(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 27, 2019

Dear Shareholders:

Notice of Convocation of the 150th Ordinary General Meeting of Shareholders of Komatsu Ltd.

Komatsu Ltd.

Table of Contents

NOTICE OF CONVOCATION OF THE ONE HUNDRED AND FIFTIETH (150TH) ORDINARY GENERAL MEETING OF SHAREHOLDERS OF KOMATSU LTD. 2
Reference Materials for the General Meeting of Shareholders 6
Business Report 21
Consolidated Financial Statements 54
Non-Consolidated Financial Statements 57
Auditors' Report 60

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

* The Company will not distribute commemorative gifts to shareholders physically attending the General Meeting of Shareholders. Thank you for your understanding in this matter.

To All Our Shareholders



President



I would like to extend our sincere appreciation to our valued shareholders for your understanding and support for the Komatsu Group.
My name is Hiroyuki Ogawa, and I was appointed President and CEO on April 1, 2019.
I will continue our effort to pursue the "Quality and Reliability" that are our management principles, and to maximize our corporate value that is the total sum of trust placed in us by society and by all our stakeholders, by generating new value, while at the same time carrying on the strengths of the Company that have been cultivated over many years.
I hereby give notice of the convocation of the 150th Ordinary General Meeting of Shareholders, which is scheduled to be held on June 18, 2019. I look forward sincerely to your attendance. If shareholders who find it difficult to attend on the day would kindly exercise their voting rights by conventional postal delivery or via the Internet, that would be greatly appreciated.
Demand for construction and mining equipment had been in a prolonged correction phase since around FY2013 due to falling commodity prices and slowing growth in emerging countries, but in FY2017 the tone changed to one of recovery. Under these conditions, we worked steadily to capture demand while building up corporate strengths, welcomed Komatsu Mining Corp. to Komatsu Group, and in FY2018, which was the final year of the previous mid-term management plan, we achieved a second consecutive year of growth in revenue and earnings, and also posted our highest ever net sales and profit.
FY2019 will be the first year of the new mid-term management plan "DANTOTSU Value－*FORWARD* Together for Sustainable Growth," the drafting of which I oversaw as Director in charge.
With changes in the external business environment accelerating, the naming of the plan incorporates the sense of showing the roadmap we should aim to follow going forward, and represents an enhancement and further evolution of the "DANTOTSU (Unrivaled) products, DANTOTSU services, and DANTOTSU solutions" approach previously taken by the Company to one of "DANTOTSU Value" (ESG* solutions through the creation of customer value and improvement of earnings), with the goal of achieving sustainable growth.
For the new mid-term management plan, in preparation for the 100th anniversary of the founding of the Company in 2021, and the growth beyond that, we have set new management targets that include ESG initiatives, while maintaining industry's top-level growth, profitability, efficiency and sound financial position. In order to achieve this, the Company has decided upon the three new strategies of 1) generating value through innovation, 2) growing through business reforms, and 3) structural reforms for growth. By working together as one company to promote these strategies, we aim to drive further growth and development through a virtuous cycle generated by improving profitability and solving ESG issues.
Finally, I would like to take the opportunity to humbly ask our shareholders for your continued understanding and support.

May, 2019

*ESG: Environment, social, and corporate governance

NOTICE OF CONVOCATION OF THE
ONE HUNDRED AND FIFTIETH (150TH)
ORDINARY GENERAL MEETING OF SHAREHOLDERS
OF KOMATSU LTD.

Securities Code: 6301
May 27, 2019

Dear Shareholders:

Please be advised that the 150th 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.

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 20).

Sincerely,

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

Details

1. Date and Time: Tuesday, June 18, 2019 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 150th fiscal year (April 1, 2018 – March 31, 2019), as well as the Audit Results Report of the Accounting Auditors and the Audit & Supervisory Board on the Consolidated Financial Statements

(2) The Non-Consolidated Financial Statements for the 150th fiscal year (April 1, 2018 – March 31, 2019)

Items to Be Resolved

Item 1: Appropriation of Surplus

Item 2: Election of Eight (8) Directors

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

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 of 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 18, 2019 at 10:00 a.m. (Japan Time)
The reception desk is scheduled to open at 9:00 a.m.
Please bring the enclosed Card for Exercising Voting Rights and submit it at the reception. * 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.

By conventional postal delivery
Deadline for exercising voting rights: To arrive at the Company by 5:45 p.m. on Monday, June 17, 2019 (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 17, 2019 (Japan Time)
Website designated by the Company: https://evote.tr.mufg.jp/
Please indicate "for" or "against" for each agenda item.

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

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

- Information regarding the items listed below is not contained within this document, entitled "Notice of Convocation of the 150th Ordinary General Meeting of Shareholders of Komatsu Ltd." In accordance with relevant laws and regulations and with Article 16 of the Company's Articles of Incorporation, such information in Japanese has been posted separately on our website.

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

The Business Report that the Audit & Supervisory Board Members audited and the Consolidated Financial Statements and Non-Consolidated Financial Statements that the Accounting Auditor and the Audit & Supervisory Board Members audited comprise each document stated in this "Notice of Convocation of the 150th Ordinary General Meeting of Shareholders of Komatsu Ltd." and matters mentioned in the table above that are posted on the Company's website on the Internet.

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

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

Reference Materials for the General Meeting of Shareholders

Proposed Items to Be Resolved and Reference Information:

Item 1: Appropriation of Surplus

The Company is 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 150th 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 59 per one (1) common share of the Company (an increase of JPY 11 per one (1) common share of the Company over the previous fiscal year) Total amount of the dividend assets: JPY 55,718,861,969
(3) Effective date of dividends of surplus	Wednesday, June 19, 2019

Accordingly, combined with the interim dividend of JPY 51 per one (1) common share of the Company, the annual dividend will be JPY 110 per one (1) common share of the Company for this fiscal year, an increase of JPY 26 per one (1) common share of the Company over the previous fiscal year. The consolidated payout ratio is 40.5%.

<Reference> Policy of dividends for the 151st fiscal year and beyond

Following the three (3) year new mid-term management plan, "DANTOTSU Value－*FORWARD* Together for Sustainable Growth," from April 2019 to March 2022, the Company sets the policy of dividends for the 151st fiscal year and beyond as follows.

The Company is establishing a sound financial position and strengthening its competitiveness to sustainably increase its corporate value. Concerning cash dividends to shareholders, the Company maintains the policy of striving to continue stable dividends by comprehensively considering consolidated business results, future investment plans, cash flows and other related factors. Specifically, the Company has set the goal of a consolidated payout ratio of 40% or higher.

Item 2: Election of Eight (8) Directors

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

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

The candidates for the positions are as follows:

No. of Candi-date	Name	(Reference) Position and In Charge at the Company (As of May 16, 2019)	(Reference) Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2019
1	Reelection **Tetsuji Ohashi**	Chairperson of the Board and Representative Director	100%
2	Reelection **Hiroyuki Ogawa**	President and Representative Director Chief Executive Officer (CEO)	100%
3	Reelection **Kuniko Urano**	Director and Senior Executive Officer Supervising Human Resources & Education, Safety & Health Care, Corporate Communications, and CSR	100%
4	Reelection Outside Director Independent **Masayuki Oku**	Director	100%
5	Reelection Outside Director Independent **Mitoji Yabunaka**	Director	100%
6	Reelection Outside Director Independent **Makoto Kigawa**	Director	100%
7	New Candidate **Masayuki Moriyama**	Senior Executive Officer President of Mining Business Division	–
8	New Candidate **Kiyoshi Mizuhara**	Senior Executive Officer President of Construction Equipment Marketing Division	–

Outside Director: Candidate for Outside Director

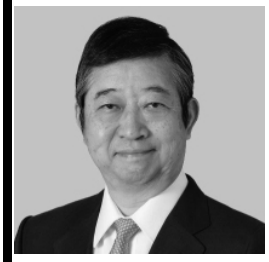
Independent: Candidate for Director who meets the Company's independence standards (page 20) and for whom the Company has submitted an Independent Directors Notification to the Tokyo Stock Exchange *(the Japanese stock exchange on which the Company's shares are listed)*.

<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 made the selection based upon discussions and resolutions of, and upon the recommendation from the Human Resource Advisory Committee, consisting of three (3) Outside Directors (one (1) of which is Chairman of the Committee), the Chairperson of the Board and the President. The Human Resource Advisory Committee also discusses appointments and discharge of the President (CEO) and executive officers and policy of their development.

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

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



1. Reelection	**Tetsuji Ohashi** (March 23, 1954)
► Number of Year(s) in Office:	10 years
► Attendance to the Meetings of the Board of Directors:	15/15 (100%)
► Number of Shares of the Company Held:	120,000 shares
► Important Concurrent Positions Held in Other Organizations:	None
► Special Interests Between the Candidate and the Company:	None

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



2. Reelection **Hiroyuki Ogawa** (March 23, 1961)

► Number of Year(s) in Office:	1 year
► Attendance to the Meetings of the Board of Directors:	11/11 (100%)
► Number of Shares of the Company Held:	28,100 shares
► In Charge at the Company:	Chief Executive Officer (CEO)
► Important Concurrent Positions Held in Other Organizations:	None
► Special Interests Between the Candidate and the Company:	None

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



3. Reelection	**Kuniko Urano**	(October 19, 1956)
► Number of Year(s) in Office:	1 year	
► Attendance to the Meetings of the Board of Directors:	11/11 (100%)	
► Number of Shares of the Company Held:	25,600 shares	
► In Charge at the Company:	Supervising Human Resources & Education, Safety & Health Care, Corporate Communications, and CSR	
► Important Concurrent Positions Held in Other Organizations:	None	
► Special Interests Between the Candidate and the Company:	None	

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

Outside Director Independent 	**4.** Reelection **Masayuki Oku** (December 2, 1944)	
	► Number of Year(s) in Office:	5 years
	► Attendance to the Meetings of the Board of Directors:	15/15 (100%)
	► Number of Shares of the Company Held:	700 shares
	► Important Concurrent Positions Held in Other Organizations:	Outside Director of Panasonic Corporation (scheduled to retire in June 2019) 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

Career summary and position

4/1968	Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter the "Bank")
6/1994	Took office as Director of the Bank
11/1998	Took office as Managing Director of the Bank
1/2001	Took office as Representative Director and Senior Managing Director of the Bank
4/2001	Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Banking Corporation (hereinafter "SMBC")
12/2002	Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Financial Group, Inc. (hereinafter "SMFG")
6/2003	Took office as Representative Director and Deputy President of SMBC
6/2005	Took office as Chairman of the Board and Representative Director of SMFG Took office as Representative Director and President of SMBC
4/2011	Retired from SMBC Took office as Chairman of the Board and Director of SMFG
6/2014	Took office as Director of the Company (current)
4/2017	Took office as Director of SMFG
6/2017	Took office as Honorary Advisor of SMFG (current)

Reason for nomination as candidate for Outside Director

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.

Matters regarding independence

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 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 eight (8) years have passed since his retirement from Sumitomo Mitsui Banking Corporation, and he currently has no involvement with the execution of business at the bank. Because the Company and its consolidated subsidiaries have several lenders and the bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, it 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 bank was JPY 128.0 billion, which was 13.8% of the total amount of loans. (page 34)

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
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 dismissed their appeal 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. Furthermore, Panasonic Corporation and its U.S. subsidiary Panasonic Avionics Corporation (hereinafter "PAC") entered into an agreement with the U.S. Securities and Exchange Commission and the U.S. Department of Justice in May 2018 to pay a penalty to the U.S. Government and implement various initiatives to improve compliance as a result of an investigation of suspected violations regarding the U.S. Foreign Corrupt Practices Act and other securities-related laws of the U.S. concerning specific transactions that PAC conducted with an airline company and the hiring of agents and consultants in relation to that transaction. 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, Mr. Oku called for a thorough investigation into the said facts and measures to prevent a recurrence, and checked the contents of the said company's activities for preventing a recurrence.

Outside Director Independent	**5.** Reelection **Mitoji Yabunaka** (January 23, 1948)	
	► Number of Year(s) in Office:	5 years
	► Attendance to the Meetings of the Board of Directors:	15/15 (100%)
	► Number of Shares of the Company Held:	0 shares
	► Important Concurrent Positions Held in Other Organizations:	Outside Director of Mitsubishi Electric Corporation Outside Director of Takasago Thermal Engineering Co., Ltd.
	► Special Interests Between the Candidate and the Company:	None

Career summary and position

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)

Reason for nomination as candidate for Outside Director

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.

Matters regarding independence

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.

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

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 finalized. 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.

In March 2014, Kawasaki Kisen Kaisha, Ltd. ("K" Line), where Mr. Mitoji Yabunaka served as Outside Director from June 2011 to June 2017, 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; in December 2015, "K" Line was ordered to pay a penalty by China's National Development and Reform Commission, and; in February 2018, "K" Line was ordered to pay a penalty by the European 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.

Outside Director
Independent



6. Reelection **Makoto Kigawa** (December 31, 1949)

► Number of Year(s) in Office:	3 years
► Attendance to the Meetings of the Board of Directors:	15/15 (100%)
► Number of Shares of the Company Held:	0 shares
► Important Concurrent Positions Held in Other Organizations:	Director of Yamato Holdings Co., Ltd. (scheduled to retire in June 2019) Outside Director of Seven Bank, Ltd.
► Special Interests Between the Candidate and the Company:	None

Career summary and position

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

Reason for nomination as candidate for Outside Director

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

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

Matters regarding independence

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

Mr. Kigawa serves as 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 sum of the consolidated cost of sales and selling, general and administrative expenses of the Company and its consolidated subsidiaries for the most recent fiscal year. In addition, the amount of the payment is less than 0.1% of the consolidated operating revenue of Yamato Holdings Co., Ltd. for the most recent fiscal year.

Facts in violation of laws and regulations or the Articles of Incorporation or facts of any other unreasonable execution of business at the other corporations
Mr. Makoto Kigawa has been serving as Director of Yamato Holdings Co., Ltd. (Yamato Holdings) since June 2005 to the present. Meanwhile, since February 2017 the Yamato Group has conducted an investigation looking into actual working hours of its employees, in response to a situation where efforts to build an operating framework had fallen behind largely amid a prevailing surge in the entity's e-commerce related business. The investigation has revealed that Yamato Holdings had been failing to recognize that many of its employees were unable to take sufficient breaks and other such issues. Yamato Holdings has taken the matter seriously, and has accordingly been implementing various structural reforms, particularly in its delivery business, to address the primary challenges of bringing about work-style reforms that include improving and thoroughly implementing labor controls, and promoting work-life balance. In addition, at Yamato Holdings consolidated subsidiary Yamato Home Convenience Co., Ltd., it was found that inappropriate billings that breached its uniform terms and conditions of contracts had been made in relation to moving services provided to employees of corporate customers. As a result, the company received an administrative disposition and a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism in January 2019. In addition to taking steps to build a system to prevent similar events from recurring at Yamato Home Convenience Co., Ltd., Yamato Holdings is also working to strengthen corporate governance so as to improve the soundness of its group management.



7. New Candidate **Masayuki Moriyama** (February 5, 1960)

► Number of Shares of the Company Held:	38,100 shares
► In Charge at the Company:	President of Mining Business Division
► Important Concurrent Positions Held in Other Organizations:	None
► Special Interests Between the Candidate and the Company:	None

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



8. New Candidate **Kiyoshi Mizuhara** (January 13, 1960)

► Number of Shares of the Company Held:	13,400 shares
► In Charge at the Company:	President of Construction Equipment Marketing Division
► Important Concurrent Positions Held in Other Organizations:	None
► Special Interests Between the Candidate and the Company:	None

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

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, 2019 (April 1, 2018 to March 31, 2019). As Mr. Hiroyuki Ogawa and Ms. Kuniko Urano were elected at the 149th Ordinary General Meeting of Shareholders held in June 2018, their maximum number of meetings of attendance 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 of the Company. If their reelections are approved, the Company intends to continue the aforesaid agreement. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.

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

The term of office of Ms. Eiko Shinotsuka as Audit & Supervisory Board Member will expire as of the close of this Ordinary General Meeting of Shareholders.

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

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

The candidate for the position is as follows:

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



Outside Audit & Supervisory Board Member
Independent

Reelection	**Eiko Shinotsuka** (May 1, 1942)
► Number of Year(s) in Office:	4 years
► Attendance to the Meetings of the Board of Directors:	15/15 (100%)
► Attendance to the Meetings of the Audit & Supervisory Board:	15/15 (100%)
► Number of Shares of the Company Held:	0 shares
► Important Concurrent Positions Held in Other Organizations:	Outside Director of JAPAN SECURITIES FINANCE CO., LTD. (scheduled to retire in June 2019) Outside Director of LIFENET INSURANCE COMPANY
► Special Interests Between the Candidate and the Company:	None

Career summary and position

4/1993	Took office as professor at Ochanomizu University
4/2008	Became professor emeritus at Ochanomizu University (current)
6/2015	Took office as Audit & Supervisory Board Member of the Company (current)

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

After engaging in research in economic fields at Japan Center for Economic Research, Ms. Eiko Shinotsuka, in addition to what are listed in the Summary above, has the experience of having served as a Member of the Policy Board of the Bank of Japan, Chairperson of the Cooperation Conference for the Gender Equality Promotion of the Cabinet Office, Executive Director of the Japan Legal Support Center and Commissioner of the National Personnel Authority, etc. and she has held numerous other official posts in public offices. Accordingly, she possesses wide-ranging knowledge and abundant experience in fields such as economics, labor relations and law.

Utilizing this knowledge and experience, the Company expects her to execute her duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company nominates her as a candidate for Outside Audit & Supervisory Board Member.

Although Ms. Eiko Shinotsuka has no experience in participating in the management of other companies directly, the Company judged that she would be able to execute the duties of Outside Audit & Supervisory Board Member adequately because of the reasons above.

Matters regarding independence

Ms. Eiko Shinotsuka is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers her as an Independent Audit & Supervisory Board Member and submitted the relevant notification to the Tokyo Stock Exchange.

Notes:

1. "Number of Years in Office" shown with the candidate for reelection above indicates the period from the day of the General Meeting of Shareholders when the Audit & Supervisory Board Member was elected for the first time to the conclusion of this Ordinary General Meeting of Shareholders.
2. Meeting attendance above shows attendance to the meetings of the Board of Directors and Meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019).
3. The Company has entered into an agreement with Ms. Eiko Shinotsuka that limits her liability for damages caused by her negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation of the Company. If her reelection is approved, the Company intends to continue the aforesaid agreement. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.

<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)	As mentioned in "Matters regarding independence". (page 18)
Kotaro Ohno (6/2017)	Mr. Kotaro Ohno 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.

* The important concurrent positions held in other organizations of current Outside Audit & Supervisory Board Members are mentioned in page 45. However, there are no special business interests between the Company and the organizations where those concurrent positions are held.

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

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

1. Basic stance:

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

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

2. Independence standards:

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

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

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

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

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

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

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

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

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

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

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

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

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

End

Attached Documents

Business Report

(April 1, 2018 - March 31, 2019)

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-term management plan, "Together We Innovate GEMBA Worldwide–Growth Toward Our 100th Anniversary (2021) and Beyond–" with the fiscal year ended March 31, 2019 as the goal year, and actively pursued 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, 2019 (April 1, 2018 – March 31, 2019), consolidated net sales for the year increased by 9.0% from the previous fiscal year to JPY 2,725.2 billion. Concerning profits, operating income increased by 48.2% from the previous fiscal year, to JPY 397.8 billion due mainly to increased sales in various regions of the world and reduced temporary expenses in association with the acquisition of Komatsu Mining Corp., which became a consolidated subsidiary in April 2017. Operating income ratio was 14.6%, up 3.9 percentage points. Income before income taxes and equity in earnings of affiliated companies increased by 29.4% to JPY 377.4 billion. Net income attributable to Komatsu Ltd. increased by 30.6% to JPY 256.4 billion.

	149th Fiscal Year (April 2017 – March 2018)	Changes from 149th Fiscal Year	150th Fiscal Year (April 2018 – March 2019)
Net sales	JPY 2,501.1 billion	+9.0%	JPY 2,725.2 billion
Operating income	JPY 268.5 billion	+48.2%	JPY 397.8 billion
Income before income taxes and equity in earnings of affiliated companies	JPY 291.8 billion	+29.4%	JPY 377.4 billion
Net income attributable to Komatsu Ltd.	JPY 196.4 billion	+30.6%	JPY 256.4 billion

Notes:

1. The Consolidated Financial Statements of the Company are prepared in accordance with Article 120-3 Paragraph 1 of the Regulation on Corporate Accounting of Japan and the method of preparation conforms to the accounting principles generally accepted in the United States of America (hereinafter "U.S. GAAP") in terms of terminology and format.
2. In accordance with the adoption of the Accounting Standards Update ("ASU") 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," operating income for the 149th fiscal year has been reclassified.

[Construction, Mining and Utility Equipment]

	150th Fiscal Year (April 2018 – March 2019)	Changes from 149th Fiscal Year
Sales	JPY 2,478.9 billion	+8.7%
Segment profit	JPY 365.3 billion	+33.8%

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

In the construction, mining and utility equipment segment, Komatsu steadfastly captured growing demand in many regions of the world, centering on North America and Asia & Oceania. As a result, sales increased by 8.7% from the previous fiscal year to JPY 2,478.9 billion. Segment profit improved by 33.8% from the previous fiscal year, to JPY 365.3 billion.

With respect to "SMARTCONSTRUCTION", a solutions business for construction jobsites, which

Komatsu launched in Japan in February 2015, Komatsu has made steady progress, introducing this new business to over 7,500 construction jobsites to date (cumulative). In May 2018, Komatsu embarked on a new service under the name of "EverydayDrone." This new service uses special, fully automated drones and edge computing capable of on-site high-speed data processing. For example, it generates 3D site survey data in about 20 minutes, which used to take a whole day, enabling the management of daily progress of jobsite work.

In October 2018, Komatsu participated in CEATEC JAPAN 2018, Asia's largest class international exhibition, for the first time. Under the theme of "safer, more productive and smarter construction jobsites of the future", Komatsu introduced new challenges taken up by its SMARTCONSTRUCTION, including autonomous construction equipment currently under development, as well as remote-control technology in a 5G network (5Generation Mobile communication system). Komatsu will advance R&D efforts for the early commercialization of these technologies, thereby accelerating the speed of achieving "Workplaces of the Future" with enhanced safety and productivity.

(Reference: Related websites)

Visit the special SMARTCONSTRUCTION website:
⇒ http://smartconstruction.komatsu/
** This website is currently available only in Japanese.*

For those who are interested in SMARTCONSTRUCTION,
details are available in KOMATSU REPORT 2018
⇒ *https://home.komatsu/en/ir/library/annual/2018/#section02-link02*

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

Region		150th Fiscal Year (April 2018 – March 2019)	Changes from 149th Fiscal Year
Japan		JPY 312.7 billion	(0.9)%
Overseas		JPY 2,153.8 billion	+10.4%
	Americas	JPY 937.8 billion	+9.9%
	Europe & CIS	JPY 342.2 billion	+18.4%
	China	JPY 164.8 billion	+0.0%
	Asia* & Oceania	JPY 554.6 billion	+15.4%
	Middle East & Africa	JPY 154.3 billion	(6.0)%
Total		JPY 2,466.6 billion	+8.8%

* Excludes Japan and China.

[Retail Finance]

	150th Fiscal Year (April 2018 – March 2019)	Changes from 149th Fiscal Year
Revenues	JPY 63.5 billion	+5.4%
Segment profit	JPY 17.5 billion	+35.0%

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

In the retail finance segment, revenues increased by 5.4% from the previous fiscal year to JPY 63.5 billion, supported by increased revenues, mainly in North America, which more than offset an extraordinary factor in which Komatsu had to sell used equipment resulting from the cancellation of a leasing contract in Chile in the previous fiscal year. Segment profit advanced by 35.0% to JPY 17.5 billion, mainly because Komatsu was able to recover the doubtful accounts for which it recorded

allowances in FY2016 in China and performed a reversal of allowances for doubtful accounts.

[Industrial Machinery and Others]

	150th Fiscal Year (April 2018 – March 2019)	Changes from 149th Fiscal Year
Sales	JPY 203.2 billion	+9.6%
Segment profit	JPY 18.6 billion	+30.0%

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 advanced by 9.6% from the previous fiscal year, to JPY 203.2 billion, mainly supported by increased sales of presses and machine tools to the automobile manufacturing industry, as well as improved sales of Excimer laser-related products on the semiconductor market. Segment profit improved by 30.0% from the previous fiscal year, to JPY 18.6 billion.

In December 2018, the Company's subsidiary Komatsu Industries Corp. launched sales of its new SF100H-1 model straightener feeder. It is designed to not only enhance the feeding capacity, but also fully synchronize operation with the new H2FM servo press introduced in March 2018. Structured to synchronize the operation of the press and leveler feeder, in particular, the new leveler feeder enables about 30% improvement of productivity through simple operations, when compared to using conventional machines.

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

In its mid-term 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 its core business."

Focused Activities in Each ESG Issue in the Mid-Term Management Plan "Together We Innovate GEMBA Worldwide–Growth Toward Our 100th Anniversary (2021) and Beyond–"

Environment	Reducing CO_2 emissions throughout the lifecycle of construction equipment • Reducing CO_2 emissions produced by product use • Reducing CO_2 emissions in manufacturing
Social	Increasing the safety in customers' workplaces Social Contribution Activities Growing together with the local communities in which Komatsu operates
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) (Energy saving heat treatment factory that separates people and facilities while taking safety and the environment into consideration)

Komatsu is working to reduce the amount of CO_2 emitted by construction equipment during its life cycle. As one initiative to reduce CO_2 emissions during production, in August 2017 a new heat treatment factory was completed in the Company's Osaka Plant.

The Osaka Plant manufactures hydraulic excavators, bulldozers, etc., and heat treatment is used to increase the strength of gears before those parts are installed. Heat treatment requires large amounts of energy, and saving energy is therefore an important issue. The new factory has achieved cuts in CO_2 emissions by around 4,500 tons annually by reducing energy usage by 35%.

The new factory's most significant feature is the exclusion of people from the production area, where the temperature rises due to the heat treatment process. Air conditioning and illumination in the unmanned production areas have been omitted, and energy savings are implemented through natural ventilation and lighting. On the other hand, geothermal air conditioning has been introduced in the areas where people are at work. The underground temperature in the area around the factory remains at around 18°C throughout the year. Seven wells have been set, with depth of 100m, and are used to circulate water in order to maintain the temperature of the workspace at a comfortable level. As an example of the exhaustive approach taken to promote energy saving in order to reduce CO_2 emissions, warm air trapped near the ceiling in the unmanned area is transferred to the manned areas and used for heating during the winter.

Initiatives in "S" (Social) (Formal commencement of training program for local people in South Africa)

"Developing People" has been designated one of the key CSR themes of Komatsu, and we put effort into developing human resources through social contribution activities as well as in the course of our main business.

The Company entered into an agreement with US-based Cummins Inc., its partner in the field of engine, to introduce on a global basis a Technical Education for Communities (TEC) social contribution program that aims to develop engineers, and has implemented this in collaboration with Cummins in locations that include Peru and Australia.

TEC is a program that provides a specialized and practical-oriented professional training curriculum that utilizes the combined know-how of Komatsu and Cummins to students who are majoring in mechanical engineering or electrical engineering.

In the fiscal year ended March 31, 2019, the preparation was laid for the program to be implemented in South Africa at the Sedibeng TVET College (Johannesburg), and in May 2018, a three-year curriculum was started, with 31 students accepted into the course. As part of this curriculum, students will study maintenance engineering for engines, etc., and undertake training in operation of construction and mining equipment through a course and an internship.

Study under TEC will make students gain useful knowledge in actual operations, and this will increase their opportunities to find employment in a motivating work environment with more advantageous conditions. Furthermore, in the long term, TEC is expected to contribute to the local economy as a whole by increasing the number of excellent engineers, and having such talent actively play a role in local industry, including at local subsidiaries of Komatsu.

The parties who played a major role in the introduction of TEC in South Africa are Cummins Africa Middle East and Komatsu Africa Holdings (Pty) Ltd., a local subsidiary of Komatsu. This time, Komatsu Africa Holdings has provided various support, including dispatching specialist instructors, providing training materials such as cutaway models, and assisting in the creation of the education curriculum. After the start of the curriculum, Komatsu Africa Holdings is continuing to provide elaborate support across the entire program.

The Company plans to continue to deepen its cooperation with Cummins and proceed with introducing TEC programs in various regions around the world and assisting in their implementation.

Initiatives in "G" (Corporate Governance)

Listed in "3. Corporate Governance, Directors and Audit & Supervisory Board Members, etc." (pages 37 to 52)

(3) Capital Investment

Capital investment increased by JPY 33.5 billion from the previous fiscal year, to JPY 179.2 billion.

1) Breakdown by Segment

Segment	Invested Amounts (JPY billion)
Construction, Mining and Utility Equipment	98.8
Retail Finance	76.1
Industrial Machinery and Others	4.2
Total	179.2

2) Main Facilities Completed in the Fiscal Year Ended March 31, 2019

No items to report.

3) New Constructions, Expansions and Overhauls of Main Facilities in Progress in the Fiscal Year Ended March 31, 2019

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
	Osaka Plant: New construction of reduction gear plant ・ Facility overview: production facility for reduction gear
	Komatsu Mining Corp.: Relocating Head Office / Plant ・ Facility overview: production facility for mining equipment and facility for research and development

(4) Financing

In the fiscal year ended March 31, 2019, in order to appropriate funds for working capital and capital investment, the Company procured funds mainly by the issuance of commercial paper, as well as through borrowings from financial institutions.

The balance of interest-bearing debt at the fiscal year-end increased by JPY 120.1 billion from the previous fiscal year-end to JPY 930.7 billion. This was mainly the result of an increase in working capital.

In addition, the net debt-to-equity ratio* was 0.43, compared to 0.40 at the previous fiscal year-end.

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

(5) Issues Ahead

Komatsu remains committed to Quality and Reliability, as the management principle, and aims to maximize our corporate value, the total sum of trust from society and all our stakeholders.

Komatsu seeks to transform customers' GEMBA (workplaces) together with customers and to provide innovation that creates new value, aiming to achieve growth in our core businesses of construction and mining equipment, and industrial machinery. To this end we initiated the "Together We Innovate GEMBA Worldwide―Growth Toward Our 100th Anniversary (2021) and Beyond―" mid-term management plan, which ran for the three-year period from April 2016 to March 2019. During this time, demand for construction and mining equipment recovered more quickly than had been assumed in the mid-term management plan as a result of breaking out of a correction phase that was caused by such factors as falling commodity prices and slowing growth in emerging countries. In the fiscal year ended March 31, 2019, which was the final year of the plan, we achieved a second consecutive year of growth in revenue and earnings, and also posted its highest ever net sales and profit. We worked steadily on the three growth strategies of the mid-term management plan, 1) growth strategies based on innovation, 2) growth strategies of existing businesses, and 3) structural reforms designed to reinforce the business foundations, and accomplished its management targets, as measured by the respective performance indicators, for growth, profitability, efficiency, shareholder return and financial position. Particularly in relation to growth, the acquisition in April 2017 of U.S.-based Joy Global Inc. (currently Komatsu Mining Corp.) resulted in a significant expansion.

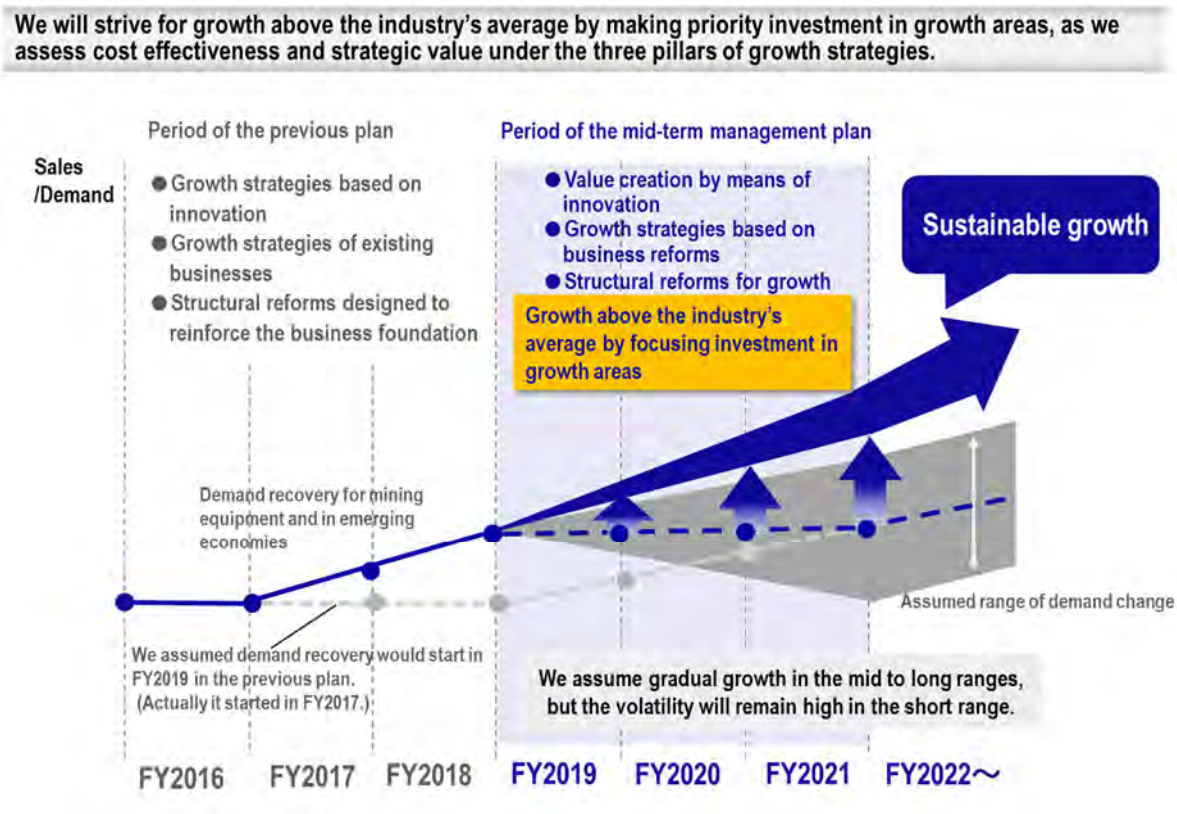
In April 2019, Komatsu, aiming for growth toward its 100th Anniversary (2021) and beyond, has started a new three-year mid-term management plan (FY2019-FY2021) entitled "DANTOTSU Value－*FORWARD* Together for Sustainable Growth."

Today, protectionism is growing around the world, and multipolarity is becoming evident. We are also witnessing growing concerns over climate change. As the external environment is changing dynamically, in the construction, mining and utility equipment business, although we assume gradual growth of the demand in the medium to long range, the volatility (fluctuation range of demand) will remain high in the short range. In the industrial machinery and others business, we anticipate a structural change of demand in the automobile manufacturing industry, mainly resulting from ongoing advancement of electric vehicles in production. Concerning demand in the semiconductor manufacturing industry, we expect it will certainly grow in the medium to long-range, while we anticipate it will experience some temporary adjustments.

For this new mid-term management plan, we uphold three new strategies of 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. By making priority investment in growth areas based on the three pillars of growth strategies, we will strive for sustainable growth through a positive circle of improving earnings and solving ESG issues without being affected by changes in market demand. To promote the three pillars of growth strategies, we need to advance and enhance the level of DANTOTSU products, DANTOTSU service, and DANTOTSU solutions, for which we have continued to make efforts, at a faster speed, and realize safe, highly productive, smart and clean workplace of the future with customers by creating DANTOTSU value (ESG solutions through the creation of customer value and improvement of earnings). In this manner, we will help solve ESG issues through our core business by offering high-quality, high-performance products, service and solutions ensuring safety and reduction of environmental impact in response to climate change. We will strive for sustainable growth through linking every workplace and generate value through DANTOTSU with our global teams, customers, distributors, partners and communities.

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

Sustainable Growth by Focusing Investment in Three Pillar Growth Strategies



Targets of the mid-term management plan

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

	Index	Targets
Growth	• Sales growth rate	• Growth rate above the industry's average
Profitability	• Operating profit ratio	• Industry's top-level operating income ratio
Efficiency	• ROE*1	• ROE of 10% or higher
Financial position	• Net debt-to-equity ratio*2	• Industry's top-level financial position
Retail finance business	• ROA*3 • Net debt-to-equity ratio	• ROA: 1.5% to 2.0% • 5.0 or under for net debt-to-equity ratio
[New] ESG	• Reduction of environmental impact • Evaluation by external organizations	• Reduction of environmental impact CO2 emissions: Decrease by 50% in 2030 from 2010 Renewable energy use: Increase to 50% of total energy use in 2030 • Evaluation by external organizations: Selected for DJSI*4 (World & Asia Pacific) and for CDP*5 A-list (Climate Changes and Water Risk), etc.
Shareholder return	• Dividend payout ratio	• Keep a fair balance between investment for growth and shareholder return (including stock buyback), while placing main priority on investment • Set the goal of a consolidated payout ratio of 40% or higher

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

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

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

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

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

[Three Pillars of Growth Strategies and Efforts of Focus]
As Komatsu meets its external environment and tasks, we are going to promote the three pillars of growth strategies, 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. In this way we will continue to work to ensure sustainable growth.

Three Pillars of Growth Strategies	Efforts of Focus
1) Value Creation by Means of Innovation	◆ Evolution of optimization platform and solutions business strategies * SMARTCONSTRUCTION, Autonomous Haulage System (AHS), and platforms (LANDLOG and IntelliMine) ◆ Automation, autonomous operation, electrification and remote controlling of construction, mining and utility equipment ◆ Smart forestry and agriculture
2) Growth Strategies Based on Business Reforms	◆ Synergies and growth strategies brought about by the integration of Komatsu Mining Corp. ◆ Value chain reforms and redefinition of the aftermarket business * Preventive maintenance by applying IoT and AI prediction technologies, and lifecycle support under serial number-based management * Logistics reforms * Next generation key components ◆ Next-generation KOMTRAX ◆ Stronger focus on aggregate and cement, forestry, agriculture and other segments ◆ Efforts for “DANTOTSU NO. 1 in Asia” and in the growing markets of India and Africa ◆ Reforms of the industrial machinery business (Expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)
3) Structural Reforms for Growth	◆ Business reforms by means of ICT and IoT ◆ Structural reforms of development operation * Model base development * Open innovation ◆ Connected plants with Zero impact on environment and workers ◆ Global human resource development

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

No items to report.

(7) Status of Principal Subsidiaries

1) Principal Subsidiaries (As of March 31, 2019)

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

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu do Brasil Ltda.	Head Office /Plant (Brazil)	BRL 143 mil	*100.0	Manufacture of construction equipment and casting products
Komatsu Brasil International Ltda.	Head Office (Brazil)	BRL 287 mil	*100.0	Sale and servicing of construction and mining equipment
Komatsu Holding South America Ltda.	Head Office (Chile)	USD 156 mil	*100.0	Sale and servicing of construction and mining equipment
Komatsu Cummins Chile Ltda.	Head Office (Chile)	USD 34 mil	*81.8	Sale and servicing of construction and mining equipment
Joy Global (Chile) S.A.	Head Office /Plant (Chile)	USD 1,959 thou	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu Financial Limited Partnership (Note 4)	Head Office (USA)	–	*100.0	Retail financing of construction and mining equipment
Komatsu Finance Chile S.A.	Head Office (Chile)	USD 40 mil	*100.0	Retail financing of construction and mining equipment
Komatsu Europe International N.V.	Head Office (Belgium)	EUR 50 mil	100.0	Sale of construction and mining equipment and supervision in Europe
Komatsu UK Ltd.	Head Office /Plant (UK)	GBP 23 mil	*100.0	Manufacture of construction equipment
Komatsu Germany GmbH	Head Office /Plant (Germany)	EUR 24 mil	*100.0	Manufacture and sale of construction and mining equipment
Komatsu Italia Manufacturing S.p.A.	Head Office /Plant (Italy)	EUR 6 mil	*100.0	Manufacture of construction equipment
Komatsu Forest AB	Head Office /Plant (Sweden)	SEK 397 mil	100.0	Manufacture, sale and servicing of forestry equipment
Komatsu CIS LLC	Head Office (Russia)	RUB 5,301 mil	100.0	Sale of construction and mining equipment
Komatsu Financial Europe N.V.	Head Office (Belgium)	EUR 80 mil	*100.0	Retail financing of construction and mining equipment
Komatsu (China) Ltd.	Head Office (China)	USD 165 mil	100.0	Sale of construction and mining equipment and supervision in China
Komatsu (Changzhou) Construction Machinery Corp.	Head Office /Plant (China)	USD 41 mil	*85.0	Manufacture of construction equipment
Komatsu Shantui Construction Machinery Co., Ltd.	Head Office /Plant (China)	USD 21 mil	*60.0	Manufacture of construction equipment
Komatsu (Shandong) Construction Machinery Corp.	Head Office /Plant (China)	USD 233 mil	*100.0	Manufacture of construction equipment, components including crawlers for construction equipment, etc. and casting products, etc.
PT Komatsu Indonesia	Head Office /Plant (Indonesia)	IDR 192,780 mil	94.9	Manufacture and sale of construction and mining equipment, and casting products

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
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
Joy Global Australia Holding Company Pty Ltd	Head Office (Australia)	AUD 443 mil	*100.0	Roles as holding company of Joy Global Australia Pty Ltd
Joy Global Australia Pty Ltd	Head Office /Plant (Australia)	AUD 608 mil	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu South Africa (Pty) Ltd.	Head Office (South Africa)	ZAR 186 mil	*74.9	Sale and servicing of construction and mining equipment
Joy Global (Africa) (Proprietary) Limited	Head Office /Plant (South Africa)	ZAR 6,676	*74.9	Manufacture, sale and servicing of mining equipment
Komatsu Financial Leasing China Ltd.	Head Office (China)	RMB 1,630 mil	*100.0	Retail financing of construction equipment
Komatsu Australia Corporate Finance Pty. Ltd.	Head Office (Australia)	AUD 49 mil	*60.0	Retail financing of construction and mining 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. Joy Global Underground Mining LLC is a limited liability company based on the state law of Delaware, the U.S., and the Company invests in it through subsidiaries. Its paid-in capital is presented as its capital.
3. Joy Global Longview Operations LLC is a limited liability company based on the state law of Texas, the U.S., and the Company invests in it through subsidiaries. Its paid-in capital is presented as its capital.
4. 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 691 million.
5. The number of consolidated subsidiaries of the Company, including those listed above, is 215, and the number of affiliated companies accounted for by the equity method is 42.

2) Others (update on important combination)

i) In April 2018, the Company carried out an absorption-type merger of Komatsu Tokki Corporation.

ii) In April 2018, Komatsu Construction Equipment Sales and Service Japan Ltd. carried out absorption-type mergers of Komatsu Forklift Japan Ltd. and Komatsu Rental Ltd., and changed its trade name to Komatsu Customer Support Japan Ltd.

iii) In October 2018, the Company carried out an absorption-type merger of Komatsu Castex Ltd.

(8) Employees (As of March 31, 2019)

Segment	Number of Employees
Construction, Mining and Utility Equipment	57,001
Retail Finance	248
Industrial Machinery and Others	4,003
Others (Note 2)	656
Total	61,908

Notes:
1. The total number of employees increased by 2,276 from the end of the previous fiscal year.
2. "Others" above includes the number of administrative employees that cannot be classified into the above three (3) segments.

(9) Main Lenders (As of March 31, 2019)

Name of Lenders	Balance of Loans (JPY billion)
Sumitomo Mitsui Banking Corporation	128.0
MUFG Bank, Ltd.	115.1
Mizuho Bank, Ltd.	82.2
The Norinchukin Bank	56.0

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.
⇒ https://home.komatsu/en/ir/

2. Matters Regarding the Shares and Stock Acquisition Rights of the Company, etc. (As of March 31, 2019)

(1) Number of shares authorized to be issued: 3,955,000,000 shares

(2) Total number of shares issued and outstanding: 944,387,491 shares
(excluding 27,864,969 shares of treasury stock)

(3) Number of shareholders: 193,434

(4) Major shareholders (top ten)

Name of Shareholders	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	62,825	6.65
Japan Trustee Services Bank, Ltd. (Trust Account)	52,363	5.54
JP MORGAN CHASE BANK 380055 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	36,906	3.90
STATE STREET BANK AND TRUST COMPANY 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	36,633	3.87
Taiyo Life Insurance Company	34,000	3.60
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	26,626	2.81
SSBTC CLIENT OMNIBUS ACCOUNT (standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch)	18,484	1.95
Japan Trustee Services Bank, Ltd. (Trust Account 7)	18,419	1.95
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (standing proxy: Sumitomo Mitsui Banking Corporation)	18,018	1.90
Sumitomo Mitsui Banking Corporation	17,835	1.88

Notes:
1. Shareholding ratio is calculated by subtracting treasury stock.
2. Although the Company holds 27,864 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

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

Based on a resolution passed at a meeting of the Board of Directors held on July 12, 2018, the Company issued new shares for stock-based remuneration in the form of restricted stock compensation, as follows.

1) Type and number of shares	284,800 common shares of the Company
2) Paid-in amount	JPY 3,098 per one (1) share
3) Total paid-in amount	JPY 882,310,400
4) Persons to whom shares are allotted and the number of them	Directors of the Company (excluding Outside Directors), as well as employees, and the Directors and employees of subsidiaries of the Company, totaling 87 persons
5) Payment date	September 3, 2018

(6) Status of Stock Acquisition Rights

Number of Stock Acquisition Rights (total)	Number of Shares Subject to Stock Acquisition Rights	(Reference) Total Number of Shares Issued and Outstanding
8,923	892,300 shares	944,387,491 shares (excluding treasury stock)

Note: During the fiscal year ended March 31, 2019, no stock acquisitions rights were issued.

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

⇒ https://home.komatsu/en/ir/

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

(1) Basic Views on Corporate Governance

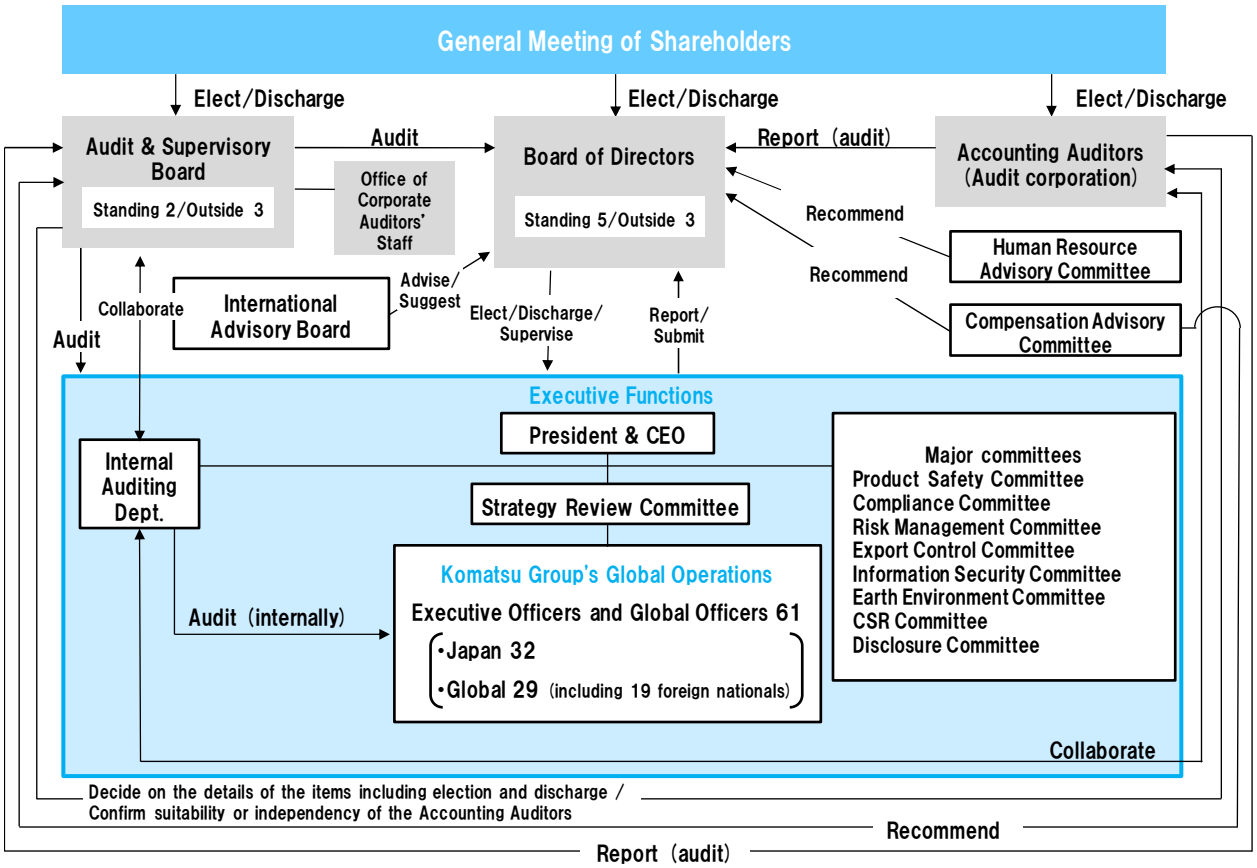
The Company considers that "corporate value is the total sum of trust given to us by society and all stakeholders." To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate corporate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

(2) Corporate Governance System of the Company

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

The Company strives to make improvements to increase the effectiveness of the Board of Directors and conducts an annual evaluation and analysis of the effectiveness of the Board of Directors. In the results of the evaluation and analysis for the fiscal year ended March 31, 2019 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 38 to 42) as its internal control systems, and continually works to enhance its corporate governance.



Note: The above diagram is as of March 31, 2019.

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

1) Systems for Ensuring the Properness of Operations

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

1 Basic Policy on Internal Control

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

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

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

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

3 Rules and Other Systems for Risk Management

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

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

4 Systems for Ensuring Efficient Execution of Duties by Directors

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

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

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

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

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

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

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

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

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

i) The Company shall establish the "Affiliated Company Regulations" and relevant rules to contribute to proper and efficient operation of Group management. It shall also position the "Komatsu Code of Worldwide Business Conduct," as the code to be applied by all companies affiliated with Komatsu. Under these regulations and standards, each department or division of the Company in charge of affiliated companies shall manage and support each relevant company under its supervision, and each company in Komatsu shall stipulate various regulations for the proper promotion of duties.

ii) The Company shall assign and dispatch persons for Directors and Audit & Supervisory Board Members of major affiliated companies as needed, in order to strengthen corporate governance on a group-wide basis and monitor their management.

iii) Important committees of the Company, including the "Compliance Committee," "Risk Management Committee" and "Export Control Committee," shall take actions with the entire Group in view, and allow representatives of affiliated companies to take part in their meetings on occasion.

iv) The Company shall make particularly important affiliated companies regularly report to the Board of Directors of the Company on the status of business, including risks and compliance.

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

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

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

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

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

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

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

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

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

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

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

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

i) Handling of personnel affairs (employment, appointment and personnel changes) of the employees who belong to the Office of Corporate Auditors' Staff shall be premised on approval of the Standing Audit & Supervisory Board Members.

ii) The employees who exclusively assist the Office of Corporate Auditors' Staff are independent of control and command of the Directors, and their performance shall be rated by the Standing Audit & Supervisory Board Members.

iii) The Company's Standing Audit & Supervisory Board Members shall hold regular meetings with employees of the Office of Corporate Auditors' Staff to confirm the execution of duties by the office.

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

i) In accordance with laws and regulations, Audit & Supervisory Board Members shall receive reports by Directors, Executive Officers and other senior managers concerning the conditions of execution of their respective duties.

ii) In the event that Directors find a serious violation of laws and regulations or other important facts regarding compliance at the Company or affiliated companies of the Komatsu Group, they shall report to the Audit & Supervisory Board Members immediately.

iii) The Audit & Supervisory Board Members shall attend various committees and principal meetings concerning internal control as observers, and also read approval documents for important decision making (*ringisho and senketsusho*).

iv) Audit & Supervisory Board Members may appoint legal counsels and/or other advisors needed for the execution of their duties.

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

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

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

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

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

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

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

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

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

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

11 Basic Policy Pertaining to the Elimination of Antisocial Forces

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

i) The above policy shall be provided in "Komatsu Code of Worldwide Business Conduct" and diffused throughout the Company as well as each company in Komatsu.

ii) The Company's General Affairs Department of the Head Office shall serve as a supervising division, working with the police and other specialized external organizations, in accordance with the above policy, to take a firm and organized stand against unwarranted claims by antisocial movements and to prevent any business relationship with those movements.

iii) The Company will do its utmost to collect information and receive education training from the above external organizations and use above information communally both within the Company and among related Group divisions.

2) Outline of Management of Systems Ensuring the Properness of Operations in fiscal year ended March 31, 2019

Overall Internal Control System	Outline
	The Company partially revised its Basic Policy on Internal Control in line with revisions to the Companies Act of Japan in April 2015. The Company is upgrading its internal control systems, on a group worldwide basis including at subsidiaries.
	Relevant "Systems for Ensuring the Properness of Operations"
	1 Basic Policy on Internal Control
Directors' Execution of Duties	Outline
	1) The Board of Directors met 15 times a year. The Board made decisions on important management matters based on the Standards for Matters to be Referred to a Meeting of the Board of Directors, and reported on business execution. Business execution reports cover virtually 100% of businesses on a consolidated net sales basis. Even extremely small-scale businesses are reported at a meeting of the Board of Directors, mainly with respect to safety, compliance, and risk. Sufficient time is secured to ensure full discussions at a meeting of the Board of Directors and the Company has adopted a process of raising important matters for discussion and decision-making on predetermined days over two meetings of the Board of Directors. 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 (*ringisho*)

	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
Risk Management	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
Compliance	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, 2019. The Committee also conducted a "visualization survey" of latent risks. Monthly publication of the Company bulletin "Compliance for Everyone" continued into its 14th 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
Management of Subsidiaries	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 47 main subsidiaries (13 in Japan, 34 overseas) to monitor their managements. The divisions of the Company in charge of each subsidiary also maintain constant checks on the status of the subsidiaries' Board of Directors meetings. 2) The boards of directors resolved to implement the Basic Policy on Internal Control at the Company's 47 main subsidiaries to further increase the internal control for the entire Group. The status of the policy's implementation is confirmed by the Company's Board of Directors, and the Company is working to improve it. Other subsidiaries will also establish internal control systems. 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

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

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

1) Names, etc. of Directors and Audit & Supervisory Board Members (As of March 31, 2019)

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 NEC Corporation*
President and Representative Director	Tetsuji Ohashi	Chief Executive Officer (CEO)
Executive Vice President and Representative Director	Mikio Fujitsuka	Corporate Controlling
Director and Senior Executive Officer	Hiroyuki Ogawa	In charge of the Mid-Term Management Plan
Director and Senior Executive Officer	Kuniko Urano	Supervising Human Resources & Education, Safety & Health Care, Corporate Communications, and CSR
Director	Masayuki Oku	Honorary Adviser of Sumitomo Mitsui Financial Group, Inc. Outside Director of Panasonic 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	Visiting Professor of Ritsumeikan University Outside Director of Mitsubishi Electric Corporation* Outside Director of Takasago Thermal Engineering Co., Ltd.*
Director	Makoto Kigawa	Chairman of the Board of Yamato Holdings Co., Ltd.* Outside Director of Seven Bank, Ltd.*
Standing Audit & Supervisory Board Member	Kosuke Yamane	–
Standing Audit & Supervisory Board Member	Hironobu Matsuo	–
Audit & Supervisory Board Member	Hirohide Yamaguchi	Chairman of the Advisory Board of Nikko Research Center, Inc.* Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd.* Outside Audit & Supervisory Board Member of Nippon Yusen Kabushiki Kaisha*
Audit & Supervisory Board Member	Eiko Shinotsuka	Professor emeritus at Ochanomizu University Outside Director of Japan Securities Finance Co., Ltd.* Outside Director of LIFENET INSURANCE COMPANY*
Audit & Supervisory Board Member	Kotaro Ohno	Attorney at law, Special Counsel of Mori Hamada & Matsumoto Outside Director of AEON Co., Ltd.* Outside Corporate Auditor of ITOCHU Corporation*

Notes:

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

follows.

(i) Outside Director Makoto Kigawa retired as Chairman of the Board of Yamato Holdings Co., Ltd., and has been acting as its Director since April 1, 2019. Although Yamato Holdings Co., Ltd., a holding company, has no direct transactions with the Company, the Company and its consolidated subsidiaries carry out transactions with Yamato Holdings Co., Ltd.'s subsidiaries, including Yamato Transport Co., Ltd. for payment of transportation expenses, etc. However, in the fiscal year ended March 31, 2019, these payments amounted to less than 0.1% of the sum of consolidated cost of sales and selling, general and administrative expenses of the Company, and less than 0.1% of the consolidated operating revenue of Yamato Holdings Co., Ltd.

(ii) 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) above.

5. Standing Audit & Supervisory Board Members Kosuke Yamane and Hironobu Matsuo have long engaged in accounting-related duties at the Company, and have considerably profound knowledge concerning financial affairs and accounting.
6. The Company employs the Executive Officer *(Shikko Yakuin)* System.

2) Outline of Contents of Limited Liability Agreement

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

3) Remuneration for Directors and Audit & Supervisory Board Members

i) Policy regarding the determination of remuneration

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

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

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

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

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

performance of the Company.

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

[System of Remuneration for Internal Director]

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

a) Performance-based remuneration for a single year

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

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

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

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

*1ROE=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]

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

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

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

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

The Company will pay Internal Directors the equivalent of a three-month portion of monthly remuneration every fiscal year as remuneration linked to the period of the Company's Mid-Term Management Plan by granting restricted stock as stock-based remuneration (Stock-Based Remuneration B). In deciding Stock-Based Remuneration B, after the expiry of the period of the

mid-term management plan, the number of shares on which to lift transfer restrictions (within range of 0-100%) will be decided based on the achievement of the management targets of the Mid-Term Management Plan presented in the following table and as a general rule, the restriction of transfer on the shares will be lifted after three years from delivery.

If a new mid-term management plan is prepared in the future, the management targets, valuation bases and valuation indicators as shown in the table below may be changed by a resolution of the Board of Directors.

[Management Targets, Valuation Bases and Valuation Indicators in Mid-Term Management Plan (FY2016-FY2018)]

Management Targets	Valuation Bases and Valuation Indicators
Growth (Aim at a growth rate above the industry's average)	Comparison of growth rate of consolidated sales with those of major competitors*1
Profitability (Aim at the industry's top-level operating income ratio)	Comparison of consolidated operating income ratio with those of major competitors*1
Efficiency (Aim at 10%-level ROE)	Achievement of a consolidated ROE of 10% or More
Financial Position (Aim at the industry's top-level financial position)	Comparison of net debt-to-equity ratio*2 with those of major competitors*1
Management focused on ESG (Environment, Social, and Corporate Governance)	Achievement rate of targets in respect of mid-term ESG activities

*1 Relative comparison with domestic and foreign major competitors in the same industry.
*2 Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Shareholders' equity of the Company

ii) Remuneration for Directors and Audit & Supervisory Board Members for the Fiscal Year ended March 31, 2019

Classification	Number of Persons Paid	Monetary Remuneration			Non-monetary Remuneration	Total Amount of Remuneration Paid
		Basic Remuneration	Bonus in Cash	Total	Stock-Based Remuneration (Note 3)	
Director	10	JPY 408 mil	JPY 310 mil	JPY 718 mil	JPY 300 mil	JPY 1,018 mil
(Outside Director included above)	3	JPY 51 mil	–	JPY 51 mil	–	JPY 51 mil
Audit & Supervisory Board Member	5	JPY 139 mil	–	JPY 139 mil	–	JPY 139 mil
(Outside Audit & Supervisory Board Member included above)	3	JPY 52 mil	–	JPY 52 mil	–	JPY 52 mil
Total	15	JPY 547 mil	JPY 310 mil	JPY 857 mil	JPY 300 mil	JPY 1,157 mil
(Outside Director and Outside Audit & Supervisory Board Member included above)	6	JPY 103 mil	–	JPY 103 mil	–	JPY 103 mil

Notes:
1. As of the end of the fiscal year ended March 31, 2019, there are eight (8) Directors (three (3) of whom are Outside Directors) and five (5) Audit & Supervisory Board Members (three (3) of whom are Outside Audit & Supervisory Board Members). However, the numbers and amounts in the table above include those for two (2) Directors who have retired as of the close of the 149th Ordinary General Meeting of

Shareholders in June 2018.

2. It was resolved at the 149th Ordinary General Meeting of Shareholders, held in June 2018, that the maximum amount of remuneration to be paid to Directors per year, which is the total of basic remuneration and bonus in cash, shall not exceed JPY 1.5 billion (of which, payment to the Outside Directors shall not exceed JPY 100 million per year) and that the maximum amount of remuneration to be paid to Audit & Supervisory Board Members shall not exceed JPY 0.2 billion. Furthermore, in the same Ordinary General Meeting of Shareholders, the limit for remuneration, etc. related to the restricted stock granted to internal Directors as stock-based remuneration was decided as an amount that shall not exceed JPY 360 million annually for Stock-Based Remuneration A linked to the Company's consolidated performance for a single year and as an amount that shall not exceed JPY 180 million annually for Stock-Based Remuneration B linked to the performance of the Mid-Term Business Plan. Note that each of the aforementioned remuneration amounts resolved by the shareholders does not include the employee salary portion of remuneration to Directors concurrently serving as employees.
3. Stock-based remuneration represents the amounts of expense allocated as remuneration for Directors which are not monetary in accounting for the fiscal year ended March 31, 2019. Specifically, the total amount of remuneration expenses for stock-based remuneration in the fiscal year ended March 31, 2019 stated above comprises (1) the amount of expense recorded as remuneration for the fiscal year ended March 31, 2019 paid by newly issuing shares as restricted stock compensation with the pay-in date of September 3, 2018, following the resolution passed at the Board of Directors meeting held on July 12, 2018 (Japan time), and (2) the amount of expense, recorded as the estimate of the payment in the form of restricted stock compensation of Stock-Based Remuneration A, for which payment level was determined by the operating results of the fiscal year ended March 31, 2019.
4. The portions of salaries as employees for Directors concurrently serving as employees are not paid.
5. Amounts of less than JPY one (1) million are rounded to the nearest million yen.

4) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in the Fiscal Year ended March 31, 2019, etc.

The status of major activities of Outside Directors and Outside Audit & Supervisory Board Members in the fiscal year ended March 31, 2019 and the matters concerning their independence are presented below.

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

i) Outside Directors

Name	Masayuki Oku <Independent Director>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Masayuki Oku previously served as Representative Director of Sumitomo Mitsui Banking Corporation. During the fiscal year ended March 31, 2019, based on his rich experience in the business world, he provided comments at the meetings of the Board of Directors concerning such issues as valuation indicators for the mid-term management plan, growth strategies following M&A and financing. In addition, he was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.

Name	Mitoji Yabunaka <Independent Director>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Mitoji Yabunaka previously served as Vice-Minister for Foreign Affairs. During the fiscal year ended March 31, 2019, 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 projection of demands in the mid-term management plan, trade policies in various countries and country risk. In addition, he was a member of the Company's Human Resource Advisory Committee.

Name	Makoto Kigawa <Independent Director>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Makoto Kigawa previously served as Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd. During the fiscal year ended March 31, 2019, based on his rich experience in the business world, he provided comments at the meetings of the Board of Directors concerning such issues as target and execution of the mid-term management plan, the ICT strategy for SMARTCONSTRUCTION and inventory control on a global basis. In addition, he was a member of the Company's Human Resource Advisory Committee.

ii) Outside Audit & Supervisory Board Members

Name	Hirohide Yamaguchi <Independent Audit & Supervisory Board Member>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held) Meeting of the Audit & Supervisory Board 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Hirohide Yamaguchi previously served as Deputy Governor of the Bank of Japan. During the fiscal year ended March 31, 2019, 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 overseas economic trends, governance of Komatsu Group and audit frameworks. In addition, he was a member of the Company's Compensation Advisory Committee.

Name	Eiko Shinotsuka <Independent Audit & Supervisory Board Member>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held) Meeting of the Audit & Supervisory Board 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Ms. Eiko Shinotsuka possesses wide-ranging knowledge and experience in fields such as economics, labor relations and law. During the fiscal year ended March 31, 2019, 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 with global perspective, diversity and risk management. In addition, she was a member of the Company's Compensation Advisory Committee.

Name	Kotaro Ohno <Independent Audit & Supervisory Board Member>
Attendance to the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held) Meeting of the Audit & Supervisory Board 93% (14 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Kotaro Ohno possesses rich experience in the legal profession. During the fiscal year ended March 31, 2019, based on his professional standpoint, he provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as legal risk, internal reporting system and strategy for intellectual properties. In addition, he was an observer of the Company's Compliance Committee.

(5) Status of Accounting Auditors

1) Name of Accounting Auditors

KPMG AZSA LLC

2) Amount of Remuneration for Accounting Auditors

Remuneration for the Accounting Auditor of the Company in the fiscal year ended March 31, 2019:	JPY 375 million
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to the Accounting Auditor:	JPY 664 million

Notes:

1. The Audit & Supervisory Board, based upon the "Practical Guidelines for Cooperation with Financial Auditors," etc. released by the Japan Audit & Supervisory Board Members Association, and having obtained necessary materials and having received reports from related departments and the Accounting Auditor, conducts confirmation of the auditing plans of the Accounting Auditor, the status of execution of duties, the trends in actual remuneration amount, the grounds for calculation of remuneration estimates and other matters, and having investigated appropriateness of remuneration, etc. for the Accounting Auditor, gives consent in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.
2. The amount of remuneration for the Accounting Auditor of the Company in the fiscal year ended March 31, 2019 includes the sum of the amount of remuneration for auditing services in accordance with the Companies Act of Japan and the amount of remuneration for auditing work in accordance with the Financial Instruments and Exchange Act of Japan, because the two kinds of remunerations are not clearly separated each other in the audit contract concluded between the Company and the Accounting Auditor, and they cannot be recorded separately.
3. Among principal subsidiaries of the Company, thirty six (36) companies including Komatsu America Corp. are audited by Certified Public Accountants or Audit Corporations other than the Accounting Auditor of the Company.

3) Details of Non-Auditing Services

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

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

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

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

4. Activities for Diversity

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

(1) Promoting the globalization of management

When Joy Global Inc. joined Komatsu Group in 2017 as Komatsu Mining Corp., the proportion of Japanese employees fell to around one-third of the total. The Company promotes the localization of management, and in the major overseas subsidiaries, local employees are already involved in top management. Going forward, the Company considers it necessary to create a system that enables discussions at a global level. The Company seeks to develop career Komatsu employees from among those hired at overseas subsidiaries, and to nurture them into the business leaders who could become the future top management of overseas subsidiaries.

In addition, in order to promote global management, the Company operates various global meetings. Beginning with the Global Executive Meeting, in which the top management from both the Company and overseas subsidiaries are able to meet under the same roof, we hold management committees defined by region or area of business, global meetings defined by function, such as quality, safety and health or legal, to enable all those involved worldwide to share information and exchange opinions. By means of the "Global Officer System" introduced in 2016, top personnel from the main overseas subsidiaries, who have been appointed as executive officers, participate in important meetings and are thus active not only as regional heads, but also as key management of Komatsu Group.

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 further promoting systems and a framework to implement this directive.

(2) Promoting the empowerment of women

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

While the Company has set a target of bringing the ratio of female managers to 10% by April 2021, the respective Komatsu Group companies in Japan and overseas have also set quantitative targets particularly in terms of ratios of female employees in their workforces and ratios of female managers, and furthermore they have been taking action accordingly through various initiatives geared to achieving those benchmarks. In March 2019, the Company held a "Diversity & Inclusion Development Seminar," for female managers of the Company and of its overseas subsidiaries, which was attended by 15 individuals from 12 countries. As a result, participants themselves gain a deeper understanding of such issues as the history of the Company, The KOMATSU Way, and the management strategy, with the aim of enabling them to become leaders who will drive the activities to promote diversity at each company.

Because measures to promote the active involvement of women, and of employees who have limitations in terms of time and physical ability, lead to the creation of systems and work environments that are easy for everybody to work in, and that allow individuals to maximize the expression of their abilities, Komatsu Group will continue to promote such initiatives going forward.

End

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31, 2019)

(JPY million)

	150th Fiscal Year	(Reference) 149th Fiscal Year
Assets		
Current assets:		
Cash and cash equivalents	148,479	144,397
Time deposits	2,331	2,460
Trade notes and accounts receivable, net	842,183	792,714
Inventories	837,552	730,288
Other current assets	138,415	127,732
Total current assets	1,968,960	1,797,591
Long-term trade receivables, net	416,363	362,367
Investments:		
Investments in and advances to affiliated companies	37,321	32,879
Investment securities	7,473	9,213
Other	2,528	2,655
Total investments	47,322	44,747
Property, plant and equipment-less accumulated depreciation and amortization	776,422	740,528
Goodwill	161,921	155,881
Other intangible assets-less accumulated amortization	166,406	173,215
Deferred income taxes and other assets	100,825	98,209
Total assets	3,638,219	3,372,538

(JPY million)

	150th Fiscal Year	(Reference) 149th Fiscal Year
Liabilities		
Current liabilities:		
Short-term debt	404,659	259,093
Current maturities of long-term debt	53,556	70,806
Trade notes, bills and accounts payable	266,951	303,556
Income taxes payable	43,022	66,541
Other current liabilities	313,951	289,665
Total current liabilities	1,082,139	989,661
Long-term liabilities:		
Long-term debt	472,485	480,698
Liability for pension and retirement benefits	90,187	86,374
Deferred income taxes and other liabilities	90,540	72,215
Total long-term liabilities	653,212	639,287
Total liabilities	1,735,351	1,628,948
Equity		
Komatsu Ltd. shareholders' equity		
Common stock	68,311	67,870
Capital surplus	136,798	138,450
Retained earnings:		
Appropriated for legal reserve	46,028	45,828
Unappropriated	1,654,105	1,491,965
Accumulated other comprehensive income (loss)	(39,792)	(29,150)
Treasury stock at cost	(49,868)	(50,423)
Total Komatsu Ltd. shareholders' equity	1,815,582	1,664,540
Noncontrolling interests	87,286	79,050
Total equity	1,902,868	1,743,590
Total liabilities and equity	3,638,219	3,372,538

Consolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

(JPY million)

	150th Fiscal Year	(Reference) 149th Fiscal Year
Net sales	2,725,243	2,501,107
Cost of sales	1,885,163	1,765,904
Selling, general and administrative expenses	440,687	435,304
Impairment loss on goodwill	-	13,413
Other operating income (expenses), net	(1,587)	(17,983)
Operating income	397,806	268,503
Other income (expenses), net:		
Interest and dividend income	7,154	5,255
Interest expense	(24,101)	(18,372)
Gain on sales of investment securities, net	-	49,083
Other, net	(3,388)	(12,662)
Total	(20,335)	23,304
Income before income taxes and equity in earnings of affiliated companies	377,471	291,807
Income taxes:		
Current	112,541	87,039
Deferred	(5,942)	(652)
Total	106,599	86,387
Income before equity in earnings of affiliated companies	270,872	205,420
Equity in earnings of affiliated companies	3,779	3,545
Net income	274,651	208,965
Less: Net income attributable to noncontrolling interests	18,160	12,555
Net income attributable to Komatsu Ltd.	256,491	196,410

Note: In accordance with the adoption of the Accounting Standards Update ("ASU") 2017-07, "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," cost of sales, selling, general and administrative expenses, operating income and other, net for the 149th fiscal year has been reclassified.

Non-Consolidated Financial Statements

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

Non-Consolidated Balance Sheet

(As of March 31, 2019)

(JPY million)

	150th Fiscal Year	(Reference) 149th Fiscal Year
Assets		
Current assets:		
Cash and deposits	244,913	227,016
Notes receivable-trade	1,540	1,104
Accounts receivable-trade	185,209	190,861
Merchandise and finished goods	39,174	33,634
Work in process	40,975	41,404
Raw materials and supplies	3,808	2,986
Prepaid expenses	4,336	3,275
Short-term loans receivable	54,760	57,218
Accounts receivable-other	24,357	19,461
Other current assets	2,434	1,968
Allowance for doubtful accounts	(590)	(375)
Total current assets	600,919	578,557
Non-current assets:		
Property, plant and equipment:		
Buildings	90,286	86,582
Structures	16,044	15,303
Machinery and equipment	38,376	35,765
Vehicles	602	671
Tools, furniture and fixtures	9,484	9,376
Rental equipment	52,860	52,548
Land	45,552	43,943
Construction in progress	5,939	3,690
Total property, plant and equipment	259,146	247,880
Intangible assets:		
Software	18,099	15,182
Other intangible assets	86	285
Total intangible assets	18,185	15,467
Investments and other assets:		
Investment securities	1,237	1,316
Stocks of subsidiaries and affiliates	378,851	380,415
Investments in capital of subsidiaries and affiliates	41,371	41,449
Long-term loans receivable	14,327	16,559
Long-term prepaid expenses	3,087	1,995
Deferred tax assets*	21,239	21,110
Other investments	4,823	6,387
Allowance for doubtful accounts	(1,477)	(1,482)
Allowance for investment loss	(2,638)	(4,132)
Total investments and other assets	460,822	463,620
Total non-current assets	738,155	726,968
Total assets	1,339,074	1,305,526

(JPY million)

	150th Fiscal Year	(Reference) 149th Fiscal Year
Liabilities		
Current liabilities:		
Notes payable-trade	55	501
Accounts payable-trade	79,555	115,300
Short-term loans payable	6,000	30,500
Commercial papers	119,000	68,000
Current portion of bonds	20,000	–
Accounts payable-other	11,500	7,779
Accrued expenses	22,018	25,230
Income taxes payable	17,876	37,541
Advances received	632	828
Deposits received	30,736	25,565
Provision for bonuses	10,385	9,079
Provision for directors' bonuses	290	213
Provision for product warranties	9,494	8,806
Other current liabilities	3,407	5,696
Total current liabilities	330,951	335,041
Non-current liabilities:		
Bonds payable	50,000	70,000
Long-term loans payable	28,500	35,498
Provision for product warranties	3,799	4,489
Provision for retirement benefits	41,466	38,923
Other long-term liabilities	6,949	8,410
Total non-current liabilities	130,714	157,321
Total liabilities	461,665	492,363
Net Assets		
Shareholders' equity:		
Capital stock	70,561	70,120
Capital surplus:	140,841	140,340
Legal capital surplus	140,581	140,140
Other capital surplus	260	200
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:	695,573	631,275
Reserve for special depreciation	174	271
Reserve for advanced depreciation of non-current assets	12,030	11,737
General reserve	210,359	210,359
Retained earnings brought forward	473,008	408,907
Total retained earnings	713,610	649,312
Treasury stock	(49,478)	(50,052)
Total shareholders' equity	875,534	809,720
Valuation and translation adjustments:		
Deferred gains or losses on hedges	77	992
Total valuation and translation adjustments	77	992
Stock acquisition rights:		
Stock acquisition rights	1,796	2,449
Total stock acquisition rights	1,796	2,449
Total net assets	877,409	813,162
Total liabilities and net assets	1,339,074	1,305,526

Note: In accordance with "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), deferred tax assets, which was previously presented under "Current assets" and "Investments and other assets" has been presented under "Investments and other assets" from the 150th fiscal year. Accordingly, deferred tax assets of JPY 12,212 million presented under current assets for the 149th fiscal year has been reclassified under "Investments and other assets" in this presentation.

Non-Consolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

(JPY million)

	150th Fiscal Year	(Reference) 149th Fiscal Year
Net sales	928,967	868,403
Cost of sales	666,853	624,762
Gross profit	262,114	243,640
Selling, general and administrative expenses	136,893	131,830
Operating income	125,220	111,809
Non-operating income:		
Interest and dividends income	74,450	40,732
Other non-operating income	1,578	1,335
Non-operating expenses:		
Interest expenses	529	1,239
Transfer pricing taxation adjustment	53	6,630
Other non-operating expenses	5,131	9,083
Ordinary income	195,534	136,924
Extraordinary income:		
Gain on extinguishment of tie-in shares	2,931	–
Gain on sales of land	1,465	44
Gain on sales of investment securities	109	46,096
Extraordinary losses:		
Impairment loss	229	284
Loss on valuation of investment securities	–	145
Loss on valuation of stocks of subsidiaries and affiliates	1,104	–
Loss on liquidation of subsidiaries and affiliates	–	11,613
Income before income taxes	198,707	171,022
Income taxes:		
Income taxes-current	39,611	40,993
Income taxes-deferred	1,341	(5,090)
Net income	157,754	135,119

Auditors' Report

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

Independent Auditor's Report

May 9, 2019

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, 2019 and for the year from April 1, 2018 to March 31, 2019 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 Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations, which permits the omission of certain disclosure items required under 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 Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations, present fairly, in all material respects, the financial position and the results of operations of Komatsu Ltd. and its consolidated subsidiaries as of the date and for the period for which the consolidated financial statements were prepared.

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

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

Independent Auditor's Report

May 9, 2019

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 non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Komatsu Ltd. as of March 31, 2019 and for the 150th fiscal year from April 1, 2018 to March 31, 2019, 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

[English Translation of the Audit & Supervisory Board's Report Originally Issued in the Japanese Language]

Audit & Supervisory Board's Report

Regarding the execution of duties by the Directors for the 150th Fiscal Year from April 1, 2018 to March 31, 2019, we have prepared this Audit Report upon deliberation based on the audit reports prepared by each Audit & Supervisory Board Member and hereby report as follows:

1. Auditing Methods Employed by the Audit & Supervisory Board Members and Audit & Supervisory Board and Details of Such Methods

(1) We established auditing policies, allocation of duties and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding their execution of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Accounting Auditor regarding execution of their duties, and sought explanations as necessary.

(2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the auditing policies, allocation of duties, and other relevant matters, communicated with such as the Directors, the Internal Auditing Department and other employees, and made efforts to establish the environment for collecting department information and auditing, and conducted audits by the following methods.

1) Audit & Supervisory Board Members participated in the meetings of the Board of Directors and other important meetings, received reports from such as the Directors and employees regarding execution of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and status of assets at the head office and principal offices. With respect to subsidiaries, we communicated and exchanged information with Directors and Audit & Supervisory Board Members of subsidiaries, and received reports with respect to their business from subsidiaries as necessary.

2) Concerning the content of the resolution of the Board of Directors concerning the maintenance of the systems necessary to ensure that the execution of duties by the Directors complies with laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the properness of operations of a Stock Company and its subsidiaries stipulated in Article 100, Paragraph 1 and Paragraph 3 of the Regulation for Enforcement of the Companies Act of Japan; and concerning the systems that are maintained based on such resolutions (Internal Control Systems): reports were regularly received from Directors and employees and others regarding the status of establishment and operation, and when necessary, explanation was sought and opinions were expressed.

3) Furthermore, we monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, and we received reports from the Accounting Auditor regarding the execution of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that "the System for ensuring that duties are executed properly" (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting of Japan) is organized in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

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

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

2. Result of Audit

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

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

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

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

(3) Result of Audit of consolidated financial statements

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

May 16, 2019

The Audit & Supervisory Board

Kosuke Yamane (Seal)
Standing Audit & Supervisory Board Member

Hironobu Matsuo (Seal)
Standing Audit & Supervisory Board Member

Hirohide Yamaguchi (Seal)
Audit & Supervisory Board Member

Eiko Shinotsuka (Seal)
Audit & Supervisory Board Member

Kotaro Ohno (Seal)
Audit & Supervisory Board Member

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

END

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

May 27, 2019

Dear Shareholders:

Items Disclosed on Internet Concerning Notice of Convocation of the 150th 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 150th Ordinary General Meeting of Shareholders of Komatsu Ltd. in accordance with relevant laws and regulations and with Article 16 of the Articles of Incorporation of the Company.

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

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

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

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

Komatsu Ltd.

Items Disclosed on Internet

I Business Report

1. Financial Position and Profit/Loss Trends

	147th Fiscal Year (April 2015 - March 2016)	148th Fiscal Year (April 2016 - March 2017)	149th Fiscal Year (April 2017 - March 2018)	150th Fiscal Year (April 2018 - March 2019)
Net sales (JPY billion)	1,854.9	1,802.9	2,501.1	2,725.2
Operating income (JPY billion)	208.5	174.0	268.5	397.8
Income before income taxes and equity in earnings of affiliated companies (JPY billion)	204.8	166.4	291.8	377.4
Net income attributable to Komatsu Ltd. (JPY billion)	137.4	113.3	196.4	256.4
Net income attributable to Komatsu Ltd. per share (JPY)	145.80	120.26	208.25	271.81
ROE[*1] (%)	9.0	7.3	12.1	14.7
ROA[*2] (%)	7.6	6.3	9.7	10.8
Total assets (JPY billion)	2,614.6	2,656.4	3,372.5	3,638.2
Komatsu Ltd. shareholders' equity (JPY billion)	1,517.4	1,576.6	1,664.5	1,815.5

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

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

Notes:

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

2. Major Lines of Business (As of March 31, 2019)

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

3. Principal Offices and Plants (As of March 31, 2019)

(1) The Company

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

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

(2) Principal Subsidiaries

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

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

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

(1) Status of Stock Acquisition Rights (As of March 31, 2019)

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. 16 Stock Acquisition Rights (August 1, 2011)	121	12,100 shares (100 shares)	Without consideration	JPY 1	From August 1, 2014 to July 31, 2019
No. 17 Stock Acquisition Rights (August 1, 2012)	187	18,700 shares (100 shares)	JPY 1,470	JPY 1	From August 1, 2015 to July 31, 2020
No. 18 Stock Acquisition Rights (August 1, 2012)	455	45,500 shares (100 shares)	Without consideration	JPY 1	From August 1, 2015 to July 31, 2020
No. 20 Stock Acquisition Rights (August 1, 2013)	962	96,200 shares (100 shares)	Without consideration	JPY 1	From August 1, 2016 to July 31, 2021
No. 21 Stock Acquisition Rights (August 1, 2014)	115	11,500 shares (100 shares)	JPY 2,010	JPY 1	From August 1, 2017 to July 31, 2022
No. 22 Stock Acquisition Rights (August 1, 2014)	977	97,700 shares (100 shares)	Without consideration	JPY 1	From August 1, 2017 to July 31, 2022
No. 23 Stock Acquisition Rights (August 3, 2015)	332	33,200 shares (100 shares)	JPY 1,989	JPY 1	From August 3, 2018 to July 31, 2023
No. 24 Stock Acquisition Rights (August 3, 2015)	1,276	127,600 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

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. 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
No. 27 Stock Acquisition Rights (August 1, 2017)	281	28,100 shares (100 shares)	JPY 2,599	JPY 1	From August 1, 2020 to July 31, 2025
No. 28 Stock Acquisition Rights (August 1, 2017)	1,716	171,600 shares (100 shares)	Without consideration	JPY 1	From August 1, 2020 to July 31, 2025
Total	8,923	892,300 shares	[Reference: Total number of issued shares: 944,387,491 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, 2019)

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

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 20 Stock Acquisition Rights	1	30	3,000 shares
No. 22 Stock Acquisition Rights	1	27	2,700 shares
No. 23 Stock Acquisition Rights	2	173	17,300 shares
No. 24 Stock Acquisition Rights	1	25	2,500 shares
No. 25 Stock Acquisition Rights	3	283	28,300 shares
No. 26 Stock Acquisition Rights	2	70	7,000 shares
No. 27 Stock Acquisition Rights	3	197	19,700 shares
No. 28 Stock Acquisition Rights	2	54	5,400 shares

2) Stock Acquisition Rights Held by Outside Directors

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 21 Stock Acquisition Rights	1	7	700 shares
No. 23 Stock Acquisition Rights	2	12	1,200 shares
No. 25 Stock Acquisition Rights	3	21	2,100 shares
No. 27 Stock Acquisition Rights	3	18	1,800 shares

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

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 20 Stock Acquisition Rights	1	30	3,000 shares
No. 22 Stock Acquisition Rights	1	27	2,700 shares
No. 24 Stock Acquisition Rights	1	25	2,500 shares
No. 26 Stock Acquisition Rights	1	26	2,600 shares

Note: Above indicates Stock Acquisition Rights issued at the time when incumbent Audit & Supervisory Board Member, as of March 31, 2019, 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, 2019 to Employees of the Company and Directors of the Subsidiaries of the Company

No items to report.

II Consolidated Financial Statements

1. Consolidated Statement of Equity

(From April 1, 2018 to March 31, 2019)

(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	138,450	45,828	1,491,965	(29,150)
Cumulative effects of Accounting Standards Update-adoption of ASU 2014-09, net of tax				(515)	
Cumulative effects of Accounting Standards Update-adoption of ASU 2016-01, net of tax				681	(681)
Cumulative effects of Accounting Standards Update-adoption of ASU 2016-16, net of tax				(860)	
Cash dividends				(93,457)	
Transfer to retained earnings appropriated for legal reserve			200	(200)	
Other changes		(1,497)			(2,046)
Comprehensive income (loss):					
Net income				256,491	
Other comprehensive income (loss), net of tax					
Foreign currency translation adjustments					(3,198)
Pension liability adjustments					(3,173)
Net unrealized holding gains (losses) on derivative instruments					(1,544)
Comprehensive income					
Issuance and exercise of stock acquisition rights		(653)			
Purchase of treasury stock					
Sales of treasury stock		60			
Restricted stock compensation	441	438			
Balance at the end of current period	68,311	136,798	46,028	1,654,105	(39,792)

	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at the beginning of current period	(50,423)	1,664,540	79,050	1,743,590
Cumulative effects of Accounting Standards Update-adoption of ASU 2014-09, net of tax		(515)	(12)	(527)
Cumulative effects of Accounting Standards Update-adoption of ASU 2016-01, net of tax		–		–
Cumulative effects of Accounting Standards Update-adoption of ASU 2016-16, net of tax		(860)		(860)
Cash dividends		(93,457)	(6,291)	(99,748)
Transfer to retained earnings appropriated for legal reserve		–		–
Other changes		(3,543)	(3,349)	(6,892)
Comprehensive income (loss):				
Net income		256,491	18,160	274,651
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments		(3,198)	(175)	(3,373)
Pension liability adjustments		(3,173)	35	(3,138)
Net unrealized holding gains (losses) on derivative instruments		(1,544)	(132)	(1,676)
Comprehensive income		248,576	17,888	266,464
Issuance and exercise of stock acquisition rights		(653)		(653)
Purchase of treasury stock	(41)	(41)		(41)
Sales of treasury stock	596	656		656
Restricted stock compensation		879		879
Balance at the end of current period	(49,868)	1,815,582	87,286	1,902,868

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: 215 companies
(New additions: 4 companies, exclusions: 16 companies)

(2) Number of affiliated companies accounted for by the equity method: 42 companies
(New addition: 6 companies, exclusion: 2 companies)

2. Significant Accounting Policies

(1) Basis of preparation of Consolidated Financial Statements

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

(2) Method and basis of valuation of inventories

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

(3) Method and basis of valuation of investment securities

Komatsu has applied the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (hereinafter "Codification") Topic 321, "Investments–Equity Securities."
Equity securities:
In principle, equity investments, excluding investments in consolidated subsidiaries and affiliated companies accounted for by the equity method, are measured at fair value with changes in the fair value recognized in net income.

(4) Depreciation and amortization of fixed assets

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

Amortization of intangible assets:
Amortized using the straight-line method.
In accordance with Codification Topic 350, "Intangibles–Goodwill and Other," goodwill and other intangible assets whose useful lives cannot be determined are not amortized and reviewed for impairment at least annually.

(5) Allowances

Allowance for doubtful receivables:
To cover possible credit losses on accounts receivables or loans, an allowance for doubtful receivables is provided in the amount deemed uncollectible, which is calculated on the basis of historical default

rates for normal claims, or on the basis of individual assessments for specific claims on obligors threatened with bankruptcy.

Liability for pension and retirement benefits:
In accordance with Codification Topic 715, "Compensation–Retirement Benefits," to prepare for the payment of pension and retirement benefits to employees, a provision is made in the amount deemed necessary as of the balance sheet date based on projected benefit obligations and fair value of the plan assets. Komatsu recognized the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax.
Prior service cost is amortized on a straight-line basis over the average remaining service period of employees at the time of occurrence of such cost.
Regarding net actuarial loss, an excessive amount of the "corridor" (10% of projected benefit obligations, or fair value of plan assets, whichever is the larger) is amortized on a straight-line basis over the average remaining service period of employees at the time of occurrence.

(6) Changes in accounting policies
From the fiscal year ended March 31, 2019, Komatsu has adopted the ASU 2014-09 "Revenue from Contracts with Customers." This update requires that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Komatsu has adopted the update to all contracts at the date of initial application under the modified retrospective approach, and primarily in particular transactions, combined two or more contracts provided for a single purpose and recognized revenue for each distinct good or service. Accordingly, a reduction of JPY 515 million was made as an adjustment of cumulative effect from retained earnings as of April 1, 2018. In comparison with the case where the previous accounting standard had been applied, there is no significant impact on Komatsu's financial position and results of operations.
From the fiscal year ended March 31, 2019, Komatsu has adopted ASU 2016-01 "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". This update changes the impact on net income from fair value changes of equity investments held by an entity and also changes recognition of fair value changes of financial liability held by an entity with the fair value option. In principle, this update requires that equity investments, excluding investments in consolidated subsidiaries and affiliated companies accounted for by the equity method, be measured at fair value with changes in the fair value recognized in net income. This update has been adopted under the modified retrospective approach through a cumulative effect adjustment to retained earnings at the beginning of the initial application period. Consequently, Komatsu added JPY 681 million of unrealized gains, net of tax, on available-for-sale securities, which was recognized as accumulated other comprehensive income, as an adjustment of cumulative effect to retained earnings as of April 1, 2018.
From the fiscal year ended March 31, 2019, Komatsu has adopted ASU 2016-16 "Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory". This update requires both the seller and the buyer in an intra-entity transfer of assets other than inventory to immediately recognize tax consequences of that transaction as current and deferred taxes. This update has been adopted under the modified retrospective approach through a cumulative effect adjustment to retained earnings at the beginning of the initial application period. Consequently, Komatsu reduced JPY 860 million as an adjustment of cumulative effect from retained earnings as of April 1, 2018.
From the fiscal year ended March 31, 2019, Komatsu has adopted ASU 2017-07 "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". This update requires an entity to divide net periodic

pension cost and net periodic postretirement benefit cost into the service cost component and other components, and present the former in the same line item as other personnel expenses while presenting the latter in non-operating income or expenses. Of net periodic pension cost and net periodic postretirement benefit cost, only the service cost component is allowed to be capitalized into inventory and others. The presentation change is applied retrospectively, whereas the capitalization change is applied prospectively. The application of the provision that limits cost eligible for capitalization to the service cost component has no significant impact on Komatsu's financial position and results of operations.

(7) Accounting for consumption taxes, etc.
Consumption taxes, etc. are separately accounted for by excluding them from each transaction amount.

Notes to Consolidated Balance Sheet

(1) Allowance for doubtful trade notes and accounts receivable and long-term trade receivables:
JPY 12,758 million

(2) Accumulated depreciation of property, plant and equipment: JPY 890,142 million

(3) Accumulated other comprehensive income (loss) consists of foreign currency translation adjustments, pension liability adjustments and net unrealized holding gains (losses) on derivative instruments.

(4) Assets pledged as collateral:

Other current assets	JPY	326 million
Total	JPY	326 million

(5) Guarantee obligations

Guarantee obligations for borrowings made by employees, affiliated companies, customers and others:	JPY	14,917 million
Guarantee obligations for subsidiaries to perform the obligations of the terms and conditions of contracts	JPY	16,850 million

Notes Concerning Per Share Information

(1)	Komatsu Ltd. shareholders' equity per share	JPY	1,923.47
(2)	Basic net income attributable to Komatsu Ltd. per share	JPY	271.81
(3)	Diluted net income attributable to Komatsu Ltd. per share	JPY	271.51

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*	Balance
(1) Cash and cash equivalents	148,479	148,479	–
(2) Time deposits	2,331	2,331	–
(3) Trade notes and accounts receivable, net	842,183	842,183	–
(4) Long-term trade receivables, net	416,363	416,363	–
(5) Investment securities, marketable equity securities	430	430	–
(6) Short-term debt	(404,659)	(404,659)	–
(7) Trade notes, bills and accounts payable	(266,951)	(266,951)	–
(8) Long-term debt, including current portion	(526,041)	(523,921)	2,120
(9) Derivatives, net	(273)	(273)	–

* 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 interest rate at the end of the fiscal year that should be applied to trade receivables with similar maturities. As a result, their consolidated balance sheet amounts approximate their fair values.

(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 market 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 7,043 million) are primarily non-marketable equity securities with no readily determinable fair value, and therefore are not included in “Investment securities, marketable equity securities.”

Notes Concerning Investment and Rental Property

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

Significant Subsequent Events

No items to report.

Other Notes

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

III Non-Consolidated Financial Statements

1. Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2018 to March 31, 2019)

(JPY million)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal 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	200	140,340	18,036	271	11,737	210,359
Changes of items during the period								
Provision of reserve for special depreciation						1		
Reversal of reserve for special depreciation						(97)		
Provision of reserve for advanced depreciation of non-current assets							658	
Reversal of reserve for advanced depreciation of non-current assets							(365)	
Dividends from surplus								
Net income								
Purchase of treasury stock								
Disposal of treasury stock			59	59				
Restricted stock compensation	441	441		441				
Net changes of items other than shareholders' equity								
Total changes of items during the period	441	441	59	500	–	(96)	293	–
Balance at the end of current period	70,561	140,581	260	140,841	18,036	174	12,030	210,359

(JPY million)

	Shareholders' equity				Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Retained earnings		Treasury stock	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
	Other retained earnings	Total retained earnings						
	Retained earnings brought forward							
Balance at the beginning of current period	408,907	649,312	(50,052)	809,720	992	992	2,449	813,162
Changes of items during the period								
Provision of reserve for special depreciation	(1)	–		–				–
Reversal of reserve for special depreciation	97	–		–				–
Provision of reserve for advanced depreciation of non-current assets	(658)	–		–				–
Reversal of reserve for advanced depreciation of non-current assets	365	–		–				–
Dividends from surplus	(93,456)	(93,456)		(93,456)				(93,456)
Net income	157,754	157,754		157,754				157,754
Purchase of treasury stock			(21)	(21)				(21)
Disposal of treasury stock			595	655				655
Restricted stock compensation				882				882
Net changes of items other than shareholders' equity					(914)	(914)	(653)	(1,567)
Total changes of items during the period	64,101	64,297	573	65,813	(914)	(914)	(653)	64,246
Balance at the end of current period	473,008	713,610	(49,478)	875,534	77	77	1,796	877,409

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 Changes in Presentation

Changes in conjunction with the Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Effective from the beginning of the fiscal year ended March 31, 2019, the Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018). Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: JPY 482,980 million

(2) Contingency liability
Balance of guarantees for bonds and debt for borrowings from financial institutions by subsidiaries and affiliates: JPY 205,707 million
Balance of guarantees for debt for borrowings from financial institutions by employees (home loans): JPY 646 million
Balance of keep-well agreements for the bonds of subsidiaries and affiliates: JPY 111,990 million

(3) Receivables from, and debts payable to subsidiaries and affiliates

Short-term receivables from subsidiaries and affiliates:	JPY	211,150 million
Short-term debts payable to subsidiaries and affiliates:	JPY	42,153 million
Long-term receivables from subsidiaries and affiliates:	JPY	14,867 million

Notes to Non-Consolidated Statement of Income

(1) Trading with subsidiaries and affiliates

Sales:	JPY	733,374 million
Purchases:	JPY	141,881 million
Trading other than operating transactions:	JPY	84,021 million

(2) Transfer pricing taxation adjustment

Loss or gain on adjustments paid and received, or to be paid and received to and from Komatsu America Corp. and Komatsu Europe International N.V. based on the agreements of the prior applications submitted for approval regarding transfer pricing.

(3) Gain on extinguishment of tie-in shares

Gain on extinguishment of tie-in shares was provided by the absorption-type merger with the Company's subsidiaries Komatsu Tokki Corporation and Komatsu Castex Ltd.

(4) Impairment loss

As for the Company's asset groups, dormant assets and rental assets are grouped individually while operating assets are grouped as per management accounting items.
After examining non-current assets based on this grouping for decreases in value, the book value of assets whose fair market value is lower than the book value was lowered to the recoverable amount and the resulting difference was recorded as an impairment loss.
The recoverable amount was measured using the net selling price or value in use.
In the fiscal year, the Company recorded an impairment loss under extraordinary loss for the following asset group.

Application	Type	Region	Impairment Loss (JPY million)
Dormant assets	Land	Chubu area	3
Dormant assets	Buildings, etc.	Hokkaido area	225

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	284,800	–	972,252,460

Note: The 284,800-share increase in the number of common stock is due to the issuance of new shares as restricted stock compensation

(2) Type and number of treasury stock

Type	Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
Common stock*1,2	28,190,186	10,153	335,370	27,864,969

Notes:

1. The 10,153-share increase in the number of treasury stock of common stock consists of the following
   1) 7,013 shares by the purchase of shares constituting less than one unit of shares
   2) 3,140 shares by the acquisition of restricted stock
2. The 335,370-share decrease in the number of treasury stock of common stock consists of the following
   1) 334,700 shares by the exercise of stock options
   2) 670 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 19, 2018	Common stock	45,301	48	March 31, 2018	June 20, 2018
Meeting of the Board of Directors held on October 29, 2018	Common stock	48,155	51	September 30, 2018	November 29, 2018

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

Planned Resolution	Type of Shares	Resource of Dividends	Total Dividends (JPY million)	Dividend per Share (JPY)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 18, 2019	Common stock	Retained earnings	55,718	59	March 31, 2019	June 19, 2019

(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
2010 Stock Acquisition Rights No. 2 *1, 2	Common stock	2,100	–	2,100	–
2011 Stock Acquisition Rights No. 1 *1, 2	Common stock	19,700	–	19,700	–
2011 Stock Acquisition Rights No. 2 *1, 2	Common stock	26,600	–	14,500	12,100
2012 Stock Acquisition Rights No. 1 *1	Common stock	18,700	–	–	18,700
2012 Stock Acquisition Rights No. 2 *1, 2	Common stock	82,300	–	36,800	45,500
2013 Stock Acquisition Rights No. 1 *1, 2	Common stock	25,100	–	25,100	–
2013 Stock Acquisition Rights No. 2 *1, 2	Common stock	152,700	–	56,500	96,200
2014 Stock Acquisition Rights No. 1 *1, 2	Common stock	38,600	–	27,100	11,500
2014 Stock Acquisition Rights No. 2 *1, 2	Common stock	168,500	–	70,800	97,700
2015 Stock Acquisition Rights No. 1 *1, 2	Common stock	49,900	–	16,700	33,200
2015 Stock Acquisition Rights No. 2 *1, 2	Common stock	193,000	–	65,400	127,600
2016 Stock Acquisition Rights No. 1 *1, 3	Common stock	50,500	–	–	50,500
2016 Stock Acquisition Rights No. 2 *1, 3	Common stock	199,600	–	–	199,600
2017 Stock Acquisition Rights No. 1 *1, 3	Common stock	28,100	–	–	28,100
2017 Stock Acquisition Rights No. 2 *1, 3	Common stock	171,600	–	–	171,600

Notes:

1. Stock Acquisition Rights No. 1 were issued as remuneration for Directors of the Company as per the Companies Act of Japan. Stock Acquisition Rights No. 2 were issued without consideration to employees of the Company or others as per the Companies Act of Japan.

2. The decrease in shares recorded during the fiscal year for the Stock Acquisition Rights is due to exercise of Stock Acquisition Rights.
3. As of March 31, 2019, the period during which Stock Acquisition Rights may be exercised has not arrived.

Notes Concerning Tax Effect Accounting

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

(Deferred tax assets)

Provision for product warranties	JPY	4,054	million
Inventories	JPY	715	million
Accrued enterprise tax	JPY	961	million
Provision for bonuses	JPY	3,167	million
Provision for retirement benefits	JPY	12,076	million
Allowance for investment loss	JPY	804	million
Impairment loss	JPY	913	million
Investment securities and stocks of subsidiaries and affiliates	JPY	3,718	million
Excess over depreciation limit	JPY	1,761	million
Excess allowance for doubtful accounts	JPY	630	million
Others	JPY	5,641	million
Subtotal deferred tax assets	JPY	34,444	million
Less valuation allowance	JPY	(6,245)	million
Total deferred tax assets	JPY	28,198	million

(Deferred tax liabilities)

Reserve for advanced depreciation of non-current assets	JPY	(5,366)	million
Others	JPY	(1,592)	million
Total deferred tax liabilities	JPY	(6,959)	million
Net deferred tax assets	JPY	21,239	million

Notes Concerning Related Party Transactions

Subsidiaries and other affiliated companies

(JPY million)

Attribute	Company Name	Holding Voting Rights	Relationship with Related Party	Transaction	Transaction Amount	Category	Outstanding Balance
Subsidiary	Komatsu Customer Support Japan Ltd.	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	185,391	Accounts receivable-trade	54,299
				Cash Management System lending*2	35,707	Short-term loans receivable	40,809
	Komatsu America Corp.	Holding directly 100%	Manufacture and sale of the Company's products	Sale of products, etc.*1	155,168	Accounts receivable-trade	17,482
	Komatsu CIS LLC	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	73,931	Accounts receivable-trade	22,386
	Komatsu Industries Corporation	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	35,508	Accounts receivable-trade	12,527
	Komatsu Business Support Ltd.	Holding directly 100%	Retail financing of the Company's products	Cash Management System lending*2	27,934	Short-term loans receivable	12,901
						Long-term loans receivable	14,327
	Komatsu Finance America Inc.	Holding indirectly 100%	Financing within Komatsu Group, fundraising, etc.	Guarantee obligation*3	179,184	–	–

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

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

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

Notes Concerning Per Share Information

(1) Net assets per share JPY 927.18

(2) Net income per share JPY 167.10

Other Notes

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