items by sharing The KOMATSU Way and paying more attention to ESG (Environment, Social and Corporate Governance).

#### Komatsu’s Management Philosophy



## Growth Image Toward Our 100th Anniversary

In our mid-range management plan, “Together We Innovate GEMBA Worldwide—Growth Toward Our 100th Anniversary (2021) and Beyond—,” we aim for growth above the industry’s average by promoting growth based on innovation and of existing businesses toward our 100th anniversary in 2021.



As an investment for growth, in April 2017, the Company acquired Joy Global Inc. (Head office: U.S., hereafter “Joy Global”) through Komatsu America Corp., a wholly-owned subsidiary of the Company. Through this acquisition, Komatsu is now able to add a new lineup of products that it hasn’t possessed up until now, including mining equipment for underground mining, etc. By establishing the system of direct sales and direct service as a base, we will concentrate on our customers’ GEMBA (workplaces) where we will bring about innovation and contribute further to improving safety and productivity to accelerate our growth leading up to Komatsu’s 100th anniversary since its founding.

### Targets of the mid-range management plan

We have added “Growth” to the previous targets of “Profitability,” “Efficiency,” “Redistribution of Profits to Shareholders” and “Financial position.” From the fiscal year ended March 31, 2017, retail finance business as an independent operating segment, has set its own targets in light of management efficiency and financial position.

Growth	Aim at a growth rate above the industry’s average.
Profitability	Aim at an Industry’s top-level operating income ratio.
Efficiency	Aim at 10%-level ROE.* <sup>1</sup>
Shareholder return	1. Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment. 2. Set the goal of a consolidated payout ratio of 40% or higher, and maintain the policy of not decreasing dividends as long as the ratio does not surpass 60%.
Financial position	Aim at industry’s top-level financial position.

Retail finance business	1. ROA* <sup>2</sup> : 2.0% or above 2. 5.0 or under for net debt-to-equity ratio* <sup>3</sup>
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\*1 ROE=Net income attributable to Komatsu Ltd. for the year/[(Komatsu Ltd. shareholders’ equity at the beginning + Komatsu Ltd. shareholders’ equity at the end of the fiscal year)/2]

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

\*3 Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders’ equity

### Focused Activity Items: State of Progress and Challenges in the Next Term

Focused activities	State of Progress	Examples of Activities
1. Growth Strategies Based on Innovation	Achievements	<ul style="list-style-type: none"> <li>● Expanded intelligent Machine Control construction equipment models</li> <li>● Introduced SMARTCONSTRUCTION to workplaces (a total of more than 2,800 in Japan)</li> <li>● Enhanced SMARTCONSTRUCTION promotion system (opening IoT Center, etc.)</li> <li>● Exhibited the “Innovative Autonomous Haulage Vehicle<sup>*1</sup>” concept at the “MINExpo INTERNATIONAL® 2016”</li> <li>● Developed light source for flat panel display manufacturing process at GIGAPHOTON Inc.</li> </ul>
	Issues for the next fiscal year	<ul style="list-style-type: none"> <li>● To further enhance and expand SMARTCONSTRUCTION</li> <li>● To develop DANTOTSU industrial machinery by promoting in-house production of key components</li> <li>● To develop EUV<sup>*2</sup> and new products at GIGAPHOTON Inc.</li> </ul>
2. Growth Strategies of Existing Businesses	Achievements	<ul style="list-style-type: none"> <li>● Developed and introduced products complying with the latest exhaust regulations</li> <li>● Increased sales of parts through M&amp;A</li> <li>● Established the Asia Development Center and Asia Training &amp; Demonstration Center</li> <li>● Expanded forest machinery models</li> </ul>
	Issues for the next fiscal year	<ul style="list-style-type: none"> <li>● To promote the integration with Joy Global (currently Komatsu Mining Corp.)</li> <li>● To continue to enhance the quarrying and cement fields</li> <li>● To further enhance and expand the value chain, including the rental and used equipment business, and retail finance business</li> <li>● To expand the industrial machinery business</li> </ul>
3. Structural Reforms Designed to Reinforce the Business Foundation	Achievements	<ul style="list-style-type: none"> <li>● Steadily implemented cost improvement activities</li> <li>● Reformed global spare parts operation</li> </ul>
	Issues for the next fiscal year	<ul style="list-style-type: none"> <li>● To promote further cost improvement activities</li> <li>● To develop human resources with global perspective and promote diversity</li> </ul>

\*1 Please refer to page 26 of this document for Innovative Autonomous Haulage Vehicle.

\*2 EUV stands for Extreme Ultraviolet, and EUV light source is one of the next-generation semiconductor manufacturing technologies.

**(5) Acquisition or Disposal of Other Companies' Shares, Other Equity Stakes or Stock Acquisition Rights**

In April 2017, through its wholly-owned subsidiary Komatsu America Corp., the Company acquired Joy Global Inc., making it a wholly-owned subsidiary of Komatsu America Corp. The trade name was changed from Joy Global Inc. to Komatsu Mining Corp.

**(6) Status of Principal Subsidiaries**

1) Principal Subsidiaries (As of March 31, 2017)

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu Castex Ltd.	Head Office /Plant (Himi City, Toyama)	JPY 6,979 mil	100.0	Manufacture and sale of casting products
Komatsu Construction Equipment Sales and Service Japan Ltd.	Head Office (Kawasaki City, Kanagawa)	JPY 950 mil	100.0	Sale and servicing of construction equipment
Komatsu Used Equipment Corp.	Head Office (Yokohama City, Kanagawa)	JPY 290 mil	*100.0	Sale of used construction equipment, etc.
Komatsu Rental Ltd.	Head Office (Yokohama City, Kanagawa)	JPY 100 mil	100.0	Rental of construction equipment, etc.
Komatsu Forklift Japan Ltd.	Head Office (Shinagawa-ku, Tokyo)	JPY 500 mil	100.0	Sale and servicing of industrial vehicles
Komatsu Logistics Corp.	Head Office (Yokohama City, Kanagawa)	JPY 1,080 mil	100.0	Transportation, warehousing, packing and other services
Komatsu Business Support Ltd.	Head Office (Minato-ku, Tokyo)	JPY 1,770 mil	100.0	Retail financing of construction equipment
Komatsu Industries Corporation	Head Office (Kanazawa City, Ishikawa)	JPY 990 mil	100.0	Development, sale and servicing of metal forging and stamping presses and sheet-metal machines, etc.
Komatsu NTC Ltd.	Head Office /Plant (Nanto City, Toyama)	JPY 6,014 mil	100.0	Manufacture, sale and servicing of machine tools, etc.
GIGAPHOTON INC.	Head Office /Plant (Oyama City, Tochigi)	JPY 5,000 mil	100.0	Development, manufacturing, sale and servicing of excimer laser and Extreme Ultra-Violet light sources used for lithography tools in semiconductor manufacturing
Komatsu America Corp.	Head Office /Plant (USA)	USD 1,071 mil	100.0	Manufacture and sale of construction and mining equipment and supervision in the Americas
Hensley Industries, Inc.	Head Office /Plant (USA)	USD 2 thou	*100.0	Manufacture and sale of construction and mining equipment parts

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu Financial Limited Partnership (Note 2)	Head Office (USA)	-	*100.0	Retail financing of construction and mining equipment
Komatsu do Brasil Ltda.	Head Office /Plant (Brazil)	BRL 143 mil	*100.0	Manufacture of construction equipment and casting products
Komatsu Brasil International Ltda.	Head Office (Brazil)	BRL 287 mil	*100.0	Sale of construction equipment
Komatsu Holding South America Ltda.	Head Office (Chile)	USD 141 mil	*100.0	Sale and servicing of construction and mining equipment
Komatsu Cummins Chile Ltda.	Head Office (Chile)	USD 34 mil	*81.8	Sale and servicing of construction and mining equipment
Komatsu Finance Chile S.A.	Head Office (Chile)	USD 40 mil	*100.0	Retail financing of construction and mining equipment
Komatsu Europe International N.V.	Head Office (Belgium)	EUR 50 mil	100.0	Sale of construction and mining equipment and supervision in Europe
Komatsu Financial Europe N.V.	Head Office (Belgium)	EUR 50 mil	*100.0	Retail financing of construction and mining equipment
Komatsu UK Ltd.	Head Office /Plant (UK)	GBP 23 mil	*100.0	Manufacture of construction equipment
Komatsu Germany GmbH	Head Office /Plant (Germany)	EUR 24 mil	*100.0	Manufacture and sale of construction and mining equipment
Komatsu Italia Manufacturing S.p.A.	Head Office /Plant (Italy)	EUR 6 mil	*100.0	Manufacture of construction equipment
Komatsu Forest AB	Head Office /Plant (Sweden)	SEK 397 mil	100.0	Manufacture, sale and servicing of forestry equipment
Komatsu CIS LLC	Head Office (Russia)	RUB 5,301 mil	100.0	Sale of construction and mining equipment
Komatsu South Africa (Pty) Ltd.	Head Office (South Africa)	ZAR 186 mil	*59.9	Sale and servicing of construction and mining equipment
PT Komatsu Indonesia	Head Office /Plant (Indonesia)	IDR 192,780 mil	94.9	Manufacture and sale of construction and mining equipment, and casting products
PT Komatsu Marketing & Support Indonesia	Head Office (Indonesia)	USD 5 mil	*94.9	Sale and servicing of construction and mining equipment
Bangkok Komatsu Co., Ltd.	Head Office /Plant (Thailand)	THB 620 mil	*74.8	Manufacture and sale of construction equipment and casting products
Komatsu India Pvt. Ltd.	Head Office /Plant (India)	INR 10,963 mil	*100.0	Manufacture and sale of construction and mining equipment
Komatsu Marketing Support Australia Pty Ltd	Head Office (Australia)	AUD 21 mil	*60.0	Sale of construction and mining equipment
Komatsu Australia Pty Ltd	Head Office (Australia)	AUD 30 mil	*60.0	Sale and servicing of construction and mining equipment

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu Australia Corporate Finance Pty. Ltd.	Head Office (Australia)	AUD 49 mil	*60.0	Retail financing of construction and mining equipment
Komatsu (China) Ltd.	Head Office (China)	USD 165 mil	100.0	Sale of construction and mining equipment and supervision in China
Komatsu (Changzhou) Construction Machinery Corp.	Head Office /Plant (China)	USD 41 mil	*85.0	Manufacture of construction equipment
Komatsu Shantui Construction Machinery Co., Ltd.	Head Office /Plant (China)	USD 21 mil	*60.0	Manufacture of construction equipment
Komatsu Financial Leasing China Ltd.	Head Office (China)	RMB 1,630 mil	*100.0	Retail financing of construction equipment

Notes:

1. Figures with an asterisk (\*) are the ratio of investment through subsidiaries of the Company and the ratio includes the stakes held by them.
2. Komatsu Financial Limited Partnership is a limited partnership based on the state law of Delaware, the U.S., and the Company invests in it through subsidiaries. Its net asset which is equivalent to the capital amounts to USD 503 million.
3. The number of consolidated subsidiaries of the Company, including those listed above, is 143, and the number of affiliated companies accounted for by the equity method is 38.

## 2) Others (update on important combination)

- i) The Company transferred 85% of the total issued shares of Komatsu House Ltd. (currently System House R & C Co., Ltd.) to Nissei Build Kogyo Co., Ltd. in April 2016.
- ii) In April 2017, through its wholly-owned subsidiary Komatsu America Corp., the Company acquired Joy Global Inc., making it a wholly-owned subsidiary of Komatsu America Corp.

## (7) Employees (As of March 31, 2017)

Segment	Number of Employees
Construction, Mining and Utility Equipment	42,407
Retail Finance	193
Industrial Machinery and Others	4,001
Others (Note 2)	603
Total	47,204

Notes:

1. The total number of employees increased by 187 from the end of the previous fiscal year.
2. "Others" above includes the number of administrative employees that cannot be classified into the above three (3) segments.

**(8) Main Lenders** (As of March 31, 2017)

Name of Lenders	Balance of Loans (JPY billion)
Sumitomo Mitsui Banking Corporation	81.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	61.7
Mizuho Bank, Ltd.	48.2
The Norinchukin Bank	39.7

Pursuant to laws and regulations and Article 16 of the Company's Articles of Incorporation, "Main Businesses" and "Principal Offices and Plants" are now available on the Komatsu corporate website.

⇒ <http://www.komatsu.com/CompanyInfo/ir/>



**2. Matters Regarding the Shares and Stock Acquisition Rights of the Company etc. (As of March 31, 2017)**

- (1) **Number of shares authorized to be issued:** 3,955,000,000 shares  
 (2) **Total number of shares issued and outstanding:** 943,538,362 shares  
 (excluding 28,429,298 shares of treasury stock)  
 (3) **Number of shareholders:** 158,453

**(4) Major shareholders (top ten)**

Name of Shareholders	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
JP MORGAN CHASE BANK 380055 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	59,920	6.35
Japan Trustee Services Bank, Ltd. (Trust Account)	48,700	5.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	41,336	4.38
Taiyo Life Insurance Company	34,000	3.60
State Street Bank and Trust Company (standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch)	30,928	3.27
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	26,626	2.82
State Street Bank and Trust Company 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	20,265	2.14
The Bank of New York Mellon as Depository Bank for Depository Receipt Holders (standing proxy: Sumitomo Mitsui Banking Corporation)	19,593	2.07
Sumitomo Mitsui Banking Corporation	17,835	1.89
Japan Trustee Services Bank, Ltd. (Trust Account 5)	17,740	1.88

Notes:

- Shareholding ratio is calculated by subtracting treasury stock.
- Although the Company holds 28,429 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

**(5) Status of Stock Acquisition Rights**

Number of Stock Acquisition Rights (total)	Number of Shares Subject to Stock Acquisition Rights	(Reference) Total Number of Shares Issued and Outstanding
12,318	1,277,700 shares	943,538,362 shares (excluding treasury stock)

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

⇒ <http://www.komatsu.com/CompanyInfo/ir/>

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

**(1) Basic Views on Corporate Governance**

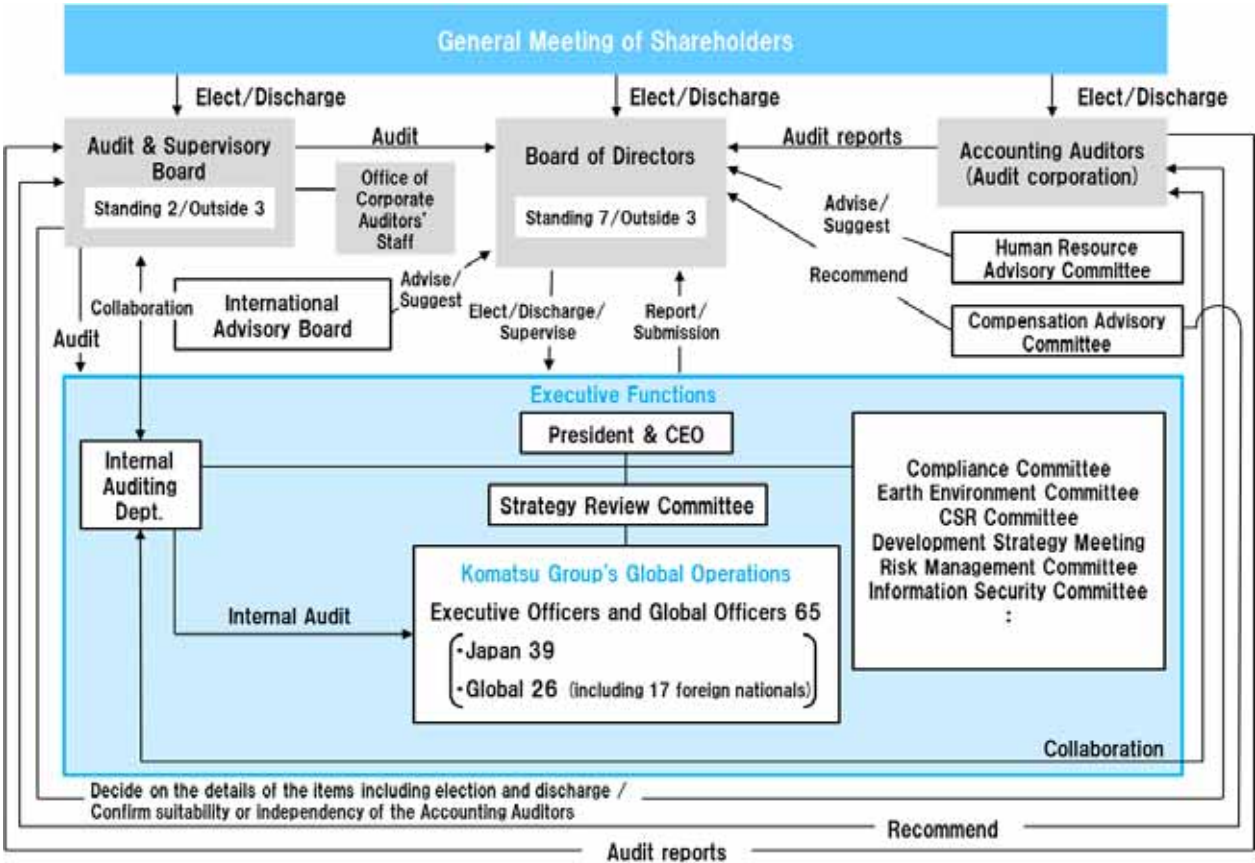
The Company considers that corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate corporate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

**(2) Corporate Governance System of the Company**

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

The Company strives to make improvements to increase the effectiveness of the Board of Directors and conducts an annual evaluation and analysis of the effectiveness of the Board of Directors. In the results of the evaluation and analysis for the fiscal year ended March 31, 2017, no material issues were indicated with regard to effectiveness, with the Board achieving generally high levels in all evaluation items.

In addition, the Company has established “Systems for Ensuring the Properness of Operations” (pages 41 to 45) as its internal control systems, and continually works to enhance its corporate governance.



Note: The above diagram is as of March 31, 2017.

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

#### 1) Systems for Ensuring the Properness of Operations

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

#### 1 Basic Policy on Internal Control

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

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

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

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

#### 3 Rules and Other Systems for Risk Management

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

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

#### 4 Systems for Ensuring Efficient Execution of Duties by Directors

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

- i) The Board of Directors shall meet in principle at least once every month and more often as needed. It shall strive to maintain transparency and soundness of management through the participation of Outside Directors. It shall also establish the Regulations of the Board of Directors and the Standards for Matters to be Referred to a Meeting of the Board of Directors, thereby clarifying the matters on which the Board of Directors should make decisions.
- ii) Together with the introduction of the Executive Officer (*Shikko Yakuin*) System, the Company shall define the separation of duties for Directors, Executive Officers and senior managers, and set up internal rules including the Regulations of Decision-Making Authority, to ensure appropriate and effective execution of duties by Directors and Executive Officers.

- iii) To promote efficient management of the Board of Directors, the Company shall establish a Strategy Review Committee consisting of Senior Executive Officers and senior managers. Based on the reviews of the Committee, Executive Officers and senior managers execute their duties within the authority delegated by the Board of Directors.

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

The Board of Directors makes decisions on important management matters in accordance with laws and regulations and the "Regulations of the Board of Directors." In accordance with the decisions made by the Board of Directors, each Director not only executes his or her own duties but also supervises employees for the execution of their duties, and reports the conditions thereof to the Board of Directors.

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

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

#### 6 Systems for Ensuring the Proper Operation of Komatsu (*as defined in Section 1.(1) Outline of Operations and Business Results, page 25*) Comprising the Company and Its Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 Advance Payments and Reimbursements for Expenses Incurred by Audit & Supervisory Board

Members Executing Duties and Policy Related to Expenses or Debts Incurred by Executing Duties  
The Audit & Supervisory Board, after discussion with the operating department, shall secure the necessary budget to implement audit plans approved by the Audit & Supervisory Board.

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

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

## 11 Basic Policy Pertaining to the Elimination of Antisocial Forces

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

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

## 2) Outline of Management of Systems Ensuring the Properness of Operations in fiscal year ended March 31, 2017

<b>Overall Internal Control System</b>	Outline
	The Company partially revised its Basic Policy on Internal Control in line with revisions to the Companies Act of Japan in April 2015. The Company is upgrading its internal control systems, on a group worldwide basis including at subsidiaries.
	Relevant “Systems for Ensuring the Properness of Operations”
	1 Basic Policy on Internal Control
<b>Directors’ Execution of Duties</b>	Outline
	1) The Board of Directors met 17 times a year. The Board made decisions on important management matters based on the Standards for Matters to be Referred to a Meeting of the Board of Directors, and reported on business execution. Business execution reports cover virtually 100% of businesses on a consolidated net sales basis. Even extremely small-scale businesses are reported at the Board of Directors, mainly with respect to safety, compliance, and risk. Sufficient time is secured to ensure full discussions at the Board of Directors and the Company has adopted a process of raising important matters for discussion and decision-making on predetermined days over two meetings of the Board of Directors.
	2) The Board of Directors also receives a monthly report from the President regarding recent important matters and topics, such as safety, compliance, and risk. The CFO also reports each month on the status of sales, profits and losses, orders received, and borrowings.
	3) The records of the Board meetings and other approval documents ( <i>ringisho</i> ) are retained and managed appropriately in accordance with internal regulations on document management.
	Relevant “Systems for Ensuring the Properness of Operations”
2 Systems for Retention and Management of Information Related to Directors’ Execution of Duties	
4 Systems for Ensuring Efficient Execution of Duties by Directors	

<b>Risk Management</b>	Outline
	The Risk Management Committee met twice a year. The Committee evaluated status of implementation of risk measures and worked to prevent risks from surfacing. It also reported on its reviews and activities to the Board of Directors. The Committee also worked to improve the risk management systems on a group worldwide basis including at subsidiaries.
	Relevant “Systems for Ensuring the Properness of Operations”
	3 Rules and Other Systems for Risk Management 6-2 Rules and Other Systems for Risk Management at Subsidiaries
<b>Compliance</b>	Outline
	The Compliance Committee conducts various activities, such as revising the Komatsu Code of Worldwide Business Conduct, providing various education and disseminating information, and upgrading and operating internal reporting system. It also reports on its reviews and activities to the Board of Directors. The Compliance Committee met twice in the fiscal year ended March 31, 2017. The Committee also conducted a “visualization survey” of latent risks. Monthly publication of the Company bulletin “Compliance for Everyone” continued into its 12th year. The Committee also conducts periodic audits with regard to major compliance risks and strives to prevent them from surfacing.
	Relevant “Systems for Ensuring the Properness of Operations”
	5 Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws and Regulations, and the Company’s Articles of Incorporation 6-4 Systems for Ensuring that the Execution of Duties by Directors and Employees at Subsidiaries Complies with Laws and Regulations, and the Company’s Articles of Incorporation
<b>Management of Subsidiaries</b>	Outline
	1) To strengthen the Group’s corporate governance, the Company dispatches its executive officers and board members of regional headquarter companies, etc. to serve as Directors and Audit & Supervisory Board Members at its 48 main subsidiaries (15 in Japan, 33 overseas) to monitor their managements. The divisions of the Company in charge of each subsidiary also maintain constant checks on the status of the subsidiaries’ Board of Directors meetings.
	2) In the fiscal year ended March 31, 2017, the boards of directors resolved to implement the Basic Policy on Internal Control at all of the Company’s subsidiaries to further increase the internal control for the entire Group. The establishment of the necessary framework is progressing, and nearly all of the subsidiaries have completed the implementation. The status of the policy’s implementation is confirmed by the Company’s Board of Directors, and the Company is working to improve it.
	3) It is subject to a condition that the Company received notification beforehand or provided approval beforehand in accordance with the Affiliated Company Regulations and relevant rules when subsidiaries executed matters that had a significant impact on consolidated business operations.
	Relevant “Systems for Ensuring the Properness of Operations”
	6 Systems for Ensuring the Proper Operation of Komatsu Comprising the Company and Its Subsidiaries 6-1 Systems for Ensuring Items Related to the Implementation of Duties by Directors and Other Employees at Subsidiaries are Reported to the Company 6-3 Systems for Ensuring Efficient Execution of Duties by Directors and Other Employees at Subsidiaries



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

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

1) Names etc. of Directors and Audit & Supervisory Board Members (As of March 31, 2017)

Position	Name	In Charge at the Company and/or Important Concurrent Positions Held in Other Organizations
Chairperson of the Board and Director	Kunio Noji	Outside Director of Ricoh Company, Ltd.* Outside Director of NEC Corporation*
President and Representative Director	Tetsuji Ohashi	Chief Executive Officer (CEO)
Executive Vice President and Representative Director	Mikio Fujitsuka	Chief Financial Officer (CFO) Supervising Accounting & Finance and Investor Relations
Director and Senior Executive Officer	Fujitoshi Takamura	Chief Technology Officer (CTO) Supervising Research & Development
Director and Senior Executive Officer	Hisashi Shinozuka	President of Construction & Mining Equipment Marketing Division
Director and Senior Executive Officer	Kazunori Kuromoto	President of ICT Solution Division (In charge of ICT-intensive construction, KOMTRAX, AHS and Mining Innovation)
Director and Senior Executive Officer	Masanao Mori	Supervising Human Resources & Education and Safety & Health Care
Director	Masayuki Oku	Chairperson of the Board and Director of Sumitomo Mitsui Financial Group, Inc.* Outside Director of Panasonic Corporation* Outside Director of Kao Corporation* Outside Director of Chugai Pharmaceutical Co. Ltd.* Non-executive Director of The Bank of East Asia, Limited* Outside Audit & Supervisory Board Member of Nankai Electric Railway Co., Ltd.*
Director	Mitoji Yabunaka	Speciality Invited Professor (Distinguished Professor) of Ritsumeikan University Outside Director of Kawasaki Kisen Kaisha, Ltd.* Outside Director of Mitsubishi Electric Corporation* Outside Director of Takasago Thermal Engineering Co., Ltd.*
Director	Makoto Kigawa	Chairperson of the Board and Representative Director of Yamato Holdings Co., Ltd.*
Standing Audit & Supervisory Board Member	Koji Yamada	—
Standing Audit & Supervisory Board Member	Kosuke Yamane	—
Audit & Supervisory Board Member	Kunihiro Matsuo	Attorney at law Outside Audit & Supervisory Board Member of TV TOKYO Holdings Corporation* Outside Audit & Supervisory Board Member of Seven Bank, Ltd.*

Position	Name	In Charge at the Company and/or Important Concurrent Positions Held in Other Organizations
Audit & Supervisory Board Member	Hirohide Yamaguchi	Chairperson of the Advisory Board of Nikko Research Center, Inc.* Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd.* Outside Audit & Supervisory Board Member of Nippon Yusen Kabushiki Kaisha*
Audit & Supervisory Board Member	Eiko Shinotsuka	Professor emeritus at Ochanomizu University Adviser of National Personnel Authority Outside Director of Japan Securities Finance Co., Ltd.* Outside Director of LIFENET INSURANCE COMPANY*

Notes:

1. Directors Masayuki Oku, Mitoji Yabunaka and Makoto Kigawa are Outside Directors.
2. Audit & Supervisory Board Members Kunihiro Matsuo, Hirohide Yamaguchi and Eiko Shinotsuka are Outside Audit & Supervisory Board Members.
3. An asterisk (\*) indicates important concurrent positions held in other organizations.
4. Regarding important concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members in other organizations, relations between the Company and those organizations are as follows.
  - (i) Sumitomo Mitsui Financial Group, Inc., for which Outside Director Masayuki Oku serves as Director, is a bank holding company. Although it has no direct transactions with the Company, the aforesaid company's subsidiary Sumitomo Mitsui Banking Corporation is one of the Company's main lenders. Mr. Oku retired as Chairperson of the Board of Sumitomo Mitsui Financial Group on April 1, 2017.
  - (ii) Yamato Holdings Co., Ltd., for which Outside Director Makoto Kigawa serves as Chairperson of the Board and Representative Director, is a holding company, and the Company and its consolidated subsidiaries have transactions with Yamato Holdings Co., Ltd.'s subsidiaries, including Yamato Transport Co., Ltd. for payment of transportation expenses, etc. However, the amount of the payment is less than 0.1% of the consolidated total of cost of sales and selling, general and administrative expenses of the Company and its consolidated subsidiaries for the fiscal year ended March 31, 2017.
  - (iii) There are no particular business relationships, etc. between the Company and other organizations at which Outside Directors and Outside Audit & Supervisory Board Members hold concurrent positions other than that set forth in (i) and (ii) above.
5. Standing Audit & Supervisory Board Member Kosuke Yamane has long engaged in accounting-related duties at the Company, and has considerably profound knowledge concerning financial affairs and accounting.
6. The Company employs the Executive Officer (*Shikko Yakuin*) System.

## 2) Outline of Contents of Limited Liability Agreement

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

## 3) Remuneration for Directors and Audit & Supervisory Board Members

### i) Policy regarding the determination of remuneration

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit & Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee, which consists of four (4) external members (two (2) Outside Audit & Supervisory Board Members, one (1) Outside Director and one (1) outside expert)

and one (1) internal member. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit & Supervisory Board Members is determined by discussions by the Audit & Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders.

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

The remuneration for Directors is comprised of fixed remuneration (paid monthly) and performance-based remuneration linked to Komatsu's consolidated performance. The total amount paid of performance-based remuneration shall be calculated each year by evaluating the basic indicators of ROE<sup>\*1</sup> and ROA<sup>\*2</sup> at the ratio described in the below table and making adjustments for growth (growth rate of consolidated sales), profitability (profit margin of segment) and financial soundness (achievement rating of net debt-to-equity ratio<sup>\*3</sup>).

	Indicator	Ratio
Basic Indicators	Consolidated ROE <sup>*1</sup>	70%
	Consolidated ROA <sup>*2</sup>	30%
Adjustment Indicators	Adjustment according to growth rate of consolidated sales and profit margin of segment	
	Adjusted by achievement rating of the net debt-to-equity ratio <sup>*3</sup>	

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

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

\*3 Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders' equity

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

Two thirds (2/3) of the total amount of performance-based remuneration shall be paid in the form of cash as Directors' bonuses (provided, however, the upper limit is 12 × monthly remuneration), and the amount remaining after deducting the Directors' bonuses shall be paid by granting Stock Acquisition Rights as stock-based remuneration for the purpose of fostering the same perspective on profitability with the shareholders and consequently clarifying their incentive to enhance the long-term corporate value of the Company. However, the total amount of performance-based remuneration to Outside Directors shall have the upper limit of one third (1/3) of the annual fixed remuneration in consideration of their role and standing.

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

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

ii) Remuneration for Directors and Audit & Supervisory Board Members for the Fiscal Year ended March 31, 2017

Classification	Number of Persons Paid	Total Amount of Remuneration Paid				
		Monetary Remuneration			Total	Non-monetary Remuneration
		Fixed Remuneration	Bonus (Note 3)	Stock-Based Remuneration (Note 4)		
Director	11	JPY 467 mil	JPY 163 mil	JPY 630 mil	JPY 87 mil	JPY 717 mil
(Outside Director included above)	4	JPY 40 mil	JPY 9 mil	JPY 49 mil	JPY 4 mil	JPY 52 mil
Audit & Supervisory Board Member	6	JPY 131 mil	–	JPY 131 mil	–	JPY 131 mil
(Outside Audit & Supervisory Board Member included above)	3	JPY 45 mil	–	JPY 45 mil	–	JPY 45 mil
Total	17	JPY 598 mil	JPY 163 mil	JPY 761 mil	JPY 87 mil	JPY 848 mil
(Outside Director and Outside Audit & Supervisory Board Member included above)	7	JPY 85 mil	JPY 9 mil	JPY 94 mil	JPY 4 mil	JPY 97 mil

Notes:

- As of the end of the fiscal year ended March 31, 2017, there are ten (10) Directors (three (3) of whom are Outside Directors) and five (5) Audit & Supervisory Board Members (three (3) of whom are Outside Audit & Supervisory Board Members). However, the numbers and amounts in the table above include those for one (1) Director and one (1) Audit & Supervisory Board Member who have retired as of the close of the 147th Ordinary General Meeting of Shareholders in June, 2016.
- It was resolved at the 135th Ordinary General Meeting of Shareholders, held in June 2004, that the maximum amount of remuneration to be paid to Directors in total per month (excluding bonuses and stock-based remuneration) shall not exceed JPY 60 million (however, not including salaries as employees) and it was resolved at the 143rd Ordinary General Meeting of Shareholders, held in June 2012, that the maximum amount of remuneration to be paid to Audit & Supervisory Board Members in total per month shall not exceed JPY 13.5 million. It was also resolved at the 141st Ordinary General Meeting of Shareholders, held in June 2010, that the maximum amount of remuneration to be paid to Directors in the form of Stock Acquisition Rights to be granted as stock-based remuneration shall not exceed JPY 360 million in total per year (however, not including salaries as employees) and the maximum amount of remuneration to be paid to Outside Directors in total per year shall not exceed JPY 50 million out of those JPY 360 million.
- Amount of Bonuses for Directors are the total amount to be paid to Directors, which is planned to be resolved in Item 4 (Payment of Bonuses for Directors) at the 148th Ordinary General Meeting of Shareholders.
- Stock-based remuneration represents the amount of expense allocated as remuneration for Directors, which are not monetary, in accounting for the fiscal year ended March 31, 2017.
- The portions of salaries as employees for Directors concurrently serving as employees are not paid.
- Amounts of less than JPY one (1) million are rounded to the nearest million yen.

4) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in the Fiscal Year ended March 31, 2017, etc.

The status of major activities of Outside Directors and Outside Audit & Supervisory Board Members in the fiscal year ended March 31, 2017 and the matters concerning their independence are presented below.

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

i) Outside Directors

Name	Masayuki Oku <Independent Director>
Attendance to the Meetings	Meeting of the Board of Directors 100% (17 meetings out of the 17 meetings held)
Details of Major Activities	Mr. Masayuki Oku previously served as Representative Director of Sumitomo Mitsui Banking Corporation. During the fiscal year ended March 31, 2017, based on his rich experience in the business world, he provided comments at the meetings of the Board of Directors concerning such issues as the structure following the implementation of M&A, retail finance, and financing costs. In addition, he was a member of the Company's Human Resource Advisory Committee and Compensation Advisory Committee.

Name	Mitoji Yabunaka <Independent Director>
Attendance to the Meetings	Meeting of the Board of Directors 94% (16 meetings out of the 17 meetings held)
Details of Major Activities	Mr. Mitoji Yabunaka previously served as Vice-Minister for Foreign Affairs. During the fiscal year ended March 31, 2017, based on his standpoint as a specialist in international affairs, he provided comments at the meetings of the Board of Directors concerning such issues as the effects of the launch of the new U.S. presidential administration, infrastructure investment in China, and labor management at overseas subsidiaries. In addition, he was a member of the Company's Human Resource Advisory Committee.

Name	Makoto Kigawa <Independent Director>
Attendance to the Meetings	Meeting of the Board of Directors 100% (13 meetings out of the 13 meetings held)
Details of Major Activities	Mr. Makoto Kigawa previously served as Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd. During the fiscal year ended March 31, 2017, based on his rich experience in the business world, he provided comments at the meetings of the Board of Directors concerning such issues as optimizing inventory and logistics and building business models utilizing IoT. In addition, he was a member of the Company's Human Resource Advisory Committee.

Note: As the Outside Director Mr. Makoto Kigawa was elected at the 147th Ordinary General Meeting of Shareholders held in June 2016, the maximum number of meetings of attendance for the meeting of the Board of Directors is different from that of the other Outside Directors.

ii) Outside Audit & Supervisory Board Members

Name	Kunihiro Matsuo <Independent Audit & Supervisory Board Member>
Attendance to the Meetings	Meeting of the Board of Directors 88% (15 meetings out of the 17 meetings held) Meeting of the Audit & Supervisory Board 86% (13 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Kunihiro Matsuo possesses rich experience in the legal profession. During the fiscal year ended March 31, 2017, based on his professional standpoint, he provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as export control, enhancing group governance, and thorough promotion of The KOMATSU Way. In addition, he was an observer of the Company's Compliance Committee.

Name	Hirohide Yamaguchi <Independent Audit & Supervisory Board Member>
Attendance to the Meetings	Meeting of the Board of Directors 100% (17 meetings out of the 17 meetings held) Meeting of the Audit & Supervisory Board 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Hirohide Yamaguchi previously served as Deputy Governor of the Bank of Japan. During the fiscal year ended March 31, 2017, based on his professional standpoint, he provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as the system surrounding accounting auditing and internal control, and whole concept of M&A. In addition, he was a member of the Company's Compensation Advisory Committee.

Name	Eiko Shinotsuka <Independent Audit & Supervisory Board Member>
Attendance to the Meetings	Meeting of the Board of Directors 100% (17 meetings out of the 17 meetings held) Meeting of the Audit & Supervisory Board 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Ms. Eiko Shinotsuka possesses wide-ranging knowledge and experience in fields such as economics, labor relations and law. During the fiscal year ended March 31, 2017, based on her professional standpoint, she provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as human resource development, employee safety and health management, and diversity. In addition, she was a member of the Company's Compensation Advisory Committee.

## (5) Status of Accounting Auditors

### 1) Name of Accounting Auditors

KPMG AZSA LLC

### 2) Amount of Remuneration for Accounting Auditors

Remuneration for the Accounting Auditor of the Company in the Fiscal Year ended March 31, 2017:	JPY 365 million
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to the Accounting Auditor:	JPY 655 million

Notes:

1. The Audit & Supervisory Board, based upon the “Practical Guidelines for Cooperation with Financial Auditors,” etc. released by the Japan Audit & Supervisory Board Members Association, and having obtained necessary materials and having received reports from related departments and the Accounting Auditor, conducts confirmation of the auditing plans of the Accounting Auditor, the status of execution of duties, the trends in actual remuneration amount, the grounds for calculation of remuneration estimates and other matters, and having investigated appropriateness of remuneration, etc. for the Accounting Auditor, gives consent in accordance with Article 399, paragraph 1 of the Companies Act.
2. The amount of remuneration given in the above include the sum of the amount of remuneration for auditing services in accordance with the Companies Act of Japan and the amount of remuneration for auditing work in accordance with the Financial Instruments and Exchange Law of Japan, because the two kinds of remunerations are not clearly separated each other in the audit contract concluded between the Company and the Accounting Auditor, and they cannot be recorded separately.
3. Among principal subsidiaries of the Company, twenty-seven (27) companies including Komatsu America Corp. are audited by Certified Public Accountants or Audit Corporations other than the Accounting Auditor of the Company.

### 3) Details of Non-Auditing Services

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

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

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

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



#### **4. Global Operations of Komatsu**

The Company views global management as the process of developing customer-focused activities rooted in the individual workplaces of regions worldwide, and toward that end, promotes management localization. As one part of building a framework to implement global management, in the fiscal year ended March 31, 2017, the Company introduced the “Global Officer System.”

As of April 1, 2017, 27 of the Company’s top personnel at main overseas subsidiaries are actively responsible for key business execution functions in the overseas business field as “Global Officers.”

Furthermore, 16 of these Global Officers (including five foreign nationals) have been appointed as executive officers of the Company. The employees who were appointed as executive officers are expanding their participation in management even further through participation in several global meetings in addition to their roles as regional heads.

From 2017, the Company is further expanding global business within the Group through the acquisition of Joy Global Inc. (now Komatsu Mining Corp.) through Komatsu America Corp. The Company now considers it vital for a further step forward in development as a global company to provide opportunities for all employees around the world to participate in various arenas around the world, across national borders, regardless of their nationality, gender, and so forth, and is promoting a framework to implement this directive.

#### **5. Initiatives to Promote the Empowerment of Women**

The Company aims to provide a working environment in which employees are able to sufficiently realize and utilize their abilities regardless of gender, age or other such factors. To this end, the Company is promoting the empowerment of women, elderly people, and people with disabilities, and supporting work-life balance of employees across the organization. Because the Company considers the low number of female managers in comparison to male managers to be an issue in particular need of further improvement, the Company is vigorously pushing ahead with various measures in this area. These include making concerted efforts to employ and train more women, and providing a working environment in which female employees can continue developing their careers after maternity leave.

The number of the Company’s female managers as of April 1, 2017, was 94 persons (the ratio of female managers was 5.5%, and the number had increased by 57 persons over five fiscal years). In the three-year mid-range management plan “Together We Innovate GEMBA Worldwide—Growth Toward Our 100th Anniversary (2021) and Beyond—” started in April 2016, the Company takes action to achieve its target of bringing the ratio of female managers to 7% by April 2018 and 10% by April 2021, and works to implement these activities across the Komatsu Group.

End

## Consolidated Financial Statements

### Consolidated Balance Sheet

(As of March 31, 2017)

	(JPY million)	
	(Reference)	
	148th Fiscal Year	147th Fiscal Year
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	119,901	106,259
Time deposits	2,289	2,212
Trade notes and accounts receivable, net	619,265	583,390
Inventories	533,897	539,611
Assets held for sale	–	13,388
Deferred income taxes and other current assets	144,169	141,593
Total current assets	1,419,521	1,386,453
Long-term trade receivables, net	313,946	291,923
Investments:		
Investments in and advances to affiliated companies	30,330	28,123
Investment securities	67,716	51,590
Other	2,424	2,640
Total investments	100,470	82,353
Property, plant and equipment-less accumulated depreciation and amortization	679,027	697,742
Goodwill	40,072	40,005
Other intangible assets-less accumulated amortization	61,083	63,056
Deferred income taxes and other assets	42,363	53,122
Total assets	2,656,482	2,614,654

	(JPY million)	
	(Reference)	
	148th Fiscal Year	147th Fiscal Year
<b>Liabilities</b>		
Current liabilities:		
Short-term debt	128,452	144,552
Current maturities of long-term debt	89,391	100,364
Trade notes, bills and accounts payable	240,113	205,411
Income taxes payable	25,136	29,310
Liabilities held for sale	–	7,057
Deferred income taxes and other current liabilities	217,090	214,200
Total current liabilities	700,182	700,894
Long-term liabilities:		
Long-term debt	190,859	212,636
Liability for pension and retirement benefits	65,247	67,972
Deferred income taxes and other liabilities	51,679	45,392
Total long-term liabilities	307,785	326,000
Total liabilities	1,007,967	1,026,894
<b>Equity</b>		
Komatsu Ltd. shareholders' equity		
Common stock	67,870	67,870
Capital surplus	138,285	138,243
Retained earnings:		
Appropriated for legal reserve	45,368	44,018
Unappropriated	1,357,350	1,300,030
Accumulated other comprehensive income (loss)	18,682	18,667
Treasury stock at cost	(50,881)	(51,414)
Total Komatsu Ltd. shareholders' equity	1,576,674	1,517,414
Noncontrolling interests	71,841	70,346
Total equity	1,648,515	1,587,760
Total liabilities and equity	2,656,482	2,614,654

## **Consolidated Statement of Income**

(From April 1, 2016 to March 31, 2017)

	(JPY million)	
	(Reference)	
	148th Fiscal Year	147th Fiscal Year
Net sales	1,802,989	1,854,964
Cost of sales	1,286,424	1,315,773
Selling, general and administrative expenses	339,986	337,133
Other operating income (expenses), net	(2,482)	6,519
Operating income	174,097	208,577
Other income (expenses), net:		
Interest and dividend income	3,462	3,689
Interest expense	(8,212)	(8,771)
Other, net	(2,878)	1,386
Total	(7,628)	(3,696)
Income before income taxes and equity in earnings of affiliated companies	166,469	204,881
Income taxes:		
Current	51,991	62,301
Deferred	(1,586)	1,416
Total	50,405	63,717
Income before equity in earnings of affiliated companies	116,064	141,164
Equity in earnings of affiliated companies	3,302	1,973
Net income	119,366	143,137
Less: Net income attributable to noncontrolling interests	5,985	5,711
Net income attributable to Komatsu Ltd.	113,381	137,426

## Non-Consolidated Financial Statements

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

### Non-Consolidated Balance Sheet

(As of March 31, 2017)

	(JPY million)	
	(Reference)	
	148th Fiscal Year	147th Fiscal Year
<b>Assets</b>		
Current assets:		
Cash and deposits	148,066	160,447
Notes receivable-trade	1,244	868
Accounts receivable-trade	163,060	142,764
Merchandise and finished goods	37,421	40,506
Work in process	30,395	27,888
Raw materials and supplies	2,816	2,842
Prepaid expenses	3,407	2,572
Deferred tax assets	8,973	8,409
Short-term loans receivable	56,467	69,404
Accounts receivable-other	15,887	12,906
Other current assets	1,969	1,200
Allowance for doubtful accounts	(376)	(379)
<b>Total current assets</b>	<b>469,336</b>	<b>469,431</b>
Non-current assets:		
Property, plant and equipment:		
Buildings	84,269	85,102
Structures	14,590	14,748
Machinery and equipment	40,058	46,323
Vehicles	754	862
Tools, furniture and fixtures	9,408	10,060
Rental equipment	61,101	67,954
Land	43,190	42,872
Construction in progress	5,919	3,800
<b>Total property, plant and equipment</b>	<b>259,292</b>	<b>271,725</b>
Intangible assets:		
Software	12,611	11,232
Other intangible assets	579	909
<b>Total intangible assets</b>	<b>13,190</b>	<b>12,142</b>
Investments and other assets:		
Investment securities	55,330	40,482
Stocks of subsidiaries and affiliates	290,227	289,896
Investments in capital of subsidiaries and affiliates	41,576	33,965
Long-term loans receivable	16,379	14,866
Long-term prepaid expenses	2,075	978
Other investments	7,255	8,196
Allowance for doubtful accounts	(1,519)	(1,527)
Allowance for investment loss	(2,748)	(2,187)
<b>Total investments and other assets</b>	<b>408,576</b>	<b>384,672</b>
<b>Total non-current assets</b>	<b>681,060</b>	<b>668,539</b>
<b>Total assets</b>	<b>1,150,396</b>	<b>1,137,971</b>

	(JPY million)	
	(Reference)	
	148th Fiscal Year	147th Fiscal Year
<b>Liabilities</b>		
Current liabilities:		
Notes payable-trade	32	10
Accounts payable-trade	107,640	94,441
Short-term loans payable	32,270	40,857
Commercial papers	19,000	22,000
Current portion of bonds	30,000	30,000
Accounts payable-other	7,911	8,840
Accrued expenses	21,010	20,573
Income taxes payable	11,912	6,339
Advances received	546	848
Deposits received	25,466	20,176
Provision for bonuses	8,343	9,191
Provision for directors' bonuses	145	202
Provision for product warranties	6,897	6,051
Other current liabilities	3,454	2,958
Total current liabilities	274,629	262,491
Non-current liabilities:		
Bonds payable	20,000	50,000
Long-term loans payable	37,500	36,500
Deferred tax liabilities	4,338	882
Provision for product warranties	1,557	2,271
Provision for retirement benefits	37,067	35,704
Other long-term liabilities	7,063	5,598
Total non-current liabilities	107,526	130,956
Total liabilities	382,156	393,447
<b>Net Assets</b>		
Shareholders' equity:		
Capital stock	70,120	70,120
Capital surplus:	140,281	140,168
Legal capital surplus	140,140	140,140
Other capital surplus	141	28
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:	557,491	544,882
Reserve for special depreciation	368	466
Reserve for advanced depreciation of non-current assets	12,084	12,487
General reserve	210,359	210,359
Retained earnings brought forward	334,680	321,569
Total retained earnings	575,528	562,919
Treasury stock	(50,457)	(51,008)
Total shareholders' equity	735,472	722,200
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	30,119	19,538
Deferred gains or losses on hedges	301	244
Total valuation and translation adjustments	30,421	19,783
Stock acquisition rights:		
Stock acquisition rights	2,345	2,540
Total stock acquisition rights	2,345	2,540
Total net assets	768,240	744,523
Total liabilities and net assets	1,150,396	1,137,971

## **Non-Consolidated Statement of Income**

(From April 1, 2016 to March 31, 2017)

	(JPY million)	
	(Reference)	
	148th Fiscal Year	147th Fiscal Year
Net sales	685,938	692,482
Cost of sales	516,070	517,760
Gross profit	169,868	174,722
Selling, general and administrative expenses	126,845	124,779
Operating income	43,023	49,943
Non-operating income:		
Interest and dividends income	38,778	33,160
Other non-operating income	1,596	2,368
Non-operating expenses:		
Interest expenses	1,112	1,352
Other non-operating expenses	5,537	5,490
Ordinary income	76,747	78,629
Extraordinary income:		
Gain on sales of land	451	5,041
Gain on sales of investment securities	142	2,787
Gain on sales of stocks of subsidiaries and affiliates	4,333	–
Reversal of allowance for investment loss	–	1,329
Gain on sales of patent right	–	3,202
Extraordinary loss:		
Impairment loss	133	3
Income before income taxes	81,541	90,987
Income taxes:		
Income taxes-current	15,577	13,177
Income taxes-deferred	(1,356)	2,053
Net income	67,320	75,756

## Auditors' Report

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

### Independent Auditor's Report

May 11, 2017

The Board of Directors  
Komatsu Ltd.

KPMG AZSA LLC  
Hiroshi Miura (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

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

Shin Suzuki (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of equity and the related notes of Komatsu Ltd. and its subsidiaries as of March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 444, Paragraph 4 of the Companies Act of Japan.

#### **Management's Responsibility for the Consolidated Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statements audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

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

#### **Emphasis of Matters**

As described in Significant Subsequent Events, the Company's subsidiary in the U.S. has completed the acquisition of Joy Global Inc. in the U.S. on April 5, 2017 (local time: Eastern Standard Time, UTC-5). This matter does not have any impact on our opinion.

#### **Other Matter**

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

#### **Notes to the Reader of Independent Auditor's Report:**

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

END



**Independent Auditor's Report**

May 9, 2017

The Board of Directors  
Komatsu Ltd.

KPMG AZSA LLC  
Hiroshi Miura (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

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

Shin Suzuki (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Komatsu Ltd. as of March 31, 2017 and for the 148th fiscal year from April 1, 2016 to March 31, 2017, in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act of Japan.

**Management's Responsibility for the Financial Statements and Others**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statements audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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

**Other Matter**

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

**Notes to the Reader of Independent Auditor's Report:**

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

END

## **Audit & Supervisory Board's Report**

Regarding the execution of duties by the Directors for the 148th Fiscal Year from April 1, 2016 to March 31, 2017, we have prepared this Audit Report upon deliberation based on the audit reports prepared by each Audit & Supervisory Board Member and hereby report as follows:

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

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

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

## 2. Result of Audit

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

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

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

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

### (3) Result of Audit of consolidated financial statements

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

May 16, 2017

#### The Audit & Supervisory Board

Koji Yamada (Seal)  
Standing Audit & Supervisory Board Member

Kosuke Yamane (Seal)  
Standing Audit & Supervisory Board Member

Kunihiro Matsuo (Seal)  
Audit & Supervisory Board Member

Hirohide Yamaguchi (Seal)  
Audit & Supervisory Board Member

Eiko Shinotsuka (Seal)  
Audit & Supervisory Board Member

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

END

(Translation)

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

May 29, 2017

Dear Shareholders:

## Items Disclosed on Internet Concerning Notice of Convocation of the 148th Ordinary General Meeting of Shareholders of Komatsu Ltd.

Komatsu Ltd. (hereinafter “the Company”) has posted information regarding the items listed below on the Company’s website (<https://home.komatsu.jp/ir/>); in Japanese language as part of its provision of notice of convocation of the 148th Ordinary General Meeting of Shareholders of Komatsu Ltd. in accordance with relevant laws and regulations and with Article 16 of the Articles of Incorporation of the Company.

### I Business Report

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

### II Consolidated Financial Statements

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

### III Non-Consolidated Financial Statements

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

*Information in English has been posted on our English website  
(<http://www.komatsu.com/CompanyInfo/ir/>).*

Komatsu Ltd.

## Items Disclosed on Internet

### I Business Report

#### 1. Financial Position and Profit/Loss Trends

	145th Fiscal Year (April 2013 - March 2014)	146th Fiscal Year (April 2014 - March 2015)	147th Fiscal Year (April 2015 - March 2016)	148th Fiscal Year (April 2016 - March 2017)
Net sales (JPY billion)	1,953.6	1,978.6	1,854.9	1,802.9
Operating income (JPY billion)	240.4	242.0	208.5	174.0
Income before income taxes and equity in earnings of affiliated companies (JPY billion)	242.0	236.0	204.8	166.4
Net income attributable to Komatsu Ltd. (JPY billion)	159.5	154.0	137.4	113.3
Net income attributable to Komatsu Ltd. per share (JPY)	167.36	162.07	145.80	120.26
ROE* <sup>1</sup> (%)	12.4	10.6	9.0	7.3
ROA* <sup>2</sup> (%)	9.4	8.7	7.6	6.3
Total assets (JPY billion)	2,651.5	2,798.4	2,614.6	2,656.4
Komatsu Ltd. shareholders' equity (JPY billion)	1,376.3	1,528.9	1,517.4	1,576.6

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

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

Note: Net income attributable to Komatsu Ltd. per share is calculated based on the number of shares deducting the average total number of treasury stock during the term from the average total number of shares outstanding during the term.

**2. Major Lines of Business** (As of March 31, 2017)

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

### **3. Principal Offices and Plants** (As of March 31, 2017)

#### (1) The Company

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

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

#### (2) Principal Subsidiaries

Name	Location of Offices and Plants
Komatsu Castex Ltd.	Head Office / Plant (Himi City, Toyama)
Komatsu Construction Equipment Sales and Service Japan Ltd.	Head Office (Kawasaki City, Kanagawa)
Komatsu Used Equipment Corp.	Head Office (Yokohama City, Kanagawa)
Komatsu Rental Ltd.	Head Office (Yokohama City, Kanagawa)
Komatsu Forklift Japan Ltd.	Head Office (Shinagawa-ku, Tokyo)
Komatsu Logistics Corp.	Head Office (Yokohama City, Kanagawa)
Komatsu Business Support Ltd.	Head Office (Minato-ku, Tokyo)
Komatsu Industries Corporation	Head Office (Kanazawa City, Ishikawa)
Komatsu NTC Ltd.	Head Office / Plant (Nanto City, Toyama)
GIGAPHOTON Inc.	Head Office / Plant (Oyama City, Tochigi)
Komatsu America Corp.	Head Office / Plant (USA)
Hensley Industries, Inc.	Head Office / Plant (USA)
Komatsu Financial Limited Partnership	Head Office (USA)
Komatsu do Brasil Ltda.	Head Office / Plant (Brazil)
Komatsu Brasil International Ltda.	Head Office (Brazil)
Komatsu Holding South America Ltda.	Head Office (Chile)
Komatsu Cummins Chile Ltda.	Head Office (Chile)
Komatsu Finance Chile S.A.	Head Office (Chile)
Komatsu Europe International N.V.	Head Office (Belgium)
Komatsu Financial Europe N.V.	Head Office (Belgium)
Komatsu UK Ltd.	Head Office / Plant (UK)
Komatsu Germany GmbH	Head Office / Plant (Germany)
Komatsu Italia Manufacturing S.p.A.	Head Office / Plant (Italy)
Komatsu Forest AB	Head Office / Plant (Sweden)
Komatsu CIS LLC	Head Office (Russia)
Komatsu South Africa (Pty) Ltd.	Head Office (South Africa)
PT Komatsu Indonesia	Head Office / Plant (Indonesia)
PT Komatsu Marketing & Support Indonesia	Head Office (Indonesia)
Bangkok Komatsu Co., Ltd.	Head Office / Plant (Thailand)
Komatsu India Pvt. Ltd.	Head Office / Plant (India)
Komatsu Marketing Support Australia Pty Ltd	Head Office (Australia)

Name	Location of Offices and Plants
Komatsu Australia Pty Ltd	Head Office (Australia)
Komatsu Australia Corporate Finance Pty. Ltd.	Head Office (Australia)
Komatsu (China) Ltd.	Head Office (China)
Komatsu (Changzhou) Construction Machinery Corp.	Head Office / Plant (China)
Komatsu Shantui Construction Machinery Co., Ltd.	Head Office / Plant (China)
Komatsu Financial Leasing China Ltd.	Head Office (China)



**4. Matters Regarding Stock Acquisition Rights of the Company etc.****(1) Status of Stock Acquisition Rights (As of March 31, 2017)**

Name (Issue Date)	Number of Stock Acquisition Rights	Number of Shares Subject to Stock Acquisition Rights (Number of Shares per one (1) Stock Acquisition Right)	Paid-in Amount per one (1) Share	Exercise Price per one (1) Share	Period for Exercise of Stock Acquisition Rights
No. 11 Stock Acquisition Rights (September 1, 2009)	22	22,000 shares (1,000 shares)	JPY 643	JPY 1,729	From September 1, 2010 to August 31, 2017
No. 12 Stock Acquisition Rights (September 1, 2009)	29	29,000 shares (1,000 shares)	Without consideration	JPY 1,729	From September 1, 2010 to August 31, 2017
No. 13 Stock Acquisition Rights (August 2, 2010)	50	5,000 shares (100 shares)	JPY 1,785	JPY 1	From August 2, 2013 to July 31, 2018
No. 14 Stock Acquisition Rights (August 2, 2010)	72	7,200 shares (100 shares)	Without consideration	JPY 1	From August 2, 2013 to July 31, 2018
No. 15 Stock Acquisition Rights (August 1, 2011)	204	20,400 shares (100 shares)	JPY 2,268	JPY 1	From August 1, 2014 to July 31, 2019
No. 16 Stock Acquisition Rights (August 1, 2011)	544	54,400 shares (100 shares)	Without consideration	JPY 1	From August 1, 2014 to July 31, 2019
No. 17 Stock Acquisition Rights (August 1, 2012)	194	19,400 shares (100 shares)	JPY 1,470	JPY 1	From August 1, 2015 to July 31, 2020
No. 18 Stock Acquisition Rights (August 1, 2012)	1,164	116,400 shares (100 shares)	Without consideration	JPY 1	From August 1, 2015 to July 31, 2020
No. 19 Stock Acquisition Rights (August 1, 2013)	361	36,100 shares (100 shares)	JPY 1,932	JPY 1	From August 1, 2016 to July 31, 2021

Name (Issue Date)	Number of Stock Acquisition Rights	Number of Shares Subject to Stock Acquisition Rights (Number of Shares per one (1) Stock Acquisition Right)	Paid-in Amount per one (1) Share	Exercise Price per one (1) Share	Period for Exercise of Stock Acquisition Rights
No. 20 Stock Acquisition Rights (August 1, 2013)	1,990	199,000 shares (100 shares)	Without consideration	JPY 1	From August 1, 2016 to July 31, 2021
No. 21 Stock Acquisition Rights (August 1, 2014)	589	58,900 shares (100 shares)	JPY 2,010	JPY 1	From August 1, 2017 to July 31, 2022
No. 22 Stock Acquisition Rights (August 1, 2014)	2,169	216,900 shares (100 shares)	Without consideration	JPY 1	From August 1, 2017 to July 31, 2022
No. 23 Stock Acquisition Rights (August 3, 2015)	499	49,900 shares (100 shares)	JPY 1,989	JPY 1	From August 3, 2018 to July 31, 2023
No. 24 Stock Acquisition Rights (August 3, 2015)	1,930	193,000 shares (100 shares)	Without consideration	JPY 1	From August 3, 2018 to July 31, 2023
No. 25 Stock Acquisition Rights (August 1, 2016)	505	50,500 shares (100 shares)	JPY 1,721	JPY 1	From August 1, 2019 to July 31, 2024
No. 26 Stock Acquisition Rights (August 1, 2016)	1,996	199,600 shares (100 shares)	Without consideration	JPY 1	From August 1, 2019 to July 31, 2024
Total	12,318	1,277,700 shares	[Reference: Total number of issued shares: 943,538,362 shares (excluding treasury stock)]		

Notes:

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

**(2) Stock Acquisition Rights Held by Directors and Audit & Supervisory Board Members of the Company** (As of March 31, 2017)

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

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 19 Stock Acquisition Rights	5	345	34,500 shares
No. 21 Stock Acquisition Rights	7	568	56,800 shares
No. 23 Stock Acquisition Rights	7	481	48,100 shares
No. 25 Stock Acquisition Rights	7	484	48,400 shares

2) Stock Acquisition Rights Held by Outside Directors

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 21 Stock Acquisition Rights	2	14	1,400 shares
No. 23 Stock Acquisition Rights	2	12	1,200 shares
No. 25 Stock Acquisition Rights	3	21	2,100 shares

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

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 20 Stock Acquisition Rights	1	30	3,000 shares
No. 22 Stock Acquisition Rights	1	27	2,700 shares
No. 24 Stock Acquisition Rights	1	25	2,500 shares

Note: Above indicates Stock Acquisition Rights issued at the time when incumbent Audit & Supervisory Board Member, as of March 31, 2017, was an employee of the Company (prior to being elected as Audit & Supervisory Board Member).

**(3) Stock Acquisition Rights Issued During the Fiscal Year Ended March 31, 2017 to Employees of the Company and Directors of the Subsidiaries of the Company**

Name	Grantees	Number of Grantees	Number of Stock Acquisition Rights Issued	Number of Shares Subject to Stock Acquisition Rights
No. 26 Stock Acquisition Rights	Employees of the Company	74	1,758	175,800 shares
	Representative Directors of the subsidiaries of the Company	10	238	23,800 shares

## II Consolidated Financial Statements

### 1. Consolidated Statement of Equity

(From April 1, 2016 to March 31, 2017)

(JPY million)

	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)
			Appropriated for legal reserve	Unappropriated	
Balance at the beginning of current period	67,870	138,243	44,018	1,300,030	18,667
Cash dividends				(54,711)	
Transfer to retained earnings appropriated for legal reserve			1,350	(1,350)	
Other changes		(74)			
Comprehensive income (loss):					
Net income				113,381	
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments					(15,589)
Net unrealized holding gains (losses) on securities available for sale					10,861
Pension liability adjustments					4,918
Net unrealized holding gains (losses) on derivative instruments					(175)
Comprehensive income					
Issuance and exercise of stock acquisition rights		3			
Purchase of treasury stock					
Sales of treasury stock		113			
Balance at the end of current period	67,870	138,285	45,368	1,357,350	18,682

	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at the beginning of current period	(51,414)	1,517,414	70,346	1,587,760
Cash dividends		(54,711)	(3,330)	(58,041)
Transfer to retained earnings appropriated for legal reserve		-		-
Other changes		(74)	(289)	(363)
Comprehensive income (loss):				
Net income		113,381	5,985	119,366
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		(15,589)	(913)	(16,502)
Net unrealized holding gains (losses) on securities available for sale		10,861	-	10,861
Pension liability adjustments		4,918	(10)	4,908
Net unrealized holding gains (losses) on derivative instruments		(175)	52	(123)
Comprehensive income		113,396	5,114	118,510
Issuance and exercise of stock acquisition rights		3		3
Purchase of treasury stock	(38)	(38)		(38)
Sales of treasury stock	571	684		684
Balance at the end of current period	(50,881)	1,576,674	71,841	1,648,515

## **2. Notes to Consolidated Financial Statements**

### **Basis of Preparation of Consolidated Financial Statements**

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

- |  |               |
|--|---------------|
| (1) Number of consolidated subsidiaries:                               | 143 companies |
| (2) Number of affiliated companies accounted for by the equity method: | 38 companies  |

#### **2. Significant Accounting Policies**

##### **(1) Basis of preparation of Consolidated Financial Statements**

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

##### **(2) Method and basis of valuation of inventories**

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

##### **(3) Method and basis of valuation of investment securities**

Komatsu has applied the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (hereinafter “Codification”) Topic 320, “Investments—Debt and Equity Securities.” Available-for-sale securities:

Stated at fair market value based on market prices at the balance sheet date (Unrealized gains and losses are reported, net of applicable income taxes, as a separate component of equity, and the cost of securities sold is determined using the moving-average method).

##### **(4) Depreciation and amortization of fixed assets**

Depreciation of property, plant and equipment:  
Depreciated using the straight-line method.

Amortization of intangible assets:

Amortized using the straight-line method.

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

##### **(5) Allowances**

Allowance for doubtful receivables:

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

Liability for pension and retirement benefits:

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

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

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

(6) Changes in accounting policies

From the fiscal year ended March 31, 2017, Komatsu has adopted the Accounting Standards Update (“ASU”) 2015-16, “Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments”. This update eliminates the requirement to retrospectively account for adjustments made to provisional amounts during the measurement period recognized in a business combination. This update also requires an acquirer in a business combination to recognize the adjustment to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This adoption did not have any impact on Komatsu’s financial position and results of operations.

(7) Accounting for consumption taxes, etc.

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

## Notes to Consolidated Balance Sheet

- (1) Allowance for doubtful trade notes and accounts receivable and long-term trade receivables: JPY 22,326 million
- (2) Accumulated depreciation of property, plant and equipment: JPY 816,321 million
- (3) Accumulated other comprehensive income (loss) consists of foreign currency translation adjustments, net unrealized holding gains (losses) on securities available for sale, pension liability adjustments and net unrealized holding gains (losses) on derivative instruments.
- (4) Assets pledged as collateral:
- |                      |     |             |
|----------------------|-----|-------------|
| Other current assets | JPY | 260 million |
| Total                | JPY | 260 million |
- (5) Guarantee obligations  
Guarantee obligations for borrowings made by employees, affiliated companies, customers and others: JPY 13,862 million

## Notes Concerning Per Share Information

- |   |     |          |
|---|-----|----------|
| (1) Komatsu Ltd. shareholders' equity per share               | JPY | 1,672.01 |
| (2) Basic net income attributable to Komatsu Ltd. per share   | JPY | 120.26   |
| (3) Diluted net income attributable to Komatsu Ltd. per share | JPY | 120.10   |

## Notes Concerning Financial Instruments

### (1) Status of financial instruments

The basic financial policy of Komatsu is to secure funds necessary for future business activities and maintain proper liquidity. In accordance with this policy, Komatsu principally uses cash flows from operating activities, and also makes bank borrowings and issues commercial papers as necessary, to meet short-term fund demands. In order to flexibly meet medium to long-term fund demands, Komatsu has established an authorized limit of bond issues and a euro medium term note program.

Concerning trade notes and accounts receivable and long-term trade receivables, Komatsu conducts business activities with customers, dealers and associated companies on a global scale and disperses these accounts receivable to prevent the concentration of credit risk. A portion of foreign currency denominated accounts receivable and debts are vulnerable to the risk of foreign exchange fluctuation. To alleviate these risks, Komatsu enters into foreign exchange contracts and currency swap contracts based on foreign currency cash flow projections. Investment securities are equity securities with market value and fair values thereof are determined each quarter. Komatsu enters into interest rate swap contracts and interest rate cap contracts to manage the risk of interest rates on short-term and long-term debt. Derivatives carry a risk of credit loss by nonperformance of contract by the other party in the transaction. However, Komatsu does not assume such possibility due to the high credit rating of the other parties in such transactions. Komatsu does not enter into derivative contracts for the purpose of trading or speculative gain.

### (2) Matters concerning fair values of financial instruments

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

	(JPY million)		
	Consolidated balance sheet amount*	Fair value*	Changes
(1) Cash and cash equivalents	119,901	119,901	—
(2) Time deposits	2,289	2,289	—
(3) Trade notes and accounts receivable, net	619,265	619,265	—
(4) Long-term trade receivables, net	313,946	313,946	—
(5) Investment securities, marketable equity securities	59,067	59,067	—
(6) Short-term debt	(128,452)	(128,452)	—
(7) Trade notes, bills and accounts payable	(240,113)	(240,113)	—
(8) Long-term debt, including current portion	(280,250)	(280,228)	22
(9) Derivatives, net	(1,096)	(1,096)	—

\* The figures in parentheses indicate those posted in liabilities.

Notes:

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

##### (1) Cash and cash equivalents, (2) Time deposits, and (3) Trade notes and accounts receivable, net

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



(4) Long-term trade receivables, net

Fair values of long-term trade receivables are measured by discounting future cash flows at presently expected discount rates. As a result, their consolidated balance sheet amounts approximate their fair values.

(5) Investment securities, marketable equity securities

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

(6) Short-term debt and (7) Trade notes, bills and accounts payable

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

(8) Long-term debt, including current portion

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

(9) Derivatives, net

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

2. Unlisted investment securities (consolidated balance sheet amount: JPY 8,649 million) are primarily non-marketable equity securities, and therefore are not included in “Investment securities, marketable equity securities.”

## Notes Concerning Investment and Rental Property

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

## Significant Subsequent Events

[Acquisition of the company]

On April 5, 2017 (local time: Eastern Standard Time, UTC-5), the Company acquired Joy Global Inc. (Head office: Wisconsin, USA, hereafter “Joy Global”, NYSE), which engages in the manufacture, sales and service of mining equipment in the United States. It was acquired through Komatsu America Corp., a wholly-owned subsidiary of the Company in the U.S., by purchasing all common shares of Joy Global for about JPY 312.0 billion (about USD 2,820 million). To pay the consideration of the acquisition of Joy Global and repay part of its debt, Komatsu America Corp. borrowed USD 3,300 million from financial institutions.

Komatsu projects that demand for mining equipment will grow over the long term, driven by population growth and rapid urbanization around the world, and, in terms of mining techniques, economic rationale will call for use of larger equipment in surface mining as well as further development of underground mining. Therefore, Komatsu will strengthen the core mining equipment business of Komatsu through the acquisition of Joy Global by adding to our product portfolio super large surface mining equipment and underground mining equipment, etc., which complement existing products of Komatsu.

As of the date of the Consolidated Financial Statements, Komatsu has not completed its initial accounting related to this acquisition. Therefore, detailed information concerning this business combination is not disclosed, including goodwill, as well as fair value of assets acquired and liabilities assumed as of the date

of acquisition.

On April 19, 2017 (local time: Eastern Standard Time, UTC-5), Joy Global changed its trade name to Komatsu Mining Corp.

**Other Notes**

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

### III Non-Consolidated Financial Statements

#### 1. Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(JPY million)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve
Balance at the beginning of current period	70,120	140,140	28	140,168	18,036	466	12,487	210,359
Changes of items during the period								
Reversal of reserve for special depreciation						(98)		
Reversal of reserve for advanced depreciation of non-current assets							(403)	
Dividends from surplus								
Net income								
Purchase of treasury stock								
Disposal of treasury stock			112	112				
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	112	112	-	(98)	(403)	-
Balance at the end of current period	70,120	140,140	141	140,281	18,036	368	12,084	210,359

(JPY million)

	Shareholders' equity				Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Retained earnings		Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
	Other retained earnings	Total retained earnings							
	Retained earnings brought forward								
Balance at the beginning of current period	321,569	562,919	(51,008)	722,200	19,538	244	19,783	2,540	744,523
Changes of items during the period									
Reversal of reserve for special depreciation	98	-		-					-
Reversal of reserve for advanced depreciation of non-current assets	403	-		-					-
Dividends from surplus	(54,711)	(54,711)		(54,711)					(54,711)
Net income	67,320	67,320		67,320					67,320
Purchase of treasury stock			(21)	(21)					(21)
Disposal of treasury stock			572	684					684
Net changes of items other than shareholders' equity					10,581	57	10,638	(194)	10,443
Total changes of items during the period	13,110	12,609	550	13,272	10,581	57	10,638	(194)	23,716
Balance at the end of current period	334,680	575,528	(50,457)	735,472	30,119	301	30,421	2,345	768,240

## **2. Notes to Non-Consolidated Financial Statements**

### **Significant Accounting Policies**

- (1) Method and basis of valuation of securities
  - Investments in subsidiaries and affiliated companies:
    - Stated at cost determined by the moving-average method.
  - Available-for-sale securities:
    - Securities whose market value is readily determinable:
      - Stated at fair market value, based on market quotation at the balance sheet date.
      - (Unrealized gains and losses are reported, net of applicable income taxes, as a separate component of net assets. The cost of securities sold is determined based on the moving-average method.)
    - Securities whose market value is not readily determinable:
      - Stated at cost determined by the moving-average method.
- (2) Method and basis of valuation of inventories
  - Merchandise and finished goods, work in process:
    - Stated at cost (specific identification method).
  - Raw materials and supplies:
    - Stated at cost (periodic average method).
  - The value stated in the balance sheet is computed according to write-downs based on the decreased profitability.
- (3) Depreciation of non-current assets
  - Property, plant and equipment (excluding lease assets):
    - Straight-line method
  - Intangible assets (excluding lease assets):
    - Straight-line method
  - Lease assets
    - Lease assets pertaining to finance leases that do not transfer ownership of leased property to the lessee:
      - Straight-line method over the lease period as the useful life
- (4) Allowances and provisions
  - 1) Allowance for doubtful accounts
    - To cover possible credit losses on accounts receivables or loans, an allowance for doubtful accounts is provided in the amount deemed uncollectible, which is calculated on the basis of historical default rates for normal claims, or on the basis of individual assessments for specific claims on obligors threatened with bankruptcy.
  - 2) Allowance for investment loss
    - In order to prepare for losses from investing in domestic and overseas unlisted companies, allowance for investment loss is accounted for by taking into consideration the financial position of the issuer and fluctuation of the foreign exchange of the country of the issuer.
  - 3) Provision for bonuses
    - Provision for bonuses is provided for payment prospect of bonuses to employees at an amount considered to be recorded for the fiscal year.
  - 4) Provision for directors' bonuses
    - Provision for directors' bonuses is provided for payment prospect of bonuses to Directors at an amount considered to be recorded for the fiscal year.

5) Provision for product warranties

Provision for product warranties is provided for product after-sales service expenses based on the historical performance, etc.

6) Provision for retirement benefits

In order to provide for employee retirement benefits, the Company accrues liabilities for severance payments and pension at the amount calculated based on the projected benefit obligations and plan assets at the balance sheet date.

When calculating the projected benefit obligations, the benefit formula basis is used to attribute expected benefits to the period through to the end of the fiscal year. Prior service cost is charged to income when incurred. Actuarial loss is amortized in an amount proportionally appropriated on a straight-line basis over a 10-year period, which is shorter than the average remaining service period of employees, beginning with the following term when the difference is recognized.

(5) Accounting for income and expenses

In principle, the total amount of the sale price is accounted at the time of delivery to the customer for domestic sales, and at the time of lading for exports. For large machinery and other items necessitating installation work, the sale is accounted when the installation is completed.

(6) Other significant information for preparation of financial statements

1) Accounting for consumption taxes, etc.

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

2) Application of consolidated taxation system in Japan

The Company applies a consolidated tax payment system.

### Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment:	JPY	426,088 million
(2) Contingency liability		
Balance of guarantees for debt for borrowings from financial institutions by subsidiaries and affiliates and cooperation companies:	JPY	32,626 million
Balance of guarantees for debt for borrowings from financial institutions by employees (home loans):	JPY	967 million
Balance of keep-well agreements for the bonds of subsidiaries and affiliates:	JPY	61,348 million
(3) Receivables from, and debts payable to subsidiaries and affiliates		
Short-term receivables from subsidiaries and affiliates:	JPY	186,578 million
Short-term debts payable to subsidiaries and affiliates:	JPY	74,639 million
Long-term receivables from subsidiaries and affiliates:	JPY	17,135 million

## Notes to Non-Consolidated Statement of Income

(1) Trading with subsidiaries and affiliates

Sales:	JPY 531,497 million
Purchases:	JPY 123,221 million
Trading other than operating transactions:	JPY 44,807 million

(2) Gain on sales of stocks of subsidiaries and affiliates

Gain on sale of stocks of Komatsu House Ltd. (currently System House R & C Co., Ltd.) (JPY 4,333 million)

(3) Impairment loss

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

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

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

Application	Type	Region	Impairment Loss (JPY million)
Dormant assets	Land, etc.	Chubu area	132
Dormant assets	Land	Kanto area	1

## Notes to Non-Consolidated Statement of Changes in Net Assets

### (1) Type and number of shares issued

Type	Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
Common stock	971,967,660	–	–	971,967,660

### (2) Type and number of treasury stock

Type	Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
Common stock <sup>*1,2</sup>	28,742,907	8,710	322,319	28,429,298

Notes:

- The 8,710-share increase in the number of treasury stock of common stock is due to the purchase of shares constituting less than one unit of shares.
- The 322,319-share decrease in the number of treasury stock of common stock consists of the following.
  - 322,200 shares by the exercise of stock options
  - 119 shares by the sales of shares constituting less than one unit of shares

### (3) Dividends

#### 1) Payment amount of dividends

Resolution	Type of Shares	Total Dividends (JPY million)	Dividend per Share (JPY)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 22, 2016	Common stock	27,353	29	March 31, 2016	June 23, 2016
Meeting of the Board of Directors held on October 28, 2016	Common stock	27,357	29	September 30, 2016	December 1, 2016

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

Planned Resolution	Type of Shares	Resource of Dividends	Total Dividends (JPY million)	Dividend per Share (JPY)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 20, 2017	Common stock	Retained earnings	27,362	29	March 31, 2017	June 21, 2017



## (4) Matters concerning Stock Acquisition Rights

Breakdown of Stock Acquisition Rights	Type of Shares Allocated for Stock Acquisition Rights	Number of Shares Allocated for Stock Acquisition Rights			
		Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
2008 Stock Acquisition Rights No. 1 <sup>*1, 2</sup>	Common stock	104,000	–	104,000	–
2008 Stock Acquisition Rights No. 2 <sup>*1, 2</sup>	Common stock	140,000	–	140,000	–
2009 Stock Acquisition Rights No. 1 <sup>*1, 3</sup>	Common stock	99,000	–	77,000	22,000
2009 Stock Acquisition Rights No. 2 <sup>*1, 3</sup>	Common stock	101,000	–	72,000	29,000
2010 Stock Acquisition Rights No. 1 <sup>*1, 3</sup>	Common stock	5,700	–	700	5,000
2010 Stock Acquisition Rights No. 2 <sup>*1, 3</sup>	Common stock	16,700	–	9,500	7,200
2011 Stock Acquisition Rights No. 1 <sup>*1, 3</sup>	Common stock	21,100	–	700	20,400
2011 Stock Acquisition Rights No. 2 <sup>*1, 3</sup>	Common stock	112,300	–	57,900	54,400
2012 Stock Acquisition Rights No. 1 <sup>*1, 3</sup>	Common stock	20,100	–	700	19,400
2012 Stock Acquisition Rights No. 2 <sup>*1, 3</sup>	Common stock	163,300	–	46,900	116,400
2013 Stock Acquisition Rights No. 1 <sup>*1, 3</sup>	Common stock	56,100	–	20,000	36,100
2013 Stock Acquisition Rights No. 2 <sup>*1, 3</sup>	Common stock	235,800	–	36,800	199,000
2014 Stock Acquisition Rights No. 1 <sup>*1, 4</sup>	Common stock	58,900	–	–	58,900
2014 Stock Acquisition Rights No. 2 <sup>*1, 4</sup>	Common stock	216,900	–	–	216,900

Breakdown of Stock Acquisition Rights	Type of Shares Allocated for Stock Acquisition Rights	Number of Shares Allocated for Stock Acquisition Rights			
		Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
2015 Stock Acquisition Rights No. 1 <sup>*1, 4</sup>	Common stock	49,900	–	–	49,900
2015 Stock Acquisition Rights No. 2 <sup>*1, 4</sup>	Common stock	193,000	–	–	193,000
2016 Stock Acquisition Rights No. 1 <sup>*1, 4, 5</sup>	Common stock	–	50,500	–	50,500
2016 Stock Acquisition Rights No. 2 <sup>*1, 4, 5</sup>	Common stock	–	199,600	–	199,600

Notes:

1. Stock Acquisition Rights No. 1 were issued as remuneration for Directors of the Company as per the Companies Act of Japan. Stock Acquisition Rights No. 2 were issued without consideration to employees of the Company or others as per the Companies Act of Japan.
2. The decrease in shares recorded during the fiscal year for the Stock Acquisition Rights is due to exercise of Stock Acquisition Rights and to the expiry of the exercise period for Stock Acquisition Rights.
3. The decrease in shares recorded during the fiscal year for the Stock Acquisition Rights is due to exercise of Stock Acquisition Rights.
4. As of March 31, 2017, the period during which Stock Acquisition Rights may be exercised has not arrived.
5. The increase in shares recorded during the fiscal year for the Stock Acquisition Rights is due to new issue of Stock Acquisition Rights.

## Notes Concerning Tax Effect Accounting

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

### (Deferred tax assets)

Provision for product warranties	JPY	2,595	million
Inventories	JPY	886	million
Accrued enterprise tax	JPY	499	million
Provision for bonuses	JPY	2,564	million
Provision for retirement benefits	JPY	10,102	million
Allowance for investment loss	JPY	838	million
Impairment loss	JPY	1,411	million
Investment securities and stocks of subsidiaries and affiliates	JPY	5,095	million
Excess over depreciation limit	JPY	1,732	million
Excess allowance for doubtful accounts	JPY	579	million
Others	JPY	5,548	million
Subtotal deferred tax assets	JPY	31,854	million
Less valuation allowance	JPY	(8,420)	million
Total deferred tax assets	JPY	23,434	million

### (Deferred tax liabilities)

Reserve for advanced depreciation of non-current assets	JPY	(5,405)	million
Valuation difference on available-for-sale securities	JPY	(11,685)	million
Others	JPY	(1,708)	million
Total deferred tax liabilities	JPY	(18,798)	million
Net deferred tax assets	JPY	4,635	million

## Notes Concerning Related Party Transactions

### Subsidiaries and other affiliated companies

(JPY million)

Attribute	Company Name	Holding Voting Rights	Relationship with Related Party	Transaction	Transaction Amount	Category	Outstanding Balance
Subsidiary	Komatsu Construction Equipment Sales and Service Japan Ltd.	Holding directly 100%	Sale of the Company's products Dispatched Director	Sale of products, etc.*1	136,954	Accounts receivable-trade	40,926
				Cash Management System lending*2	15,046	Short-term loans receivable	14,703
	Komatsu America Corp.	Holding directly 100%	Manufacture and sale of the Company's products Dispatched Director	Sale of products, etc.*1	117,945	Accounts receivable-trade	8,810
	Komatsu CIS LLC	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	34,409	Accounts receivable-trade	11,551
	Komatsu Industries Corporation	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	30,585	Accounts receivable-trade	13,065
	Komatsu Business Support Ltd.	Holding directly 100%	Retail financing of the Company's products	Cash Management System lending*2	26,580	Short-term loans receivable	10,564
						Long-term loans receivable	16,379
	Komatsu Rental Ltd.	Holding directly 100%	Rental of the Company's products	Cash Management System lending*2	19,778	Short-term loans receivable	18,555
	Komatsu (China) Ltd.	Holding directly 100%	Sale of the Company's products Dispatched Director	Fund borrowing*3	–	Short-term loans payable	32,270
Komatsu India Pvt. Ltd.	Holding directly 45.2% indirectly 54.8%	Manufacture and sale of the Company's products	Guarantee obligation*4	6,101	–	–	
Affiliated Company	Komatsu-Mitsui Maquinarias Peru S.A.	Holding indirectly 40%	Sale of the Company's products	Guarantee obligation*4	8,608	–	–

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

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

1. Product selling prices and other sales conditions are decided by negotiation, taking into account market conditions.
2. The interest rates on Cash Management System lending is reasonably decided taking market interest rates into consideration. Transaction amount shows the average balance during the fiscal year because the transactions are repetitive.
3. The interest rates on fund borrowing are reasonably decided taking market interest rates into consideration.
4. The guarantee obligation applies to borrowings from financial institutions.

### **Notes Concerning Per Share Information**

(1) Net assets per share	JPY	811.73
(2) Net income per share	JPY	71.36

### **Notes Concerning Significant Subsequent Events**

The Company has guaranteed a bank loan executed by its wholly-owned subsidiary in the U.S., Komatsu America Corp. (USD 3,300 million). The purpose of the loan was to pay for the acquisition of Joy Global Inc. and repay part of the debt owed by Joy Global Inc. For further information about the acquisition of Joy Global Inc., please refer to “Significant Subsequent Events” under the “Notes to Consolidated Financial Statements.”

### **Other Notes**

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