

(Translation)

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

# Annual Securities Report

From April 1, 2016 to March 31, 2017  
(The 148<sup>th</sup> Fiscal Year)

KOMATSU LTD.  
E01532

The 148<sup>th</sup> Fiscal Year (from April 1, 2016 to March 31, 2017)

# Annual Securities Report

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

## Certain References and Information

This report is prepared for overseas investors and compiled based on contents of the Annual Securities Report (“Yukashoken Hokokusho”) of Komatsu Ltd. filed with the Director-General of the Kanto Local Finance Bureau of Japan on June 19, 2017.

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

Cautionary Statement with respect to forward-looking statements:

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

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

# Contents

Cover .....	1
Part I Company Information .....	2
Item 1. Overview of the Company and Its Consolidated Subsidiaries .....	2
1. Summary of Business Results .....	2
2. History .....	4
3. Description of Business .....	5
4. Overview of Subsidiaries and Affiliates .....	8
5. Employees .....	14
Item 2. Business Overview .....	15
1. Overview of Business Results .....	15
2. Overview of Production, Orders Received and Sales .....	15
3. Management Policy, Business Environment and Tasks Ahead, etc. ....	15
4. Risk Factors .....	18
5. Material Agreements, etc. ....	20
6. Research and Development Activities .....	21
7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows .....	23
Item 3. Property, Plants and Equipment .....	33
1. Overview of Capital Investments .....	33
2. Major Facilities .....	33
3. Plans for Capital Investment, Disposal of Property, Plants and Equipment, etc. ....	36
Item 4. Information on the Company .....	37
1. Information on the Company's Share, etc. ....	37
(1) Total number of shares, etc. ....	37
(2) Stock acquisition rights, etc. ....	38
(3) Exercises, etc., of moving strike convertible bonds, etc. ....	72
(4) Rights plan .....	72
(5) Changes in number of issued shares, capital stock, etc. ....	72
(6) Shareholding by shareholder category .....	72
(7) Major shareholders .....	73
(8) Voting rights .....	75
(9) Stock option plans .....	77
2. Acquisitions, etc. of Treasury Stock .....	85
3. Dividend Policy .....	86
4. Historical Records of Share Price .....	86
5. Board of Directors and Audit & Supervisory Board Members .....	87
6. Corporate Governance, etc. ....	96
(1) Overview of corporate governance .....	96
(2) Details of audit fee, etc. ....	115
Item 5. Financial Information .....	116
1. Consolidated Financial Statements, etc. ....	117
(1) Consolidated Financial Statements .....	117
(2) Others .....	173

2. Non-Consolidated Financial Statements, etc. .... 174  
    (1) Non-Consolidated Financial Statements ..... 174  
    (2) Primary assets and liabilities ..... 187  
    (3) Others ..... 187  
Item 6. Stock-Related Administration for the Company ..... 188  
Item 7. Reference Information on the Company ..... 189  
    1. Information on the Parent Company ..... 189  
    2. Other Reference Information ..... 189  
Part II Information on Guarantors, etc., for the Company ..... 190

[Independent Auditors' Report]

[Internal Control Report]

[Confirmation Letter]

## Cover

<b>【Document title】</b>	Annual Securities Report (“Yukashoken Hokokusho”)
<b>【Clause of stipulation】</b>	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
<b>【Place of filing】</b>	Director-General of the Kanto Local Finance Bureau
<b>【Filing date】</b>	June 19, 2017
<b>【Fiscal year】</b>	The 148 <sup>th</sup> Fiscal Year (from April 1, 2016 to March 31, 2017)
<b>【Company name】</b>	Kabushiki Kaisha Komatsu Seisakusho
<b>【Company name in English】</b>	KOMATSU LTD.
<b>【Title and name of representative】</b>	Tetsuji Ohashi, President and Representative Director
<b>【Address of registered head office】</b>	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
<b>【Telephone number】</b>	+81 (0)3 5561-2604
<b>【Name of contact person】</b>	Takeshi Horikoshi, Executive Officer, General Manager of Corporate Controlling Department
<b>【Nearest place of contact】</b>	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
<b>【Telephone number】</b>	+81 (0)3 5561-2604
<b>【Name of contact person】</b>	Takeshi Horikoshi, Executive Officer, General Manager of Corporate Controlling Department
<b>【Place for public inspection】</b>	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

## Part I Company Information

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

#### 1. Summary of Business Results

(1) Consolidated

(Millions of yen, unless otherwise stated)

Fiscal year		144 <sup>th</sup>	145 <sup>th</sup>	146 <sup>th</sup>	147 <sup>th</sup>	148 <sup>th</sup>	
Year ended		March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	
Net sales (Note 2)		1,884,991	1,953,657	1,978,676	1,854,964	1,802,989	
Income before income taxes and equity in earnings of affiliated companies (Note 3)		204,603	242,056	236,074	204,881	166,469	
Net income attributable to Komatsu Ltd.		126,321	159,518	154,009	137,426	113,381	
Comprehensive income attributable to Komatsu Ltd.		225,270	232,959	236,992	42,682	113,396	
Total Komatsu Ltd. shareholders' equity		1,193,194	1,376,391	1,528,966	1,517,414	1,576,674	
Total equity		1,252,695	1,441,111	1,598,500	1,587,760	1,648,515	
Total assets		2,517,857	2,651,556	2,798,407	2,614,654	2,656,482	
Total Komatsu Ltd. shareholders' equity per share (Note 4)	(Yen)	1,252.33	1,443.97	1,622.48	1,609.69	1,672.01	
Net income attributable to Komatsu Ltd. per share	Basic (Note 5)	(Yen)	132.64	167.36	162.07	145.80	120.26
	Diluted	(Yen)	132.51	167.18	161.86	145.61	120.10
Total Komatsu Ltd. shareholders' equity ratio	(%)	47.4	51.9	54.6	58.0	59.4	
Return on equity	(%)	11.5	12.4	10.6	9.0	7.3	
Price earnings ratio	(Times)	17.0	12.8	14.6	13.1	24.1	
Net cash provided by operating activities		214,045	319,424	343,654	319,634	256,126	
Net cash used in investing activities		(131,397)	(167,439)	(181,793)	(148,642)	(133,299)	
Net cash used in financing activities		(71,814)	(155,349)	(143,983)	(173,079)	(107,718)	
Cash and cash equivalents, end of year		93,620	90,872	105,905	106,259	119,901	
Number of employees (Separately, average number of temporary employees)	(Persons)	46,730 [6,526]	47,208 [4,765]	47,417 [3,805]	47,017 [3,479]	47,204 [3,410]	

Notes:

- 1) The figures in the consolidated financial statements have been rounded to the nearest million yen.
- 2) Net sales do not include consumption taxes, etc.
- 3) The consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States of America (hereinafter "U.S. GAAP"). Therefore, "Income before income taxes and equity in earnings of affiliated companies" on the consolidated financial statements is presented in the above table instead of "Ordinary income".
- 4) Computed by the number of common shares outstanding, less treasury stock at the end of each fiscal year.
- 5) Computed by the weighted-average number of common shares outstanding, less treasury stock during each fiscal year.

## (2) The Company

(Millions of yen, unless otherwise stated)

Fiscal year	144 <sup>th</sup>	145 <sup>th</sup>	146 <sup>th</sup>	147 <sup>th</sup>	148 <sup>th</sup>
Year ended	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Net sales (Note 2)	738,871	757,766	789,867	692,482	685,938
Ordinary income	85,390	160,887	164,446	78,629	76,747
Net income	66,016	133,876	134,434	75,756	67,320
Capital stock	70,120	70,120	70,120	70,120	70,120
Number of common share issued (Thousands of shares)	983,130	983,130	971,967	971,967	971,967
Net assets	592,734	683,183	736,118	744,523	768,240
Total assets	1,082,548	1,156,060	1,213,401	1,137,971	1,150,396
Net assets per share (Yen)	618.32	712.79	777.51	786.65	811.73
Cash dividend per share (Yen)	48.0	58.0	58.0	58.0	58.0
[ Of the above interim dividend per share ] (Yen)	[24.0]	[29.0]	[29.0]	[29.0]	[29.0]
Net income per share (Yen)	69.28	140.38	141.39	80.33	71.36
Net income per share reflecting the potential dilution (Yen)	69.21	140.21	141.20	80.23	71.27
Total equity ratio (%)	54.5	58.8	60.4	65.2	66.6
Return on equity (%)	11.5	21.1	19.0	10.3	8.9
Price earnings ratio (Times)	32.5	15.2	16.7	23.9	40.7
Dividend payout ratio (%)	69.3	41.3	41.0	72.2	81.3
Number of employees (Persons)	9,921	10,217	10,416	10,449	10,371
[Separately, average number of temporary employees]	[1,666]	[1,354]	[1,215]	[1,117]	[989]

## Notes:

- 1) The figures in the Company's financial statements have been rounded down to the nearest million yen.
- 2) Net sales do not include consumption taxes, etc.
- 3) As part of the ¥58 per share of cash dividend for the 148<sup>th</sup> fiscal year, the ¥29 per share year-end dividend for the 148<sup>th</sup> fiscal year is a matter to be resolved at the Company's Ordinary General Meeting of Shareholders scheduled to be held on June 20, 2017.



## 2. History

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

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

### 3. Description of Business

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

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

Komatsu is comprised 143 consolidated subsidiaries and 38 affiliated companies accounted for by the equity method.

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

Komatsu has disclosed information of two operating segments of "Construction, Mining and Utility Equipment" and "Industrial Machinery and Others" for fiscal years up through the year ended March 31, 2016. From the fiscal year ended March 31, 2017, and after the reassessment of its management decision-making units, Komatsu has reclassified its operations into three operating segments of "Construction, Mining and Utility Equipment," "Retail Finance," and "Industrial Machinery and Others." This also applies to "4. Overview of Subsidiaries and Affiliates" and "5. Employees", "Item 2. Business Overview" and "Item 3. Property, Plants and Equipment."

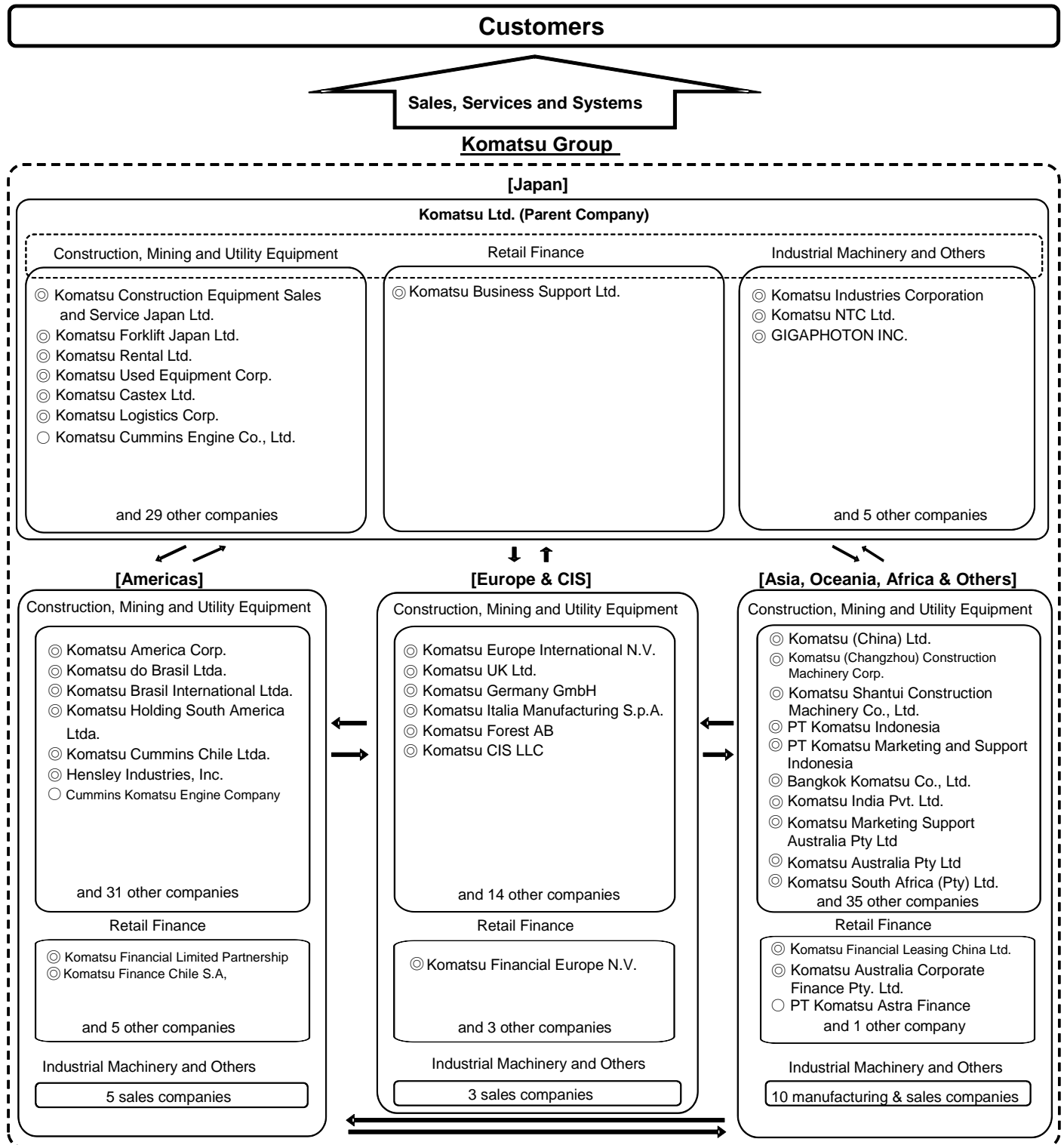
Category/principal products and businesses		Principal companies
Construction, Mining and Utility Equipment		
Excavating equipment	Hydraulic excavators, mini excavators and backhoe loaders	Komatsu Ltd., Komatsu Construction Equipment Sales and Service Japan Ltd., Komatsu Forklift Japan Ltd., Komatsu Rental Ltd., Komatsu Used Equipment Corp., Komatsu Castex Ltd., Komatsu Logistics Corp., Komatsu America Corp., Komatsu do Brasil Ltda., Komatsu Brasil International Ltda., Komatsu Holding South America Ltda., Komatsu Cummins Chile Ltda., Hensley Industries Inc, Komatsu Europe International N.V., Komatsu UK Ltd., Komatsu Germany GmbH, Komatsu Italia Manufacturing S.p.A., Komatsu Forest AB, Komatsu CIS LLC, Komatsu (China) Ltd., Komatsu (Changzhou) Construction Machinery Corp., Komatsu Shantui Construction Machinery Co., Ltd., PT Komatsu Indonesia, PT Komatsu Marketing & Support Indonesia, Bangkok Komatsu Co., Ltd., Komatsu India Pvt. Ltd., Komatsu Marketing Support Australia Pty. Ltd., Komatsu Australia Pty. Ltd., Komatsu Australia Corporate Finance Pty. Ltd., Komatsu South Africa (Pty) Ltd. and other 76 subsidiaries.  (Total 105 companies)
Loading equipment	Wheel loaders, mini wheel loaders and skid-steer loaders	
Grading and roadbed preparation equipment	Bulldozers, motor graders and vibratory rollers	
Hauling equipment	Off-highway dump trucks, articulated dump trucks and crawler carriers	
Forestry equipment	Harvesters, forwarders and feller bunchers	
Tunneling machines	Shield machines and tunnel-boring machines	
Recycling equipment	Mobile crushers, mobile soil recyclers and mobile tub grinders	
Industrial vehicles	Forklift trucks	
Other equipment	Railroad maintenance equipment	
Engines and components	Diesel engines, diesel generator sets and hydraulic equipment	
Casting products	Steel castings and iron castings	
Logistics	Transportation, warehousing and packing	

Category/principal products and businesses		Principal companies
Retail Finance		
Retail Financing	Retail financing of construction and mining equipment	Komatsu Ltd., Komatsu Business Support Ltd., Komatsu Financial Limited Partnership, Komatsu Finance Chile S.A., Komatsu Financial Europe N.V., Komatsu Financial Leasing China Ltd., Komatsu Australia Corporate Finance Pty. Ltd. and other 9 subsidiaries (Total 16 companies)
Industrial Machinery and Others		
Metal forging and stamping presses	Servo presses and mechanical presses	Komatsu Ltd., Komatsu Industries Corporation, Komatsu NTC Ltd., GIGAPHOTON INC. and other 21 subsidiaries. (Total 25 companies)
Sheet-metal machines	Laser cutting machines, fine-plasma cutting machines, press brakes and shears	
Machine tools	Transfer machines, machining centers, crankshaft millers, grinding machines and wire saws	
Defense systems	Ammunition and armored personnel carriers	
Temperature-control equipment	Thermoelectric modules and temperature-control equipment for semiconductor manufacturing	
Others	Excimer laser used for lithography tools in semiconductor manufacturing	

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

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

(As of March 31, 2017)



[Legend Symbols]

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

→ Supply of Products & Components

#### 4. Overview of Subsidiaries and Affiliates

Consolidated subsidiaries

(Millions of yen, unless otherwise stated)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Construction Equipment Sales and Service Japan Ltd. *1, 2	Kawasaki, Kanagawa, Japan	950	Construction, Mining and Utility Equipment	100.0	Sales and service of construction and utility equipment. (Note 1)
Komatsu Forklift Japan Ltd.	Shinagawa-ku, Tokyo, Japan	500	Construction, Mining and Utility Equipment	100.0	Sales and service of industrial vehicles.
Komatsu Rental Ltd.	Yokohama, Kanagawa, Japan	100	Construction, Mining and Utility Equipment	100.0	Rental of construction equipment, etc.
Komatsu Used Equipment Corp.	Yokohama, Kanagawa, Japan	290	Construction, Mining and Utility Equipment	[4.5] 100.0	Sales of used construction equipment, etc.
Komatsu Castex Ltd.	Himi, Toyama, Japan	6,979	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of casting product. Supply of some products to the Company.
Komatsu Cabtec Co., Ltd.	Gamo, Shiga, Japan	300	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of construction equipment parts. Supply of some products to the Company.
Komatsu Logistics Corp.	Yokohama, Kanagawa, Japan	1,080	Construction, Mining and Utility Equipment	100.0	Transportation, warehousing, packing and other services. (Note 2)
Komatsu Business Support Ltd.	Minato-ku, Tokyo, Japan	1,770	Retail Finance	100.0	Retail financing related to construction equipment.
Komatsu Industries Corporation	Kanazawa, Ishikawa, Japan	990	Industrial Machinery and Others	100.0	Development, sales and service of metal forging and stamping presses, sheet-metal machines, etc. (Note 2)
Komatsu NTC Ltd.	Nanto, Toyama, Japan	6,014	Industrial Machinery and Others	100.0	Manufacture, sales and service of machine tools, etc. (Note 1)
GIGAPHOTON INC.	Oyama, Tochigi, Japan	5,000	Industrial Machinery and Others	100.0	Development, manufacture, sales and service of excimer laser and Extreme Ultra-Violet light sources used for lithography tools in semiconductors. (Notes 1 and 2)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu America Corp. *1, 2	Rolling Meadows, U.S.A.	1,071 million US dollars	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of construction, mining and utility equipment and supervision in the Americas. (Note 1)
Komatsu Finance America Inc.	Rolling Meadows, U.S.A.	1 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Financing within Komatsu Group, fundraising, etc.
Komatsu do Brasil Ltda.	Suzano, Brazil	143 million real	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment and casting products.
Komatsu Brasil International Ltda.	Jaragua, Brazil	287 million real	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales of construction equipment.
Komatsu Holding South America Ltda. *1	Santiago, Chile	141 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
Komatsu Cummins Chile Ltda.	Santiago, Chile	34 million US dollars	Construction, Mining and Utility Equipment	[81.8] 81.8	Sales and service of construction and mining equipment. (Note 1)
Komatsu Equipment Company	Salt Lake City, U.S.A.	100 US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
Modular Mining Systems, Inc.	Tucson, U.S.A.	16 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Development, manufacture, and sales of large-sized mining equipment management systems. (Note 1)
Hensley Industries, Inc.	Dallas, U.S.A.	2 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture and sales of parts of construction and mining equipment.
Komatsu Maquinarias Mexico, S.A. de C.V. *5	Mexico City, Mexico	25 million Mexican peso	Construction, Mining and Utility Equipment	[60.0] 60.0	Service of mining equipment. (Note 1)
F&M Equipment, Ltd	Hatfield, U.S.A.	11 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
Komatsu Financial Limited Partnership. *3	Rolling Meadows, U.S.A.	-	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu Finance Chile S.A.	Santiago, Chile	40 million US dollars	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment
Komatsu Europe International N.V. *1	Vilvoorde, Belgium	50 million euro	Construction, Mining and Utility Equipment	100.0	Sales of construction and mining equipment and supervision in Europe. (Note 1)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Europe Coordination Center N.V. *1	Vilvoorde, Belgium	141 million euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Financing within Komatsu Group, fundraising, etc.
Komatsu UK Ltd.	Birtley, U.K.	23 million pounds	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment.
Komatsu Germany GmbH *6	Dusseldorf, Germany	24 million euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture and sales of construction and mining equipment.
Komatsu France S.A.S	Aubergenville, France	5 million euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction equipment.
Komatsu Italia Manufacturing S.p.A.	Este, Italy	6 million euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment.
Komatsu Forest AB	Umea, Sweden	397 million Swedish krona	Construction, Mining and Utility Equipment	100.0	Manufacture, sales, and service of forestry equipment.
Komatsu CIS LLC *1	Moscow, Russia	5,301 million Russian rubles	Construction, Mining and Utility Equipment	100.0	Sales of construction and mining equipment.
Komatsu Manufacturing Rus LLC *1	Yaroslavl, Russia	4,273 million Russian rubles	Construction, Mining and Utility Equipment	[94.2] 94.2	Manufacture of construction equipment.
Komatsu Financial Europe N.V. *1	Vilvoorde, Belgium	50 million euro	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu (China) Ltd. *1	Shanghai, China	165 million US dollars	Construction, Mining and Utility Equipment	100.0	Sales of construction and mining equipment and supervision in China. (Note 1)
Komatsu (Changzhou) Construction Machinery Corp.	Changzhou, Jiangsu, China	41 million US dollars	Construction, Mining and Utility Equipment	[85.0] 85.0	Manufacture of construction equipment.
Komatsu Shantui Construction Machinery Co., Ltd.	Jining, Shandong, China	21 million US dollars	Construction, Mining and Utility Equipment	[30.0] 60.0	Manufacture of construction equipment.

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu (Shandong) Construction Machinery Corp. *1	Jining, Shandong, China	233 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment, components including crawler for construction equipment, etc. and casting products, etc.
PT Komatsu Indonesia *1	Jakarta, Indonesia	192,780 million Indonesian rupiah	Construction, Mining and Utility Equipment	94.9	Manufacture and sales of construction and mining equipment and casting products.
PT Komatsu Marketing & Support Indonesia	Jakarta, Indonesia	5 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
PT Komatsu Undercarriage Indonesia	Bekasi, Indonesia	15 million US dollars	Construction, Mining and Utility Equipment	[84.3] 84.3	Manufacture and sales of parts of construction and mining equipment.
Bangkok Komatsu Co., Ltd.	Chonburi, Thailand	620 million Thai baht	Construction, Mining and Utility Equipment	[74.8] 74.8	Manufacture and sales of construction equipment and casting products.
Komatsu India Pvt. Ltd. *1	Kanchipuram, India	10,963 million Indian rupees	Construction, Mining and Utility Equipment	[54.8] 100.0	Manufacture and sales of construction and mining equipment.
Komatsu Marketing Support Australia Pty. Ltd.	Fairfield, Australia	21 million Australian dollars	Construction, Mining and Utility Equipment	[40.0] 60.0	Sales of construction and mining equipment.
Komatsu Australia Pty. Ltd.	Fairfield, Australia	30 million Australian dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
Komatsu South Africa (Pty) Ltd.	Isando, Republic of South Africa	186 million rand	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
Komatsu Financial Leasing China Ltd. *1	Shanghai, China	1,630 million renminbi	Retail Finance	[100.0] 100.0	Retail financing related to construction equipment.
Komatsu Australia Corporate Finance Pty. Ltd.	Fairfield, Australia	49 million Australian dollars	Retail Finance	[60.0] 60.0	Retail financing related to construction and mining equipment.
Komatsu Bangkok Leasing Co., Ltd.	Samutprakarn, Thailand	550 million Thai baht	Retail Finance	[60.0] 60.0	Retail financing related to construction and mining equipment.
Other 94 companies					



## Affiliated companies accounted for by the equity method

(Millions of yen, unless otherwise stated)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
KOMATSU SAITAMA LTD.	Kitamoto, Saitama, Japan	635	Construction, Mining and Utility Equipment	[40.0] 40.0	Sales and service of construction equipment.
Komatsu Cummins Engine Co., Ltd.	Oyama, Tochigi, Japan	1,400	Construction, Mining and Utility Equipment	50.0	Manufacture and sales of diesel engines.
QUALICA Inc.	Shinjuku-ku, Tokyo, Japan	1,234	Industrial Machinery and Others	20.0	Sales and development of software, sales of hardware, etc. Supply of some products to the Company.
Cummins Komatsu Engine Company *4	Seymour, U.S.A.	-	Construction, Mining and Utility Equipment	[50.0] 50.0	Manufacture and sales of diesel engines.
PT Komatsu Astra Finance	Jakarta, Indonesia	436,300 million Indonesian rupiah	Retail Finance	[50.0] 50.0	Retail financing related to construction and mining equipment.
Other 33 companies					

## Notes:

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

	Information on income or loss, etc. (Millions of yen)				
	Net sales	Income before income taxes and equity in earnings of affiliated companies	Net income	Total equity	Total assets
Komatsu Construction Equipment Sales and Service Japan Ltd.	194,231	7,094	4,917	40,220	112,221
Komatsu America Corp.	350,649	36,682	29,423	461,213	916,584

- 7) Komatsu Financial Limited Partnership (indicated by asterisk 3 (\*3) in "Company name") is a limited partnership established based on the state law of Delaware, the U.S., and the Company invests in it through Komatsu America Corp. Its net assets, which are equivalent to its equity, amount to USD 503 million.
- 8) Cummins Komatsu Engine Company (indicated by asterisk 4 (\*4) in "Company name") is a general partnership established based on the state law of Indiana, the U.S., and the Company invests in it through Komatsu America Corp.; the total investments amount to USD 2 million.
- 9) Komatsu Maquinarias Mexico, S.A. de C.V. (indicated by asterisk 5 (\*5) in "Company name") changed its name from Road Machinery Co., S.A. de C.V. in October 2016.

- 10) Komatsu Hanomag GmbH merged with Komatsu Mining Germany GmbH in September 2016 and changed its name to Komatsu Germany GmbH (indicated by asterisk 6 (\*6) in “Company name”) in the same month.

## 5. Employees

### (1) Consolidated

(As of March 31, 2017)

Operating segment	Number of employees	
Construction, Mining and Utility Equipment	42,407	[2,647]
Retail Finance	193	[7]
Industrial Machinery and Others	4,001	[597]
Corporate	603	[159]
Total	47,204	[3,410]

Notes:

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

### (2) The Company

(As of March 31, 2017)

Number of employees	Average age	Average length of service	Average annual salary (gross)
10,371 [989]	38.9 years old	14.6 years	¥7,162,627

Operating segment	Number of employees	
Construction, Mining and Utility Equipment	9,455	[779]
Retail Finance	6	[0]
Industrial Machinery and Others	307	[51]
Corporate	603	[159]
Total	10,371	[989]

Notes:

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

### (3) Relationship with labor union

The Company has a labor contract with the Komatsu Labor Union, which is organized by approximately 9,300 employees and 7 branches in Japan. The Komatsu Labor Union is a member of “All Komatsu Workers Union” and “Japanese Association of Metal, Machinery and Manufacturing Workers.”

Each of 17 consolidated subsidiaries and affiliated companies in Japan has a labor contract with its each labor union joining “All Komatsu Workers Union.” They are organized by approximately 7,100 employees of subsidiaries and affiliated companies.

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

## Item 2. Business Overview

### 1. Overview of Business Results

See “7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows.”

### 2. Overview of Production, Orders Received and Sales

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

Therefore, production, orders received and sales are disclosed in relation to the business results of each operating segment in “7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows.”

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

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

Demand for construction equipment declined in areas such as North America and the Middle East, but is set to increase in areas such as China and Indonesia. We expect to see a recovery also in demand for mining equipment, which has been slack for the past few years. We also recognize a long-term increase in demand driven by global population growth and increasing urbanization. Furthermore, demand for industrial machinery is also expected to remain firm over the coming years, albeit with some fluctuation, as demand is expected to increase from the automotive and semiconductor sectors, where our main customers operate.

#### Markets as Positioned by Komatsu

Traditional Markets	Japan, North America and Europe
Strategic Markets	China, Latin America, Asia, Oceania, Africa, Middle East and CIS

## Targets

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

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

Retail finance business	1. ROA* <sup>2</sup> : 2.0% or above 2. 5.0 or under for net debt-to-equity ratio* <sup>3</sup>
-------------------------	--

Notes:

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

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

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

## Three management strategies and focused activities

### 1. Growth strategies based on innovation

We will develop DANTOTSU products, DANTOTSU service and DANTOTSU solutions based on our manufacturing technologies aimed at Quality and Reliability and by proactively incorporating technologies which we cannot obtain in Komatsu through industrial-academic and industrial-industrial collaborations. Accordingly, we will continue to generate innovation in a speedy manner, which is designed to create new value to customers' jobsite operations.

In the construction, mining and utility equipment business, we made further advances with the "SMARTCONSTRUCTION" solutions business for construction jobsites, which we launched in Japan in February 2015, and with sales of intelligent Machine Control construction equipment starting in April 2016 in addition to rental services, SMARTCONSTRUCTION solutions have already been introduced to more than 2,800 workplaces in Japan. SMARTCONSTRUCTION meets the "i-Construction" standards established by the Japanese government for increasing productivity through the introduction of ICT in all aspects of construction jobsites. Looking ahead, we will increase our efforts for the further spread and penetration of SMARTCONSTRUCTION as we work with customers to realize safe, highly productive construction jobsites of the future. In other areas, we will continue working to develop next-generation construction and mining equipment and components, including the Innovative Autonomous Haulage Vehicle, a new vehicle dedicated to unmanned operations that we announced in September 2016. Other ongoing developments include further expansion of the next-generation KOMTRAX (Komatsu Machine Tracking System) and the Autonomous Haulage System (AHS), and strengthening platform for mining. In the industrial machinery and others business, GIGAPHOTON Inc. succeeded in developing "GIGANEX" as an application in a new field for excimer lasers traditionally used as semiconductor lithography light sources. GIGANEX excimer lasers are light sources used in the vital annealing process in manufacturing of flat panel displays (FPDs). We will use them to open the door to entry into the FPD manufacturing field. We will also develop DANTOTSU products to significantly boost productivity in machine tools, sheet-metal machines and metal forging and stamping presses by promoting in-house production of key components.

## **2. Growth strategies of existing businesses**

In addition to developing, producing and selling new products, we will expand and strengthen our entire value chain, consisting of the aftermarket business which distributes spare parts and provides service, the rental-to-used equipment business and the retail finance business, by utilizing mergers and acquisitions and other measures. By converging Komatsu's integrated strengths, we will propose to customers our recommendations to reduce their lifecycle costs of construction and mining equipment as well as industrial machinery, thereby promoting our existing businesses by staying away from pricing competition.

In October 2016, we established the Asia Development Center on the premises of PT Komatsu Indonesia, its main production base in Indonesia in order to promptly develop and launch attachments and application-specific models to meet customer needs and others in Asian countries.

Furthermore, with the aim of strengthening training function for distributors, in November 2016 we opened the Asia Training & Demonstration Center in Thailand. To establish a solid DANTOTSU No. 1 position in Asia, where we expect big market growth, we will increase our efforts in local product and human resource development.

In April 2017, we completed the acquisition of Joy Global Inc. (listed on the New York Stock Exchange) (hereinafter "Joy Global"), which joined the Komatsu Group under the new trade name of Komatsu Mining Corp. The acquisition will add to our product portfolio underground mining equipment, etc., which complements our existing products. Looking ahead, we will use the integration of the two companies to make a wide range of future-oriented proposals to customers by making efficiency gains and realizing synergies in the mining equipment business.

Moreover, we will increase our focus on development of DANTOTSU products even further, while continuing to strengthen our competitive advantages in the quarrying and cement market, enhancing our lineup of products for this field, and expanding the industrial machinery and forest machinery businesses.

## **3. Structural reforms designed to reinforce the business foundation**

While we have about doubled sales of Komatsu from the early FY2000s, we have controlled fixed costs at about a constant level. By following a policy of decoupling costs from growth, we will take effective measures to cut down on production costs and maintain an appropriate level of fixed costs, while investing for growth.

We will promote production reforms by means of "KOM-MICS" (Komatsu Manufacturing Innovation Cloud System), which networks manufacturing equipment of not only Komatsu plants but also suppliers for "visualization" and improvement of the shop floor. The "K-MICS PAD" system for monitoring the operating status of equipment in real time has already been introduced to over 330 units. Furthermore, we will increase the speed of supplying products and parts and optimize inventories by connecting market information directly to plants.

When each and every employee of Komatsu refines their individual talents and demonstrates their strengths in an environment where all respect each other, we will be able to create our next DANTOTSU products and promote the sustainable growth of each company of the Group.

In April 2016, we strengthened our global consolidated management framework, including by appointing "Global Officers" among our multinational top management personnel at the local group companies around the world, so that they can expand their role as managers and participate at a deeper level in consolidated management. Furthermore, in recognition of our appointment of women to management positions, including executive officers, and our measures to enable work-life balance, such as proactive introduction of childcare and nursing care leave systems for all genders, we have also been selected for a third consecutive year as a "Nadeshiko Brand" a status conferred by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange on a listed companies with outstanding performance in promoting the empowerment of women.

By recognizing diversity as the source of individual and corporate growth, we will continue to emphasize global human resource development and promote diversity so that we can provide a work environment and framework where each and every employee can maximize their performance through full motivation and with pride.

## 4. Risk Factors

Given that Komatsu operates on a global scale with development, production, sales and other bases established around the world, Komatsu is exposed to a variety of risks. Komatsu has identified the following risks as its primary risks based on information currently available to it.

### (1) Economic and market conditions

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

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

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

### (2) Foreign currency exchange rate fluctuations

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

### (3) Fluctuations in financial markets

While Komatsu is currently improving the efficiency of its asset management, its aggregate short- and long-term interest-bearing debt was ¥408.7 billion as of March 31, 2017. Although Komatsu has strived to reduce the effect of interest rate fluctuations using various measures, including procuring funds at fixed interest rates, an increase in interest rates may increase Komatsu's interest expenses and thereby adversely affect Komatsu's results of operations. In addition, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of Komatsu's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect Komatsu's results of operations and financial condition.

### (4) Laws and regulations of different countries

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

(5) Environmental laws and regulations

Komatsu's products and business operations are required to meet increasingly stringent environmental laws and regulations in the numerous countries in which Komatsu operates. To this end, Komatsu expends a significant share of its management resources, such as research and development expenses, to comply with environmental and other related regulations. If Komatsu is required to incur additional expenses and make additional capital investments due to revised environmental regulations adopted in the future, or if its development, production, sales and service operations are adversely affected by such revised regulations, Komatsu may experience an unfavorable impact on its business results.

(6) Product and quality liability

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

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

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

(8) Procurement, production and other matters

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

(9) Information security, intellectual property and other matters

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

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

If natural disasters (such as earthquakes, tsunamis and floods), epidemics, radioactive contamination, wars, terrorist acts, riots, accidents (such as fires and explosions), unforeseeable criticism or interference by third parties or computer virus infections were to occur in the regions in which Komatsu operates, Komatsu may incur extensive damage to one or more of its facilities that then could not become fully operational within a short period of time. Even if Komatsu's operations were not directly harmed by such events, confusion in logistic and supply networks, shortages in the supply of electric power, gas and other utilities, telecommunication problems and/or problems of supplier's production may continue for a long



period of time. Accordingly, if delays or disruption in the procurement of materials and parts, or the production and sales of Komatsu's products and services, or deterioration of the capital-raising environment or other adverse developments were to take place as a result of such events, Komatsu's business results may be adversely affected.

## **5. Material Agreements, etc.**

The Company and its U.S. wholly owned subsidiary Komatsu America Corp. have resolved at their respective boards of directors held on July 21, 2016 (Japan time) the acquisition of all issued and outstanding shares of Joy Global, a company headquartered in the United States and listed on the New York Stock Exchange that manufactures, sells and services mining equipment. On the same day, the Company and Komatsu America Corp. entered into a merger agreement with Joy Global for such acquisition.

The merger agreement for the acquisition was approved at the extraordinary shareholders meeting of Joy Global which was held on October 19, 2016 (local time: Central Standard Time, UTC-6).

Subsequently, the Company closed the acquisition on April 5, 2017 (local time: Eastern Standard Time, UTC-5) after receiving all necessary regulatory approvals under competition laws in relevant countries.

For additional information, see "Note 25. Material Subsequent Events" in "Notes to Consolidated Financial Statements" of "1. Consolidated Financial Statements, etc." of "Item 5. Financial Information".

## 6. Research and Development Activities

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

With respect to the structure of Komatsu’s research and development, the Office of Chief Technology Officer (CTO), Development Centers of the Development Division of the Company, which focus on construction, mining and utility equipment and the technology departments of the Company’s subsidiaries and affiliates participate in its research and development activities. The total amount of research and development expenses for the fiscal year ended March 31, 2017 was ¥70,507 million. The objectives, results and expenses of the research and development activities by operating segment are described below.

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

In order to efficiently develop construction, mining and utility equipment that can be used in various locations of the world, Komatsu has established research and development centers in Japan and overseas, which constitute a framework for global development, and also encourages joint research and development programs and personnel exchanges. Mainly through the Office of CTO, Komatsu is also proactively cooperating and collaborating, to create innovations, with Japanese and overseas universities, research institutes, and companies that have cutting-edge technologies in promising fields. Under the corporate mission of “To innovate customers' GEMBA (workplace) jointly with them and create new values”, Komatsu is striving with the following medium- and long-term research and development objectives.

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

Komatsu promotes the research and development activities of ICT (including remote management of equipment by obtaining information regarding machine locations, operating conditions and vehicle health using state-of-the-art remote sensing and telecommunication technologies), control technology and intelligent machine technology. Equipment with control systems and management systems Komatsu developed using these technologies has been rapidly penetrating the market and contributing to productive operation and management of equipment. With respect to ICT-intensive construction, Komatsu is also striving for the new generation research and development activities at the standing point of customer needs.

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

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

Komatsu commits, as a Corporate Principle under Komatsu Earth Environment Charter, to develop and manufacture products for customer satisfaction with both well-environmental performance and economic efficiency. Komatsu is striving to minimize the impact on the environment throughout the product’s life cycle from production to disposal and recycle, at the same time, to innovate for providing well-economical products, such as improving fuel consumption.

Komatsu is placing special emphasis on research and development activities relating to technologies, in particular, that improve fuel consumptions, which conduce to both the environment (by reducing CO2 emissions) and the economy (by decreasing fuel expenses). Hybrid hydraulic excavators have been launched first in Japan, and later in China, North America, Europe, Latin America, Asia and Oceania. Accumulated number of them has exceeded 4,000.

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

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

The principal products developed and launched to the market in the construction, mining and utility equipment operating segment during the fiscal year ended March 31, 2017 are listed below:

Product	Model
Hydraulic Excavators	PC38UU-6, PC30/35MR-5, PC45/55MR-5M0, PC170LC-11, PW118MR-11, PC600/650LC/700LC-11
ICT Excavators	PC210i/LCi-11, PC300i/LCi-11, PC350i/LCi-11, PC360LCi-11
Bulldozers	D51EX/PX-24, D375A-8
ICT Bulldozers	D51EXi/PXi-24
Wheel Loaders	WA200-8
Dump Trucks	HD325/405-8, HD465/605-8, HD1500-8
Mobile Crushers	BZ210-3
Forklift Trucks	FH60/70/80-2, FH100/120/135/160-1
Forestry Equipment	PC200F/FLC-8M0, PC290LL-11

The total amount of research and development expenses in the construction, mining and utility equipment operating segment for the fiscal year ended March 31, 2017 was ¥59,688 million.

## (2) Industrial Machinery and Others

Komatsu takes in charge of research and development in the fields of metal forging and stamping presses, sheet-metal machines, machine tools and others.

In the metal forging and stamping presses business, Komatsu promoted a study of the servo press line with bigger ability than “HIF Series”, and a study which uses the capacitor of a construction machine equipment for a press machine.

In the sheet-metal machines business, Komatsu developed and began to sell the hybrid-press brake machine “PVS1353”, and promoted the preceding study of the next generation 3D laser machine.

In the machine tool business, Komatsu has exhibited the next generation machines under development (Grinding machine “PX3560”, Crankshaft milling machine “PM200FH”) during “JIMTOF 2016” (the 28th Japan International Machine Tool Fair).

In the others business, Komatsu enhanced its activities, such as improvement of performance of ArF excimer laser used for liquid immersion exposure device, and research and development of EUV light source for innovative exposure equipment, precise temperature control equipment and high-performance thermoelectric heat exchange units for semiconductor manufacturing, micro thermo-modules for use in high speed optical communications, and thermoelectric power generation modules and its systems.

The total amount of research and development expenses in the industrial machinery and others operating segment for the fiscal year ended March 31, 2017 was ¥10,819 million.

## 7. Analyses of Consolidated Financial Position, Operating Results and Cash Flows

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

### 1. Critical Accounting Policies

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

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

#### (1) Allowance for Doubtful Receivables

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

Komatsu establishes an allowance for expected losses based on individual credit information, historical experience and assessment of overdue receivables. Komatsu continually analyzes data obtained from internal and external sources in order to become familiar with customers' credit situations. Since Komatsu's historical loss experiences have fallen within their original estimates and established provisions, the Company's management believes its allowance for doubtful receivables to be adequate. However, if the composition of Komatsu's trade receivables were to change or the financial position of each customer were to change due to an unexpected significant shift in the economic environment, it is possible that the accuracy of its estimates could be affected and thus its financial position and results of operations could be materially affected.

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

#### (2) Deferred Income Tax Assets and Uncertain Tax Positions

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

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

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

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

While the Company's management believes that all deferred tax assets after adjustments for valuation allowance will be realized and all material uncertain tax positions that are recognized will be successfully sustained, the Company may be required to adjust its deferred tax assets or valuation

allowance or reserve for unrecognized tax benefits if its estimates differ from actual results due to poor operating results, lower future taxable income as compared to estimated taxable income or different interpretations of tax laws by the relevant tax authorities. These adjustments to the valuation allowance or recognized tax benefits could materially affect Komatsu's financial position and results of operations.

For additional information, see Note 15 to the Consolidated Financial Statements.

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

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

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

Komatsu reviews its goodwill for impairment at least once annually. An impairment of goodwill is deemed to occur when the carrying amount of the reporting unit, including goodwill, exceeds its estimated fair value. Impairment losses on goodwill are recognized by conducting a two step test. The first of the two step test, which is used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the test is performed. The second step of the test, which is used to measure the amount of impairment loss, compares the implied fair value of the goodwill of the reporting unit with the carrying amount of that goodwill. Determination of the implied fair value of the goodwill requires management to estimate the fair value of other identifiable assets and liabilities of the reporting unit based on discounted cash flows, appraisals or other valuation methods. If the carrying amount of the goodwill of the reporting unit exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. While Komatsu believes that there are no additional major impairments of its long-lived assets and goodwill at present, in the event that Komatsu's strategy or market conditions in which it operates changes, estimates of future cash flows to be generated by an asset and evaluations of fair value would be affected, and the assessment of the ability to recover the carrying amount of long-lived assets and goodwill may change. Accordingly, such changes in assessment could materially affect Komatsu's financial position and results of operations.

### (4) Fair Values of Financial Instruments

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

The fair values of marketable investment securities are stated at market price. In case of decrease market price, in periodically assessing other-than-temporary impairment of marketable investment securities and investments in affiliated companies.

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

For additional information, see Notes 19, 20 and 21 to the Consolidated Financial Statements.

### (5) Pension Liabilities and Expenses

The amount of Komatsu's pension obligations and net period pension costs are dependent on certain assumptions used to calculate such amounts. These assumptions are described in Note 12 to the Consolidated Financial Statements and include the discount rate, expected rate of return on plan

assets and rates of increase in compensation. Actual results that differ from these assumptions are accumulated and amortized over future service years of employees and therefore generally affect Komatsu's recognized expenses and recorded obligations during such future periods.

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

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

The following table illustrates the sensitivity of pension obligations and net periodic pension costs to changes in discount rates and expected long-term rate of return on pension plan assets, while holding all other assumptions constant, for Komatsu's pension plans as of March 31, 2017.

	Change in assumption	Pension obligations (Billions of yen)	Net periodic pension costs (Billions of yen)
Discount rate	0.5% increase/decrease	-13.8 / +14.8	-1.2 / +1.3
Expected long-term rate of return	0.5% increase/decrease	-	-0.6 / +0.6

#### (6) Recent Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (hereinafter "FASB") issued Accounting Standards Update (hereinafter "ASU") 2014-09 "Revenue from Contracts with Customers". This update replaces the revenue recognition requirements in Accounting Standards Codification™ ("ASC") 605. This update requires that an entity should recognize revenue to depict the transfer of promised 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. This update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers: Deferral of the Effective date" that defer for one year the revenue recognition standard's effective date. In this update, its early adoption would be permitted, but not before the original effective date. Komatsu is currently considering the adoption date and the impact of this update on Komatsu's financial position and results of operations.

In November 2015, the FASB issued ASU 2015-17 "Balance Sheet Classification of Deferred Taxes". This update requires deferred tax assets and liabilities be classified as noncurrent in the classified consolidated balance sheets. This update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Komatsu is currently considering the impact of this update on Komatsu's financial position.

In January 2016, the FASB issued ASU 2016-01 "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 a company and also changes recognition of fair value changes of financial liability held by a company with the fair value option. In principle, this update requires that equity investments be measured at fair value with changes in the fair value recognized in net income. This update also requires that for financial liabilities, when the fair value option has been elected, changes in fair value due to instrument-specific credit risk be recognized separately in other comprehensive income. This update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and its early adoption is permitted for certain provisions. Komatsu is currently considering the adoption date and the impact of this update on Komatsu's financial position and results of operations.

In February 2016, the FASB issued ASU 2016-02 "Leases". This update requires lessees to recognize most leases on their balance sheets. This update does not substantially change lessor accounting from current U.S.GAAP. This update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and its early adoption is permitted. Komatsu is currently considering the adoption date and the impact of this update on Komatsu's financial position and results of operations.

In January 2017, the FASB issued ASU 2017-04 "Simplifying the Test for Goodwill Impairment". This update eliminates Step 2 of the goodwill impairment test, that is, the process of calculating the amount equivalent to fair value of goodwill and comparing the amount with its carrying amount,

and requires an entity to recognize the excess of the carrying amount of a reporting unit over its fair value as an impairment loss in Step 1. This update is effective for annual reporting periods beginning after December 15, 2020, including interim periods within that reporting period, and its early adoption is permitted. Komatsu is currently considering the adoption date and the impact of this update on Komatsu's financial position and results of operations.

In March 2017, the FASB issued ASU 2017-07 "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. In addition, the update clarifies that only the service cost component is eligible for capitalization. This update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and its early adoption is permitted. Komatsu is currently considering the adoption date and the impact of this update on Komatsu's financial position and results of operations.

## 2. Operating Results

### (1) Overview

For the fiscal year ended March 31, 2017, consolidated net sales decreased by 2.8% from the fiscal year ended March 31, 2016, to ¥1,802,989 million. In the construction, mining and utility equipment business, demand for construction and mining equipment remained slack in the Middle East and some other regions, but was strong mainly in China, CIS and Indonesia. As a result, net sales increased from the fiscal year ended March, 2016, on a local currency basis. However, they decreased from the fiscal year ended March, 2016, as adversely affected by the Japanese yen's appreciation. In the retail finance business, revenues decreased from the fiscal year ended March, 2016, as adversely affected by the Japanese yen's appreciation, even though there was an increase in assets in North America and some other regions. In the industrial machinery and others business, net sales decreased from the fiscal year ended March 31, 2016, as affected by reduced sales of presses and machine tools, especially to the automobile manufacturing industry. With respect to profits, Komatsu continued to reduce fixed costs and improve selling prices in particular. The operating income, however, decreased by 16.5% from the fiscal year ended March, 2016 to ¥174,097 million, as adversely affected by the Japanese yen's appreciation. The operating income ratio decreased by 1.5 percentage point from the fiscal year ended March 31, 2016 to 9.7%. Income before income taxes and equity in earnings of affiliated companies decreased by 18.7% from the fiscal year ended March 31, 2016 to ¥166,469 million. Net income attributable to Komatsu Ltd. decreased by 17.5% from the fiscal year ended March 31, 2016 to ¥113,381 million.

### Consolidated results for the fiscal year

	148 <sup>th</sup> fiscal year (Millions of yen)	Changes from 147 <sup>th</sup> fiscal year
Net sales	1,802,989	(2.8)%
Operating income	174,097	(16.5)%
Income before income taxes and equity in earnings of affiliated companies	166,469	(18.7)%
Net income attributable to Komatsu Ltd.	113,381	(17.5)%

### (2) Changes in foreign exchange rate

The Japanese yen appreciated particularly against the U.S. dollar for the fiscal year ended March 31, 2017 compared to the fiscal year ended March 31, 2016. It is estimated that segment profit for the construction, mining and utility equipment business for the fiscal year ended March 31, 2017 decreased approximately ¥30.0 billion compared to the fiscal year ended March 31, 2016 due primarily to the Japanese yen appreciation. Its estimation of influence amount is calculated as of a multiplication its trading amount of foreign currencies of the Company and its consolidated subsidiaries and the change in foreign exchange rate, not reflected sales price adjustment.

### (3) Net sales

Consolidated net sales for the fiscal year ended March 31, 2017 decreased by 2.8% to ¥1,802,989 million from ¥1,854,964 million for the fiscal year ended March 31, 2016. Net sales to external customers in Japan for the fiscal year ended March 31, 2017 decreased by 5.1% to ¥393,488 million from ¥414,762 million for the fiscal year ended March 31, 2016. Net sales to external customers in overseas for the fiscal year ended March 31, 2017 decreased by 2.1% to ¥1,409,501 million from ¥1,440,202 million for the fiscal year ended March 31, 2016.

Business results by operating segment are described below.

#### <Construction, Mining and Utility Equipment operating segment>

Net sales of the construction, mining and utility equipment business decreased by 1.6% from the fiscal year ended March 31, 2016 to ¥1,576,572 million.

With respect to "SMARTCONSTRUCTION," a solutions business for construction jobsites, which Komatsu launched in Japan in February 2015, Komatsu made steady progress in promoting intelligent Machine Control construction equipment by starting their sales, while continuing their rental, resulting in their use at over 2,800 jobsites (cumulative). To aggressively introduce "SMARTCONSTRUCTION" overseas in the future, Komatsu gave demonstrations at "CONEXPO-CON/AGG 2017," an international trade fair of construction equipment held in Las Vegas.

In October 2016, Komatsu established the Asia Development Center on the premises of PT Komatsu Indonesia, its main production base in Indonesia, to promptly develop and launch attachments and construction equipment to meet customer needs and others in Asian countries. In November 2016,



Komatsu also opened the Asia Training & Demonstration Center in Thailand, where it conducts training sessions for products and technical skills for distributors in Asia while also demonstrating machines for customers.

In April 2017, Komatsu completed the acquisition of Joy Global Inc., a leading U.S. manufacturer of mining equipment, of which it announced the acquisition in July 2016. Joy Global Inc., under the new trade name of Komatsu Mining Corp., has joined the Komatsu.

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

#### Japan

Sales was affected by the reduced demand resulting from the demand for new emission controls-compliant construction equipment having run its course, especially in the rental industry. As a result, sales decreased by 2.0% from the fiscal year ended March 31, 2016, to ¥301,509 million.

#### The Americas

In North America, while demand was slack in the rental industry, that for construction equipment remained steady in the United States, resulting in an increase of sales, on a local currency basis, from the fiscal year ended March 31, 2016. However, sales was adversely affected by the Japanese yen's appreciation. As a result, sales decreased by 8.6% from the fiscal year ended March 31, 2016 to ¥338,414 million. In Latin America, demand for construction and mining equipment was sluggish, mainly in Brazil. On the other hand, sales improved from the fiscal year ended March 31, 2016 on a local currency basis, reflecting sales of super-large dump trucks to major mines as well as the inclusion into the scope of consolidation of a distributor in Mexico acquired by Komatsu in FY2015. However, sales was adversely affected by the Japanese yen's appreciation. As a result, sales decreased by 5.6% from the fiscal year ended March 31, 2016 to ¥202,999 million.

#### Europe and CIS

In Europe, demand was firm for construction equipment, centering on Germany, a major market of the region. Lehnhoff Hartstahl GmbH, a manufacturer of attachments in Germany acquired by Komatsu in FY2015, was included into the scope of consolidation. Sales increased on a local currency basis. However, sales was adversely affected by the Japanese yen's appreciation. As a result, sales decreased by 2.9% from the fiscal year ended March 31, 2016 to ¥135,528 million. In CIS, sales was driven by a continued increase in demand for mining equipment, centering on gold mines. As a result, sales increased by 47.6% from the fiscal year ended March 31, 2016 to ¥70,520 million.

#### China

Sales was supported by continued expansion of demand for construction equipment resulting from the progress of infrastructure development nationwide. As a result, sales increased by 39.8% from the fiscal year ended March 31, 2016 to ¥97,389 million.

#### Asia and Oceania

In Asia, infrastructure investment remained brisk in Thailand and demand for mining equipment increased in Indonesia, the largest market of the region, in tandem with the growing price of coal. However, sales was adversely affected by the Japanese yen's appreciation. As a result, sales increased by 9.0% from the fiscal year ended March 31, 2016 to ¥206,621 million. In Oceania, as Komatsu steadfastly captured the market needs for parts and services of mining equipment, sales increased from the fiscal year ended March 31, 2016 on a local currency basis. However, sales was adversely affected by the Japanese yen's appreciation. As a result, sales decreased by 1.2% from the fiscal year ended March 31, 2016 to ¥105,670 million.

#### Middle East and Africa

In the Middle East, sales decreased mainly due to a decline in demand for construction equipment in Gulf nations, where the governments reduced their budgets against lowered crude prices. As a result, sales decreased by 39.0% from the fiscal year ended March 31, 2016 to ¥35,832 million. In Africa, sales decreased, as adversely affected by a drop in demand for mining equipment in South Africa, the major market of the region. As a result, sales decreased by 12.9% from the fiscal year ended March 31, 2016 to ¥71,858 million.

Production scale for the construction, mining and utility equipment operating segment increased by 1.7% from the fiscal year ended March 31, 2016 to approximately ¥1,553.5 billion (based on sales prices on a consolidated basis).

<Retail Finance operating segment>

Even though there was an increase in assets in North America and some other regions, revenues were adversely affected by the Japanese yen's appreciation. As a result, revenues decreased by 9.0% from the fiscal year ended March 31, 2016 to ¥49,093 million.

<Industrial Machinery and Others operating segment>

Sales decreased due to reduced sales of presses and machine tools to the automobile manufacturing industry, and the exclusion of former Komatsu House Ltd. (currently, System House R&C Co., Ltd.) from the scope of consolidation. As a result, net sales decreased by 13.2% from the fiscal year ended March 31, 2016 to ¥191,027 million.

In June 2016, Komatsu Industries Corp. opened the Techno Innovation Center on the premises of the Awazu Plant of Komatsu. The Center exhibits Komatsu Industries' latest sheet-metal and press machines including the "PVS1353" press brake and the "H1F200-2" servo press. It also offers visitors the opportunity to experience the latest IoT-based network of sheet-metal machines. In February 2017, Gigaphoton Inc. unveiled "GT65A," a new ArF excimer laser at "SPIE Advanced Lithography 2017," an international conference for cutting-edge lithography held in the United States. The "GT65A" supports sub 10 nm lithography processes and reduces environmental impact at the same time. Gigaphoton Inc. plans to ship it in 2017.

Production scale for the industrial machinery and others operating segment decreased by 15.7% from the fiscal year ended March 31, 2016 to approximately ¥185.1 billion (based on sales prices on a consolidated basis).

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

Cost of sales decreased by 2.2% from the fiscal year ended March 31, 2016 to ¥1,286,424 million primarily due to decreased net sales. The ratio of cost of sales to net sales increased by 0.4 percentage points from the fiscal year ended March 31, 2016 to 71.3%.

Selling, general and administrative expenses increased by 0.8% from the fiscal year ended March 31, 2016 to ¥339,986 million.

R&D expenses that were included in cost of sales and selling, general and administrative expenses decreased by 0.3% from the fiscal year ended March 31, 2016 to ¥70,507 million.

(5) Impairment losses on long-lived assets

Impairment losses on long-lived assets for the fiscal year ended March 31, 2017 decreased by ¥1,289 million to ¥1,743 million as compared to ¥3,032 million for the fiscal year ended March 31, 2016. This was due primarily to impairment losses from property, plant and equipment.

(6) Other operating income (expenses), net

Net other operating expenses of ¥739 million was recognized for the fiscal year ended March 31, 2017 as compared to net other operating income of ¥9,551 million for the fiscal year ended March 31, 2016. This was due primarily to a decrease in gain resulting from the sale of property, plant and equipment as compared to the fiscal year ended March 31, 2016.

(7) Operating income

As a result of the above factors, operating income for the fiscal year ended March 31, 2017 decreased by 16.5% to ¥174,097 million as compared to ¥208,577 million for the fiscal year ended March 31, 2016.

(8) Other income (expenses), net

Interest and dividend income decreased by ¥227 million to ¥3,462 million for the fiscal year ended March 31, 2017 as compared to ¥3,689 million for the fiscal year ended March 31, 2016. Interest expense decreased by ¥559 million to ¥8,212 million for the fiscal year ended March 31, 2017 as compared to ¥8,771 million for the fiscal year ended March 31, 2016.

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

As a result of the above factors, income before income taxes and equity in earnings of affiliated companies for the fiscal year ended March 31, 2017 decreased by 18.7% to ¥166,469 million as compared to ¥204,881 million for the fiscal year ended March 31, 2016.

(10) Income taxes

Income tax expense for the fiscal year ended March 31, 2017 decreased by ¥13,312 million to ¥50,405 million from ¥63,717 million for the fiscal year ended March 31, 2016. The actual effective tax rate for the fiscal year ended March 31, 2017 decreased by 0.8 percentage points to 30.3% from 31.1% for the fiscal year ended March 31, 2016. The difference between the Japanese statutory tax rate of 31.5% and the actual effective tax rate of 30.3% was caused by tax credit for research and development expenses.

(11) Equity in earnings of affiliated companies

Equity in earnings of affiliated companies for the fiscal year ended March 31, 2017 increased by ¥1,329 million to ¥3,302 million as compared to ¥1,973 million for the fiscal year ended March 31, 2016.

(12) Net income

As a result of the above factors, net income for the fiscal year ended March 31, 2017 decreased by ¥23,771 million to ¥119,366 million as compared to ¥143,137 million for the fiscal year ended March 31, 2016.

(13) Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests for the fiscal year ended March 31, 2017 increased by ¥274 million to ¥5,985 million as compared to ¥5,711 million for the fiscal year ended March 31, 2016. The portion attributable to noncontrolling interests increased mainly as a result of an increase in earnings recorded primarily by Komatsu Shantui Construction Machinery Co., Ltd.

(14) Net income attributable to Komatsu Ltd.

As a result of the above, net income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2017 decreased by 17.5% to ¥113,381 million as compared to ¥137,426 million for the fiscal year ended March 31, 2016. Accordingly, basic net income attributable to Komatsu Ltd. per share decreased to ¥120.26 for the fiscal year ended March 31, 2017 from ¥145.80 for the fiscal year ended March 31, 2016. Diluted net income attributable to Komatsu Ltd. per share decreased to ¥120.10 for the fiscal year ended March 31, 2017 from ¥145.61 for the fiscal year ended March 31, 2016.

(15) Segment profit

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

While sales decreased in some regions, such as North America and the Middle East, where demand was sluggish, they were more than offset by increased sales in China and Indonesia. However, sales was affected by the Japanese yen's appreciation. As a result, segment profit for the construction, mining and utility equipment business for the fiscal year ended March 31, 2017 decreased by ¥7,315 million to ¥161,686 million as compared to ¥169,001 million for the fiscal year ended March 31, 2016.

Segment profit for the retail finance business for the fiscal year ended March 31, 2017 decreased by ¥8,868 million to ¥4,453 million, primarily reflecting allowances and provisions recorded mainly in China, as compared to ¥13,321 million for the fiscal year ended March 31, 2016.

Due to reduced sales of presses and machine tools to the automobile manufacturing industry and the adverse effects of the exclusion of former Komatsu House Ltd. (currently, System House R&C Co., Ltd.) from the scope of consolidation, segment profit for the industrial machinery and others business for the fiscal year ended March 31, 2017 decreased by ¥6,922 million to ¥12,464 million as compared to ¥19,386 million for the fiscal year ended March 31, 2016.

Consolidated segment profit, which was added corporate expenses and elimination, decreased by ¥25,479 million to ¥176,579 million as compared to ¥202,058 million for the fiscal year ended March 31, 2016.

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

### 3. Liquidity and Capital Resources

#### (1) Source of funds and liquidity management

Komatsu's principal capital resources policy is to secure sufficient capital resources to be able to respond to future capital needs in connection with its operations and to maintain an appropriate level of liquidity. Consistent with this policy, Komatsu has secured various sources of funding, such as loans, corporate bonds, notes and lines of credit. Komatsu expects to use cash generated from its operations and funds procured through such external sources to satisfy future capital expenditures and working capital needs. In addition, in order to improve the efficiency and effectiveness of its cash management, Komatsu's overseas subsidiaries participate in a global cash pooling system based on the agreement with a single financial institution, which is used to fund their liquidity needs. Participating overseas subsidiaries are allowed to withdraw cash from this financial institution up to the aggregate cash deposit balance made to such financial institution. This agreement contains specific provisions for the right to offset positive and negative cash balances on a global basis. Komatsu's consolidated balance sheet as of March 31, 2017 reflects cash net of withdrawals of ¥171,135 million in this global cash pooling system.

Komatsu's short-term funding needs have been met mainly by cash flows from its operating activities, and if necessary, by bank loans and the issuance of commercial paper as well. As of March 31, 2017, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥20,172 million with financial institutions to secure liquidity. As of March 31, 2017, ¥16,739 million was available to be used under such credit line agreements. In addition, the Company has a ¥180,000 million commercial paper program, ¥161,000 million of which was unused as of March 31, 2017.

To fulfill Komatsu's medium- to long-term funding needs, the Company has established a bond program as well as a Euro Medium Term Note (hereinafter "EMTN") program. In November 2016, the Company's bond program was renewed so that it could issue up to ¥150,000 million of variable-term bonds within a two-year period. As of March 31, 2017, ¥150,000 million remains unused under this program. On the other hand, the Company also has ¥50,000 million aggregate principal amount of bonds outstanding under past program as of March 31, 2017. This amount includes bonds which were issued under the bond program prior to its 2016 renewal. In addition, the Company, Komatsu Finance America Inc. and Komatsu Capital Europe S.A. have established a U.S.\$1.4 billion EMTN program. Any of these three issuer entities can issue notes in various currencies under the EMTN program which was agreed with EMTN dealers. The aggregate principal amount of notes outstanding as of March 31, 2017 under the EMTN program was ¥60,799 million.

In January 2017, Komatsu America Corp. started committed credit line agreements totaling U.S.\$3,300 million with financial institutions to raise funds for acquire of Joy Global Inc.. As of March 31, 2017, U.S.\$3,300 million remains unused under this program.

Komatsu's short-term debt as of March 31, 2017, which primarily consisted of bank loans, decreased by ¥16,100 million to ¥128,452 million from March 31, 2016. This short-term debt primarily consisted of bank loans and such short-term debt was used as working capital.

Komatsu's long-term debt, including debt with maturity dates on or before March 31, 2018, decreased by ¥32,750 million to ¥280,250 million in the fiscal year ended March 31, 2017 as compared to the fiscal year ended March 31, 2016. As of March 31, 2017, Komatsu's long-term debt excluding market value adjustment, consisted of (1) ¥168,182 million in loans from banks, insurance companies and other financial institutions, (2) ¥60,799 million in EMTNs, (3) ¥50,000 million in unsecured bonds and (4) ¥1,269 million in capital lease obligations. Such long-term debt was used primarily for capital expenditures and long-term working capital needs.

As a result, Komatsu's interest-bearing debt as of March 31, 2017, including its capital lease obligations, decreased by ¥48,850 million to ¥408,702 million as compared to March 31, 2016. Net interest-bearing debt after deducting cash and deposits also decreased by ¥62,569 million to ¥286,512 million in the fiscal year ended March 31, 2017. As a result, Komatsu's net debt to-equity ratio, as of March 31, 2017 was 0.18 to 1, compared to 0.23 to 1 as of March 31, 2016.

At March 31, 2017, Komatsu's total current assets increased by ¥33,068 million to ¥1,419,521 million. Komatsu's total current liabilities decreased by ¥712 million to ¥700,182 million. As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2017, was 202.7%, increased by 4.9 percentage points from the fiscal year ended March 31, 2016.

Based on anticipated cash flows from its operating activities, the available sources of funds and the level of its current ratio (which is calculated by dividing current assets by current liabilities), Komatsu believes that it has sufficient means to satisfy its liquidity needs and future obligations.

As of March 31, 2017, Komatsu's total cash and cash equivalents was ¥119,901 million. Out of total cash and cash equivalents, ¥101,371 million was held outside of Japan in various overseas subsidiaries as of March 31, 2017.

The Company obtains credit ratings from three rating agencies: Standard and Poor's Ratings Services ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Rating and Investment Information, Inc. ("R&I"). As of March 31, 2017, the Company's issuer ratings were as follows:

S&P: A (long-term)

Moody's: A2 (long-term)

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

#### (2) Cash flow

Net cash provided by operating activities totaled ¥256,126 million, a decrease of ¥63,508 million from the previous fiscal year, mainly due to net income and depreciation and amortization, while working capital increased from the previous fiscal year. Net cash used in investing activities amounted to ¥133,299 million, a decrease of ¥15,343 million from the previous fiscal year, mainly due to the purchase of fixed assets. Net cash used in financing activities totaled ¥107,718 million, mainly due to the payment of cash dividends and repayment of debt, as compared to ¥173,079 million used for the previous fiscal year. After adding the effects of foreign exchange fluctuations, cash and cash equivalents, as of March 31, 2017, totaled ¥119,901 million, an increase of ¥13,642 million from the previous fiscal year-end.

#### (3) Capital investment

In the fiscal year ended March 31, 2017, with respect to the Construction, Mining and Utility Equipment operating segment, Komatsu made capital investments to enhance production efficiency and flexibility and to enhance its spare parts business and its rental-to-used equipment business. With respect to the Retail Finance operating segment, Komatsu made capital investment for operating lease equipment. With respect to the Industrial Machinery and Others operating segment, Komatsu made capital investments to renew obsolete equipment. As a result, Komatsu's capital investment on a consolidated basis for the fiscal year ended March 31, 2017 was ¥142,006 million, a decrease of ¥18,045 million from the fiscal year ended March 31, 2016.

#### (4) Tabular disclosure of contractual obligations

The following table sets forth Komatsu's contractual obligations as of March 31, 2017.

	Millions of yen				
	Cash payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	Greater than 5 years
Short-term debt obligations	¥ 128,452	¥ 128,452	¥ -	¥ -	¥ -
Long-term debt obligations (excluding capital lease obligations)	278,989	88,659	113,827	75,764	739
Capital (Finance) lease obligations	1,269	740	280	248	1
Operating lease obligations	8,364	3,316	3,226	1,206	616
Interest on interest bearing debt (including capital lease obligations)	11,440	4,730	4,602	2,101	7
Pension and other post retirement obligations	4,379	4,379	-	-	-
Total	¥ 432,893	¥ 230,276	¥ 121,935	¥ 79,319	¥ 1,363

Notes:

- 1) Long-term debt obligations excluding market value adjustments of ¥8 million (gain).
- 2) Interest on interest-bearing debt is based on rates in effect as of March 31, 2017.
- 3) Pension and other post retirement obligations reflect contributions expected to be made during the fiscal year ending March 31, 2018 only, as the amounts of funding obligations beyond the next fiscal year are not yet determinable.

Commitments for capital investment outstanding at March 31, 2017, aggregated approximately ¥15,100 million.

## Item 3. Property, Plants and Equipment

### 1. Overview of Capital Investments

Komatsu (the Company and its consolidated subsidiaries) invests capital each year in the development and production of new products and the improvement of the operating efficiency of its production infrastructure, primarily focusing on the construction, mining and utility equipment operating segment. Capital investment (figures based on property, plants and equipment acquired; amounts do not include consumption taxes, etc.) for the fiscal year ended March 31, 2017 by operating segment was as follows:

(Millions of yen)	Fiscal year ended March 31, 2017	Percentage change as compared to the fiscal year ended March 31, 2016
Construction, Mining and Utility Equipment	81,720	(20.3) %
Retail Finance	54,783	8.4 %
Industrial Machinery and Others	5,503	(21.7) %
Total	142,006	(11.3) %

Note : From the fiscal year ended March 31, 2017, Komatsu reclassified its business segments into three business segments from two business segments. Accordingly, percentage changes as compared to the fiscal year ended March 31, 2016 in the above table were calculated using the financial data for the fiscal year ended March 31, 2016, which have been retrospectively reclassified using the new operating segments.

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

With respect to the retail finance operating segment, Komatsu made capital investment for operating lease equipment.

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

### 2. Major Facilities

Major facilities of Komatsu are as follows:

#### (1) The Company

(As of March 31, 2017)

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Awazu Plant Komatsu, Ishikawa	Construction, Mining and Utility Equipment, Industrial Machinery and Others	Manufacturing of bulldozers, hydraulic excavators, wheel loaders, motor graders, defense systems, etc.	15,124	8,238	3,738 (703)	2,172	29,273	2,280
Kanazawa Plant Kanazawa, Ishikawa	Construction, Mining and Utility Equipment, Industrial Machinery and Others	Manufacturing of hydraulic excavators, presses, etc.	5,011	1,064	1,238 (97)	155	7,469	323
Osaka Plant Hirakata, Osaka *1	Construction, Mining and Utility Equipment	Manufacturing of bulldozers, hydraulic excavators, recycling equipment, etc.	14,674	8,604	4,237 (546)	2,322	29,838	1,977
Ibaraki Plant Hitachinaka, Ibaraki	Construction, Mining and Utility Equipment	Manufacturing of dump trucks, wheel loaders, etc.	7,381	1,999	10,086 (309)	315	19,781	773
Shonan Plant Hiratsuka, Kanagawa	Construction, Mining and Utility Equipment	Manufacturing of controllers, monitors, hybrid components, etc.	1,713	453	2,214 (68)	217	4,598	664

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Oyama Plant Oyama, Tochigi	Construction, Mining and Utility Equipment	Manufacturing of engines, hydraulic equipment, etc.	15,966	10,004	584 (584)	2,991	29,548	1,699
Tochigi Plant Oyama, Tochigi	Construction, Mining and Utility Equipment	Manufacturing of industrial vehicles, hydraulic excavators, etc.	5,160	1,768	2,780 (214)	322	10,032	551
Koriyama Plant Koriyama, Fukushima	Construction, Mining and Utility Equipment	Manufacturing of hydraulic equipment	2,727	2,110	895 (377)	183	5,917	362
Head office Minato-ku, Tokyo	-	Others	1,688	15	1,179 (2)	210	3,093	1,139

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

(2) Subsidiaries located in Japan

(As of March 31, 2017)

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Komatsu Castex Ltd. Himi, Toyama	Construction, Mining and Utility Equipment	Manufacturing of steel castings, iron castings, etc.	5,174	2,990	1,455 (343)	694	10,313	804
Komatsu NTC Ltd. Nanto, Toyama	Industrial Machinery and Others	Manufacturing of machine tools, industrial machinery, etc.	4,312	1,481	4,350 (231)	569	10,712	1,305

(3) Subsidiaries located in overseas

(As of March 31, 2017)

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Komatsu America Corp. Chattanooga, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, etc.	752	663	224 (215)	398	2,037	245
Komatsu America Corp. Peoria, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of dump trucks	2,291	1,758	- (529)	126	4,175	425
Hensley Industries, Inc. Dallas, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of construction and mining equipment components	865	1,582	443 (104)	346	3,236	403
Komatsu do Brasil Ltda. Suzano, Brazil	Construction, Mining and Utility Equipment	Manufacturing of bulldozers, hydraulic excavators, etc.	1,723	923	25 (633)	690	3,361	708

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Komatsu Germany GmbH Dusseldorf, Germany	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators	1,146	2,715	1,025 (111)	1,705	6,591	597
Komatsu Germany GmbH Hannover, Germany	Construction, Mining and Utility Equipment	Manufacturing of wheel loaders, etc.	1,165	254	446 (158)	578	2,443	495
Komatsu UK Ltd. Birtley, U.K.	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, etc.	618	672	- (200)	9	1,299	284
Komatsu Italia Manufacturing S.p.A. Este, Italy	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, backhoe loaders, etc.	1,117	863	208 (134)	13	2,201	317
Komatsu Forest AB Umea, Sweden	Construction, Mining and Utility Equipment	Manufacturing of forestry equipment.	391	751	43 (44)	63	1,248	593
Komatsu Manufacturing Rus, LLC Yaroslavl, Russia	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, dump trucks, etc.	2,637	1,398	7 (400)	12	4,054	226
Komatsu (Changzhou) Construction Machinery Corp. Jiangsu, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, wheel loaders, etc.	8,172	2,495	- (-) [281]	211	10,878	469
Komatsu Shantui Construction Machinery Co., Ltd. Shandong, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators	1,370	1,972	- (-) [286]	54	3,396	659
Komatsu (Shandong) Construction Machinery Corp. Shandong, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, steel castings, construction and mining equipment components, etc.	6,978	8,701	- (-) [570]	596	16,275	1,119
PT Komatsu Indonesia Jakarta, Indonesia	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, bulldozers and dump trucks, etc.	2,786	2,151	3,366 (258)	411	8,714	989



Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
PT Komatsu Undercarriage Indonesia Bekasi, Indonesia	Construction, Mining and Utility Equipment	Manufacturing of construction and mining equipment components	834	1,613	521 (64)	152	3,120	745
Bangkok Komatsu Co., Ltd. Chonburi, Thailand	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, iron castings, etc.	917	716	1,384 (179)	55	3,072	722
Komatsu India Pvt. Ltd Kanchipuram, India *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, dump trucks, etc.	2,590	1,890	- (-) [240]	79	4,559	377

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

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

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

#### (1) Capital investment

Komatsu has not decided any detail plans of capital investment for individual projects at the end of fiscal year ended March 31, 2017, because Komatsu operates its various types of business all over the world. Therefore, Komatsu discloses capital investment amounts by operating segment. Komatsu plans to make capital investments of ¥151,000 million in the fiscal year ending March 31, 2018 (figures based on property, plants and equipment acquired; amounts do not include consumption taxes, etc.), and the principal investment objectives and the sources of funding by operating segment are set forth in the table below.

Operating segment	Approximate expected capital investment amount in the fiscal year ending March 31, 2018 (Millions of yen)	Principal investment detail and objectives	Sources of funding
Construction, Mining and Utility Equipment	87,800	To enhance production efficiency and flexibility and to enhance its rental-to-used equipment business	Funds on hand, bank borrowings, etc.
Retail Finance	57,900	Operating lease equipment	Funds on hand, bank borrowings, etc.
Industrial Machinery and Others	5,300	To renew obsolete equipment	Funds on hand, bank borrowings, etc.
Total	151,000		

Notes:

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

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

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

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

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

## Item 4. Information on the Company

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

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

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

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

##### (ii) Issued shares

Class	Number of issued shares at the end of the fiscal year (March 31, 2017) (Shares)	Number of issued shares as of the filing date (June 19, 2017) (Shares)	Name of stock exchange on which the Company is listed or names of authorized financial instruments firms associations	Description
Common shares	971,967,660	971,967,660	Tokyo Stock Exchange (First Section)	Shareholders have unlimited standard rights. The number of shares constituting one unit is 100 shares.
Total	971,967,660	971,967,660	-	-

## (2) Stock acquisition rights, etc.

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

(i) Resolution at the meeting of the Board of Directors on July 14, 2009.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	22 *1	-
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	-
Number of shares subject to Stock Acquisition Rights (Shares)	22,000 *2	-
Amount to be paid in to exercise Stock Acquisition Rights	¥1,729 per share *3	-
Period for exercising Stock Acquisition Rights	From September 1, 2010 to August 31, 2017	-
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1,729 Additional paid-in capital per share ¥865 *4	-
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	-
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	-
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*5	-
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	-

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 1,000 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after July 14, 2009 for other reasons than the aforementioned, the Company shall properly adjust the number of

shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

3. Adjustment of the paid-in amount for each share to be granted upon exercise of the Stock Acquisition Rights (this paid-in amount is the “Exercise Price”.)

(1) If the Company effects a stock split or stock consolidation after the allotment date of the Stock Acquisition Rights, the Exercise Price shall be adjusted in accordance with the following formula, with fractions of less than one yen resulting from the adjustment being rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

(2) After the allotment date of the Stock Acquisition Rights, if the Company issues new common stock or disposes of the Company’s common stock in treasury at a price below the market price, the Exercise Price shall be adjusted in accordance with the following formula, with fractions of less than one yen being rounded up to a whole yen. However, this shall not apply to the cases of acquisition or exercise of (i) securities that are acquired or made to be acquired in exchange of grants of the Company’s common stock, or (ii) Stock Acquisition Rights (including Stock Acquisition Rights attached to corporate bonds with stock acquisition rights) that can claim grants of the Company’s common stock.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of currently issued shares} + \frac{\text{Number of newly issued shares} \times \text{Paid-in amount per share}}{\text{Market Price}}}{\text{Number of currently issued shares} + \text{Number of newly issued shares}}$$

In addition, the “Number of currently issued shares” in the formula above shall exclude the number of the Company’s treasury stock, and when disposing of the Company’s treasury stock, the term “Number of newly issued shares” shall be read as the “Number of the Company’s treasury stock for disposal.”

(3) After the allotment date of the Stock Acquisition Rights, if the Company allots shares of the Company of a class other than the common stock without consideration to the holders of the common stock of the Company, or pays dividends in the form of shares of another stock company to the holders of the common stock of the Company, and if, there is a need to adjust the Exercise Price when all factors in the situation are taken into consideration, the Company shall properly adjust the Exercise Price to the extent reasonable.

4. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.

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

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

division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying the Exercise Price after adjustment, which is adjusted after taking into consideration the conditions and other factors concerning the Restructuring Actions, by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(ii) Resolution at the Ordinary General Meeting of Shareholders on June 23, 2010 and the meeting of the Board of Directors on July 13, 2010.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	50 *1	43 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	5,000 *2	4,300 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 2, 2013 to July 31, 2018	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share ¥1 *3	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after July 13, 2010 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(iii) Resolution at the meeting of the Board of Directors on July 13, 2011.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	204 *1	197 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	20,400 *2	19,700 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2014 to July 31, 2019	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share ¥1 *3	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the



number of shares granted after July 13, 2011 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

## (iv) Resolution at the meeting of the Board of Directors on July 12, 2012.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	194 *1	187 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	19,400 *2	18,700 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2015 to July 31, 2020	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share *3 ¥1	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

## Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after July 12, 2012 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

## (v) Resolution at the meeting of the Board of Directors on July 17, 2013.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	361 *1	302 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	36,100 *2	30,200 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2016 to July 31, 2021	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share *3 ¥1	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

## Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after July 17, 2013 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(vi) Resolution at the meeting of the Board of Directors on July 11, 2014.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	589 *1	589 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	58,900 *2	58,900 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2017 to July 31, 2022	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share *3 ¥1	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after July 11, 2014 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

## (vii) Resolution at the meeting of the Board of Directors on July 10, 2015

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	499 *1	499 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	49,900 *2	49,900 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 3, 2018 to July 31, 2023	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share *3 ¥1	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

## Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the



number of shares granted after July 10, 2015 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

## (viii) Resolution at the meeting of the Board of Directors on July 14, 2016

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	505 *1	505 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	50,500 *2	50,500 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2019 to July 31, 2024	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share *3 ¥1	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

## Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after July 14, 2016 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

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

(i) Resolution at the Ordinary General Meeting of Shareholders on June 24, 2009 and the meeting of the Board of Directors on July 14, 2009.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	29 *1	13 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	29,000 *2	13,000 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1,729 per share *3	Same as left *3
Period for exercising Stock Acquisition Rights	From September 1, 2010 to August 31, 2017	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1,729 Additional paid-in capital per share ¥865 *4	Same as left *4
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*5	*5
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 1,000 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after June 24, 2009 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

3. Adjustment of the paid-in amount for each share to be granted upon exercise of the Stock Acquisition Rights (this paid-in amount is the “Exercise Price”.)
- (1) If the Company effects a stock split or stock consolidation after the allotment date of the Stock Acquisition Rights, the Exercise Price shall be adjusted in accordance with the following formula, with fractions of less than one yen resulting from the adjustment being rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

- (2) After the allotment date of the Stock Acquisition Rights, if the Company issues new common stock or disposes of the Company’s common stock in treasury at a price below the market price, the Exercise Price shall be adjusted in accordance with the following formula, with fractions of less than one yen being rounded up to a whole yen. However, this shall not apply to the cases of acquisition or exercise of (i) securities that are acquired or made to be acquired in exchange of grants of the Company’s common stock, or (ii) Stock Acquisition Rights (including Stock Acquisition Rights attached to corporate bonds with stock acquisition rights) that can claim grants of the Company’s common stock.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of currently issued shares} + \frac{\text{Number of newly issued shares} \times \text{Paid-in amount per share}}{\text{Market Price}}}{\text{Number of currently issued shares} + \text{Number of newly issued shares}}$$

In addition, the “Number of currently issued shares” in the formula above shall exclude the number of the Company’s treasury stock, and when disposing of the Company’s treasury stock, the term “Number of newly issued shares” shall be read as “Number of the Company’s treasury stock for disposal.”

- (3) After the allotment date of the Stock Acquisition Rights, if the Company allots shares of the Company of a class other than the common stock without consideration to the holders of the common stock of the Company, or pays dividends in the form of shares of another stock company to the holders of the common stock of the Company, and if, there is a need to adjust the Exercise Price when all factors in the situation are taken into consideration, the Company shall properly adjust the Exercise Price to the extent reasonable.
4. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
5. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company

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

division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying the Exercise Price after adjustment, which is adjusted after taking into consideration the conditions and other factors concerning the Restructuring Actions, by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(ii) Resolution at the Ordinary General Meeting of Shareholders on June 23, 2010 and the meeting of the Board of Directors on July 13, 2010.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	72 *1	66 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	7,200 *2	6,600 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 2, 2013 to July 31, 2018	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share *3 ¥1	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after June 23, 2010 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.



(iii) Resolution at the Ordinary General Meeting of Shareholders on June 22, 2011 and the meeting of the Board of Directors on July 13, 2011.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	544 *1	490 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	54,400 *2	49,000 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2014 to July 31, 2019	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share *3 ¥1	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after June 22, 2011 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(iv) Resolution at the Ordinary General Meeting of Shareholders on June 20, 2012 and the meeting of the Board of Directors on July 12, 2012.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	1,164 *1	1,114 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	116,400 *2	111,400 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2015 to July 31, 2020	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share ¥1 *3	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after June 20, 2012 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(v) Resolution at the Ordinary General Meeting of Shareholders on June 19, 2013 and the meeting of the Board of Directors on July 17, 2013.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	1,990 *1	1,857 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	199,000 *2	185,700 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2016 to July 31, 2021	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share ¥1 *3	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after June 19, 2013 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(vi) Resolution at the Ordinary General Meeting of Shareholders on June 18, 2014 and the meeting of the Board of Directors on July 11, 2014.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	2,169 *1	2,169 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	216,900 *2	216,900 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2017 to July 31, 2022	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share ¥1 *3	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after June 18, 2014 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.



(vii) Resolution at the Ordinary General Meeting of Shareholders on June 24, 2015 and the meeting of the Board of Directors on July 10, 2015.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	1,930 *1	1,930 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	193,000 *2	193,000 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 3, 2018 to July 31, 2023	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share ¥1 *3	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after June 24, 2015 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(viii) Resolution at the Ordinary General Meeting of Shareholders on June 22, 2016 and the meeting of the Board of Directors on July 14, 2016.

	End of fiscal year: March 31, 2017	End of month previous to the filing month: May 31, 2017
Number of Stock Acquisition Rights (Units)	1,996 *1	1,996 *1
Number of own share options, including number of Stock Acquisition Rights (Units)	-	-
Class of shares subject to Stock Acquisition Rights	Common stock	Same as left
Number of shares subject to Stock Acquisition Rights (Shares)	199,600 *2	199,600 *2
Amount to be paid in to exercise Stock Acquisition Rights	¥1 per share	Same as left
Period for exercising Stock Acquisition Rights	From August 1, 2019 to July 31, 2024	Same as left
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights	Issue price ¥1 Additional paid-in capital per share *3 ¥1	Same as left *3
Conditions for exercising the Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.	Same as left
Transfer of the Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.	Same as left
Matters relating to subrogation payment	-	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*4	*4
Provisions pertaining to acquisition of Stock Acquisition Rights	The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.	Same as left

Notes:

1. The number of shares subject to one Stock Acquisition Right shall be 100 shares.
2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the

number of shares granted after June 22, 2016 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.

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

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

- (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
- (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
- (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
- (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
- (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
  - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
  - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
- (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
- (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

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

Not applicable.

**(4) Rights plan**

Not applicable.

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

Date	Changes in number of issued shares (Shares)	Balance of number of issued shares (Shares)	Changes in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
March 31, 2015 *	(11,162,600)	971,967,660	-	70,120	-	140,140

Notes: The decrease in the number of issued shares is due to the cancellation of shares held as treasury stock on March 27, 2015.

**(6) Shareholding by shareholder category**

(As of March 31, 2017)

Category	Status of shares (1 unit = 100 shares)							Shares less than one unit (Shares)	
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders		Individuals and others		Total
					Other than individuals	Individuals			
Number of shareholders	1	154	49	1,138	859	63	142,262	144,526	-
Number of shares held (Units)	100	3,172,687	222,631	222,380	4,474,360	605	1,619,240	9,712,003	767,360
Shareholding ratio (%)	0.00	32.66	2.29	2.28	46.07	0.00	16.67	100.00	-

Notes:

- 28,429,298 shares of treasury stock held by the Company are included in "Individuals and others" and "Share less than one unit" in the table. These amounts are 284,292 units and 98 shares, respectively.
- The shares registered in the name of the Japan Securities Depository Center, Incorporated are included in "Other corporations" and "Share less than one unit" in the table. These amounts are 70 units and 16 shares, respectively.
- The figures of "Shareholding ratio" in the table have been rounded down to the second decimal place.

**(7) Major shareholders**

(As of March 31, 2017)

Name	Address	Number of shares held (Thousands of - shares)	Shareholding ratio (%)
JP Morgan Chase Bank 380055 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA (2-15-1, Konan, Minato-ku, Tokyo, Japan)	59,920	6.16
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	48,700	5.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsuchou, Minato-ku, Tokyo, Japan	41,336	4.25
Taiyo Life Insurance Company	2-7-1, Nihonbashi, Chuo-ku, Tokyo, Japan	34,000	3.49
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	ONE LINCOLN STREET, BOSTON MA 02111, U.S.A. (3-11-1, Nihonbashi, Chuo-ku, Tokyo, Japan)	30,928	3.18
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan (2-11-3, Hamamatsuchou, Minato-ku, Tokyo, Japan)	26,626	2.73
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	P.O.BOX 351, BOSTON, MASSACHUSETTS 02101, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo, Japan)	20,265	2.08
The Bank of New York Mellon as Depository Bank for Depository Receipt Holders (Standing proxy: Sumitomo Mitsui Banking Corporation)	ONE WALL STREET, NEW YORK, N.Y. 10286, U.S.A. (1-3-2, Marunouchi, Chiyoda-ku, Tokyo, Japan)	19,593	2.01
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	17,835	1.83
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	17,740	1.82
Total	—	316,948	32.60

## Notes:

- The figures of “Shareholding ratio (%)” in the table are rounded down to the second decimal place.
- 28,429,000 shares (2.92% of the total number of shares issued) of treasury stock held by the Company are excluded from the list.
- All shares held by Japan Trustee Services Bank, Ltd. and The Master Trust Bank of Japan, Ltd. are held through trusts.
- The Bank of New York Mellon as Depository Bank for Depository Receipt Holders is a registered shareholder of The Bank of New York Mellon, the depository of the Company’s American Depository Receipts.
- The Company received a copy of Change Report No.1 pertaining to Report of Possession of Large Volume relating to the Company’s shares filed in the name of Harris Associates L. P. at the date of May 6, 2016 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders’ list of the Company and does not reflect the information in the Report, because the Company currently is not able to confirm the actual state of shareholdings as of March 31, 2017. The major content of the Change Report is as follows:

## Name, address and number of shares held (As of April 29, 2016)

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Harris Associates L. P.	111 South Wacker Drive, Suite 4600, Chicago, IL, USA, 60606	37,695,460	3.88

- The Company received a copy of Change Report No.1 pertaining to Report of Possession of Large Volume relating to the Company’s shares filed in the joint names of Walter Scott & Partners Limited and two joint holders at the date of October 17, 2016 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders’ list of the Company and does not reflect the information in the Report, because the Company currently is not able to confirm the actual state of shareholdings as of March 31, 2017. The major content of the Change Report is as follows:

## Name, address and number of shares held (As of October 10, 2016)

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Walter Scott & Partners Limited	One Charlotte Square, Edinburgh, UK EH2 4DZ	35,022,628	3.60
Mellon Capital Management Corporation	50 Fremont Street, Suite 3900, San Francisco, California 94105, U.S.A.	4,395,741	0.45
The Dreyfus Corporation	200 Park Avenue, New York, NY 10166, U.S.A.	4,138,388	0.43
Total	—	43,556,757	4.48

- 7) The Company received a copy of the Report of Possession of Large Volume relating to the Company's shares filed in the joint names of Sumitomo Mitsui Trust Bank, Limited and two joint holders at the date of January 19, 2017 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders' list of the Company and does not reflect the information in the Report, because the Company currently is not able to confirm the actual state of shareholdings as of March 31, 2017. The major content of the report is as follows:

## Name, address and number of shares held (As of January 13, 2017)

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1, Marunouchi Chiyoda-ku, Tokyo, Japan	33,853,300	3.48
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1, Shiba Minato-ku, Tokyo, Japan	1,745,100	0.18
Nikko Asset management Co.,Ltd.	9-7-1, Akasaka Minato-ku, Tokyo, Japan	13,239,600	1.36
Total	—	48,838,000	5.02

- 8) The Company received a copy of Change Report No.1 pertaining to Report of Possession of Large Volume relating to the Company's shares filed in the joint names of BlackRock Japan Co., Ltd. and nine joint holders at the date of February 21, 2017 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders' list of the Company and does not reflect the information in the Report, because the Company currently is not able to confirm the actual state of shareholdings as of March 31, 2017. The major content of the Change Report is as follows:

## Name, address and number of shares held (As of February 15, 2017)

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	15,780,300	1.62
BlackRock Advisers, LLC	c/o The Corporation Trust Company, 1209 Orange Street Wilmington, DE, U.S.A.	4,228,500	0.44
BlackRock Financial Management, Inc.	55 East 52 Street, New York, NY, U.S.A.	1,621,130	0.17
BlackRock Investment Management LLC	1 University Square Drive, 1st Floor Princeton, NJ, U.S.A.	1,527,883	0.16
BlackRock (Luxembourg) S.A.	35A J.F. Kennedy Street L-1855, Luxembourg	1,504,900	0.15
BlackRock Life Limited	12 Throgmorton Avenue London, U.K.	2,294,805	0.24
BlackRock Asset Management Ireland Limited	JP Morgan House, International Financial Services Centre, Dublin, Ireland	3,763,966	0.39
BlackRock Fund Advisors	400 Howard Street San Francisco, CA, U.S.A.	12,316,800	1.27
BlackRock Institutional Trust Company, N.A.	400 Howard Street San Francisco, CA, U.S.A.	14,574,186	1.50
BlackRock Investment Management(UK) Limited	12 Throgmorton Avenue London, U.K.	2,023,162	0.21
Total	—	59,635,632	6.14

- 9) The Company received a copy of Change Report No.1 pertaining to Report of Possession of Large Volume relating to the Company's shares filed in the name of Capital Research and Management Company at the date of April 7, 2017 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders' list of the Company and does not reflect the information in the Report, because the Company currently is not able to confirm the actual state of shareholdings as of March 31, 2017. The major content of the Change Report is as follows:

Name, address and number of shares held (As of March 31, 2017)

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	68,463,700	7.04

## (8) Voting rights

(i) Issued shares

(As of March 31, 2017)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(treasury stock) Common shares 28,429,200	-	This is the standard of the Company's shares, whose holders have unlimited rights. The number of shares constituting one unit is 100 shares.
	(reciprocally held shares) Common shares 1,141,900	-	Same as above
Shares with full voting rights (others)	Common shares 941,629,200	9,416,292	Same as above
Shares less than one unit	Common shares 767,360	-	Same as above
Number of issued shares	971,967,660	-	-
Total number of voting rights	-	9,416,292	-

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



(ii) Treasury stock, etc.

(As of March 31, 2017)

Name of shareholders, address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
The Company 2-3-6, Akasaka, Minato-ku, Tokyo, Japan	28,429,200	-	28,429,200	2.92
KOMATSU DOUTOU LTD. 1-3-4, Nishinijuyonjokita, Obihiro City, Hokkaido, Japan	300,000	-	300,000	0.03
KOMATSU TOCHIGI LTD. *1 38-12, Hiradekougyodanchi, Utsunomiya City, Tochigi, Japan	287,000	9,200	296,200	0.03
KOMATSU YAMAGATA LTD. *1 192, Machiura, Zaonarisawa, Yamagata City, Yamagata, Japan	258,400	2,200	260,600	0.02
KOMATSU AKITA LTD. *1 9-48, Kawashiiriokawamachi, Akita City, Akita, Japan	-	78,600	78,600	0.00
KOMATSU AWAJI LTD. *1 1-1-7, Kuwama, Sumoto City, Hyogo, Japan	-	77,300	77,300	0.00
TOCHIGI SHEARING LTD. *2 1-22, Owada, Moka City, Tochigi, Japan	19,400	49,900	69,300	0.00
KOMATSU SANIN LTD. *1 1876, Higashitsudacho, Matsue City, Shimane, Japan	10,000	12,600	22,600	0.00
KOMATSU IBARAKI LTD. *1 358-1, Yoshizawacho, Mito City, Ibaraki, Japan	-	22,200	22,200	0.00
HAMAMATSU KOMATSU FORKLIFT LTD. 1-6-15, Sakuradai, Nishi-ku, Hamamatsu City, Shizuoka, Japan	6,000	-	6,000	0.00
SHIZUOKA KOMATSU FORKLIFT LTD. 1-31-4, Kitamariko, Suruga-ku, Shizuoka City, Shizuoka, Japan	3,800	-	3,800	0.00
OITA KOMATSU FORKLIFT LTD. 4-2-12, Toyomi, Oita City, Oita, Japan	3,000	-	3,000	0.00
KOMATSU MIYAZAKI LTD. *1 2957-12, Shimonaka, Sadowaracho, Miyazaki City, Miyazaki, Japan	-	2,000	2,000	0.00
YAMAGATA KOMATSU FORKLIFT LTD. 1-2-1, Ryutsu-Center, Yamagata City, Yamagata, Japan	300	-	300	0.00
Total	29,317,100	254,000	29,571,000	3.04

Notes:

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

## (9) Stock option plans

The Company issues Stock Acquisition Rights under the stock option plans.

(i) The plans to issue Stock Acquisition Rights for the Directors of the Company as remuneration in accordance with the Companies Act of Japan Resolution at the meeting of the Board of Directors on July 14, 2009.

Date of resolution	July 14, 2009
Individuals covered by the plan	Directors of the Company: 10
Class of shares subject to Stock Acquisition Rights	Common stock
Number of shares	239,000
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.
Period for exercising Stock Acquisition Rights	Same as above
Conditions for exercising Stock Acquisition Rights *	Same as above
Transfer of Stock Acquisition Rights	Same as above
Matters relating to subrogation payment	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the Ordinary General Meeting of Shareholders on June 23, 2010 and the meeting of the Board of Directors on July 13, 2010.

Date of resolution	Ordinary General Meeting of Shareholders	June 23, 2010
	Meeting of the Board of Directors	July 13, 2010
Individuals covered by the plan	Directors of the Company: 10	
Class of shares subject to Stock Acquisition Rights	Common stock	
Number of shares	21,000	
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.	
Period for exercising Stock Acquisition Rights	Same as above	
Conditions for exercising Stock Acquisition Rights *	Same as above	
Transfer of Stock Acquisition Rights	Same as above	
Matters relating to subrogation payment	-	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.	

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the meeting of the Board of Directors on July 13, 2011.

Date of resolution	July 13, 2011
Individuals covered by the plan	Directors of the Company: 10
Class of shares subject to Stock Acquisition Rights	Common stock
Number of shares	87,200
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.
Period for exercising Stock Acquisition Rights	Same as above
Conditions for exercising Stock Acquisition Rights *	Same as above
Transfer of Stock Acquisition Rights	Same as above
Matters relating to subrogation payment	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the meeting of the Board of Directors on July 12, 2012.

Date of resolution	July 12, 2012
Individuals covered by the plan	Directors of the Company: 10
Class of shares subject to Stock Acquisition Rights	Common stock
Number of shares	84,300
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.
Period for exercising Stock Acquisition Rights	Same as above
Conditions for exercising Stock Acquisition Rights *	Same as above
Transfer of Stock Acquisition Rights	Same as above
Matters relating to subrogation payment	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the meeting of the Board of Directors on July 17, 2013.

Date of resolution	July 17, 2013
Individuals covered by the plan	Directors of the Company: 10
Class of shares subject to Stock Acquisition Rights	Common stock
Number of shares	56,100
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.
Period for exercising Stock Acquisition Rights	Same as above
Conditions for exercising Stock Acquisition Rights *	Same as above
Transfer of Stock Acquisition Rights	Same as above
Matters relating to subrogation payment	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the meeting of the Board of Directors on July 11, 2014.

Date of resolution	July 11, 2014
Individuals covered by the plan	Directors of the Company: 10
Class of shares subject to Stock Acquisition Rights	Common stock
Number of shares	58,900
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.
Period for exercising Stock Acquisition Rights	Same as above
Conditions for exercising Stock Acquisition Rights *	Same as above
Transfer of Stock Acquisition Rights	Same as above
Matters relating to subrogation payment	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the meeting of the Board of Directors on July 10, 2015

Date of resolution	July 10, 2015
Individuals covered by the plan	Directors of the Company: 10
Class of shares subject to Stock Acquisition Rights	Common stock
Number of shares	49,900
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.
Period for exercising Stock Acquisition Rights	Same as above
Conditions for exercising Stock Acquisition Rights *	Same as above
Transfer of Stock Acquisition Rights	Same as above
Matters relating to subrogation payment	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the meeting of the Board of Directors on July 14, 2016

Date of resolution	July 14, 2016
Individuals covered by the plan	Directors of the Company: 10
Class of shares subject to Stock Acquisition Rights	Common stock
Number of shares	50,500
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.
Period for exercising Stock Acquisition Rights	Same as above
Conditions for exercising Stock Acquisition Rights *	Same as above
Transfer of Stock Acquisition Rights	Same as above
Matters relating to subrogation payment	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

(ii) The plans to issue Stock Acquisition Rights without consideration for certain employees of the Company and directors of major subsidiaries of the Company in accordance with the Companies Act of Japan

Resolution at the Ordinary General Meeting of Shareholders on June 24, 2009 and the meeting of the Board of Directors on July 14, 2009.

Date of resolution	Ordinary General Meeting of Shareholders	June 24, 2009
	Meeting of the Board of Directors	July 14, 2009
Individuals covered by the plan	Certain employees of the Company: 54 Directors of major subsidiaries of the Company: 11 Total: 65	
Class of shares subject to Stock Acquisition Rights	Common stock	
Number of shares	403,000	
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.	
Period for exercising Stock Acquisition Rights	Same as above	
Conditions for exercising Stock Acquisition Rights *	Same as above	
Transfer of Stock Acquisition Rights	Same as above	
Matters relating to subrogation payment	-	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.	

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the Ordinary General Meeting of Shareholders on June 23, 2010 and the meeting of the Board of Directors on July 13, 2010.

Date of resolution	Ordinary General Meeting of Shareholders	June 23, 2010
	Meeting of the Board of Directors	July 13, 2010
Individuals covered by the plan	Certain employees of the Company: 50 Directors of major subsidiaries of the Company: 12 Total: 62	
Class of shares subject to Stock Acquisition Rights	Common stock	
Number of shares	55,800	
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.	
Period for exercising Stock Acquisition Rights	Same as above	
Conditions for exercising Stock Acquisition Rights *	Same as above	
Transfer of Stock Acquisition Rights	Same as above	
Matters relating to subrogation payment	-	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.	

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the Ordinary General Meeting of Shareholders on June 22, 2011 and the meeting of the Board of Directors on July 13, 2011.

Date of resolution	Ordinary General Meeting of Shareholders	June 22, 2011
	Meeting of the Board of Directors	July 13, 2011
Individuals covered by the plan	Certain employees of the Company: 65 Directors of major subsidiaries of the Company: 12 Total: 77	
Class of shares subject to Stock Acquisition Rights	Common stock	
Number of shares	252,900	
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.	
Period for exercising Stock Acquisition Rights	Same as above	
Conditions for exercising Stock Acquisition Rights *	Same as above	
Transfer of Stock Acquisition Rights	Same as above	
Matters relating to subrogation payment	-	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.	

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the Ordinary General Meeting of Shareholders on June 20, 2012 and the meeting of the Board of Directors on July 12, 2012.

Date of resolution	Ordinary General Meeting of Shareholders	June 20, 2012
	Meeting of the Board of Directors	July 12, 2012
Individuals covered by the plan	Certain employees of the Company: 74 Directors of major subsidiaries of the Company: 13 Total: 87	
Class of shares subject to Stock Acquisition Rights	Common stock	
Number of shares	255,500	
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.	
Period for exercising Stock Acquisition Rights	Same as above	
Conditions for exercising Stock Acquisition Rights *	Same as above	
Transfer of Stock Acquisition Rights	Same as above	
Matters relating to subrogation payment	-	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.	

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the Ordinary General Meeting of Shareholders on June 19, 2013 and the meeting of the Board of Directors on July 17, 2013.

Date of resolution	Ordinary General Meeting of Shareholders	June 19, 2013
	Meeting of the Board of Directors	July 17, 2013
Individuals covered by the plan	Certain employees of the Company: 71 Directors of major subsidiaries of the Company: 15 Total: 86	
Class of shares subject to Stock Acquisition Rights	Common stock	
Number of shares	235,800	
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.	
Period for exercising Stock Acquisition Rights	Same as above	
Conditions for exercising Stock Acquisition Rights *	Same as above	
Transfer of Stock Acquisition Rights	Same as above	
Matters relating to subrogation payment	-	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.	

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the Ordinary General Meeting of Shareholders on June 18, 2014 and the meeting of the Board of Directors on July 11, 2014.

Date of resolution	Ordinary General Meeting of Shareholders	June 18, 2014
	Meeting of the Board of Directors	July 11, 2014
Individuals covered by the plan	Certain employees of the Company: 74 Directors of major subsidiaries of the Company: 14 Total: 88	
Class of shares subject to Stock Acquisition Rights	Common stock	
Number of shares	216,900	
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.	
Period for exercising Stock Acquisition Rights	Same as above	
Conditions for exercising Stock Acquisition Rights *	Same as above	
Transfer of Stock Acquisition Rights	Same as above	
Matters relating to subrogation payment	-	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.	

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the Ordinary General Meeting of Shareholders on June 24, 2015 and the meeting of the Board of Directors on July 10, 2015.

Date of resolution	Ordinary General Meeting of Shareholders	June 24, 2015
	Meeting of the Board of Directors	July 10, 2015
Individuals covered by the plan	Certain employees of the Company: 73 Representative Directors of major subsidiaries of the Company: 11 Total: 84	
Class of shares subject to Stock Acquisition Rights	Common stock	
Number of shares	193,000	
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.	
Period for exercising Stock Acquisition Rights	Same as above	
Conditions for exercising Stock Acquisition Rights *	Same as above	
Transfer of Stock Acquisition Rights	Same as above	
Matters relating to subrogation payment	-	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.	

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Resolution at the Ordinary General Meeting of Shareholders on June 22, 2016 and the meeting of the Board of Directors on July 14, 2016.

Date of resolution	Ordinary General Meeting of Shareholders	June 22, 2016
	Meeting of the Board of Directors	July 14, 2016
Individuals covered by the plan	Certain employees of the Company: 74 Representative Directors of major subsidiaries of the Company: 10 Total: 84	
Class of shares subject to Stock Acquisition Rights	Common stock	
Number of shares	199,600	
Amount to be paid in to exercise Stock Acquisition Rights	See (2) Stock acquisition rights, etc.	
Period for exercising Stock Acquisition Rights	Same as above	
Conditions for exercising Stock Acquisition Rights *	Same as above	
Transfer of Stock Acquisition Rights	Same as above	
Matters relating to subrogation payment	-	
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	See (2) Stock acquisition rights, etc.	

Note: Other terms and conditions for the exercising the Stock Acquisition Rights are contracted by and between the Company and the individuals who are allotted the Stock Acquisition Rights.

Proposed to be resolved at the Ordinary General Meeting of Shareholders on June 20, 2017.

Date of resolution	June 20, 2017
Individuals covered by the plan	Certain employees of the Company, representative directors of major subsidiaries of the Company. Individuals' coverage will be resolved at the meeting of the Board of Directors held after the filing date.
Class of shares subject to Stock Acquisition Rights	Common stock
Number of shares	171,600 Maximum *1
Amount to be paid in to exercise Stock Acquisition Rights	¥ 1 per share
Period for exercising Stock Acquisition Rights	From August 1, 2020 to July 31, 2025
Conditions for exercising Stock Acquisition Rights	If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or an affiliate of the Company, loses all his or her respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date he or she lost his or her position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the Board of Directors of the Company.
Transfer of Stock Acquisition Rights	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to subrogation payment	-
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions	*2

Notes:

1. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after June 20, 2017 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
2. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company  
 In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively "Restructuring Actions"), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter "Remaining Stock Acquisition Rights") shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter "Reorganized Company"). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).
  - (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted  
 Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of a Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
  - (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights



- The Class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights  
The number of shares shall be determined in accordance with Note 1. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
  - (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights  
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
  - (5) Exercise period for the Stock Acquisition Rights  
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
  - (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
    - (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
    - (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
  - (7) Restriction on acquisition of the Stock Acquisition Rights by transfer  
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.
  - (8) Provisions pertaining to acquisition of the Stock Acquisition Rights  
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

## 2. Acquisitions, etc. of Treasury Stock

Classes of shares, etc.

Acquisition of common shares by demand for purchase of shares less than one unit, which falls under Article 155, Item 7 of the Companies Act of Japan

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

Not applicable.

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

Not applicable.

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

Acquisition of common shares by demand for purchase of shares less than one unit, which falls under Article 155, Item 7 of the Companies Act of Japan

Category	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the fiscal year	8,710	21,243,636
Treasury stock acquired during the current period *	1,038	2,930,599

Note: Treasury stock acquired during the current period does not include shares constituting less than one unit purchased during the period from June 1, 2017 to the filing date of this Annual Securities Report.

(4) Disposals or holding of acquired treasury stock

Category	During the fiscal year		During the current period *1	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury stock that was offered to subscribers for subscription	-	-	-	-
Acquired treasury stock that was canceled	-	-	-	-
Acquired treasury stock that was transferred due to merger, exchange of shares, or corporate split	-	-	-	-
Acquired treasury stock that was disposed of in other ways				
(Exercise of stock options) *2	322,200	257,794,200	70,300	65,734,300
(Request for sale of shares less than one unit)	119	246,734	10	27,280
Number of treasury stock held	28,429,298	-	28,360,026	-

Notes:

1. The number of treasury stock held during the current period does not include shares disposed of through exercise of stock options or request for sale of shares less than one unit during the period from June 1, 2017 to the filing date of this Annual Securities Report.
2. "Total disposal amount" in the table shows the total amount paid in on exercise of stock options.

### 3. Dividend Policy

The Company, aiming to increase corporate value, strives to build a structure with financial soundness, the capability of agile response to change and flexibility. The Company's dividend policy is to redistribute profits taking into consideration its consolidated business results while striving to continue providing stable dividend payments. The Company distributes dividends twice a year (i.e., year-end dividends and interim dividends). The distribution of year-end dividends and interim dividends are to be resolved at the Ordinary General Meeting of Shareholders and the meeting of the Board of Directors, respectively.

The Company has set the goal of a consolidated dividend payout ratio of 40% or higher. Further, the Company maintains a policy of not decreasing dividends, as long as the consolidated dividend payout ratio does not surpass 60%. In accordance with such dividend policy, the Company plans to set the fiscal year-end dividend at ¥29 per share. Annual cash dividends for the 148<sup>th</sup> fiscal year, including the interim dividend of ¥29 per share, are expected to amount to ¥58 per share.

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

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

Dividends for the 148<sup>th</sup> fiscal year are as follows:

Date of resolution	Total dividend amount (Millions of yen)	Dividend amount per share (Yen)
October 28, 2016 Resolution of the meeting of the Board of Directors	27,357	29
June 20, 2017 (planned) Resolution of the Ordinary General Meeting of Shareholders	27,362	29

Note: These are the year-end dividends of the Company whose record date shall be March 31 of each year. These are proposed to be resolved at the Ordinary General Meeting of Shareholders of the Company to be held on June 20, 2017.

### 4. Historical Records of Share Price

(1) Highest and lowest share price of each fiscal year in the last five years

Fiscal year	144 <sup>th</sup>	145 <sup>th</sup>	146 <sup>th</sup>	147 <sup>th</sup>	148 <sup>th</sup>
Year ended	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Highest (Yen)	2,507	3,095	2,963.0	2,639.5	3,029.0
Lowest (Yen)	1,439	1,958	2,091	1,557.5	1,661.5

Note: Share prices in the table are quoted from the First Section of the Tokyo Stock Exchange.

(2) Highest and lowest share price of each month in the last six months

Month	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017
Highest (Yen)	2,418.5	2,633.5	2,813.5	2,842.0	2,879.5	3,029.0
Lowest (Yen)	2,273.5	2,131.0	2,600.0	2,610.5	2,643.0	2,712.5

Note: Share prices in the table are quoted from the First Section of the Tokyo Stock Exchange.

## 5. Board of Directors and Audit & Supervisory Board Members

(1) The Board of Directors and Audit & Supervisory Board Members of the Company as of June 19, 2017 (As of the filing date of this Annual Securities Report) are shown as below.

Male: fourteen (14) persons, Female: one (1) person (percentage of the female: 6.7 %)

Title	Position	Name	Date of birth	Career summary	Term of office	Share ownership (Thousands of shares)
Chairperson of the Board and Director		Kunio Noji	Nov. 17, 1946	<p>Apr. 1969 Joined the Company</p> <p>Jun. 1993 Field Testing Department, Technical Division</p> <p>Feb. 1995 General Manager of Production Control Department, Technical Division in Construction Equipment Division</p> <p>Mar. 1997 Plant Manager of Chattanooga Manufacturing Operation, Komatsu Dresser Company (now Komatsu America Corp.) (until Feb. 1997)</p> <p>Jun. 1997 President of Information Systems Division</p> <p>Jun. 1999 Took office as Director</p> <p>Apr. 2000 Resigned as Director, took office as Executive Officer</p> <p>Jun. 2000 President of Production Division</p> <p>Jun. 2001 Took office as Senior Executive Officer</p> <p>Jun. 2001 Took office as Managing Director and Senior Executive Officer</p> <p>Apr. 2003 Took office as Director and Senior Executive Officer</p> <p>Apr. 2003 President of Construction &amp; Mining Equipment Marketing Division</p> <p>Jun. 2007 Took office as President and Representative Director, and Chief Executive Officer (CEO)</p> <p>Apr. 2013 Took office as Chairperson of the Board and Representative Director</p> <p>Apr. 2016 Took office as Chairperson of the Board and Director (current)</p>	*4	164
President and Representative Director	CEO	* Tetsuji Ohashi	Mar. 23, 1954	<p>Apr. 1977 Joined the Company</p> <p>Jun. 1982 Product Control Section, Planning &amp; Coordination Department of Awazu Plant</p> <p>Oct. 1998 Graduate School, Stanford University, U.S.A. (until Jun. 1984)</p> <p>Oct. 2001 General Manager of Planning &amp; Cooperation Department of Awazu Plant, Production Division</p> <p>Jan. 2004 Plant Manager of Moka Plant, Production Division</p> <p>Apr. 2007 President and Chief Operating Officer (COO) of Komatsu America Corp. (until Mar. 2007)</p> <p>Apr. 2007 Took office as Executive Officer</p> <p>Apr. 2007 President of Production Division</p> <p>Apr. 2008 Took office as Senior Executive Officer</p> <p>Jun. 2009 Took office as Director and Senior Executive Officer</p> <p>Apr. 2012 Took office as Director and Senior Executive Officer</p> <p>Apr. 2013 Took office as President and Representative Director (current)</p> <p>Apr. 2013 CEO (current)</p>	*4	74
Executive Vice President and Representative Director	CFO	* Mikio Fujitsuka	Mar. 13, 1955	<p>Apr. 1977 Joined the Company</p> <p>Jul. 1988 Accounting Section, Administration Department of Awazu Plant</p> <p>Jun. 2001 Komatsu Australia Pty., Ltd. (until Feb. 1994)</p> <p>Apr. 2005 General Manager of Corporate Controlling Department</p> <p>Apr. 2008 Took office as Executive Officer</p> <p>Apr. 2008 President of Global Retail Finance Business Division and President and Representative Director of Komatsu Business Support Ltd.</p> <p>Feb. 2009 General Manager of Corporate Planning Division and President of Global Retail Finance Business Division</p> <p>Apr. 2010 Took office as Senior Executive Officer</p> <p>Apr. 2011 Chief Financial Officer (CFO) (current)</p> <p>Jun. 2011 Took office as Director and Senior Executive Officer</p> <p>Apr. 2013 Took office as Director and Senior Executive Officer</p> <p>Apr. 2016 Took office as Executive Vice President and Representative Director (current)</p>	*4	44

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director		* Fujitoshi Takamura	Dec. 21, 1954	Apr. 1977 Jun. 1982 Apr. 2004 Apr. 2006 Apr. 2010 Apr. 2010 Jun. 2011 Apr. 2013 Apr. 2014 Apr. 2017	Joined the Company Construction Equipment Technical Center of Osaka Plant Brown University, U.S.A. (until Jun. 1984) General Manager of Construction Equipment Technical Center 1, Development Division Took office as Executive Officer Took office as Senior Executive Officer President of Development Division Took office as Director and Senior Executive Officer Took office as Director and Senior Executive Officer Chief Technology Officer (CTO) Took office as Director (current)	*4	42
Director		* Hisashi Shinozuka	Jul. 16, 1954	Apr. 1978 Jun. 1981 Oct. 1991 Jul. 1997 May 2005 Apr. 2007 Apr. 2011 Apr. 2012 Apr. 2012 Jun. 2013 Apr. 2014 Apr. 2016 Apr. 2017	Joined the Company Product Control Section, Planning & Coordination Department of Oyama Plant National Autonomous University of Mexico, Mexico (until May 1982) General Manager of Istanbul Office, International Division (until Oct. 1995) Vice President of Komatsu Latin-America Corp. (until Oct. 2002) General Manager of The Americas & European Business, Construction & Mining Equipment Marketing Division President and COO of Komatsu America Corp. Took office with status equivalent to a Senior Executive Officer Took office as Senior Executive Officer President of Construction Equipment Marketing Division Took office as Director and Senior Executive Officer President of Construction & Mining Equipment Marketing Division Took office as Director and Senior Executive Officer Took office as Director (current)	*4	31
Director		* Kazunori Kuromoto	May 23, 1955	Apr. 1980 Jun. 1985 Apr. 2006 Apr. 2007 Apr. 2008 Apr. 2009 Apr. 2012 Apr. 2012 Apr. 2013 Jun. 2013 Apr. 2014 Apr. 2016	Joined the Company Technical Center of Awazu Plant Graduate School, University of California, Los Angeles, U.S.A. (until Jun. 1987) General Manager of Construction Equipment Electronics, Development Division Took office as Executive Officer President of AHS Business, Construction & Mining Equipment Marketing Division President of IT Construction Business, Construction & Mining Equipment Marketing Division Took office as Senior Executive Officer President of ICT Business Division President of Global Mining Business Division and President of ICT Business Division Took office as Director and Senior Executive Officer President of ICT Solution Division Took office as Director and Senior Executive Officer (current)	*4	29
Director		* Masanao Mori	Feb. 8, 1958	Apr. 1981 Apr. 2004 Apr. 2008 Apr. 2009 Apr. 2013 Jun. 2013	Joined the Company Labor Section, Human Resources Department General Manager of General Affairs Department, Engines & Hydraulics Business Division General Manager of Human Resources Department Took office as Executive Officer Took office as Senior Executive Officer Took office as Director and Senior Executive Officer (current)	*4	19

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director		Masayuki Oku	Dec. 2, 1944	Apr. 1968 Jun. 1994 Nov. 1998 Jan. 2001 Apr. 2001 Dec. 2002 Jun. 2003 Jun. 2005 Jun. 2005 Apr. 2011 Apr. 2011 Jun. 2014 Apr. 2017	Joined The Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation, hereinafter the "Bank") Took office as Director of the Bank Took office as Managing Director of the Bank Took office as Representative Director and Senior Managing Director of the Bank Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Banking Corporation Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Financial Group, Inc. (hereinafter "SMFG") Took office as Representative Director and Deputy President of Sumitomo Mitsui Banking Corporation Took office as Representative Director and Chairperson of the Board of SMFG Took office as Representative Director and President of Sumitomo Mitsui Banking Corporation Retired from Sumitomo Mitsui Banking Corporation Took office as Chairperson of the Board of SMFG Took office as Director of the Company (current) Took office as Director of SMFG (current)	*4	-
Director		Mitoji Yabunaka	Jan. 23, 1948	Apr. 1969 Jan. 2008 Aug. 2010 Jun. 2014	Joined the Ministry of Foreign Affairs (hereinafter "MOFA") Took office as Vice-Minister for Foreign Affairs Took office as Adviser to MOFA Took office as Director of the Company (current)	*4	-
Director		Makoto Kigawa	Dec.31, 1949	Apr. 1973 Apr. 2004 Mar. 2005 Apr. 2005 Jun. 2005 Nov. 2005 Apr. 2006 Jun. 2006 Mar. 2007 Mar. 2007 Apr. 2011 Apr. 2015 Jun. 2016	Joined the Fuji Bank, Limited (now Mizuho Bank, Ltd.) Took office as Managing Director, Chief Risk Officer / Head of Risk Management Group, and Chief Human Resources Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.) Retired from Mizuho Corporate Bank, Ltd. Joined Yamato Transport Co., Ltd. (now Yamato Holdings Co., Ltd.) Took office as Managing Director Took office as Representative Managing Director of Yamato Holdings Co., Ltd. Took office as Representative Director and Managing Executive Officer Took office as Representative Director and Senior Managing Executive Officer Took office as Representative Director and Executive Officer Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd. Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd. Took office as Representative Director and Chairperson (current) Took office as Director of the Company (current)	*4	-
Standing Audit & Supervisory Board Member		Koji Yamada	Jun. 21, 1954	Apr. 1977 Aug. 1996 Apr. 1999 Apr. 2002 Apr. 2004 Apr. 2005 Feb. 2009 Apr. 2009 Apr. 2010 Apr. 2013 Jun. 2013	Joined the Company Purchasing Controlling Section, Purchasing Department of Osaka Plant Komatsu America Corp. (until Mar. 1999) General Manager of Planning & Coordination Department of Osaka Plant, Production Division Plant Manager of Awazu Plant, Production Division Took office as Executive Officer President of Industrial Machinery Division and President and Representative Director of Komatsu Industries Corporation Representative of All India Operations (until Mar. 2013) President of Komatsu India Pvt. Ltd. (until Mar. 2013) Took office with a status equivalent to Senior Executive Officer Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*5	30

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)	
Standing Audit & Supervisory Board Member		Kosuke Yamane	Jun. 19, 1958	Apr. 1981 Aug. 1991 Mar. 1999 Apr. 2003 Apr. 2004 Jan. 2006 Apr. 2008 Apr. 2011 Apr. 2011 Apr. 2016 Jun. 2016	Joined the Company Accounting Section, Administration Department of Awazu Plant Touche Ross & Co, U.K. (until Jul. 1992) Financial Officer of Komatsu Asia & Pacific Pte Ltd. (until Mar. 2003) General Manager of Corporate Communications & Investor Relations Department of the Company General Manager of Corporate Communications Department General Manager of Finance & Treasury Department General Manager of e-KOMATSU Technical Center Took office as Executive Officer President of Information Strategy Division Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*6	10	
Audit & Supervisory Board Member		Kunihiro Matsuo	Sep. 13, 1942	Apr. 1968 Apr. 1988 May 1998 Sep. 2003 Jun. 2004 Jun. 2006 Sep. 2006 Jun. 2009	Appointed as Prosecutor of Tokyo District Public Prosecutors Office Took office as Counsellor of Minister's Secretariat, Ministry of Justice Took office as Prosecutor of Supreme Public Prosecutors Office Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office Took office as Prosecutor-General of Supreme Public Prosecutors Office Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office Registered as attorney at law (current) Took office as Audit & Supervisory Board Member of the Company (current)	*5	-	
Audit & Supervisory Board Member		Hirohide Yamaguchi	Mar. 6, 1951	Apr. 1974 Oct. 2008 Mar. 2013 Jun. 2014	Joined the Bank of Japan (hereinafter "BOJ") Took office as Deputy Governor of BOJ Retired from BOJ Took office as Audit & Supervisory Board Member of the Company (current)	*7	-	
Audit & Supervisory Board Member		Eiko Shinotsuka	May 1, 1942	Apr. 1993 Mar. 2009 Jun. 2015	Took office as professor at Ochanomizu University Took office as professor emeritus at Ochanomizu University (current) Took office as Audit & Supervisory Board Member of the Company (current)	*8	-	
Total								447

Notes:

- 1) Directors Masayuki Oku, Mitoji Yabunaka and Makoto Kigawa are Outside Directors.
- 2) Audit & Supervisory Board Members Kunihiro Matsuo, Hirohide Yamaguchi and Eiko Shinotsuka are Outside Audit & Supervisory Board Members.
- 3) The Company introduced an executive officer system in June 1999. As of June 19, 2017, the Company has 52 officers including 4 persons simultaneously holding the position of director. Such persons have been marked with an asterisk above their names in the table.
- 4) The term of office of the Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year of the Company ending within 1 year after the Ordinary General Meeting of Shareholders held on June 22, 2016.
- 5) The term of office of Audit & Supervisory Board Members Koji Yamada and Kunihiro Matsuo shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 19, 2013.
- 6) The term of office of Audit & Supervisory Board Member Kosuke Yamane shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 22, 2016.
- 7) The term of office of Audit & Supervisory Board Member Hirohide Yamaguchi shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 18, 2014.

- 8) The term of office of Audit & Supervisory Board Member Eiko Shinotsuka shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 24, 2015.
- 9) The names of organizations and subsidiaries, etc., of the Company shown in the “Career summary” above present those at the time.



(2) The Board of Directors and Audit & Supervisory Board Members of the Company will be as shown below, when the proposed items of “Election of eight (8) Directors” and “Election of two (2) Audit & Supervisory Board Members” will be resolved at the Ordinary General Meeting of Shareholders to be held on June 20, 2017.

The table below also shows the proposed items, including titles and positions, to be resolved at the Board of Directors and Audit & Supervisory Board of the Company to be held immediately after the Ordinary General Meeting of Shareholders.

Male: twelve (12) persons, Female: one (1) person (percentage of the female: 7.7 %)

Title	Position	Name	Date of birth	Career summary	Term of office	Share ownership (Thousands of shares)
Chairperson of the Board and Director		Kunio Noji	Nov. 17, 1946	<p>Apr. 1969 Joined the Company Field Testing Department, Technical Division</p> <p>Jun. 1993 General Manager of Production Control Department, Technical Division in Construction Equipment Division</p> <p>Feb. 1995 Plant Manager of Chattanooga Manufacturing Operation, Komatsu Dresser Company (now Komatsu America Corp.) (until Feb. 1997)</p> <p>Mar. 1997 President of Information Systems Division</p> <p>Jun. 1997 Took office as Director</p> <p>Jun. 1999 Resigned as Director, took office as Executive Officer</p> <p>Apr. 2000 President of Production Division</p> <p>Jun. 2000 Took office as Senior Executive Officer</p> <p>Jun. 2001 Took office as Managing Director and Senior Executive Officer</p> <p>Apr. 2003 Took office as Director and Senior Executive Officer</p> <p>Apr. 2003 President of Construction &amp; Mining Equipment Marketing Division</p> <p>Jun. 2007 Took office as President and Representative Director, and CEO</p> <p>Apr. 2013 Took office as Chairperson of the Board and Representative Director</p> <p>Apr. 2016 Took office as Chairperson of the Board and Director (current)</p>	*4	164
President and Representative Director	CEO	* Tetsuji Ohashi	Mar. 23, 1954	<p>Apr. 1977 Joined the Company Product Control Section, Planning &amp; Coordination Department of Awazu Plant</p> <p>Jun. 1982 Graduate School, Stanford University, U.S.A. (until Jun. 1984)</p> <p>Oct. 1998 General Manager of Planning &amp; Cooperation Department of Awazu Plant, Production Division</p> <p>Oct. 2001 Plant Manager of Moka Plant, Production Division</p> <p>Jan. 2004 President and COO of Komatsu America Corp. (until Mar. 2007)</p> <p>Apr. 2007 Took office as Executive Officer</p> <p>Apr. 2007 President of Production Division</p> <p>Apr. 2008 Took office as Senior Executive Officer</p> <p>Jun. 2009 Took office as Director and Senior Executive Officer</p> <p>Apr. 2012 Took office as Director and Senior Executive Officer</p> <p>Apr. 2013 Took office as President and Representative Director (current)</p> <p>Apr. 2013 CEO (current)</p>	*4	74
Executive Vice President and Representative Director	CFO	* Mikio Fujitsuka	Mar. 13, 1955	<p>Apr. 1977 Joined the Company Accounting Section, Administration Department of Awazu Plant</p> <p>Jul. 1988 Komatsu Australia Pty., Ltd. (until Feb. 1994)</p> <p>Jun. 2001 General Manager of Corporate Controlling Department</p> <p>Apr. 2005 Took office as Executive Officer</p> <p>Apr. 2008 President of Global Retail Finance Business Division and President and Representative Director of Komatsu Business Support Ltd.</p> <p>Feb. 2009 General Manager of Corporate Planning Division and President of Global Retail Finance Business Division</p> <p>Apr. 2010 Took office as Senior Executive Officer</p> <p>Apr. 2011 CFO (current)</p> <p>Jun. 2011 Took office as Director and Senior Executive Officer</p> <p>Apr. 2013 Took office as Director and Senior Executive Officer</p> <p>Apr. 2016 Took office as Executive Vice President and Representative Director (current)</p>	*4	44

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director		* Kazunori Kuromoto	May 23, 1955	Apr. 1980 Jun. 1985 Apr. 2006 Apr. 2007 Apr. 2008 Apr. 2009 Apr. 2012 Apr. 2012 Apr. 2013 Jun. 2013 Apr. 2014 Apr. 2016	Joined the Company Technical Center of Awazu Plant Graduate School, University of California, Los Angeles, U.S.A. (until Jun. 1987) General Manager of Construction Equipment Electronics, Development Division Took office as Executive Officer President of AHS Business, Construction & Mining Equipment Marketing Division President of IT Construction Business, Construction & Mining Equipment Marketing Division Took office as Senior Executive Officer President of ICT Business Division President of Global Mining Business Division and President of ICT Business Division Took office as Director and Senior Executive Officer President of ICT Solution Division Took office as Director and Senior Executive Officer (current)	*4	29
Director		* Masanao Mori	Feb. 8, 1958	Apr. 1981 Apr. 2004 Apr. 2008 Apr. 2009 Apr. 2013 Jun. 2013	Joined the Company Labor Section, Human Resources Department General Manager of General Affairs Department, Engines & Hydraulics Business Division General Manager of Human Resources Department Took office as Executive Officer Took office as Senior Executive Officer Took office as Director and Senior Executive Officer (current)	*4	19
Director		Masayuki Oku	Dec. 2, 1944	Apr. 1968 Jun. 1994 Nov. 1998 Jan. 2001 Apr. 2001 Dec. 2002 Jun. 2003 Jun. 2005 Jun. 2005 Apr. 2011 Apr. 2011 Jun. 2014 Apr. 2017	Joined The Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation, hereinafter the "Bank") Took office as Director of the Bank Took office as Managing Director of the Bank Took office as Representative Director and Senior Managing Director of the Bank Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Banking Corporation Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Financial Group, Inc. (hereinafter "SMFG") Took office as Representative Director and Deputy President of Sumitomo Mitsui Banking Corporation Took office as Representative Director and Chairperson of the Board of SMFG Took office as Representative Director and President of Sumitomo Mitsui Banking Corporation Retired from Sumitomo Mitsui Banking Corporation Took office as Chairperson of the Board of SMFG Took office as Director of the Company (current) Took office as Director of SMFG (current)	*4	-
Director		Mitoji Yabunaka	Jan. 23, 1948	Apr. 1969 Jan. 2008 Aug. 2010 Jun. 2014	Joined the Ministry of Foreign Affairs (hereinafter "MOFA") Took office as Vice-Minister for Foreign Affairs Took office as Adviser to MOFA Took office as Director of the Company (current)	*4	-

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director		Makoto Kigawa	Dec.31, 1949	Apr. 1973 Apr. 2004 Mar. 2005 Apr. 2005 Jun. 2005 Nov. 2005 Apr. 2006 Jun. 2006 Mar. 2007 Mar. 2007 Apr. 2011 Apr. 2015 Jun. 2016	Joined the Fuji Bank, Limited (now Mizuho Bank, Ltd.) Took office as Managing Director, Chief Risk Officer / Head of Risk Management Group, and Chief Human Resources Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.) Retired from Mizuho Corporate Bank, Ltd. Joined Yamato Transport Co., Ltd. (now Yamato Holdings Co., Ltd.) Took office as Managing Director Took office as Representative Managing Director of Yamato Holdings Co., Ltd. Took office as Representative Director and Managing Executive Officer Took office as Representative Director and Senior Managing Executive Officer Took office as Representative Director and Executive Officer Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd. Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd. Took office as Representative Director and Chairperson (current) Took office as Director of the Company (current)	*4	-
Standing Audit & Supervisory Board Member		Kosuke Yamane	Jun. 19, 1958	Apr. 1981 Aug. 1991 Mar. 1999 Apr. 2003 Apr. 2004 Jan. 2006 Apr. 2008 Apr. 2011 Apr. 2011 Apr. 2016 Jun. 2016	Joined the Company Accounting Section, Administration Department of Awazu Plant Touche Ross & Co, U.K. (until Jul. 1992) Financial Officer of Komatsu Asia & Pacific Pte Ltd. (until Mar. 2003) General Manager of Corporate Communications & Investor Relations Department of the Company General Manager of Corporate Communications Department General Manager of Finance & Treasury Department General Manager of e-KOMATSU Technical Center Took office as Executive Officer President of Information Strategy Division Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*5	10
Standing Audit & Supervisory Board Member		Hironobu Matsuo	Jul. 22, 1958	Apr. 1982 Dec. 1992 Oct. 1995 Jan. 2006 Apr. 2008 Jun. 2012 Apr. 2013 Apr. 2017 Jun. 2017	Joined the Company Accounting Section, Administration Department of Osaka Plant Hanomag AG (now Komatsu Germany GmbH) (until Sep. 1995) Komatsu Baumaschinen Deutschland GmbH (until Jun. 1997) Vice President of Komatsu (China) Ltd. (until Mar. 2008) General Manager of Corporate Controlling Department of the Company General Manager of Internal Auditing Department Took office as Executive Officer Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*6	10
Audit & Supervisory Board Member		Hirohide Yamaguchi	Mar. 6, 1951	Apr. 1974 Oct. 2008 Mar. 2013 Jun. 2014	Joined the Bank of Japan (hereinafter "BOJ") Took office as Deputy Governor of BOJ Retired from BOJ Took office as Audit & Supervisory Board Member of the Company (current)	*7	-
Audit & Supervisory Board Member		Eiko Shinotsuka	May 1, 1942	Apr. 1993 Mar. 2009 Jun. 2015	Took office as professor at Ochanomizu University Took office as professor emeritus at Ochanomizu University (current) Took office as Audit & Supervisory Board Member of the Company (current)	*8	-

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Audit & Supervisory Board Member		Kotaro Ohno	Apr. 1, 1952	Apr. 1976	Appointed as Prosecutor	*6	-
				Jul. 2009	Took office as Vice-Minister of Justice		
				Jul. 2012	Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office		
				Jul. 2014	Took office as Prosecutor-General of Supreme Public Prosecutors Office		
				Sep. 2016	Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office		
				Nov. 2016	Attorney at law, Special Counsel of Mori Hamada & Matsumoto (current)		
				Jun. 2017	Took office as Audit & Supervisory Board Member of the Company (current)		
Total							353

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) The Company introduced an executive officer system in June 1999. As of June 20, 2017, the Company has 52 officers including 4 persons simultaneously holding the position of director. Such persons have been marked with an asterisk above their names in the table.
- 4) The term of office of the Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year of the Company ending within 1 year after the Ordinary General Meeting of Shareholders held on June 20, 2017.
- 5) The term of office of Audit & Supervisory Board Member Kosuke Yamane shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 22, 2016.
- 6) The term of office of Audit & Supervisory Board Members Hironobu Matsuo and Kotaro Ohno shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 20, 2017.
- 7) The term of office of Audit & Supervisory Board Member Hirohide Yamaguchi shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 18, 2014.
- 8) The term of office of Audit & Supervisory Board Member Eiko Shinotsuka shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 24, 2015.
- 9) The names of organizations and subsidiaries, etc., of the Company shown in the “Career summary” above present those at the time.

## 6. Corporate Governance, etc.

### (1) Overview of corporate governance

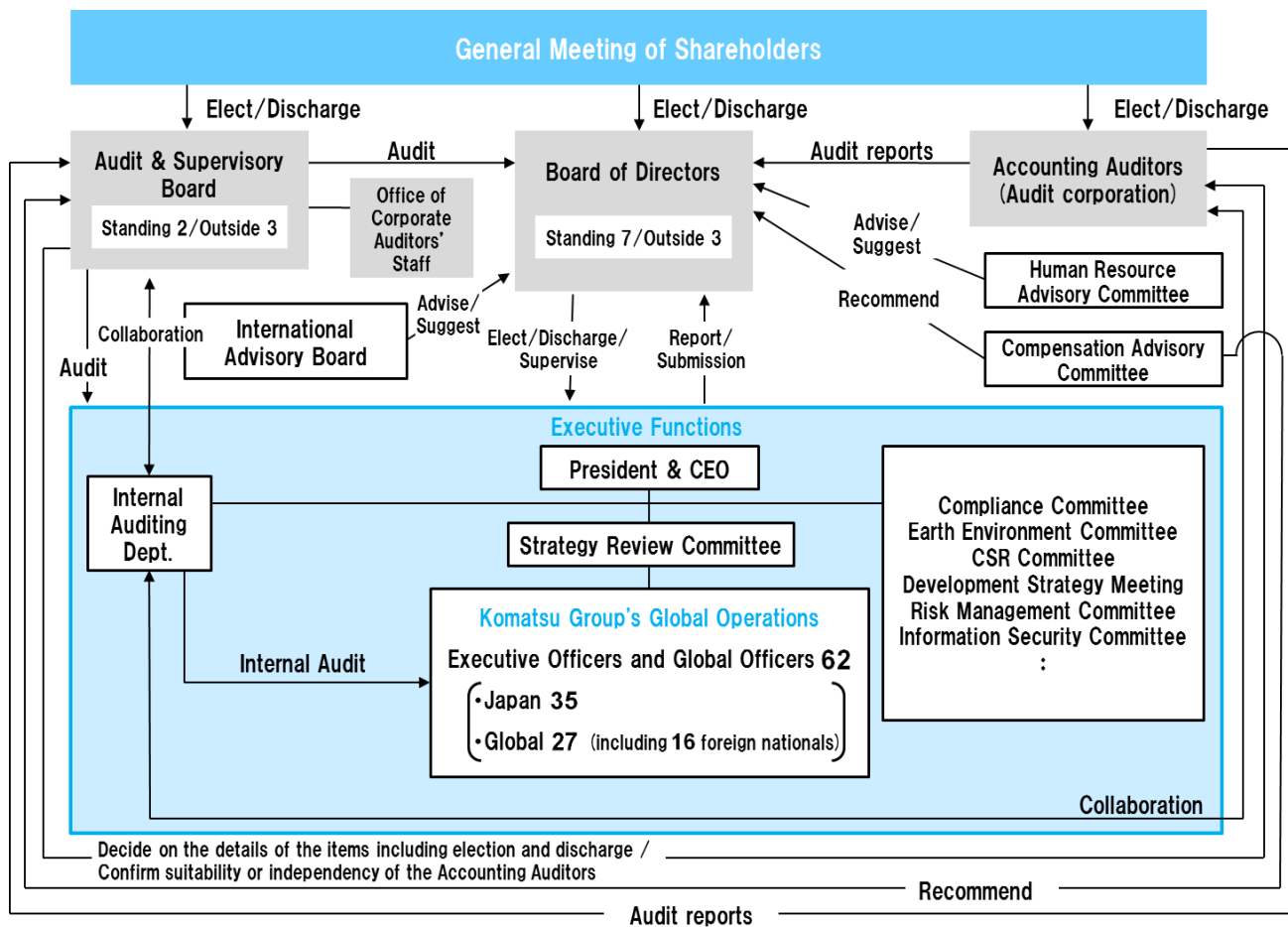
<Basic stance on corporate governance>

The Company believes its corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, the Company is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis. To further improve the transparency of management for its shareholders and investors, the Company discloses information in a fair and timely manner and actively engages in investor relations' activities by holding meetings with shareholders and investors.

#### A. Current Corporate Governance Structure

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

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



Having introduced the Executive Officer System in 1999, the Company has worked to separate management decision making and supervisory functions from executive functions to the extent permitted by laws and regulations. The Company also limits the Board of Directors to a small number of members and appoints Outside Directors and Outside Audit & Supervisory Board Members. To improve the effectiveness of discussions at meetings of the Board of Directors, the Company has worked to reform their operational aspect, primarily by putting in place a system to ensure thorough discussions of important management matters and prompt decision making.

The Company holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the ten (10) Directors on the Board, three (3) are Outside Directors to ensure transparent and objective management.

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

Note: The Company is going to propose the agendas of Election of eight (8) Directors and Election of two (2) Audit & Supervisory Board Members as the matters requiring a resolution by the 148<sup>th</sup> Ordinary General Meeting of Shareholders scheduled for June 20, 2017. When the said agendas are approved, the Company will have eight (8) Directors (including three (3) Outside Directors), five (5) Audit & Supervisory Board Members (including three (3) Outside Audit & Supervisory Board Members), and four (4) Directors who concurrently serve executive functions.

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

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

The Human Resource Advisory Committee, consisting of three (3) Outside Directors, Chairperson of the Board and President, discusses appointment and discharge of senior management officers and offers advice and suggestions to the Board of Directors. Based on these, the Board of Directors discusses and decides appointments of the candidates for directors and Audit & Supervisory Board Members as well as appointments of executive officers.

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 (one (1) outside expert, two (2) Outside Audit & Supervisory Board Members and one (1) Outside Director) 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.

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

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

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

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

### (1) Basic Policy on Internal Control

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

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

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

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

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

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

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

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

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

- i) The Board of Directors shall meet in principle at least once every month and more often as needed. It shall strive to maintain transparency and soundness of management through the participation of Outside Directors. It shall also establish the Regulations of the Board of Directors and the Standards for Agenda of Board Meetings, thereby clarifying the matters on which the Board of Directors should make decisions.
- ii) Together with the introduction of the Executive Officer System, the Company shall define the separation of duties for Directors, Executive Officers and senior managers, and set up internal rules including the Regulations of Decision-Making Authority, to ensure appropriate and effective execution of duties by Directors, Executive Officers and other senior managers.
- iii) To promote efficient management of the Board of Directors, the Company shall establish a Strategy Review Committee consisting of Senior Executive Officers and senior managers. Based on the reviews of the Committee, Executive Officers and senior managers execute their duties within the authority delegated by the Board of Directors.

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

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

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

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

## (6) Systems for Ensuring the Proper Operation of Komatsu Comprising the Company and Its Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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



- ii) The employees who exclusively assist the Office of Corporate Auditors' Staff are independent of control and command of the Directors, and their performance shall be rated by the Standing Audit & Supervisory Board Members.
- iii) The Company's Standing Audit & Supervisory Board Members shall hold regular meetings with employees of the Office of Corporate Auditors' Staff to confirm the execution of duties by the office.

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

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

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

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

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

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

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

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

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

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

On receiving claims from Audit & Supervisory Board Members for expenses to be incurred related to the execution of their duties, the Company shall promptly pay expenses in all cases except where there is no clear connection with the execution of duties of the Audit & Supervisory Board Members.

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

(11) Basic Policy Pertaining to the Elimination of Antisocial Forces

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

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

- ii) The Company's General Affairs Department of the Head Office shall oversee the policy, working with the police and other specialized external organizations, in accordance with the above policy, to take a firm and organized stand against unwarranted claims by antisocial movements or groups and to prevent any business relationship with those movements or groups.
- iii) The Company will do its utmost to collect information and receive education training from the above external organizations and use above information communally both within the Company and among related Group divisions.

#### 4. Outline of contents of limited liability agreement

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

#### **B. Internal Audit and Audit & Supervisory Board Members' Audit**

There are twenty-five (25) employees in the Internal Audit Department, which is in charge of the corporate internal audit of the Company. With respect to the Audit & Supervisory Board Members (which consists of five (5) persons in total), the Company has consistently made sure that at least half of them are Outside Audit & Supervisory Board Members. The Company has established the Office of Corporate Auditors' Staff and assigned eight (8) employees who work as assistants to Audit & Supervisory Board Members either exclusively or concurrently in another position within the Company. Standing Audit & Supervisory Board Member Kosuke Yamane has long engaged in accounting-related duties at the Company, and has considerably profound knowledge concerning financial affairs and accounting.

Note: The Company is going to propose the agenda of Election of two (2) Audit & Supervisory Board Members as the matters requiring a Resolution by the 148<sup>th</sup> Ordinary General Meeting of Shareholders scheduled for June 20, 2017. When the said agenda is approved, Hironobu Matsuo will become Standing Audit & Supervisory Board Member. Hironobu Matsuo has long engaged in accounting-related duties at the Company, and has considerably profound knowledge concerning financial affairs and accounting.

Collaborations between Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members), the Independent Public Accounting Firm and the Internal Audit Department and processes are as follows:

[Collaboration Between Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) and Independent Public Accounting Firm and Processes]

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

When the Audit & Supervisory Board approves the engagement of an accounting firm to perform audit and non-audit work, the Board defines the policies, procedures and other related matters for such work, and conducts preliminary reviews of individual procedures followed by the accounting firm in order to maintain the independence of the accounting firm from the Company and its consolidated subsidiaries.

[Collaboration Between Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) and the Internal Audit Department and Processes]

The Internal Audit Department, in cooperation with other related departments, regularly audits business bases and subsidiaries and affiliates both in Japan and overseas, evaluates the effectiveness of their internal control, reinforces their risk management and works to prevent misconduct and errors. Audit & Supervisory Board Members observe audits by the Internal Audit Department, form their own audit opinions, and give advice and recommendations to the Internal Audit Department.

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

[Collaboration Between the Internal Audit Department and the Independent Public Accounting Firm and Processes]

In assessing the effectiveness of internal control implemented by the Internal Audit Department, the Independent Public Accounting firm collaborates with the Internal Audit Department as needed by exchanging opinions and sharing information.

[Relationship Between Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members), the Internal Audit Department, the Independent Public Accounting Firm and Certain Committees and Corporate Departments Concerning Internal Control]

Corporate departments concerning internal control over matters, including corporate planning, accounting, financing, administration and legal departments as well as certain committees concerning internal control, including the “Compliance Committee” and “Risk Management Committee” mutually collaborate with Audit & Supervisory Board Members, the Internal Audit Department and the Independent Public Accounting Firm.

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

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

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

### **D. Accounting Audit**

The Company has entered into an audit contract with KPMG AZSA LLC and receives audit services for its accounts in connection with both consolidated and non-consolidated financial statements. Certified public accountants who executed an accounting audit of the Company and other information are as follows:

Certified public accountants	Hiroshi Miura (engaged for three (3) consecutive years in auditing)
	Masafumi Tanabu (engaged for two (2) year in auditing)
	Shin Suzuki (engaged for five (5) consecutive years in auditing)
Audit Corporation	KPMG AZSA LLC
Assistants involved in auditing work	Twenty-seven (27) other certified public accountants
	Fourty-two (42) associates

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

The Company has three (3) Outside Directors and three (3) Outside Audit & Supervisory Board Members as of June 19, 2017 (As of the filing date of this Annual Securities Report).

Note: The Company is going to propose the agendas of Election of eight (8) Directors and Election of two (2) Audit & Supervisory Board Members as the matters requiring a resolution by the 148<sup>th</sup> Ordinary General Meeting of Shareholders scheduled for June 20, 2017. When the said agendas are approved, the Company will have three (3) Outside Directors and three (3) Outside Audit & Supervisory Board Members.

Outside Directors of the Company perform their duty of contributing to the maintenance of management transparency and soundness by providing advice and suggestions based on their considerable insight and rich experience from an independent standpoint for proposed items and their discussions at the meetings of the Board of Directors. Outside Audit & Supervisory Board Members perform their duty of enforcing audit activities throughout the fiscal year based on the audit policy, audit plan, audit method and assignment of duties, which they discussed and decided at the meeting of the Audit & Supervisory Board in collaboration with Standing Audit & Supervisory Board Members, as well as provide comments as necessary based on their professional standpoint and rich experience at the meetings of the Board of Directors and of the Audit & Supervisory Board. The Board of Directors of the Company has determined the independence standards for Outside Directors and Outside Audit & Supervisory Board Members as follows. Outside Directors Masayuki Oku, Mitoji Yabunaka and Makoto Kigawa and Outside Audit & Supervisory Board Members Kunihiro Matsuo, Hirohide Yamaguchi and Eiko Shinotsuka are unlikely to have a conflict of interest with general shareholders, because there are no special interests between them and the Company. Accordingly, they are considered to be Independent Directors and Audit & Supervisory Board Members.

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

#### **1. Basic stance:**

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

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

#### **2. Independence standards:**

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

- 1) Person engaged in transactions or execution of business with the Company or its subsidiary as his/her major business partner  
This is applicable to a business partner or a person engaged in business execution with the Company or its subsidiary, and the Company or its subsidiary can give significant influence on decision making of the concerned partner or person.  
Through its departments engaged in business transactions with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), the Company reviews the business relationship of these companies by making direct inquiries to the concerned companies and implementing other means, thereby evaluating their independence from the Company.
- 2) Main business partner of the Company or person engaged in business execution thereof  
This is applicable to a business partner or a person engaged in business execution with the Company, and the concerned business partner or person engaged in business execution thereof can give significant influence on the Company's decision making. Specifically, in the event that the Company generates sales, revenues, etc. from its business with the concerned business partner, which account for a considerable portion of total sales, revenues, etc. of the Company, the Board of Directors of the Company determines the concerned business partner or person has no independence from the Company.  
The Company discusses with its departments engaging in business with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), and evaluates their independence from the Company.
- 3) Consultant(s), certified public accountant(s), lawyer(s) or other professional(s) obtaining large amounts of money or other financial benefits, other

than remunerations of Outside Board Members of the Company (when such financial benefits are obtained by an incorporated entity, this matter applies to a person belonging to such organization)

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

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

- 4) Person who is applicable to any of 1) through 3) above for last one year
  
- 5) Spouse or relative in second degree of an important person among the following persons
  - a. Person to whom 1) through 4) above are applicable
  - b. Person engaged in business execution of subsidiaries of the Company
  - c. Director engaged in non-business execution of subsidiaries of the Company (limited to determining Outside Audit & Supervisory Board Members)
  - d. Person to whom b or c above is applicable for the past one year
  - e. Person who engaged in business execution of the Company for the past one year
  - f. Director of the Company engaged in non-business execution for the past one year (limited to determining Outside Audit & Supervisory Board Members)

The reasons for electing Outside Directors and Outside Audit & Supervisory Board Members of the Company as of June 19, 2017 (As of the filing date of this Annual Securities Report) are outlined below.

<Outside Directors>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for appointment as Outside Director
Masayuki Oku (June 2014)	<p>Director of Sumitomo Mitsui Financial Group, Inc.</p> <p>Outside Director of Panasonic Corporation</p> <p>Outside Director of Kao Corporation</p> <p>Outside Director of Chugai Pharmaceutical Co. Ltd.</p> <p>Non-executive Director of The Bank of East Asia, Limited</p> <p>Outside Audit &amp; Supervisory Board Member of Nankai Electric Railway Co., Ltd.</p>	<p>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.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management and enhancing corporate governance. Therefore, the Company appointed him as an Outside Director.</p> <p>Mr. Masayuki 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.), which is one of the lenders of the Company and its consolidated subsidiaries, from January 2001 to April 2011. However, more than six (6) years have passed since his retirement from Sumitomo Mitsui Banking Corporation, and he currently has no involvement with the execution of business at the said bank. Because the Company and its consolidated subsidiaries have several lenders and the said bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, the said bank is not a business partner which has a significant impact on the Company's decision making. Accordingly, 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.</p>
Mitoji Yabunaka (June 2014)	<p>Speciality Invited Professor (Distinguished Professor) of Ritsumeikan University</p> <p>Outside Director of Kawasaki Kisen Kaisha, Ltd.</p> <p>Outside Director of Mitsubishi Electric Corporation</p> <p>Outside Director of Takasago Thermal Engineering Co., Ltd.</p>	<p>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.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to the mitigation and avoidance of risk in the Company's global business operations, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company appointed him as an Outside Director.</p> <p>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.</p>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for appointment as Outside Director
Makoto Kigawa (June 2016)	Chairperson of the Board and Representative Director of Yamato Holdings Co., Ltd.	<p>Having served as Representative Director of Yamato Holdings, Co., Ltd. and Yamato Transport Co., Ltd., Mr. Makoto Kigawa has considerable knowledge and rich experience in the business world, including use of ICT, business model innovation and so forth, and engaging in strategic and advanced corporate management, among others.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to appropriate monitoring of the management strategies of the Company, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company appointed him as an Outside Director.</p> <p>Mr. Kigawa serves as Chairperson of the Board and Representative Director of Yamato Holdings Co., Ltd. The Company and its consolidated subsidiaries have transactions with Yamato Holdings Co., Ltd.'s subsidiaries, including Yamato Transport Co., Ltd. for payment of transportation expenses, etc. However, the amount of the payment is less than 0.1% of the consolidated total of cost of sales and selling, general and administrative expenses of the Company and its consolidated subsidiaries for the most recent fiscal year.</p> <p>Mr. Makoto Kigawa is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director.</p>

<Outside Audit & Supervisory Board Members>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reasons for appointment as Outside Audit & Supervisory Board Members
Kunihiro Matsuo (June 2009)	Attorney at law Outside Audit & Supervisory Board Member of TV TOKYO Holdings Corporation Outside Audit & Supervisory Board Member of Seven Bank, Ltd.	<p>Having served as Prosecutor-General of the Supreme Public Prosecutors Office, Mr. Kunihiro Matsuo has rich experience in the legal profession. Utilizing this experience, the Company expects him to execute his duties as Outside Audit &amp; Supervisory Board Member from the standpoint of a specialist. Therefore, the Company appointed him as an Outside Audit &amp; Supervisory Board Member.</p> <p>Mr. Kunihiro Matsuo was a party to a legal consultant agreement with the Audit &amp; Supervisory Board of the Company from October 2007 until June 23, 2009, which was the day before his appointment as Outside Audit &amp; Supervisory Board Member of the Company. Mr. Matsuo's legal consultant duties for the Audit &amp; Supervisory Board were only undertaken to help strengthen the functions of Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board, which have a function of auditing the Board of Directors from an independent standpoint and did not give rise to any interests between Mr. Matsuo and the Board of Directors or in terms of the execution of business. Since the day Mr. Matsuo took office as Audit &amp; Supervisory Board Member of the Company, he has received only the remuneration for Audit &amp; Supervisory Board Member from the Company.</p> <p>Mr. Kunihiro Matsuo is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit &amp; Supervisory Board Member.</p>
Hirohide Yamaguchi (June 2014)	Chairperson of the Advisory Board of Nikko Research Center, Inc. Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd. Outside Audit & Supervisory Board Member of Nippon Yusen Kabushiki Kaisha	<p>Having served as Deputy Governor of the Bank of Japan, Mr. Hirohide Yamaguchi has been active internationally in the financial field and has considerable insight and rich experience in the finance world. Utilizing this insight and experience, the Company expects him to execute his duties as Outside Audit &amp; Supervisory Board Member from the standpoint of a specialist. Therefore, the Company appointed him as an Outside Audit &amp; Supervisory Board Member.</p> <p>Mr. Hirohide Yamaguchi is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit &amp; Supervisory Board Member.</p>
Eiko Shinotsuka (June 2015)	Professor emeritus at Ochanomizu University Outside Director of Japan Securities Finance Co., Ltd. Outside Director of LIFENET INSURANCE COMPANY	<p>After engaging in research in economic fields at Japan Center for Economic Research, Ms. Eiko Shinotsuka, in addition to professor emeritus at Ochanomizu University, has the experience of having served as a member of the policy Board of the bank of Japan, Chairperson of the Cooperation Conference for the Gender Equality Promotion of the Cabinet Office, Executive Director of the Japan Legal Support Center and Commissioner of the National Personnel Authority, etc. and she has held numerous other official posts in public office up until now. Accordingly, she possesses wide-ranging knowledge and abundant experience, the Company expects her to execute her duties as Outside Audit &amp; Supervisory Board Member from the standpoint of a specialist. Therefore, the Company appointed her as an Outside Audit &amp; Supervisory Board Member.</p> <p>Ms. Eiko Shinotsuka is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit &amp; Supervisory Board Member.</p>

Notes:

The Company is going to propose the agendas of Election of eight (8) Directors and Election of two (2) Audit & Supervisory Board Members as the matters requiring a Resolution by the 148<sup>th</sup> Ordinary General Meeting of Shareholders scheduled for June 20, 2017. When the said agendas are approved, Outside Directors of the Company are following three (3) persons and Outside Audit & Supervisory Board Members of the Company are following three (3) persons.



## &lt;Outside Directors&gt;

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for nomination as candidate for Outside Director
Masayuki Oku (June 2014)	Director of Sumitomo Mitsui Financial Group, Inc. Outside Director of Panasonic Corporation Outside Director of Kao Corporation Outside Director of Chugai Pharmaceutical Co. Ltd. Non-executive Director of The Bank of East Asia, Limited Outside Audit & Supervisory Board Member of Nankai Electric Railway Co., Ltd.	<p>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.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management and enhancing corporate governance. Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>Mr. Masayuki 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.), which is one of the lenders of the Company and its consolidated subsidiaries, from January 2001 to April 2011. However, more than six (6) years have passed since his retirement from Sumitomo Mitsui Banking Corporation, and he currently has no involvement with the execution of business at the said bank. Because the Company and its consolidated subsidiaries have several lenders and the said bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, the said bank is not a business partner which has a significant impact on the Company's decision making. Accordingly, 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.</p>
Mitoji Yabunaka (June 2014)	Speciality Invited Professor (Distinguished Professor) of Ritsumeikan University Outside Director of Kawasaki Kisen Kaisha, Ltd. Outside Director of Mitsubishi Electric Corporation Outside Director of Takasago Thermal Engineering Co., Ltd.	<p>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.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to the mitigation and avoidance of risk in the Company's global business operations, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>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.</p>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for nomination as candidate for Outside Director
Makoto Kigawa (June 2016)	Chairperson of the Board and Representative Director of Yamato Holdings Co., Ltd.	<p>Having served as Representative Director of Yamato Holdings, Co., Ltd. and Yamato Transport Co., Ltd., Mr. Makoto Kigawa has considerable knowledge and rich experience in the business world, including use of ICT, business model innovation and so forth, and engaging in strategic and advanced corporate management, among others.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to appropriate monitoring of the management strategies of the Company, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>Mr. Kigawa serves as Chairperson of the Board and Representative Director of Yamato Holdings Co., Ltd. The Company and its consolidated subsidiaries have transactions with Yamato Holdings Co., Ltd.'s subsidiaries, including Yamato Transport Co., Ltd. for payment of transportation expenses, etc. However, the amount of the payment is less than 0.1% of the consolidated total of cost of sales and selling, general and administrative expenses of the Company and its consolidated subsidiaries for the most recent fiscal year.</p> <p>Mr. Makoto Kigawa is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director.</p>

<Outside Audit & Supervisory Board Members>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reasons for appointment as Outside Audit & Supervisory Board Members And nomination as candidate for Outside Audit & Supervisory Board Members
Hirohide Yamaguchi (June 2014)	Chairperson of the Advisory Board of Nikko Research Center, Inc. Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd. Outside Audit & Supervisory Board Member of Nippon Yusen Kabushiki Kaisha	Having served as Deputy Governor of the Bank of Japan, Mr. Hirohide Yamaguchi has been active internationally in the financial field and has considerable insight and rich experience in the finance world. Utilizing this insight and experience, the Company expects him to execute his duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company appointed him as an Outside Audit & Supervisory Board Member. Mr. Hirohide Yamaguchi is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit & Supervisory Board Member.
Eiko Shinotsuka (June 2015)	Professor emeritus at Ochanomizu University Outside Director of Japan Securities Finance Co., Ltd Outside Director of LIFENET INSURANCE COMPANY	After engaging in research in economic fields at Japan Center for Economic Research, Ms. Eiko Shinotsuka, in addition to professor emeritus at Ochanomizu University, has the experience of having served as a member of the policy Board of the bank of Japan, Chairperson of the Cooperation Conference for the Gender Equality Promotion of the Cabinet Office, Executive Director of the Japan Legal Support Center and Commissioner of the National Personnel Authority, etc. and she has held numerous other official posts in public office up until now. Accordingly, she possesses wide-ranging knowledge and abundant experience, the Company expects her to execute her duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company appointed her as an Outside Audit & Supervisory Board Member. Ms. Eiko Shinotsuka is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit & Supervisory Board Member.
Kotaro Ohno (June 2017, planed)	Attorney at law, Special Counsel of Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member of AEON Co., Ltd.	Having served as Prosecutor-General of the Supreme Public Prosecutors Office, Mr. Kotaro Ohno has rich experience in the legal profession. Utilizing this experience, the Company expects him to execute his duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company nominates him as a candidate for Outside Audit & Supervisory Board Member. Although Mr. Ohno has no experience in participating in the management of other companies directly, the Company judged that he would be able to execute the duties of Outside Audit & Supervisory Board Member adequately because of the reason above. Mr. Kotaro Ohno is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit & Supervisory Board Member.

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

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

## F. Compensation

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

(Millions of yen)

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

Notes:

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

2. Total amount of remuneration paid, etc., paid by the Company to persons whose total remuneration paid equaled or exceeded ¥100 million for the fiscal year ended March 31, 2017.

(Millions of yen)

Name and title	Monetary Remuneration			Non-Monetary Remuneration	Amount of Remuneration Paid
	Basic Remuneration	Bonus	Total	Stock-Based Remuneration	
Tetsuji Ohashi Director of the Company	100	36	135	19	154
Kunio Noji Director of the Company	91	33	123	19	142

Notes:

- 1) Stock-based remuneration represents the amount of expense allocated as remuneration for Directors, which are not monetary, in accounting for the fiscal year ended March 31. More specifically, Tetsuji Ohashi and Kunio Noji have each been granted the right to acquire 108 shares (Upon exercise of each Stock Acquisition Rights, 100 common shares of the Company will be delivered) of the common stock of the Company. The value for stock-based remuneration that has been recorded by the Company from an accounting perspective for the fiscal year ended March 31, 2017 has been calculated pursuant to the Accounting Standard for Share-based Payments of Japan by multiplying the fair value per share (¥1,721 per share) as of the grant date (August 1, 2016) by the number of shares granted.
- 2) The Directors' bonus of the above-mentioned two Directors is described in the amount of remuneration that is planned to be paid, which will be resolved at a Board of Directors meeting after the total amount of proposed remuneration is resolved by the 148<sup>th</sup> Ordinary General Meeting of Shareholders of the Company.
- 3) The portions of salaries as employees for Directors concurrently serving as employees are not paid.
- 4) Amounts of less than one (1) million yen are rounded to the nearest million yen.

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

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

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

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

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

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

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

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

With regards to the performance-based remuneration levels, the upper limit shall be twice the annual fixed remuneration (twelve (12) × monthly remuneration) of the Director, and the lower limit shall be zero (0) payment (remuneration in this case will comprise only the fixed remuneration). Two-thirds (2/3) of the total amount of performance-based remuneration shall be paid in the form of cash as Directors' bonuses (provided, however, the upper limit is twelve (12) × monthly remuneration), and the amount remaining after deducting the Directors' bonuses shall be paid by granting Stock Acquisition Rights as stock-based remuneration for the purpose of fostering the same perspective on corporate value with the shareholders and consequently clarifying their incentive to enhance the long-term corporate value of the Company. However, the total amount of performance-based remuneration to Outside Directors shall have the upper limit of one-third (1/3) of the annual fixed remuneration in consideration of their role and standing.

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

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

## G. Shareholdings

### 1. Investment securities held for purposes other than pure investment

Number of stock names: 56

Total amount on the balance sheet: ¥55,330 million.

### 2. Stock name, number of shares, amount on the balance sheet and holding purpose of investment securities held for purposes other than pure investment

Specified investment securities, fiscal year ended March 31, 2017

Stock name	Number of shares (Thousands of shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
Cummins Inc.	1,785	30,293	Maintaining and strengthening cooperation and enhancing the alliance in diesel engine business with the issuer.
T&D Holdings, Inc.	8,167	13,198	Facilitating fund procurement from Taiyo Life Insurance Company, which is a principal financial institution for the Company and a subsidiary of the issuer.
Sumitomo Mitsui Financial Group, Inc.	1,517	6,138	Facilitating fund procurement from Sumitomo Mitsui Banking Corporation, which is a principal financial institution for the Company and a subsidiary of the issuer.
The Hokkoku Bank, Ltd.	8,592	3,634	Facilitating fund procurement from the issuer, which is a principal financial institution for the Company.
Mitsubishi UFJ Financial Group, Inc.	399	279	To facilitate fund procurement from The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is a principal financial institution for the Company and a subsidiary of the issuer.

## Specified investment securities, fiscal year ended March 31, 2016

Stock Name	Number of Shares (Thousands of shares)	Amount on the Balance sheet (Millions of yen)	Holding purpose
Cummins Inc.	1,785	22,123	Maintaining and strengthening cooperation and enhancing the alliance in diesel engine business with the issuer.
T&D Holdings, Inc.	8,167	8,571	Facilitating fund procurement from Taiyo Life Insurance Company, which is a principal financial institution for the Company and a subsidiary of the issuer.
Sumitomo Mitsui Financial Group, Inc.	1,517	5,178	Facilitating fund procurement from Sumitomo Mitsui Banking Corporation, which is a principal financial institution for the Company and a subsidiary of the issuer.
The Hokkoku Bank, Ltd.	8,592	2,543	Facilitating fund procurement from the issuer, which is a principal financial institution for the Company.
T.RAD Co., Ltd.	1,688	305	Maintaining and strengthening Komatsu's product competitiveness by using the issuer's cooling technologies.
Mitsubishi UFJ Financial Group, Inc.	399	208	To facilitate fund procurement from The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is a principal financial institution for the Company and a subsidiary of the issuer.
FUJI TECHNICA & MIYAZU INC.	64	59	Maintaining and strengthening cooperation and enhancing the relationship in Industrial Machinery and Others business with the issuer.

## 3. Investment securities held for pure investment

Not applicable.

## 4. Investment securities for which the holding purpose has changed

Not applicable.

## (2) Details of audit fee, etc.

### (i) Details of fee to auditors

Category	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2016	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	361	4	361	4
Consolidated subsidiaries	290	-	298	-
Total	651	4	659	4

### (ii) Other material fees

(Fiscal year ended March 31, 2017)

The Company's consolidated subsidiaries paid ¥1,116 million as fees for audit services and ¥404 million as fees for non-audit services to individual member firms affiliated with KPMG International, to which KPMG AZSA LLC belongs, who were taking in charge of the Company's audit.

(Fiscal year ended March 31, 2016)

The Company's consolidated subsidiaries paid ¥1,252 million as fees for audit services and ¥92 million as fees for non-audit services to individual member firms affiliated with KPMG International, to which KPMG AZSA LLC belongs, who were taking in charge of the Company's audit.

### (iii) Details of non-audit services rendered by auditors

(Fiscal year ended March 31, 2017)

Non-audit services provided to the Company by the certified public accountants, etc., for which the Company paid fees were services regarding issuance of bonds, etc.

(Fiscal year ended March 31, 2016)

Non-audit services provided to the Company by the certified public accountants, etc., for which the Company paid fees were services regarding issuance of bonds, etc.

### (iv) Policy on determining audit fee

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



## **Item 5. Financial Information**

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

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

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

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

### **2. Audit certification**

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2016 to March 31, 2017 and the non-consolidated financial statements for the 148<sup>th</sup> fiscal year (from April 1, 2016 to March 31, 2017) were audited by KPMG AZSA LLC.

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

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

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

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

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

# 1. Consolidated Financial Statements, etc.

## (1) Consolidated Financial Statements

### Consolidated Balance Sheets

Komatsu Ltd. and Consolidated Subsidiaries as of March 31, 2017 and 2016

Assets	2017		2016	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
<b>Current assets</b>				
Cash and cash equivalents (Note 20)	¥ 119,901		¥ 106,259	
Time deposits (Note 20)	2,289		2,212	
Trade notes and accounts receivable, net (Notes 4, 7, 20 and 23)	619,265		583,390	
Inventories (Note 5)	533,897		539,611	
Assets held for sale	—		13,388	
Deferred income taxes and other current assets (Notes 7, 9, 15, 19, 20, 21 and 23)	144,169		141,593	
<b>Total current assets</b>	<b>1,419,521</b>	<b>53.4</b>	<b>1,386,453</b>	<b>53.0</b>
<b>Long-term trade receivables, net</b> (Notes 4, 20 and 23)	<b>313,946</b>	<b>11.8</b>	<b>291,923</b>	<b>11.2</b>
<b>Investments</b>				
Investments in and advances to affiliated companies (Note 7)	30,330		28,123	
Investment securities (Notes 6, 20 and 21)	67,716		51,590	
Other	2,424		2,640	
<b>Total investments</b>	<b>100,470</b>	<b>3.8</b>	<b>82,353</b>	<b>3.2</b>
<b>Property, plant and equipment</b>				
– less accumulated depreciation and amortization (Notes 8 and 16)	679,027	25.6	697,742	26.7
<b>Goodwill</b> (Notes 3 and 10)	<b>40,072</b>	<b>1.5</b>	<b>40,005</b>	<b>1.5</b>
<b>Other intangible assets</b>				
– less accumulated amortization (Note 10)	61,083	2.3	63,056	2.4
<b>Deferred income taxes and other assets</b> (Notes 12, 15, 19, 20, 21 and 23)	<b>42,363</b>	<b>1.6</b>	<b>53,122</b>	<b>2.0</b>
<b>Total assets</b>	<b>¥ 2,656,482</b>	<b>100.0</b>	<b>¥ 2,614,654</b>	<b>100.0</b>
	2017		2016	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Short-term debt (Notes 11 and 20)	¥ 128,452		¥ 144,552	
Current maturities of long-term debt (Notes 11, 16 and 20)	89,391		100,364	
Trade notes, bills and accounts payable (Notes 7 and 20)	240,113		205,411	
Income taxes payable (Note 15)	25,136		29,310	
Liabilities held for sale (Note 12)	—		7,057	
Deferred income taxes and other current liabilities (Notes 12, 15, 18, 19, 20, 21 and 23)	217,090		214,200	
<b>Total current liabilities</b>	<b>700,182</b>	<b>26.3</b>	<b>700,894</b>	<b>26.8</b>
<b>Long-term liabilities</b>				
Long-term debt (Notes 11, 16 and 20)	190,859		212,636	
Liability for pension and retirement benefits (Note 12)	65,247		67,972	
Deferred income taxes and other liabilities (Notes 15, 18, 19, 20 and 21)	51,679		45,392	
<b>Total long-term liabilities</b>	<b>307,785</b>	<b>11.6</b>	<b>326,000</b>	<b>12.5</b>
<b>Total liabilities</b>	<b>1,007,967</b>	<b>37.9</b>	<b>1,026,894</b>	<b>39.3</b>
<b>Commitments and contingent liabilities</b> (Note 18)				
<b>Equity</b>				
<b>Komatsu Ltd. shareholders' equity</b> (Note 13)				
Common stock:				
Authorized 3,955,000,000 shares				
Issued 971,967,660 shares				
Outstanding 942,983,225 shares in 2017 and 942,675,356 shares in 2016	67,870		67,870	
Capital surplus	138,285		138,243	
Retained earnings:				
Appropriated for legal reserve	45,368		44,018	
Unappropriated	1,357,350		1,300,030	
Accumulated other comprehensive income (loss) (Notes 6, 12, 14, 19 and 21)	18,682		18,667	
Treasury stock at cost,				
28,984,435 shares in 2017 and 29,292,304 shares in 2016 (Note 13)	(50,881)		(51,414)	
<b>Total Komatsu Ltd. shareholders' equity</b>	<b>1,576,674</b>	<b>59.4</b>	<b>1,517,414</b>	<b>58.0</b>
<b>Noncontrolling interests</b>	<b>71,841</b>	<b>2.7</b>	<b>70,346</b>	<b>2.7</b>
<b>Total equity</b>	<b>1,648,515</b>	<b>62.1</b>	<b>1,587,760</b>	<b>60.7</b>
<b>Total liabilities and equity</b>	<b>¥ 2,656,482</b>	<b>100.0</b>	<b>¥ 2,614,654</b>	<b>100.0</b>

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

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Komatsu Ltd. and Consolidated Subsidiaries

For the fiscal years ended March 31, 2017 and 2016.

Consolidated Statements of Income

	2017		2016	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
Net sales (Note 7)	¥ 1,802,989	100.0	¥ 1,854,964	100.0
Cost of sales (Notes 10, 12, 14, 16, 19 and 24)	1,286,424	71.3	1,315,773	70.9
Selling, general and administrative expenses (Notes 3, 10, 12, 13, 14, 16, 24 and 25)	339,986	18.9	337,133	18.2
Impairment loss on long-lived assets (Note 24)	1,743	0.1	3,032	0.2
Other operating income (expenses), net (Note 24)	(739)	(0.0)	9,551	0.5
<b>Operating income</b>	<b>174,097</b>	<b>9.7</b>	<b>208,577</b>	<b>11.2</b>
<b>Other income (expenses), net</b> (Note 24)				
Interest and dividend income (Note 7)	3,462	0.2	3,689	0.2
Interest expense	(8,212)	(0.5)	(8,771)	(0.5)
Other, net (Notes 6, 14, 19 and 21)	(2,878)	(0.2)	1,386	0.1
Total	(7,628)	(0.4)	(3,696)	(0.2)
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>166,469</b>	<b>9.2</b>	<b>204,881</b>	<b>11.0</b>
<b>Income taxes</b> (Notes 14 and 15)				
Current	51,991		62,301	
Deferred	(1,586)		1,416	
Total	50,405	2.8	63,717	3.4
<b>Income before equity in earnings of affiliated companies</b>	<b>116,064</b>	<b>6.4</b>	<b>141,164</b>	<b>7.6</b>
<b>Equity in earnings of affiliated companies</b>	<b>3,302</b>	<b>0.2</b>	<b>1,973</b>	<b>0.1</b>
<b>Net income</b>	<b>119,366</b>	<b>6.6</b>	<b>143,137</b>	<b>7.7</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>5,985</b>	<b>0.3</b>	<b>5,711</b>	<b>0.3</b>
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 113,381</b>	<b>6.3</b>	<b>¥ 137,426</b>	<b>7.4</b>

Yen

**Per share data** (Note 17):

**Net income attributable to Komatsu Ltd.:**

Basic	120.26	145.80
Diluted	120.10	145.61
<b>Cash dividends per share</b>	<b>58.00</b>	<b>58.00</b>

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2017	2016
<b>Net income</b>	¥ 119,366	¥ 143,137
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments (Notes 14 and 15)	(16,502)	(82,127)
Net unrealized holding gains (losses) on securities available for sale (Notes 6, 14 and 15)	10,861	(13,595)
Pension liability adjustments (Notes 12, 14 and 15)	4,908	(5,635)
Net unrealized holding gains on derivative instruments (Notes 14, 15 and 19)	(123)	790
<b>Total</b>	<b>(856)</b>	<b>(100,567)</b>
<b>Comprehensive income</b>	118,510	42,570
<b>Less: Comprehensive income (loss) attributable to noncontrolling interests</b>	5,114	(112)
<b>Comprehensive income attributable to Komatsu Ltd.</b>	<b>¥ 113,396</b>	<b>¥ 42,682</b>

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

## Consolidated Statements of Equity

Komatsu Ltd. and Consolidated Subsidiaries

For the fiscal year ended March 31, 2017

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Un-appropriated					
<b>Balance at March 31, 2016</b>	<b>¥ 67,870</b>	<b>¥ 138,243</b>	<b>¥ 44,018</b>	<b>¥ 1,300,030</b>	<b>¥ 18,667</b>	<b>¥ (51,414)</b>	<b>¥ 1,517,414</b>	<b>¥ 70,346</b>	<b>¥ 1,587,760</b>
Cash dividends				(54,711)			(54,711)	(3,330)	(58,041)
Transfer to retained earnings appropriated for legal reserve			1,350	(1,350)			—		—
Other changes		(74)					(74)	(289)	(363)
Net income				113,381			113,381	5,985	119,366
Other comprehensive income (loss), for the period, net of tax (Note 14)					15		15	(871)	(856)
Issuance and exercise of stock acquisition rights (Note 13)		3					3		3
Purchase of treasury stock						(38)	(38)		(38)
Sales of treasury stock		113				571	684		684
<b>Balance at March 31, 2017</b>	<b>¥ 67,870</b>	<b>¥ 138,285</b>	<b>¥ 45,368</b>	<b>¥ 1,357,350</b>	<b>¥ 18,682</b>	<b>¥ (50,881)</b>	<b>¥ 1,576,674</b>	<b>¥ 71,841</b>	<b>¥ 1,648,515</b>

For the fiscal year ended March 31, 2016

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Un-appropriated					
<b>Balance at March 31, 2015</b>	<b>¥ 67,870</b>	<b>¥ 138,696</b>	<b>¥ 40,980</b>	<b>¥ 1,220,338</b>	<b>¥ 113,018</b>	<b>¥ (51,936)</b>	<b>¥ 1,528,966</b>	<b>¥ 69,534</b>	<b>¥ 1,598,500</b>
Cash dividends				(54,696)			(54,696)	(3,429)	(58,125)
Transfer to retained earnings appropriated for legal reserve			3,038	(3,038)			—		—
Other changes		(512)			393		(119)	4,353	4,234
Net income				137,426			137,426	5,711	143,137
Other comprehensive income (loss), for the period, net of tax (Note 14)					(94,744)		(94,744)	(5,823)	(100,567)
Issuance and exercise of stock acquisition rights (Note 13)		(5)					(5)		(5)
Purchase of treasury stock						(36)	(36)		(36)
Sales of treasury stock		64				558	622		622
<b>Balance at March 31, 2016</b>	<b>¥ 67,870</b>	<b>¥ 138,243</b>	<b>¥ 44,018</b>	<b>¥ 1,300,030</b>	<b>¥ 18,667</b>	<b>¥ (51,414)</b>	<b>¥ 1,517,414</b>	<b>¥ 70,346</b>	<b>¥ 1,587,760</b>

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

## Consolidated Statements of Cash Flows

Komatsu Ltd. and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2017 and 2016

	Millions of yen	
	2017	2016
<b>Operating activities</b>		
Net income	¥ 119,366	¥ 143,137
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	104,295	112,467
Deferred income taxes	(1,586)	1,416
Impairment loss and net gain from sale of investment securities	(151)	(3,751)
Net gain on sale of property	(1,229)	(10,091)
Loss on disposal of fixed assets	2,825	3,015
Impairment loss on long-lived assets	1,743	3,032
Pension and retirement benefits, net	4,439	1,809
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(69,120)	(23,877)
Decrease (increase) in inventories	7,474	53,867
Increase (decrease) in trade payables	36,351	(13,446)
Increase (decrease) in income taxes payable	(3,890)	(9,640)
Other, net	55,609	61,696
Net cash provided by operating activities	<u>256,126</u>	<u>319,634</u>
<b>Investing activities</b>		
Capital expenditures	(150,614)	(166,479)
Proceeds from sale of property	18,828	30,786
Proceeds from sale of available for sale investment securities	611	5,353
Purchases of available for sale investment securities	(292)	(440)
Proceeds from sale of subsidiaries and equity investees, net of cash disposed	5,674	210
Acquisition of subsidiaries and equity investees, net of cash acquired	(7,289)	(16,198)
Collection of loan receivables	73	210
Disbursement of loan receivables	(221)	—
Increase in time deposits, net	(69)	(2,084)
Net cash used in investing activities	<u>(133,299)</u>	<u>(148,642)</u>
<b>Financing activities</b>		
Proceeds from debt issued (Original maturities greater than three months)	124,944	140,743
Payment on debt (Original maturities greater than three months)	(157,766)	(240,626)
Short-term debt, net (Original maturities three months or less)	(17,070)	(13,039)
Repayments of capital lease obligations	(54)	(669)
Sale (purchase) of treasury stock, net	237	64
Dividends paid	(54,711)	(54,696)
Other, net	(3,298)	(4,856)
Net cash used in financing activities	<u>(107,718)</u>	<u>(173,079)</u>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<u>(1,467)</u>	<u>2,441</u>
<b>Net increase in cash and cash equivalents</b>	<u>13,642</u>	<u>354</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>106,259</u>	<u>105,905</u>
<b>Cash and cash equivalents, end of year</b>	<u>¥ 119,901</u>	<u>¥ 106,259</u>

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

**Notes to Consolidated Financial Statements**  
**Komatsu Ltd. and Consolidated Subsidiaries**  
**For the fiscal years ended March 31, 2017 and 2016**

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

**Description of Business**

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

The consolidated net sales of Komatsu for the fiscal year ended March 31, 2017, consisted of the following: construction, mining and utility equipment business – 86.9%, retail finance business – 2.6%, industrial machinery and others business – 10.5%.

Sales are made principally under the Komatsu brand name, and are almost entirely executed through sales subsidiaries and sales distributors. These subsidiaries and distributors are responsible for marketing and distribution and primarily sell to retail dealers in their geographical area. Of consolidated net sales for the fiscal year ended March 31, 2017, 78.2% were generated outside Japan, with 33.4% in the Americas, 12.2% in Europe and CIS, 7.1% in China, 19.5% in Asia (excluding Japan and China) and Oceania, and 6.0% in the Middle East and Africa.

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

**Basis of Financial Statement Presentation**

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

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

Some adjustments without being booked on each subsidiaries’ and affiliates’ financial statements are added to the accompanying consolidated financial statements. These adjustments are mainly due to the gaps of accounting principles between Japan and the United States of America. See Note 26 “Terminology, Forms and Preparation Methods of Consolidated Financial Statements”.

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

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

**Summary of Significant Accounting Policies**

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

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

Variable interest entities are consolidated for which the Company is the primary beneficiary in accordance with Financial Accounting Standards Board (hereinafter “FASB”) Accounting Standards Codification™ (hereinafter “ASC”) 810, “Consolidation”. The consolidated balance sheets as of March 31, 2017 and 2016 include assets of ¥36,061 million and ¥34,103 million, respectively. Consolidated variable interest entities mainly engage in equipment leasing in Europe. The majority of these assets are trade notes and accounts receivable, and long-term trade receivables.

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

**(2) Foreign Currency Translation and Transactions**

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

### (3) Allowance for Doubtful Trade Receivables

Komatsu records allowance for doubtful receivables as the best estimate of the amount of probable credit losses in Komatsu's existing receivables including financing receivables. The amount is determined based on historical experience, credit information of individual customers, and assessment of overdue receivables. An additional allowance for individual receivables is recorded when Komatsu becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration of the customer's business performance. The amount of estimated credit losses is further adjusted to reflect changes in customer circumstances.

### (4) Inventories

Inventories are stated at the lower of cost or market. Komatsu determines cost of work in process and finished products using the specific identification method based on actual costs accumulated under a job-order cost system. The cost of finished parts is determined principally using the first-in first-out method. Cost of materials and supplies is stated at average cost.

### (5) Investment Securities

Komatsu's investments in debt and marketable equity securities are categorized as available-for-sale securities which are stated at fair value. Changes in fair values are included as a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated financial statements.

Unrealized losses on marketable securities are charged against net earnings when a decline in market value below initial cost is determined to be other than temporary based primarily on the financial condition and near term prospects of the issuer and the extent and length of the time of the decline.

Non-marketable equity securities are carried at cost. In assessing other-than-temporary impairment of these securities, Komatsu considers the financial condition and prospects of each investee company and other relevant factors. Impairment to be recognized is measured based on the amount by which the carrying amount of the investment securities exceeds its estimated fair value which is regularly determined using discounted cash flows or other valuation techniques considered appropriate.

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

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

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

<u>Asset</u>	<u>Life</u>
Buildings	3 to 50 years
Machinery and equipment	2 to 20 years

Certain leased machinery and equipment are accounted for as capital leases. The aggregate cost included in property, plant and equipment and related accumulated amortization as of March 31, 2017 and 2016 were as follows:

	<u>Millions of yen</u>	
	<u>2017</u>	<u>2016</u>
Aggregate cost	¥ 3,505	¥ 8,403
Accumulated amortization	1,275	5,748

Accumulated amortization related to capital leases is included in accumulated depreciation.

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

### (7) Goodwill and Other Intangible Assets

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



## **(8) Revenue Recognition**

Komatsu recognizes revenue when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered for customers or dealers, (3) sales price is fixed or determinable, and (4) collectability is reasonably assured.

Revenue from sales of products including construction, mining and utility equipment and industrial machinery is recognized when title and risk of ownership is transferred to independently owned and operated customers or dealers, which occurs upon the attainment of customer acceptance or when installation is completed. The conditions of acceptance are governed by the terms of the contract or arrangement. For arrangements with multiple elements, which may include any combination of products, installation and maintenance, Komatsu allocates revenue to each element based on its relative fair value if such elements meet the criteria for treatment as a separate unit of accounting. When Komatsu enters into a separate contract to render transportation or technical advice, principally related to a sale of mining equipment and large-sized industrial machinery, these service revenues are accounted for separately from the product sale and recognized at the completion of the service delivery specified in the contract.

Service revenues from repair and maintenance and from transportation are recognized at the completion of service-delivery. Revenues from long-term fixed price maintenance contracts are recognized ratably over the contract period.

Certain consolidated subsidiaries rent construction equipment to customers. Rent revenue is recognized on a straight-line basis over the rental period.

Revenue from providing retail financing is recognized using the interest method. Revenue from operating lease is recognized on a straight-line basis over the lease period.

Revenues are recorded net of discounts. In addition, taxes collected from customers and remitted to governmental-authorities on revenue-producing transactions are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of income.

## **(9) Income Taxes**

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

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

## **(10) Product Warranties**

Komatsu establishes a liability for estimated product warranty cost at the time of sale. Estimates for accrued product warranty cost are primarily based on historical experience and are classified as other current liabilities and other liabilities.

## **(11) Pension and Retirement Benefits**

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

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

In such case, the amount of amortization recognized is the resulting excess divided by average remaining service period of active employees expected to receive benefits under the plan. The expected return on plan assets is determined based on the historical long-term rate of return on plan assets. The discount rate is determined based on the rates of return of high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits.

## **(12) Share-Based Compensation**

The Company recognizes share-based compensation expense using the fair value method. Compensation expense is measured at grant-date fair value of the share-based award and charged to expense over the vesting period.

## **(13) Per Share Data**

Basic net income attributable to Komatsu Ltd. per share has been computed by dividing net income attributable to Komatsu Ltd. by the weighted-average number of common shares outstanding during each fiscal year, after deducting treasury stock. Diluted net

income attributable to Komatsu Ltd. per share reflects the potential dilution computed on the basis that all stock options were exercised (less the number of treasury stock assumed to be purchased from proceeds using the average market price of the Company's common shares) to the extent that each is not antidilutive.

Dividends per share shown in the accompanying consolidated statements of income are based on dividends approved and paid in each fiscal year.

#### **(14) Cash and Cash Equivalents**

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

Komatsu's overseas subsidiaries participate in a global cash pooling system based on agreement with a single financial institution, which is used to fund short-term liquidity needs. This agreement contains specific provisions for the right to offset positive and negative cash balances on a global basis. The facility allows for cash withdrawals from this financial institution up to our aggregate cash deposits within the same financial institution. Komatsu's consolidated balance sheets as of March 31, 2017 and 2016 reflect cash net of withdrawals of ¥171,135 million and ¥176,753 million respectively.

#### **(15) Derivative Financial Instruments**

Komatsu uses various derivative financial instruments to manage its interest rate and foreign exchange exposure.

All derivatives, including derivatives embedded in other financial instruments, are measured at fair value and recognized as either assets or liabilities on the consolidated balance sheet. Changes in the fair values of derivative instruments not designated or not qualifying as hedges and any ineffective portion of qualified hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments which qualify as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair value of the effective portions of cash flow hedges are reported in accumulated other comprehensive income (loss), and recognized in earnings when the hedged item is recognized in earnings.

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

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

#### **(17) Use of Estimates**

Komatsu has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses presented in consolidated financial statements prepared in accordance with U.S. GAAP. Actual results could differ from the estimates and assumptions.

Komatsu has identified several areas where it believes estimates and assumptions are particularly critical to the financial statements. These are the determination of the useful lives of property, plant and equipment, the allowance for doubtful receivables, impairment of long-lived assets and goodwill, pension liabilities and expenses, product warranty liabilities, fair value of financial instruments, realization of deferred tax assets, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates.

#### **(18) Recently Adopted Accounting Standards**

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

#### **(19) New Accounting Standards**

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers". This update replaces the revenue recognition requirements in ASC 605. This update requires that an entity should recognize revenue to depict the transfer of promised 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. This update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. In August 2015, the FASB issued ASU 2015-14 “Revenue from Contracts with Customers: Deferral of the Effective date” that defer for one year the revenue recognition standard’s effective date. In this update, its early adoption would be permitted, but not before the original effective date. Komatsu is currently considering the adoption date and the impact of this update on Komatsu’s financial position and results of operations.

In November 2015, the FASB issued ASU 2015-17 “Balance Sheet Classification of Deferred Taxes”. This update requires deferred tax assets and liabilities be classified as noncurrent in the classified consolidated balance sheets. This update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Komatsu is currently considering the impact of this update on Komatsu’s financial position.

In January 2016, the FASB issued ASU 2016-01 “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 a company and also changes recognition of fair value changes of financial liability held by a company with the fair value option. In principle, this update requires that equity investments be measured at fair value with changes in the fair value recognized in net income. This update also requires that for financial liabilities, when the fair value option has been elected, changes in fair value due to instrument-specific credit risk be recognized separately in other comprehensive income. This update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and its early adoption is permitted for certain provisions. Komatsu is currently considering the adoption date and the impact of this update on Komatsu’s financial position and results of operations.

In February 2016, the FASB issued ASU 2016-02 “Leases”. This update requires lessees to recognize most leases on their balance sheets. This update does not substantially change lessor accounting from current U.S.GAAP. This update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and its early adoption is permitted. Komatsu is currently considering the adoption date and the impact of this update on Komatsu’s financial position and results of operations.

In January 2017, the FASB issued ASU 2017-04 “Simplifying the Test for Goodwill Impairment”. This update eliminates Step 2 of the goodwill impairment test, that is, the process of calculating the amount equivalent to fair value of goodwill and comparing the amount with its carrying amount, and requires an entity to recognize the excess of the carrying amount of a reporting unit over its fair value as an impairment loss in Step 1. This update is effective for annual reporting periods beginning after December 15, 2020, including interim periods within that reporting period, and its early adoption is permitted. Komatsu is currently considering the adoption date and the impact of this update on Komatsu’s financial position and results of operations.

In March 2017, the FASB issued ASU 2017-07 “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. In addition, the update clarifies that only the service cost component is eligible for capitalization. This update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and its early adoption is permitted. Komatsu is currently considering the adoption date and the impact of this update on Komatsu’s financial position and results of operations.

## 2. Supplemental Cash Flow Information

Additional cash flow information and noncash investing and financing activities for the fiscal years ended March 31, 2017 and 2016, are as follows:

	Millions of yen	
	2017	2016
<b>Additional cash flow information:</b>		
Interest paid	¥ 7,970	¥ 9,287
Income taxes paid	44,369	64,138
<b>Noncash investing and financing activities:</b>		
Capital lease obligations incurred	¥ 767	¥ 214

## 3. Business Combination

### Komatsu Maquinarias Mexico, S.A. de C.V.

On February 12, 2016, the Company acquired, through a Komatsu Group company, 60% of the equity interests in Road Machinery Co., S.A. de C.V. (hereinafter "Road Machinery"), Mitsui & Co., Ltd.'s subsidiary in Mexico which services Komatsu mining equipment. The total purchase price for the acquisition was ¥12,368 million. Road Machinery changed its company name to Komatsu Maquinarias Mexico, S.A. de C.V. in October 2016.

Komatsu positions Mexico which is a mineral resource-rich country as an important growth market for its mining equipment business. Komatsu plans to strengthen its capabilities in winning new customers and product support, in the forms of overhauling and prompt supply of spare parts by taking the leadership role of managing Komatsu Maquinarias Mexico, S.A. de C.V.

The fair value measurement of the acquired assets and assumed liabilities under ASC 805, "Business Combinations" was completed at the end of September 2016. There were not any adjustments made to provisional amounts during the measurement period recognized in this business combination.

Following is a summary of the assets acquired and liabilities adjusted to reflect purchase price allocation assumed as of the date of acquisition.

	Millions of yen
<b>Consideration</b>	
Cash and cash equivalents	¥ 12,368
Fair value of total consideration transferred	12,368
Acquisition-related cost (included in selling, general and administrative expenses)	¥ 178
<b>Recognized amounts of identifiable assets and liabilities assumed</b>	
Current assets	¥ 14,716
Property, plant and equipment	2,473
Intangible assets	6,078
<b>Total assets acquired</b>	<b>23,267</b>
Current liabilities	(5,632)
Long-term liabilities	(4,393)
<b>Total liabilities assumed</b>	<b>(10,025)</b>
<b>Net assets acquired</b>	<b>13,242</b>
Noncontrolling interests	(4,484)
Goodwill	3,610
	¥ 12,368

The goodwill of ¥3,610 million was assigned to the Construction, Mining and Utility Equipment operating segment. The goodwill is not deductible for tax purpose.

The amounts of net sales and net income of Komatsu Maquinarias Mexico, S.A. de C.V. included in the consolidated statements of income since the date of acquisition for the fiscal year ended March 31, 2016 were immaterial.

Assuming this acquisition had been made on April 1, 2014, the consolidated pro forma results would not be materially different from reported results.

#### 4. Trade Notes and Accounts Receivable

Receivables at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen	
	2017	2016
Trade notes	¥ 174,250	¥ 159,117
Accounts receivable	462,134	440,068
<b>Total</b>	<b>636,384</b>	<b>599,185</b>
Less: allowance-current	(17,119)	(15,795)
<b>Trade notes and accounts receivable, net</b>	<b>¥ 619,265</b>	<b>¥ 583,390</b>
Long-term trade receivables	319,153	293,717
Less: allowance-noncurrent	(5,207)	(1,794)
<b>Long-term trade receivables, net</b>	<b>¥ 313,946</b>	<b>¥ 291,923</b>

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

The roll-forward schedule of the allowance for credit losses of the financing receivables for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen	
	2017	2016
Balance at beginning of year	¥ 10,551	¥ 11,705
Provision	9,679	1,485
Charge-offs	(4,410)	(1,801)
Other	(323)	(838)
<b>Balance at end of year</b>	<b>¥ 15,497</b>	<b>¥ 10,551</b>

Komatsu considers that financing receivables of retail finance subsidiaries are past due, if unpaid for greater than 30 days. Cumulative past due financing receivables (31-90 days, greater than 90 days) at March 31, 2017 and 2016 were summarized as follows:

	Millions of yen	
	2017	2016
31-90 days past due	¥ 1,526	¥ 2,763
Greater than 90 days past due	12,293	14,868
<b>Total past due</b>	<b>¥ 13,819</b>	<b>¥ 17,631</b>

Nonaccrual financing receivables at March 31, 2017 and 2016 were not material.

Equipment sales revenue from sales-type leases is recognized at the inception of the lease. At March 31, 2017 and 2016, lease receivables comprised the following:

	Millions of yen	
	2017	2016
Minimum lease payments receivable	¥ 114,140	¥ 135,708
Unearned income	(7,799)	(9,284)
<b>Net lease receivables</b>	<b>¥ 106,341</b>	<b>¥ 126,424</b>

The residual values of leased assets at March 31, 2017 and 2016 were not material.

Komatsu did not have any cash flows from securitization activities from the sale of trade notes and accounts receivable for the fiscal years ended March 31, 2017 and 2016.

## 5. Inventories

At March 31, 2017 and 2016, inventories comprised the following:

	Millions of yen	
	2017	2016
Finished products, including finished parts held for sale	¥ 383,630	¥ 385,623
Work in process	109,844	106,233
Materials and supplies	40,423	47,755
Total	¥ 533,897	¥ 539,611

## 6. Investment Securities

Investment securities at March 31, 2017 and 2016, primarily consisted of securities available for sale.

Unrealized holding gains and losses are included as a component of accumulated other comprehensive income (loss) until realized.

The cost, gross unrealized holding gains and losses, and fair value for such investment securities by major security types at March 31, 2017 and 2016, are as follows:

	Millions of yen			
	Cost	Gross unrealized holding		Fair value
		Gains	Losses	
<b>At March 31, 2017</b>				
Investment securities:				
Marketable equity securities available for sale	¥ 13,035	¥ 46,032	¥ —	¥ 59,067
Other investment securities at cost	8,649			
	¥ 21,684			
<b>At March 31, 2016</b>				
Investment securities:				
Marketable equity securities available for sale	¥ 13,297	¥ 30,520	¥ —	¥ 43,817
Other investment securities at cost	7,773			
	¥ 21,070			

Other investment securities primarily include non-marketable equity securities.

Proceeds from the sale of investment securities available for sale during the fiscal years ended March 31, 2017 and 2016, amounted to ¥611 million and ¥5,353 million, respectively.

Impairment loss and net gain (loss) from sale of investment securities available for sale during the fiscal years ended March 31, 2017 and 2016, amounted to gains of ¥151 million and ¥3,751 million, respectively. Such gains were included in other income (expenses), net in the accompanying consolidated statements of income.

The cost of the investment securities sold was computed based on the average cost method.

## 7. Investments in and Advances to Affiliated Companies

At March 31, 2017 and 2016, investments in and advances to affiliated companies comprised the following:

	Millions of yen	
	2017	2016
Investments in capital stock	¥ 30,109	¥ 28,123
Advances	221	—
<b>Total</b>	<b>¥ 30,330</b>	<b>¥ 28,123</b>

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

At March 31, 2017 and 2016, trade notes and accounts receivable and short-term loans receivable from and trade notes, bills and accounts payable to affiliated companies comprised the following:

	Millions of yen	
	2017	2016
Trade notes and accounts receivable, net	¥ 25,484	¥ 24,604
Short-term loans receivable	191	252
Trade notes, bills and accounts payable	10,731	11,006

Net sales to and dividends received from affiliated companies for the fiscal years ended March 31, 2017 and 2016, are as follows.

	Millions of yen	
	2017	2016
Net sales	¥ 68,299	¥ 73,333
Dividends	1,209	1,214

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

As of March 31, 2017 and 2016, consolidated unappropriated retained earnings included Komatsu's share of undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥18,323 million and ¥16,177 million, respectively.

The difference between the carrying value of the investments in affiliated companies and Komatsu's equity in the underlying net assets of such affiliated companies is insignificant as of March 31, 2017 and 2016.

Summarized financial information for affiliated companies at March 31, 2017 and 2016, and for the fiscal years ended March 31, 2017 and 2016, is as follows:

	Millions of yen	
	2017	2016
<b>Current assets</b>	<b>¥ 137,415</b>	<b>¥ 142,683</b>
Net property, plant and equipment – less accumulated depreciation and amortization	47,398	48,746
Investments and other assets	23,647	19,647
<b>Total assets</b>	<b>¥ 208,460</b>	<b>¥ 211,076</b>
<b>Current liabilities</b>	<b>¥ 94,138</b>	<b>¥ 102,115</b>
Noncurrent liabilities	30,827	30,891
<b>Equity</b>	<b>83,495</b>	<b>78,070</b>
<b>Total liabilities and equity</b>	<b>¥ 208,460</b>	<b>¥ 211,076</b>

	Millions of yen	
	2017	2016
Net sales	¥ 217,437	¥ 218,919
Net income	¥ 8,577	¥ 5,729

## 8. Property, Plant and Equipment

The major classes of property, plant and equipment at March 31, 2017 and 2016, are as follows:

	Millions of yen	
	2017	2016
Land	¥ 100,631	¥ 102,141
Buildings	445,030	439,475
Machinery and equipment	929,206	944,039
Construction in progress	20,481	14,477
Total	1,495,348	1,500,132
Less: accumulated depreciation and amortization	(816,321)	(802,390)
Net property, plant and equipment	¥ 679,027	¥ 697,742

## 9. Pledged Assets

At March 31, 2017 and 2016, assets pledged as collateral for guarantees for debt are as follows:

	Millions of yen	
	2017	2016
Other current assets	¥ 260	¥ 548
Total	¥ 260	¥ 548

The above assets were pledged against the following liabilities:

	Millions of yen	
	2017	2016
Guarantees for debt	¥ 260	¥ 548
Total	¥ 260	¥ 548



## 10. Goodwill and Other Intangible Assets

Intangible assets other than goodwill at March 31, 2017 and 2016 are as follows:

	Millions of yen					
	2017			2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Other intangible assets subject to amortization:</b>						
Software	¥31,132	¥ (15,221)	¥ 15,911	¥28,798	¥ (14,269)	¥ 14,529
Leasehold	7,943	(1,339)	6,604	8,070	(856)	7,214
Other	49,152	(23,223)	25,929	46,147	(19,587)	26,560
<b>Total</b>	<b>88,227</b>	<b>(39,783)</b>	<b>48,444</b>	<b>83,015</b>	<b>(34,712)</b>	<b>48,303</b>
Other intangible assets not subject to amortization			12,639			14,753
<b>Total other intangible assets</b>			<b>¥61,083</b>			<b>¥63,056</b>

At March 31, 2017, net carrying amounts of other intangible assets subject to amortization mainly consist of customer relationships of ¥956 million and technology assets of ¥3,940 million resulting from the acquisition of additional shares of Gigaphoton Inc. for the fiscal year ended March 31, 2012 and customer relationships of ¥6,743 million and technology assets of ¥2,150 million resulting from the acquisition of additional shares of Komatsu NTC Ltd. for the fiscal year ended March 31, 2008.

The aggregate amortization expense of other intangible assets subject to amortization for the fiscal years ended March 31, 2017 and 2016 were ¥8,294 million and ¥7,388 million, respectively.

At March 31, 2017, the future estimated amortization expenses for each of five years relating to intangible assets currently recorded in the consolidated balance sheet are as follows:

<u>Year ending March 31</u>	<u>Millions of yen</u>
2018	¥ 8,420
2019	7,697
2020	5,971
2021	4,477
2022	3,545

The changes in carrying amounts of goodwill by operating segment for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
<b>Balance at March 31, 2015</b>				
Goodwill	29,065	903	15,017	44,985
Accumulated impairment losses	(8,179)	—	(540)	(8,719)
	¥ 20,886	¥ 903	¥ 14,477	¥ 36,266
Goodwill acquired during the year	4,859	—	—	4,859
Impairment losses	(308)	—	—	(308)
Foreign exchange impact	(755)	(57)	—	(812)
<b>Balance at March 31, 2016</b>				
Goodwill	33,169	846	15,017	49,032
Accumulated impairment losses	(8,487)	—	(540)	(9,027)
	¥ 24,682	¥ 846	¥ 14,477	¥ 40,005
Goodwill acquired during the year	607	—	—	607
Foreign exchange impact	(536)	(4)	—	(540)
<b>Balance at March 31, 2017</b>				
Goodwill	33,240	842	15,017	49,099
Accumulated impairment losses	(8,487)	—	(540)	(9,027)
	¥ 24,753	¥ 842	¥ 14,477	¥ 40,072

Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. From the fiscal year ended March 31, 2017, and after the reassessment of its management decision-making units, Komatsu has changed to three operating segments of 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Accordingly, the figures for the fiscal year ended March 31, 2016 and 2015 were reclassified and restated in agreement with the figures for the fiscal year ended March 31, 2017.

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

(1) Short-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of yen	
	2017	2016
Banks, insurance companies and other financial institutions	¥ 109,452	¥ 122,552
Commercial paper	19,000	22,000
Short-term debt	¥ 128,452	¥ 144,552

The weighted-average annual interest rates applicable to short-term debt outstanding at March 31, 2017 and 2016, were 1.4% and 1.5%, respectively.

Certain consolidated subsidiaries have entered into contracts for committed credit lines totaling ¥20,172 million and have unused committed lines of credit amounting to ¥16,739 million with certain financial institutions at March 31, 2017, which are available for full and immediate borrowings. The Company is a party to a committed ¥180,000 million commercial paper program and unused committed commercial paper program amounting to ¥161,000 million at March 31, 2017, is available upon the satisfaction of certain customary procedural requirements.

(2) Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of yen	
	2017	2016
Long-term debt without collateral:		
Banks, insurance companies and other financial institutions maturing serially through 2017–2025, weighted-average rate 1.8%	¥ 162,156	¥ 164,519
Euro Medium-Term Notes maturing serially through 2017–2021, weighted-average rate 2.2%	60,799	61,897
0.58% Unsecured Bonds due 2016	—	30,000
0.32% Unsecured Bonds due 2017	30,000	30,000
0.28% Unsecured Bonds due 2019	20,000	20,000
Capital lease obligations (Note 16)	1,269	1,007
Other	6,026	5,577
Total	280,250	313,000
Less: current maturities	(89,391)	(100,364)
Long-term debt	¥ 190,859	¥ 212,636

(3) The Company, Komatsu Finance America Inc. and Komatsu Capital Europe S.A. registered as an issuer under the Euro Medium-Term Note (hereinafter “EMTN”) Program on the London Stock Exchange. The registered amount of the EMTN Program at March 31, 2017 and 2016 both were U.S.\$1.4 billion.

Under the EMTN Program, each of the issuers may from time to time issue notes denominated in any currency as may be agreed between the relevant issuers and dealers. The issuers under the EMTN Program issued ¥44,876 million during the fiscal year ended March 31, 2017 with various interest rates and maturity dates, while they did not issue any EMTNs during the fiscal year ended March 31, 2016.

In November 2016, the Company’s bond program was renewed so that it could issue up to ¥150,000 million of variable-term bonds within a two-year period. As of March 31, 2017, ¥150,000 million remained unused under this program. On the other hand, the aggregate principal amount of bonds outstanding as of March 31, 2017 was issued under the past bond program prior to its 2016 renewal.

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

(5) Maturities of long-term debt at March 31, 2017 and 2016, excluding market value adjustments of ¥8 million (Gain) and ¥143 million (loss), respectively are as follows:

	Millions of yen	
	2017	2016
Due within one year	¥ 89,399	¥ 100,190
Due after one year through two years	68,862	66,356
Due after two years through three years	45,245	91,191
Due after three years through four years	19,638	29,842
Due after four years through five years	56,374	19,833
Due after five years	740	5,445
<b>Total</b>	<b>¥ 280,258</b>	<b>¥ 312,857</b>

## 12. Liability for Pension and Other Retirement Benefits

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

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

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

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

	Millions of yen			
	2017		2016	
<b>Change in benefit obligations:</b>				
Benefit obligations, beginning of year	¥	177,769	¥	171,218
Service cost		9,192		8,366
Interest cost		1,772		2,780
Actuarial loss		2,373		7,833
Plan participants' contributions		132		207
Effect of changes in consolidated subsidiaries		(1,088)		—
Plan amendment		—		826
Settlements		(94)		(125)
Benefits paid		(9,393)		(9,110)
Foreign currency exchange rate change		(2,546)		(4,226)
Benefit obligations, end of year	¥	178,117	¥	177,769
<b>Change in plan assets:</b>				
Fair value of plan assets, beginning of year	¥	123,327	¥	129,363
Actual return on plan assets		8,737		239
Employers' contributions		4,201		4,953
Plan participants' contributions		132		207
Effect of changes in consolidated subsidiaries		(664)		—
Settlements		(77)		(125)
Benefits paid		(6,165)		(6,905)
Foreign currency exchange rate change		(2,515)		(4,405)
Fair value of plan assets, end of year	¥	126,976	¥	123,327
Funded status, end of year	¥	(51,141)	¥	(54,442)

Amounts recognized in the consolidated balance sheets at March 31, 2017 and 2016 are as follows:

	Millions of yen			
	2017		2016	
Deferred income taxes and other assets	¥	8,745	¥	7,902
Liabilities held for sale		—		(700)
Deferred income taxes and other current liabilities		(314)		(266)
Liability for pension and retirement benefits		(59,572)		(61,378)
	¥	(51,141)	¥	(54,442)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2017 and 2016 are as follows:

	Millions of yen	
	2017	2016
Actuarial loss	¥ 36,929	¥ 42,392
Prior service cost	88	383
	¥ 37,017	¥ 42,775

The accumulated benefit obligations for all defined benefit plans at March 31, 2017 and 2016 were ¥160,681 million and ¥159,910 million, respectively.

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

	Millions of yen	
	2017	2016
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	¥ 121,576	¥ 127,465
Fair value of plan assets	77,887	82,464
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥ 144,360	¥ 145,218
Fair value of plan assets	84,475	83,494

Net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2017 and 2016, consisted of the following components:

	Millions of yen	
	2017	2016
Service cost	¥ 9,192	¥ 8,366
Interest cost on projected benefit obligations	1,772	2,780
Expected return on plan assets	(3,367)	(3,818)
Amortization of actuarial loss	2,466	1,575
Amortization of prior service cost	244	649
Net periodic cost	¥ 10,307	¥ 9,552

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen	
	2017	2016
Current year actuarial loss (gain)	¥ (2,997)	¥ 11,412
Amortization of actuarial loss	(2,466)	(1,575)
Current year prior service cost	(51)	826
Amortization of prior service cost	(244)	(649)
	¥ (5,758)	¥ 10,014

The estimated actuarial loss and prior service cost for the defined benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic cost for the fiscal year ending March 31, 2018 are summarized as follows:

	Millions of yen	
Amortization of actuarial loss	¥	1,803
Amortization of prior service cost		264

Weighted-average assumptions used to determine benefit obligations of Komatsu's defined benefit plans at March 31, 2017 and 2016 are as follows:

	Japanese plans		Foreign plans	
	2017	2016	2017	2016
Discount rate	0.1%	0.1%	3.8%	4.1%
Assumed rate of increase in future compensation levels (Point-based benefit system)	4.3%	3.9%	—	—
Assumed rate of increase in future compensation levels	2.6%	2.6%	3.7%	3.6%

Weighted-average assumptions used to determine net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Japanese plans		Foreign plans	
	2017	2016	2017	2016
Discount rate	0.1%	0.8%	4.1%	3.8%
Assumed rate of increase in future compensation levels (Point-based benefit system)	3.9%	3.9%	—	—
Assumed rate of increase in future compensation levels	2.6%	2.6%	3.6%	3.6%
Expected long-term rate of return on plan assets	1.5%	1.5%	5.0%	5.4%

The Company and certain Japanese subsidiaries have defined benefit cash balance pension plans. These companies adopt the assumed rate of increase in future compensation levels under the point-based benefit system.

Komatsu determines the expected long-term rate of return on plan assets based on the consideration of the current expectations for future returns and actual historical returns of each plan asset category.

### Plan assets

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

The "Pension and Retirement Benefit Committee" is organized in the Company in order to periodically monitor the performance of such plan assets.

Komatsu's targeted basic portfolio for plan assets consists of three major components: approximately 35% invested in equity securities, approximately 35% invested in debt securities, and approximately 30% invested in other assets, primarily consisting of investments in life insurance company general accounts.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, Komatsu has investigated the business condition of the investee companies, and appropriately diversified investments by type of industry and other

relevant factors. The debt securities are selected primarily from government bonds and municipal bonds, and corporate bonds. Prior to investing, Komatsu has investigated the quality of the issue, including credit rating, interest rate and repayment dates, and has appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity described above. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. With respect to investments in foreign investment assets, Komatsu has investigated the stability of the underlying governments and economies, the market characteristics such as settlement systems and the taxation systems. For each such investment, Komatsu has selected the appropriate investment country and currency. There is no significant concentration of risk within the portfolio of investments.

The three levels of input used to measure fair value are more fully described in Note 21.

The fair values of benefit plan assets at March 31, 2017 and 2016 by asset class are as follows:

At March 31, 2017	Millions of yen			
	Level 1	Level 2	Level 3	Total
<b>Plan assets</b>				
Cash	¥ 1,204	¥ —	¥ —	¥ 1,204
<b>Equity securities</b>				
Japanese equities	10,643	116	—	10,759
Foreign equities	17,946	1,447	—	19,393
Pooled funds	6,707	1,256	—	7,963
<b>Debt securities</b>				
Government bonds and municipal bonds	21,385	12,256	—	33,641
Corporate bonds	—	17,046	—	17,046
<b>Other assets</b>				
Life insurance company general accounts	—	35,901	—	35,901
Other	739	330	—	1,069
<b>Total</b>	<b>¥ 58,624</b>	<b>¥ 68,352</b>	<b>¥ —</b>	<b>¥ 126,976</b>

At March 31, 2016	Millions of yen			
	Level 1	Level 2	Level 3	Total
<b>Plan assets</b>				
Cash	¥ 1,064	¥ —	¥ —	¥ 1,064
<b>Equity securities</b>				
Japanese equities	8,645	298	—	8,943
Foreign equities	16,395	3,949	—	20,344
Pooled funds	7,507	1,269	—	8,776
<b>Debt securities</b>				
Government bonds and municipal bonds	23,175	8,288	—	31,463
Corporate bonds	—	15,476	—	15,476
<b>Other assets</b>				
Life insurance company general accounts	—	36,177	—	36,177
Other	719	365	—	1,084
<b>Total</b>	<b>¥ 57,505</b>	<b>¥ 65,822</b>	<b>¥ —</b>	<b>¥ 123,327</b>

(1) The plan's equity securities include common stock of the Company in the amount of ¥58 million and ¥25 million at March 31, 2017 and 2016, respectively.

(2) The plan's pooled funds which are primarily held by the U.S. subsidiaries include listed foreign equity securities primarily consisting of U.S. equity.

(3) The plan's government bonds and municipal bonds include approximately 20% Japanese bonds and 80% foreign bonds.

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

Level 1 assets are comprised principally of equity and debt securities, which are valued using quoted prices in active markets. Level 2 assets are comprised of equity securities, debt securities and investments in life insurance company general accounts. Equity and debt



securities are valued using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. Investments in life insurance company general accounts are valued at conversion value.

## Cash flows

### (1) Contributions

Komatsu expects to contribute ¥4,336 million to their benefit plans in the fiscal year ending March 31, 2018.

### (2) Estimated future benefit payments

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

<u>Fiscal year ending March 31</u>	<u>Millions of yen</u>	
2018	¥	8,876
2019		7,894
2020		8,132
2021		8,557
2022		8,890
Through 2023-2027		44,564

### Other postretirement benefit plans

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

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

	<u>Millions of yen</u>			
	<u>2017</u>		<u>2016</u>	
<b>Change in accumulated postretirement benefit obligations:</b>				
Accumulated postretirement benefit obligations, beginning of year	¥	14,645	¥	16,346
Service cost		477		574
Interest cost		571		620
Actuarial gain		(1,071)		(1,277)
Plan participants' contributions		7		6
Medicare Part D		54		65
Benefits paid		(868)		(1,090)
Foreign currency exchange rate change		242		(599)
Accumulated postretirement benefit obligation, end of year	¥	14,057	¥	14,645
<b>Change in plan assets:</b>				
Fair value of plan assets, beginning of year	¥	10,003	¥	10,986
Actual return on plan assets		490		45
Employers' contributions		26		25
Plan participants' contributions		7		6
Benefits paid		(542)		(395)
Foreign currency exchange rate change		(44)		(664)
Fair value of plan assets, end of year	¥	9,940	¥	10,003
Funded status, end of year	¥	(4,117)	¥	(4,642)

Amounts recognized in the consolidated balance sheets at March 31, 2017 and 2016 are as follows:

	Millions of yen	
	2017	2016
Deferred income taxes and other assets	¥ 1,441	¥ 1,712
Deferred income taxes and other current liabilities	(43)	(42)
Liability for pension and retirement benefits	(5,515)	(6,312)
	¥ (4,117)	¥ (4,642)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2017 and 2016 are as follows:

	Millions of yen	
	2017	2016
Actuarial loss	¥ 1,660	¥ 2,955
Prior service cost	97	208
	¥ 1,757	¥ 3,163

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

Net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2017 and 2016 included the following components:

	Millions of yen	
	2017	2016
Service cost	¥ 477	¥ 574
Interest cost on projected benefit obligations	571	620
Expected return on plan assets	(505)	(577)
Amortization of actuarial loss	239	334
Amortization of prior service cost	111	98
Net periodic cost	¥ 893	¥ 1,049

Other changes in plan assets and accumulated postretirement benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen	
	2017	2016
Current year actuarial gain	¥ (1,056)	¥ (745)
Amortization of actuarial loss	(239)	(334)
Amortization of prior service cost	(111)	(98)
	¥ (1,406)	¥ (1,177)

The estimated actuarial loss and prior service cost for the postretirement benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic cost for the fiscal year ending March 31, 2018 are summarized as follows:

	Millions of yen
Amortization of actuarial loss	¥ 92
Amortization of prior service cost	78

Weighted-average assumptions used to determine accumulated postretirement benefit obligations of the U.S. subsidiaries' plans at March 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	4.0%	4.0%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Current healthcare cost trend rate	6.2%	6.5%
Ultimate healthcare cost trend rate	5.0%	5.0%
Number of years to ultimate healthcare cost trend rate	5	6

Weighted-average assumptions used to determine net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	4.0%	3.8%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Expected long-term rate of return on plan assets	5.4%	5.4%
Current healthcare cost trend rate	6.5%	6.8%
Ultimate healthcare cost trend rate	5.0%	5.0%
Number of years to ultimate healthcare cost trend rate	6	7

At March 31, 2017 and 2016, the impact of one percentage point change in the assumed health care cost trend rates would not be material to Komatsu's financial position and results of operations.

## Plan assets

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

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

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

The three levels of input used to measure fair value are more fully described in Note 21.

The fair values of postretirement benefit plan assets at March 31, 2017 and 2016, by asset class are as follows:

At March 31, 2017	Millions of yen			
	Level 1	Level 2	Level 3	Total
<b>Plan assets</b>				
Cash	¥ 506	¥ —	¥ —	¥ 506
Equity securities				
Foreign equities	1,548	—	—	1,548
Pooled funds	1,598	—	—	1,598
Debt securities				
Government bonds and municipal bonds	1,106	3,418	—	4,524
Corporate bonds	—	1,764	—	1,764
<b>Total</b>	<b>¥ 4,758</b>	<b>¥ 5,182</b>	<b>¥ —</b>	<b>¥ 9,940</b>

At March 31, 2016	Millions of yen			
	Level 1	Level 2	Level 3	Total
<b>Plan assets</b>				
Cash	¥ 317	¥ —	¥ —	¥ 317
Equity securities				
Foreign equities	1,374	—	—	1,374
Pooled funds	2,171	—	—	2,171
Debt securities				
Government bonds and municipal bonds	1,236	3,443	—	4,679
Corporate bonds	—	1,462	—	1,462
<b>Total</b>	<b>¥ 5,098</b>	<b>¥ 4,905</b>	<b>¥ —</b>	<b>¥ 10,003</b>

(1) The plan's pooled funds include listed foreign equity securities primarily consisting of U.S. equity.

(2) The plan's government bonds consist of U.S. government bonds.

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

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

## Cash flows

### (1) Contributions

The U.S. subsidiaries expect to contribute ¥43 million to their postretirement benefit plans in the fiscal year ending March 31, 2018.

### (2) Estimated future benefit payments

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

<u>Fiscal year ending March 31</u>	<u>Millions of yen</u>
2018	¥ 730
2019	830
2020	865
2021	854
2022	928
Through 2023-2027	4,883

Directors of Japanese subsidiaries are primarily covered by unfunded retirement allowance plans. At March 31, 2017 and 2016, the amounts required if all directors covered by the plans had terminated their service have been fully accrued. Such amounts are not material to Komatsu's financial position and results of operations for any of the periods presented.

Certain subsidiaries maintain various defined contribution plans covering certain employees. The amount of cost recognized for all periods presented is not material to Komatsu's financial position and results of operations.

### **13. Komatsu Ltd. Shareholders' Equity**

- (1) At March 31, 2017 and 2016, affiliated companies owned 1,102,000 and 1,092,000 shares which represent 0.12% and 0.12% of the Company's common shares outstanding, respectively.
- (2) The Companies Act of Japan (hereinafter "the Act") imposes certain limitations on the amount of retained earnings available for dividends. Accordingly, total shareholders' equity of ¥507,175 million, included in the Company's general books of account as of March 31, 2017 is available for dividends under the Act.  
The payment of a cash dividend totaling ¥27,363 million to shareholders of record on March 31, 2017 will be discussed at the Ordinary General Meeting of Shareholders held on June 20, 2017. The dividend has not been reflected in the consolidated financial statements as of March 31, 2017. Dividends are reported in the consolidated statements of equity when approved and paid.
- (3) The Company has two types of stock option plans as stock-based remuneration.

#### **The stock option plans resolved by the meeting of the Board of Directors held in and before June 2010.**

The right to purchase the Company's shares is granted at a predetermined price to directors and certain employees, and certain directors of major subsidiaries. The purchase price is the amount calculated by taking the average of the closing prices applicable to ordinary transactions of shares of the Company on the Tokyo Stock Exchange on all days for a month immediately preceding the month in which the date of grant of the right falls and multiplying by 1.05, provided that the exercise price shall not be less than the closing price of the shares of the Company on the Tokyo Stock Exchange on the date of the grant.

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

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

Based on the resolutions of the Ordinary General Meeting of Shareholders on June 23, 2010 and the Board of Directors on July 10, 2015, the Company issued 499 rights of its Stock Acquisition Rights to directors. Based on the resolutions of the Ordinary General Meeting of Shareholders on June 24, 2015 and the Board of Directors on July 10, 2015, the Company also issued 1,930 rights of its Stock Acquisition Rights to certain employees and certain representative directors of major subsidiaries during the fiscal year ended March 31, 2016. The options vest 100% on each of the grant dates and are exercisable from August 3, 2018.

In addition, based on the resolutions of the Ordinary General Meeting of Shareholders on June 23, 2010 and the Board of Directors on July 14, 2016, the Company issued 505 rights of its Stock Acquisition Rights to directors. Based on the resolutions of the Ordinary General Meeting of Shareholders on June 22, 2016 and the Board of Directors on July 14, 2016, the Company also issued 1,996 rights of its Stock Acquisition Rights to certain employees and certain representative directors of major subsidiaries during the fiscal year ended March 31, 2017. The options vest 100% on each of the grant dates and are exercisable from August 1, 2019.

The number of shares subject to one Stock Acquisition Right is 100 shares.

The Company recognizes compensation expense using the fair value method. Compensation expenses during the fiscal years ended March 31, 2017 and 2016 were ¥430 million and ¥483 million, respectively, and were recorded in selling, general and administrative expenses.

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

The following table summarizes information about stock option activity for the fiscal years ended March 31, 2017 and 2016:

	2017		2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		Yen		Yen
Outstanding at beginning of year	1,593,800	¥ 600	2,006,300	¥ 1,147
Granted	250,100	1	242,900	1
Exercised	(322,200)	800	(307,400)	276
Forfeited	(244,000)	2,499	(348,000)	3,618
Outstanding at end of year	<u>1,277,700</u>	<u>70</u>	<u>1,593,800</u>	<u>600</u>
Exercisable at end of year	508,900	174	783,200	1,220

The intrinsic values of options exercised were ¥533 million and ¥552 million for the fiscal years ended March 31, 2017 and 2016.

The information for options outstanding and options exercisable at March 31, 2017 is as follows:

Exercise prices	Outstanding				Options Exercisable			
	Number of shares	Weighted average exercise price	Intrinsic value	Weighted average remaining contractual life	Number of shares	Weighted average exercise price	Intrinsic value	Weighted average remaining contractual life
		Yen	Millions of yen			Years	Yen	
¥1 – 1,350	1,226,700	¥ 1	¥ 3,558	5.3	457,900	¥ 1	¥ 1,328	3.6
¥1,351 – 2,325	51,000	1,729	60	0.4	51,000	1,729	60	0.4
¥1 – 2,325	<u>1,277,700</u>	<u>70</u>	<u>3,618</u>	<u>5.1</u>	<u>508,900</u>	<u>174</u>	<u>1,388</u>	<u>3.3</u>

The fair value of each share option award is estimated on the date of grant using a discrete-time model (a binomial model) based on the assumptions noted in the following table. Because a discrete-time model incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on implied volatilities from historical volatility of the Company's shares.

The Company uses historical data to estimate share option exercise and employee departure behavior used in the discrete-time model. The expected term of share options granted represents the period of time that share options granted are expected to be outstanding. The risk-free rate for periods within the contractual term of the share option is based on the Japanese government bond yield curve in effect at the time of grant.

	As of August 1, 2016		As of August 3, 2015	
Grant-date fair value	¥	1,721	¥	1,989
Expected term		5 years		5 years
Risk-free rate		(0.33)% – (0.26)%		0.01% – 0.42%
Expected volatility		32.00 %		31.00%
Expected dividend yield		2.71 %		2.39%

Interest rate corresponding to discount periods is applied to risk-free rate, that is as follows:

	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
2017	(0.33)%	(0.37)%	(0.39)%	(0.39)%	(0.38)%	(0.36)%	(0.34)%	(0.32)%	(0.29)%	(0.26)%
2016	0.01 %	0.01 %	0.01 %	0.04 %	0.09 %	0.15 %	0.22 %	0.28 %	0.35 %	0.42 %

#### 14. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen				
	2017				
	Foreign currency translation adjustments	Net unrealized holding gains(losses) on securities available for sale	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of year	¥ 26,603	¥ 19,253	¥ (28,067)	¥ 878	¥ 18,667
Other comprehensive income (loss) before reclassifications	(16,523)	10,964	2,874	114	(2,571)
Amounts reclassified from accumulated other comprehensive income (loss)	21	(103)	2,034	(237)	1,715
Net other comprehensive income (loss)	(16,502)	10,861	4,908	(123)	(856)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(913)	—	(10)	52	(871)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(15,589)	10,861	4,918	(175)	15
Equity transactions with noncontrolling interests	—	—	—	—	—
Balance, end of year	¥ 11,014	¥ 30,114	¥ (23,149)	¥ 703	¥ 18,682

All amounts are net of tax.

	Millions of yen				
	2016				
	Foreign currency translation adjustments	Net unrealized holding gains(losses) on securities available for sale	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of year	¥ 102,292	¥ 32,848	¥ (22,351)	¥ 229	¥ 113,018
Other comprehensive income (loss) before reclassifications	(82,016)	(11,866)	(7,372)	1,078	(100,176)
Amounts reclassified from accumulated other comprehensive income (loss)	(111)	(1,729)	1,737	(288)	(391)
Net other comprehensive income (loss)	(82,127)	(13,595)	(5,635)	790	(100,567)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(6,045)	—	81	141	(5,823)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(76,082)	(13,595)	(5,716)	649	(94,744)
Equity transactions with noncontrolling interests	393	—	—	—	393
Balance, end of year	¥ 26,603	¥ 19,253	¥ (28,067)	¥ 878	¥ 18,667

All amounts are net of tax.



Reclassification out of accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen	
	<b>2017</b>	Affected line items in consolidated statements of income
<b>Foreign currency translation adjustments</b>		
Sale	¥ (21)	Other income (expenses), net: Other, net
	(21)	Total before tax
	—	Income taxes
	(21)	Net of tax
<b>Net unrealized holding gains (losses) on securities available for sale</b>		
Gain from sale	207	Other income (expenses), net: Other, net
	207	Total before tax
	(104)	Income taxes
	103	Net of tax
<b>Pension liability adjustments</b>		
Amortization of actuarial loss	(2,705)	*1
Amortization of prior service cost	(355)	*1
	(3,060)	Total before tax
	1,026	Income taxes
	(2,034)	Net of tax
<b>Net unrealized holding gains (losses) on derivative instruments</b>		
Forwards contracts	347	Other income (expenses), net: Other, net
	347	Total before tax
	(110)	Income taxes
	237	Net of tax
<b>Total reclassification for the year</b>	<b>¥ (1,715)</b>	Net of tax

\*1 These amounts are included in the computation of net periodic pension cost. (Note 12)

	Millions of yen	
	2016	Affected line items in consolidated statements of income
<b>Foreign currency translation adjustments</b>		
Liquidation and sale	¥ 111	Other income (expenses), net: Other, net
	111	Total before tax
	—	Income taxes
	111	Net of tax
<b>Net unrealized holding gains (losses) on securities available for sale</b>		
Gain from sale	2,823	Other income (expenses), net: Other, net
	2,823	Total before tax
	(1,094)	Income taxes
	1,729	Net of tax
<b>Pension liability adjustments</b>		
Amortization of actuarial loss	(1,910)	*1
Amortization of prior service cost	(747)	*1
	(2,657)	Total before tax
	920	Income taxes
	(1,737)	Net of tax
<b>Net unrealized holding gains (losses) on derivative instruments</b>		
Forwards contracts	420	Other income (expenses), net: Other, net
	420	Total before tax
	(132)	Income taxes
	288	Net of tax
Total reclassification for the year	¥ 391	Net of tax

\*1 These amounts are included in the computation of net periodic pension cost. (Note 12)

Tax effects allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		
	2017		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
<b>Foreign currency translation adjustments</b>			
Foreign currency translation adjustments arising during the year	¥ (16,591)	¥ 68	¥ (16,523)
Less: reclassification adjustment for losses included in net income	21	—	21
Net foreign currency translation adjustments	(16,570)	68	(16,502)
<b>Net unrealized holding gains (losses) on securities available for sale</b>			
Unrealized holding gains arising during the year	15,986	(5,022)	10,964
Less: reclassification adjustment for gains included in net income	(207)	104	(103)
Net unrealized holding gains	15,779	(4,918)	10,861
<b>Pension liability adjustments</b>			
Pension liability adjustments arising during the year	4,109	(1,235)	2,874
Less: reclassification adjustment for losses included in net income	3,060	(1,026)	2,034
Net pension liability adjustments	7,169	(2,261)	4,908
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Unrealized holding gains arising during the year	187	(73)	114
Less: reclassification adjustment for gains included in net income	(347)	110	(237)
Net unrealized holding losses	(160)	37	(123)
<b>Other comprehensive income (loss)</b>	<b>¥ 6,218</b>	<b>¥ (7,074)</b>	<b>¥ (856)</b>

	Millions of yen		
	2016		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
<b>Foreign currency translation adjustments</b>			
Foreign currency translation adjustments arising during the year	¥ (82,253)	¥ 237	¥ (82,016)
Less: reclassification adjustment for gains included in net income	(111)	—	(111)
Net foreign currency translation adjustments	(82,364)	237	(82,127)
<b>Net unrealized holding gains (losses) on securities available for sale</b>			
Unrealized holding losses arising during the year	(17,414)	5,548	(11,866)
Less: reclassification adjustment for gains included in net income	(2,823)	1,094	(1,729)
Net unrealized holding losses	(20,237)	6,642	(13,595)
<b>Pension liability adjustments</b>			
Pension liability adjustments arising during the year	(11,497)	4,125	(7,372)
Less: reclassification adjustment for losses included in net income	2,657	(920)	1,737
Net pension liability adjustments	(8,840)	3,205	(5,635)
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Unrealized holding gains arising during the year	1,736	(658)	1,078
Less: reclassification adjustment for gains included in net income	(420)	132	(288)
Net unrealized holding gains	1,316	(526)	790
<b>Other comprehensive income (loss)</b>	<b>¥ (110,125)</b>	<b>¥ 9,558</b>	<b>¥ (100,567)</b>

## 15. Income Taxes

The sources of income before income taxes and equity in earnings of affiliated companies and the sources of income taxes for the fiscal years ended March 31, 2017 and 2016, were as follows:

	Millions of yen	
	2017	2016
Income before income taxes and equity in earnings of affiliated companies:		
Japan	¥ 71,861	¥ 104,422
Foreign	94,608	100,459
	¥ 166,469	¥ 204,881
Income taxes:		
Current –		
Japan	¥ 24,925	¥ 32,198
Foreign	27,066	30,103
	¥ 51,991	¥ 62,301
Deferred –		
Japan	¥ (2,189)	¥ 4,291
Foreign	603	(2,875)
	¥ (1,586)	¥ 1,416
Total	¥ 50,405	¥ 63,717

Total income taxes recognized for the fiscal years ended March 31, 2017 and 2016 were applicable to the following:

	Millions of yen	
	2017	2016
Income before income taxes and equity in earnings of affiliated companies	¥ 50,405	¥ 63,717
Other comprehensive income(loss):		
Foreign currency translation adjustments	(68)	(237)
Net unrealized holding gains(losses) on securities available for sale	4,918	(6,642)
Pension liability adjustments	2,261	(3,205)
Net unrealized holding gains(losses) on derivative instruments	(37)	526
Total income taxes	¥ 57,479	¥ 54,159

Temporary differences and tax loss carryforwards which gave rise to deferred tax assets and liabilities at March 31, 2017 and 2016, are as follows:

	Millions of yen	
	2017	2016
<b>Deferred tax assets:</b>		
Allowances provided, not yet recognized for tax	¥ 6,616	¥ 5,283
Accrued expenses	37,342	36,056
Investment securities	1,954	3,300
Pension and retirement benefits	12,851	13,219
Property, plant and equipment	3,890	4,651
Inventories	13,398	13,397
Net operating loss carryforwards	18,949	23,541
Research and development expenses	1,565	1,606
Other	6,433	4,805
<b>Total gross deferred tax assets</b>	<b>102,998</b>	<b>105,858</b>
Less: valuation allowance	(16,621)	(20,893)
<b>Total deferred tax assets</b>	<b>¥ 86,377</b>	<b>¥ 84,965</b>
<b>Deferred tax liabilities:</b>		
Unrealized holding gains on securities available for sale	¥ 12,712	¥ 9,546
Property, plant and equipment	12,314	9,245
Intangible assets	8,770	8,020
Undistributed earnings of foreign subsidiaries and affiliated companies accounted for by the equity method	6,706	6,179
<b>Total deferred tax liabilities</b>	<b>¥ 40,502</b>	<b>¥ 32,990</b>
<b>Total deferred tax assets</b>	<b>¥ 45,875</b>	<b>¥ 51,975</b>

Net deferred tax assets and liabilities as of March 31, 2017 and 2016 are reflected on the consolidated balance sheets under the following captions:

	Millions of yen	
	2017	2016
Deferred income taxes and other current assets	¥ 56,276	¥ 47,695
Deferred income taxes and other assets	8,747	16,380
Deferred income taxes and other current liabilities	(421)	(384)
Deferred income taxes and other liabilities	(18,727)	(11,716)
	<b>¥ 45,875</b>	<b>¥ 51,975</b>

The valuation allowance was ¥24,723 million as of March 31, 2015. The net changes in the total valuation allowance for the fiscal years ended March 31, 2017 and 2016 were a decrease of ¥4,272 million and a decrease of ¥3,830 million, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and net operating losses available to be utilized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets, net of the existing valuation allowances at March 31, 2017 and 2016, are deductible, management believes it is more likely than not that the companies will realize the benefits of these deductible differences and net operating loss carryforwards. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company and its Japanese subsidiaries are subject to a National Corporate tax rate of approximately 23%, an inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 5%, which in the aggregate resulted in a Japanese statutory tax rate of approximately 31.5% for the fiscal year ended March 31, 2017 and are subject to a National Corporate tax rate of approximately 24%, an inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 7%, which in the aggregate resulted in a Japanese statutory tax rate of approximately 33.4% for the fiscal year ended March 31, 2016. The inhabitant tax rate and Enterprise tax rate vary by local jurisdiction.

The differences between the Japanese statutory tax rates and the effective tax rates for the fiscal years ended March 31, 2017 and 2016, are summarized as follows:

	<u>2017</u>	<u>2016</u>
Japanese statutory tax rate	31.5%	33.4%
Increase (decrease) in tax rates resulting from:		
Change in valuation allowance	(1.9)	(0.8)
Expenses not deductible for tax purposes	1.7	0.1
Income of foreign subsidiaries taxed at lower than Japanese normal rate	(2.0)	(2.4)
Tax credit for research and development expenses	(2.3)	(2.3)
Other, net	3.3	3.1
Effective tax rate	<u>30.3%</u>	<u>31.1%</u>

On March 29, 2016, the National Diet of Japan approved the laws for amendments to previous income tax laws. On November 18, 2016, the National Diet of Japan approved the laws for amendments to previous income tax laws. Upon the change in the laws, the statutory income tax rate in Japan will be changed to approximately 31.5% for fiscal years beginning on or after April 1, 2017, and to approximately 31.3% for fiscal years beginning on or after April 1, 2018. Thus, the Company and its Japanese subsidiaries measured deferred tax assets and liabilities based on the tax rates to be applied in the fiscal years in which temporary differences are expected to be recovered or settled. The effect of tax rate changes in Japan did not have a material impact on Komatsu's consolidated financial statements.

Foreign subsidiaries are subject to income taxes of the countries in which they operate. At March 31, 2017 and 2016, undistributed earnings of foreign subsidiaries amount to ¥794,734 million and ¥762,430 million, respectively. The Company has a policy to distribute a certain portion of undistributed earnings of foreign subsidiaries. As of March 31, 2017 and 2016, Komatsu recognized deferred tax liabilities of ¥968 million and ¥896 million, respectively, associated with those earnings. As of March 31, 2017 and 2016, Komatsu did not recognize deferred tax liabilities of ¥42,101 million and ¥38,906 million, respectively, for such portion of undistributed earnings of foreign subsidiaries that the Company intends to reinvest indefinitely.

At March 31, 2017, certain subsidiaries had net operating loss carryforwards aggregating approximately ¥54,457 million, which may be used as a deduction in determining taxable income in future periods. The period available to offset future taxable income varies in each tax jurisdiction as follows:

<u>At March 31, 2017</u>	<u>Millions of yen</u>
Within 5 years	¥ 9,444
6 to 20 years	18,544
Indefinite periods	26,469
Total	<u>¥ 54,457</u>

Although Komatsu believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in the future periods. For the fiscal years ended March 31, 2017 and 2016, Komatsu did not have material unrecognized tax benefits and thus, no significant interest and penalties related to unrecognized tax benefits were recognized. Based on the information available as of March 31, 2017, Komatsu does not expect significant changes to the unrecognized tax benefits within the next twelve months.

Komatsu files income tax returns in Japan and various foreign tax jurisdictions. Komatsu is no longer subject to income tax examinations by the tax authority before and in the fiscal year ended March 31, 2013 in Japan and, is no longer subject to income tax examinations by the tax authority before and in the fiscal year ended March 31, 2008 in the United States. In other foreign tax jurisdictions, the other subsidiaries are no longer subject to income tax examinations by tax authorities before and in the fiscal year ended March 31, 2011 with few exceptions.

## 16. Rent Expenses

Komatsu leases office space and equipment and employee housing, etc. under cancelable and non-cancelable lease agreements. Rent expenses under cancelable and non-cancelable operating leases amounted to ¥14,458 million and ¥15,174 million, respectively, for the fiscal years ended March 31, 2017 and 2016.

At March 31, 2017, the future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

<u>Fiscal year ending March 31</u>	<u>Millions of yen</u>		
	<u>Capital leases</u>	<u>Operating lease commitments</u>	<u>Total</u>
2018	¥ 765	¥ 3,316	¥ 4,081
2019	155	1,957	2,112
2020	160	1,269	1,429
2021	142	793	935
2022	119	413	532
Thereafter	1	616	617
<b>Total minimum lease payments</b>	<b>¥ 1,342</b>	<b>¥ 8,364</b>	<b>¥ 9,706</b>
Less: amounts representing interest		(73)	
<b>Present value of net minimum capital lease payments</b>	<b>¥ 1,269</b>		

At March 31, 2016, the future minimum lease payments under non-cancelable operating leases and capital leases were as follows:

<u>Fiscal year ending March 31</u>	<u>Millions of yen</u>		
	<u>Capital leases</u>	<u>Operating lease commitments</u>	<u>Total</u>
2017	¥ 463	¥ 3,537	¥ 4,000
2018	156	2,083	2,239
2019	128	1,222	1,350
2020	130	767	897
2021	120	504	624
Thereafter	109	884	993
<b>Total minimum lease payments</b>	<b>¥ 1,106</b>	<b>¥ 8,997</b>	<b>¥ 10,103</b>
Less: amounts representing interest		(99)	
<b>Present value of net minimum capital lease payments</b>	<b>¥ 1,007</b>		

## 17. Net Income Attributable to Komatsu Ltd. per Share

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to Komatsu Ltd. per share computations is as follows:

	Millions of yen	
	2017	2016
Net income attributable to Komatsu Ltd.	¥ 113,381	¥ 137,426
	Number of shares	
	2017	2016
Weighted average common shares outstanding, less treasury stock	942,793,249	942,538,069
Dilutive effect of:		
Stock options	1,260,080	1,239,059
Weighted average diluted common shares outstanding	944,053,329	943,777,128
	Yen	
	2017	2016
Net income attributable to Komatsu Ltd. per share:		
Basic	120.26	145.80
Diluted	120.10	145.61



## 18. Commitments and Contingent Liabilities

At March 31, 2017 and 2016, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥59 million and ¥47 million, respectively.

Komatsu provides guarantees to third parties of loans of the employees, affiliated companies, customers and other companies. The guarantees of loans relating to the employees are mainly made for their housing loans. The guarantees of loans relating to the affiliated companies, customers and other companies are made to enhance the credit of those companies. For each guarantee provided, Komatsu would have to perform under a guarantee, if the borrower defaults on a payment within the contract terms. The contract terms are from 10 years to 30 years in the case of employees with housing loans, and from 1 year to 8 years in the case of loans relating to the affiliated companies, customers and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default at March 31, 2017 and 2016 were ¥13,862 million and ¥21,526 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at March 31, 2017 were insignificant. Certain of those guarantees were secured by collateral and insurance issued to Komatsu.

Management of the Company believes that losses from those contingent liabilities, if any, would not have a material effect on the consolidated financial statements.

Commitments for capital investment outstanding at March 31, 2017 and 2016 aggregated approximately ¥15,100 million and approximately ¥13,700 million, respectively.

Komatsu is involved in certain legal actions and claims arising in the ordinary course of its business. It is the opinion of management and legal counsel that such litigation and claims will be resolved without material effect on Komatsu's financial position.

Komatsu has business activities with customers, dealers and associates around the world and its trade receivables from such parties and the guarantees for them are well diversified to minimize concentrations of credit risks. Management does not anticipate incurring losses on its trade receivables in excess of established allowances.

Komatsu also issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. Change in accrued product warranty cost for the years ended March 31, 2017 and 2016 is summarized as follows:

	Millions of yen	
	2017	2016
Balance at beginning of year	¥ 28,804	¥ 28,725
Addition	23,416	20,769
Utilization	(21,383)	(19,299)
Other	(253)	(1,391)
Balance at end of year	¥ 30,584	¥ 28,804

## **19. Derivative Financial Instruments**

### **Risk Management Policy**

Komatsu is exposed to market risk primarily from changes in foreign currency exchange and interest rates with respect to debt obligations, international operations and foreign currency denominated credits and debts. In order to manage these risks that arise in the normal course of business, Komatsu enters into various derivative transactions for hedging pursuant to its policies and procedures (Notes 20 and 21). Komatsu does not enter into derivative financial transactions for trading or speculative purposes.

Komatsu has entered into interest rate swap and cap agreements, partly concurrent with currency swap agreements for the purpose of managing the risk resulting from changes in cash flow or fair value that arise in their interest rate and foreign currency exposure with respect to certain short-term and long-term debts.

Komatsu operates internationally, which exposes Komatsu to the foreign exchange risk against existing assets and liabilities and transactions denominated in foreign currencies (principally the U.S. dollar and the Euro). In order to reduce these risks, Komatsu executes forward exchange contracts and option contracts based on its projected cash flow in foreign currencies.

Komatsu is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments, but Komatsu does not expect any counterparties to fail to meet their obligations because of the high credit rating of the counterparties. Komatsu has not held any derivative instruments which consisted of credit-risk-related contingent features.

### **Cash Flow Hedges**

Komatsu uses derivative financial instruments designated as cash flow hedges to manage Komatsu's foreign exchange risks associated with forecasted transactions and Komatsu's interest risks associated with debt obligations. For transactions denominated in foreign currencies, Komatsu typically hedges forecasted and firm commitment exposures to the variability in cash flow basically up to one year. For the variable rate debt obligations, Komatsu enters into interest rate swap contracts to manage the changes in cash flows. Komatsu records the changes in fair value of derivative instruments designated as cash flow hedges in accumulated other comprehensive income (loss). These amounts are reclassified into earnings through other income (expenses), net when the hedged items impact earnings. Approximately ¥405 million of existing losses included in accumulated other comprehensive income (loss) at March 31, 2017 will be reclassified into earnings within twelve months from that date. No cash flow hedges were discontinued during the fiscal year ended March 31, 2017 as a result of anticipated transactions that are no longer probable of occurring.

### **Undesignated Derivative Instruments**

Komatsu has entered into interest rate swap and cross-currency swap contracts not designated as hedging instruments under ASC 815, "Derivatives and Hedging" as a means of managing Komatsu's interest rate exposures for short-term and long-term debts. Forward contracts not designated as hedging instruments under ASC 815 are also used to hedge certain foreign currency exposures. The changes in fair value of such instruments are recognized currently in earnings.

## Notional Principal Amounts of Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at March 31, 2017 and 2016 are as follows.

	Millions of yen	
	2017	2016
Forwards contracts:		
Sale of foreign currencies	¥ 114,433	¥ 77,214
Purchase of foreign currencies	90,493	79,291
Interest rate swaps and cross-currency swap agreements	77,588	89,310

Fair value of derivative instruments at March 31, 2017 and 2016 on the consolidated balance sheets are as follows:

	Millions of yen			
	2017			
	Derivative Assets		Derivative Liabilities	
<b>Derivative instruments designated as hedging instruments</b>	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 2,133	Deferred income taxes and other current liabilities	¥ 241
	Deferred income taxes and other assets	17	Deferred income taxes and other liabilities	411
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	8	Deferred income taxes and other current liabilities	129
<b>Total</b>		<b>¥ 2,158</b>		<b>¥ 781</b>

	Millions of yen			
	2016			
	Derivative Assets		Derivative Liabilities	
<b>Undesignated derivative instruments</b>	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 353	Deferred income taxes and other current liabilities	¥ 1,938
	Deferred income taxes and other assets	1	Deferred income taxes and other liabilities	—
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	67	Deferred income taxes and other current liabilities	956
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	—
<b>Total</b>		<b>¥ 421</b>		<b>¥ 2,894</b>
<b>Total Derivative Instruments</b>		<b>¥ 2,579</b>		<b>¥ 3,675</b>

Millions of yen

2016				
<b>Derivative instruments designated as hedging instruments</b>	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 1,879	Deferred income taxes and other current liabilities	¥ 2,960
	Deferred income taxes and other assets	121	Deferred income taxes and other liabilities	—
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	14	Deferred income taxes and other current liabilities	340
<b>Total</b>		<b>¥ 2,014</b>		<b>¥ 3,300</b>
<b>Undesignated derivative instruments</b>	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 771	Deferred income taxes and other current liabilities	¥ 2,015
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	—
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	322	Deferred income taxes and other current liabilities	258
	Deferred income taxes and other assets	136	Deferred income taxes and other liabilities	248
<b>Total</b>		<b>¥ 1,229</b>		<b>¥ 2,521</b>
<b>Total Derivative Instruments</b>		<b>¥ 3,243</b>		<b>¥ 5,821</b>

The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the fiscal years ended March 31, 2017 and 2016 are as follows:

**Derivative instruments designated as cash flow hedging relationships**

	Millions of yen				
	2017				
	Effective portion			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	¥ (1)	Other income (expenses), net: Other, net	¥ 288	Other income (expenses), net: Other, net	¥ 59
Interest rate swaps and cross-currency swap agreements	188	—	—	—	—
<b>Total</b>	<b>¥ 187</b>		<b>¥ 288</b>		<b>¥ 59</b>

	Millions of yen				
	2016				
	Effective portion			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	¥ 1,230	Other income (expenses), net: Other, net	¥ 420	Other income (expenses), net: Other, net	¥ (180)
Interest rate swaps and cross-currency swap agreements	506	—	—	—	—
<b>Total</b>	<b>¥ 1,736</b>		<b>¥ 420</b>		<b>¥ (180)</b>

\* OCI stands for other comprehensive income (loss).

## Derivative instruments not designated as hedging instruments relationships

Millions of yen		
2017		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net	¥ (3,481)
Interest rate swaps and cross-currency swap agreements	Cost of sales	(117)
	Other income (expenses), net: Other, net	103
<b>Total</b>		<b>¥ (3,495)</b>

Millions of yen		
2016		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net	¥ (523)
Interest rate swaps and cross-currency swap agreements	Cost of sales	16
	Other income (expenses), net: Other, net	13
<b>Total</b>		<b>¥ (494)</b>

## **20. Fair Values of Financial Instruments**

### **(1) Cash and cash equivalents, Time deposits, Trade notes and accounts receivable, Other current assets, Short-term debt, Trade notes, bills and accounts payable, and Other current liabilities**

The carrying amount approximates fair value because of the short maturity of these instruments.

### **(2) Investment securities, marketable equity securities**

The fair values of investment securities available for sale for which it is practicable to estimate fair value are based on quoted market prices and are recognized on the accompanying consolidated balance sheets.

### **(3) Long-term trade receivables (Note 4)**

The fair values of long-term trade receivables are based on the present value of future cash flows through maturity, discounted using estimated current interest rates. The fair values computed on such a basis approximate the carrying amounts.

### **(4) Long-term debt, including current portion (Note 21)**

The fair values of each of the long-term debt are based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the current borrowing rate for similar debt of comparable maturity and is classified in Level 2 in the fair value hierarchy.

### **(5) Derivatives (Notes 19 and 21)**

The fair values of derivative financial instruments, consisting principally of foreign exchange contracts and interest rate swap agreements, are estimated by obtaining quotes from brokers and are recognized on the accompanying consolidated balance sheets.

The carrying amounts and the estimated fair values of the financial instruments, including financial instruments not qualifying as hedge, as of March 31, 2017 and 2016, are summarized as follows:

	Millions of yen			
	2017		2016	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Cash and cash equivalents	¥ 119,901	¥ 119,901	¥ 106,259	¥ 106,259
Time deposits	2,289	2,289	2,212	2,212
Trade notes and accounts receivable, net	619,265	619,265	583,390	583,390
Long-term trade receivables, net	313,946	313,946	291,923	291,923
Investment securities, marketable equity securities	59,067	59,067	43,817	43,817
Short-term debt	128,452	128,452	144,552	144,552
Trade notes, bills and accounts payable	240,113	240,113	205,411	205,411
Long-term debt, including current portion	280,250	280,228	313,000	311,288
Derivatives:				
Forwards contracts				
Assets	2,504	2,504	2,771	2,771
Liabilities	2,590	2,590	4,975	4,975
Interest rate swaps and cross-currency swap agreements				
Assets	75	75	472	472
Liabilities	1,085	1,085	846	846

### Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could affect the estimates.



## 21. Fair value measurements

ASC 820, "Fair Value Measurements" defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1** – Quoted prices in active markets for identical assets or liabilities
- Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3** – Unobservable inputs for the assets or liabilities

### Assets and liabilities that are measured at fair value on a recurring basis

The fair value hierarchy levels of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2017 and 2016 are as follows:

		Millions of yen			
<u>At March 31, 2017</u>		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Investment securities available for sale					
Manufacturing industry	¥	30,791	¥ —	¥ —	¥ 30,791
Financial service industry		23,251	—	—	23,251
Other		5,025	—	—	5,025
Derivatives					
Forward contracts		—	2,504	—	2,504
Interest rate swaps and cross-currency swap agreements		—	75	—	75
<b>Total</b>	<b>¥</b>	<b>59,067</b>	<b>¥ 2,579</b>	<b>¥ —</b>	<b>¥ 61,646</b>
<b>Liabilities</b>					
Derivatives					
Forward contracts	¥	—	¥ 2,590	¥ —	¥ 2,590
Interest rate swaps and cross-currency swap agreements		—	1,085	—	1,085
Other		—	7,509	248	7,757
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 11,184</b>	<b>¥ 248</b>	<b>¥ 11,432</b>
		Millions of yen			
<u>At March 31, 2016</u>		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Investment securities available for sale					
Manufacturing industry	¥	22,858	¥ —	¥ —	¥ 22,858
Financial service industry		16,501	—	—	16,501
Other		4,458	—	—	4,458
Derivatives					
Forward contracts		—	2,771	—	2,771
Interest rate swaps and cross-currency swap agreements		—	472	—	472
<b>Total</b>	<b>¥</b>	<b>43,817</b>	<b>¥ 3,243</b>	<b>¥ —</b>	<b>¥ 47,060</b>
<b>Liabilities</b>					
Derivatives					
Forward contracts	¥	—	¥ 4,975	¥ —	¥ 4,975
Interest rate swaps and cross-currency swap agreements		—	846	—	846
Other		—	23,448	301	23,749
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 29,269</b>	<b>¥ 301</b>	<b>¥ 29,570</b>

### Investment securities available for sale

Marketable equity securities are classified in Level 1 in the fair value hierarchy. Marketable equity securities are measured using a market approach based on the quoted market prices in active markets.

### Derivatives (Notes 19 and 20)

Derivatives primarily represent foreign exchange contracts and interest rate swap agreements. The fair value of foreign exchange contracts is based on a valuation model that discounts cash flows resulting from the differential between contract rate and the market-based forward rate and is classified in Level 2 in the fair value hierarchy. The fair value of interest rate swap agreements is based on a valuation model that discounts cash flows based on the terms of the contract and the swap curves and is classified in Level 2 in the fair value hierarchy.

### Other

Other primarily represents loans which are measured at fair value under the Fair Value Option of ASC 825, "Financial Instruments". The fair value of loans is based on a valuation model based on market yield curve data and credit spread data and is classified in Level 2 in the fair value hierarchy. The credit spread data was obtained through use of credit default swaps for each counterparty.

The following table summarizes information about changes of Level 3 for the fiscal years ended March 31, 2017 and 2016:

	Millions of yen	
	2017	2016
Balance, beginning of year	¥ (301)	¥ (369)
Total gains or losses (realized / unrealized)	53	68
Included in earnings	49	51
Included in other comprehensive income (loss)	4	17
Balance, end of year	¥ (248)	¥ (301)

The amount of unrealized gains on classified in Level 3 liabilities recognized in earnings for the fiscal years ended March 31, 2017 and 2016 related to liabilities still held at March 31, 2017 and 2016 were gains of ¥49 million and ¥51 million, respectively. These gains were reported in other income (expense), net in the consolidated statements of income.

### Assets and liabilities that are measured at fair value on a non-recurring basis

For the fiscal years ended March 31, 2017 and 2016, assets and liabilities that were measured at fair value on a non-recurring basis were not material.

## 22. Business Segment and Geographic Information

Komatsu has three operating segments: 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Those operating segments which have separate financial information are available for allocating resources and assessing its performance by management.

The accounting policies employed for the preparation of segment information are identical to those employed for the preparation of the consolidated financial statements of the Company. Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. From the fiscal year ended March 31, 2017, and after the reassessment of its management decision-making units, Komatsu has changed to three operating segments. Accordingly, the figures for the fiscal year ended March 31, 2016, were reclassified and restated in agreement with the figures for the fiscal year ended March 31, 2017.

Segment profit available for allocating resources and assessing its performance by management is determined by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment. Segment profit excludes certain general corporate administration and finance expenses, such as costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations. Segment profit also excludes certain charges which may otherwise relate to operating segments, including impairments of long-lived assets and goodwill.

The following tables present financial information regarding Komatsu's operating segments and geographic information at March 31, 2017 and 2016, and for the fiscal years then ended:

### Operating segments:

	Millions of yen	
	2017	2016
<b>Net sales:</b>		
Construction, Mining and Utility Equipment –		
External customers	¥ 1,566,340	¥ 1,587,559
Intersegment	10,232	14,487
Total	1,576,572	1,602,046
Retail Finance –		
External customers	46,715	50,851
Intersegment	2,378	3,090
Total	49,093	53,941
Industrial Machinery and Others –		
External customers	189,934	216,554
Intersegment	1,093	3,611
Total	191,027	220,165
Elimination	(13,703)	(21,188)
Consolidated	¥ 1,802,989	¥ 1,854,964
<b>Segment profit:</b>		
Construction, Mining and Utility Equipment	¥ 161,686	¥ 169,001
Retail Finance	4,453	13,321
Industrial Machinery and Others	12,464	19,386
Total segment profit	178,603	201,708
Corporate expenses and elimination	(2,024)	350
Total	176,579	202,058
Impairment loss on long-lived assets	1,743	3,032
Other operating income (expenses), net	(739)	9,551
Operating income	174,097	208,577
Interest and dividend income	3,462	3,689
Interest expense	(8,212)	(8,771)
Other, net	(2,878)	1,386
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 166,469	¥ 204,881

	Millions of yen	
	2017	2016
<b>Segment assets:</b>		
Construction, Mining and Utility Equipment	¥ 1,745,068	¥ 1,700,483
Retail Finance	671,551	651,599
Industrial Machinery and Others	211,827	241,614
Corporate assets and elimination	28,036	20,958
Consolidated	<u>¥ 2,656,482</u>	<u>¥ 2,614,654</u>
<b>Depreciation and amortization:</b>		
Construction, Mining and Utility Equipment	¥ 73,806	¥ 81,730
Retail Finance	23,233	22,421
Industrial Machinery and Others	6,180	7,023
Consolidated	<u>¥ 103,219</u>	<u>¥ 111,174</u>
<b>Capital investment:</b>		
Construction, Mining and Utility Equipment	¥ 81,720	¥ 102,471
Retail Finance	54,783	50,555
Industrial Machinery and Others	5,503	7,025
Consolidated	<u>¥ 142,006</u>	<u>¥ 160,051</u>

Business categories and principal products and services included in each operating segment are as follows:

a) Construction, Mining and Utility Equipment operating segment:

Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, recycling equipment, industrial vehicles, other equipment, engines and components, casting products and logistics

b) Retail Finance:

Financing

c) Industrial Machinery and Others operating segment:

Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment and others

Transfers between segments are made at estimated arm's length prices.

Segment assets are those assets used in the operations of each segment. Unallocated corporate assets consist primarily of cash and cash equivalents and marketable investment securities maintained for general corporate purposes.

Amortization for the fiscal years ended March 31, 2017 and 2016, does not include amortization of long-term prepaid expenses of ¥1,076 million and ¥1,293 million.

Impairment loss on long-lived assets recorded in each segment asset for the fiscal years ended March 31, 2017 and 2016, are as follows:

	Millions of yen	
	2017	2016
Construction, Mining and Utility Equipment	¥ 536	¥ 1,953
Retail Finance	—	—
Industrial Machinery and Others	1,207	1,079
Total	<u>¥ 1,743</u>	<u>¥ 3,032</u>

**Geographic information:**

Net sales determined by customer location for the fiscal years ended March 31, 2017 and 2016, are as follows:

	Millions of yen	
	2017	2016
Japan	¥ 393,488	¥ 414,762
The Americas	602,818	661,805
Europe and CIS	220,622	202,934
China	127,446	100,004
Asia (excluding Japan and China) and Oceania	350,804	333,928
Middle East and Africa	107,811	141,531
Consolidated net sales	¥ 1,802,989	¥ 1,854,964

Net sales to U.S.A. in the Americas for the fiscal years ended March 31, 2017 and 2016 were ¥318,123 million and ¥332,015 million, respectively.

Net sales determined by geographic origin for the fiscal years ended March 31, 2017 and 2016, and property, plant and equipment determined based on physical location at March 31, 2017 and 2016, are as follows:

	Millions of yen	
	2017	2016
Net sales:		
Japan	¥ 579,339	¥ 615,823
The Americas	578,339	622,138
Europe and CIS	231,691	216,694
China	103,743	84,497
Others	309,877	315,813
Total	¥ 1,802,989	¥ 1,854,964
Property, plant and equipment:		
Japan	¥ 372,074	¥ 388,571
The Americas	177,342	174,178
Europe and CIS	28,232	27,413
Others	101,379	107,580
Total	¥ 679,027	¥ 697,742

There were no sales to a single major external customer for the fiscal years ended March 31, 2017 and 2016.

Property, plant and equipment located in U.S.A. in the Americas at March 31, 2017 and 2016 were ¥121,393 million and ¥119,682 million, respectively.

### 23. Supplementary Information to Balance Sheets

At March 31, 2017 and 2016, deferred income taxes and other current assets were comprised of the following:

	Millions of yen	
	2017	2016
Prepaid expenses	¥ 6,081	¥ 5,375
Short-term loans receivable:		
Affiliated companies	191	252
Other	11	13
Total	¥ 202	¥ 265
Deferred income taxes	56,276	47,695
Other	81,610	88,258
Total	¥ 144,169	¥ 141,593

At March 31, 2017 and 2016, deferred income taxes and other current liabilities were comprised of the following:

	Millions of yen	
	2017	2016
Accrued expenses	¥ 103,329	¥ 101,329
Deferred income taxes	421	384
Other	113,340	112,487
Total	¥ 217,090	¥ 214,200

Valuation and qualifying accounts deducted from assets to which they apply for the fiscal years ended March 31, 2017 and 2016 were comprised of the following:

	Millions of yen	
	2017	2016
Allowance for doubtful receivables		
Balance at beginning of year	¥ 17,589	¥ 18,347
Additions		
Charged to costs and expenses	11,703	5,817
Charged to other accounts	—	55
Deductions	(6,966)	(6,630)
Balance at end of year	¥ 22,326	¥ 17,589

Deductions were principally collectible or uncollectible accounts and notes charged to the allowance.

	Millions of yen	
	2017	2016
Valuation allowance for deferred tax assets		
Balance at beginning of year	¥ 20,893	¥ 24,723
Additions		
Charged to costs and expenses	1,185	4,217
Charged to other accounts	51	(544)
Deductions	(5,508)	(7,503)
Balance at end of year	¥ 16,621	¥ 20,893

Deductions for the fiscal year ended March 31, 2017 were principally changes in the expected realization of deferred tax assets. Deductions for the fiscal year ended March 31, 2016 were principally realization or expiration of net operating loss carryforwards.

## 24. Supplementary Information to Statements of Income

The following information shows research and development expenses and advertising costs, for the fiscal years ended March 31, 2017 and 2016. Research and development expenses and advertising costs are charged to expense as incurred and are included in cost of sales and selling, general and administrative expenses in consolidated statements of income.

	Millions of yen	
	2017	2016
Research and development expenses	¥ 70,507	¥ 70,736
Advertising costs	2,425	2,053

Shipping and handling costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2017 and 2016, were as follows:

	Millions of yen	
	2017	2016
Shipping and handling costs	¥ 38,412	¥ 43,755

For the fiscal years ended March 31, 2017 and 2016, Komatsu recognized an impairment loss of ¥1,743 million and ¥3,032 million related to property, plant and equipment and intangible assets subject to amortization at the Company and certain subsidiaries, as profitability of the assets was expected to be low in the future and Komatsu estimated the carrying amounts would not be recovered by the future cash flows.

Other operating income (expenses), net for the fiscal years ended March 31, 2017 and 2016, were comprised of the following:

	Millions of yen	
	2017	2016
Gain on sale of property	¥ 1,800	¥ 10,745
Loss on disposal or sale of fixed assets	(3,396)	(3,669)
Other	857	2,475
Total	¥ (739)	¥ 9,551

Other income (expenses), net for the fiscal years ended March 31, 2017 and 2016, were comprised of the following:

	Millions of yen	
	2017	2016
Interest income		
Installment receivables	¥ 234	¥ 241
Other	1,616	1,894
Dividends	1,612	1,554
Interest expense	(8,212)	(8,771)
Impairment loss and net gain from sale of investment securities	151	3,751
Exchange gain (loss), net	(2,801)	(2,532)
Other	(228)	167
Total	¥ (7,628)	¥ (3,696)

## 25. Material Subsequent Events

Komatsu evaluated subsequent events through June 19, 2017, the issue date of its consolidated financial statements.

[Acquisition of the company]

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

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

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

Acquisition-related costs for the fiscal year ended March 31, 2017 are ¥1,715 million (accumulated acquisition-related costs: ¥1,927 million) and included in selling, general and administrative expenses in the consolidated statement of income.

The following pro forma calculation (unaudited) made on the assumption that this acquisition of shares had been made as of April 1, 2015 represents the total of consolidated performance of the Company and Joy Global. This is for an information purpose only, and neither indicates actual operating results assuming that the acquisition had been made on April 1, 2015 nor contributes to any forecast of results. Furthermore, amounts in the following table do not include temporary expenses accompanying the acquisition, such as fair values of inventories in cost of sales and amortization of intangible assets.

	Millions of yen	
	2017	2016
Net Sales	¥ 2,069,153	¥ 2,200,255
Net income attributable to Komatsu Ltd.	113,637	(18,454)

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



## 26. Terminology, Forms and Preparation Methods of Consolidated Financial Statements

The terminology, forms and preparation methods of the Company's consolidated financial statements are in accordance with U.S. GAAP.

The main differences between consolidated financial statements prepared in accordance with U.S. GAAP and those prepared in accordance with the Accounting Standards for Consolidated Financial Statements and the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements of Japan are as follows.

### (1) Scope of consolidation

For consolidated financial statements in Japan, the scope of consolidation is determined on an effective control and influence basis. For consolidated financial statement in accordance with U.S. GAAP, the scope of consolidation is determined on the shareholding basis on which the determination is based on voting rights and on a consolidation basis of variable interest entities.

### (2) Accounting policies

#### a. Deferred income on installment sales

Although deferral of income on installment sales is permitted in Japan, the Company recognizes income at the time of sales without deferring income on installment sales in its consolidated financial statements in accordance with U.S. GAAP.

#### b. Share issuance cost

Although in Japan, share issuance cost is permitted to be recognized in profit or loss when incurred, the Company treats such cost in a deduction item from capital surplus as expenses incidental to capital transactions in its consolidated financial statements in accordance with U.S. GAAP.

#### c. Accounting for retirement benefits

Although in Japan, net actuarial gains or losses are required to be amortized over certain periods that are shorter than the average remaining years of service, the Company has adopted the corridor approach in its consolidated financial statements in accordance with U.S. GAAP.

#### d. Business combination and goodwill

Goodwill is required to be amortized over certain periods in Japan, while U.S. GAAP requires companies to implement impairment test at least once annually without goodwill being amortized. For intangible fixed assets with indefinite useful lives, U.S. GAAP also requires companies to implement impairment test without such assets being amortized.

### (3) Presentation methods and other matters

#### a. Presentation of legal retained earnings

Although in Japan, legal retained earnings is recorded as retained earnings together with other surplus, the Company separately presents as appropriated legal reserve in its consolidated financial statements in accordance with U.S. GAAP.

#### b. Extraordinary income and loss

In Japan, gain or loss on certain sales of non-current assets, such as gain or loss from the sale of properties, is presented as extraordinary income or loss. However, since there is no concept of extraordinary items in U.S. GAAP, extraordinary income or loss is not presented in the Company's consolidated financial statements.

#### c. Investment and rental properties

In Japan, if the investment and rental properties are material, disclose notes for the outline, the carrying amount in the consolidated balance sheets and fair value of these properties are required. However, such notes are omitted in the Company's consolidated financial statements because the total amount of investment and rental properties is immaterial.

## Supplementary Schedule

### Detailed Statements of Bonds

Refer to Note 11 in the notes of consolidated financial statements.

### Detailed Statements of Borrowings, etc.

Refer to Note 11 in the notes of consolidated financial statements.

### Detailed Statements of Asset Retirement Obligation

The amounts of asset retirement obligation at the beginning and end of this fiscal year are less than a hundredth of the amounts of total liabilities and total equity at the beginning and end of this fiscal year, respectively. This statement has been omitted because it is immaterial.

## (2) Others

### Quarterly Financial Information

	Millions of yen except per share amounts			
	Three months ended June 30, 2016	Six months ended September 30, 2016	Nine months ended December 31, 2016	Fiscal year ended March 31, 2017
Net sales	¥ 389,252	¥ 796,112	¥ 1,226,707	¥ 1,802,989
Income before income taxes and equity in earnings of affiliated companies	24,202	58,095	103,263	166,469
Net income attributable to Komatsu Ltd.	15,588	37,518	68,335	113,381
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	16.54	39.80	72.48	120.26
Diluted	16.52	39.75	72.39	120.10

	Yen			
	Three months ended June 30, 2016	Three months ended September 30, 2016	Three months ended December 31, 2016	Three months ended March 31, 2017
Net income attributable to Komatsu Ltd. per share				
Basic	16.54	23.26	32.69	47.77
Diluted	16.52	23.23	32.64	47.71

## 2. Non-Consolidated Financial Statements, etc.

### (1) Non-Consolidated Financial Statements

#### Non-Consolidated Balance Sheet

(Years ended March 31, 2017 and 2016)

	Millions of yen	
	2017	2016
<b>Assets</b>		
Current assets:		
Cash and deposits	148,066	160,447
Notes receivable-trade	1,244	868
Accounts receivable-trade	163,060	142,764
Merchandise and finished goods	37,421	40,506
Work in process	30,395	27,888
Raw materials and supplies	2,816	2,842
Prepaid expenses	3,407	2,572
Deferred tax assets	8,973	8,409
Short-term loans receivable	56,467	69,404
Accounts receivable-other	15,887	12,906
Other current assets	1,969	1,200
Allowance for doubtful accounts	(376)	(379)
Total current assets	469,336	469,431
Non-current assets:		
Property, plant and equipment:		
Buildings	84,269	85,102
Structures	14,590	14,748
Machinery and equipment	40,058	46,323
Vehicles	754	862
Tools, furniture and fixtures	9,408	10,060
Rental equipment	61,101	67,954
Land	43,190	42,872
Construction in progress	5,919	3,800
Total property, plant and equipment	259,292	271,725
Intangible assets:		
Software	12,611	11,232
Other intangible assets	579	909
Total intangible assets	13,190	12,142
Investments and other assets:		
Investment securities	55,330	40,482
Stocks of subsidiaries and affiliates	290,227	289,896
Investments in capital of subsidiaries and affiliates	41,576	33,965
Long-term loans receivable	16,379	14,866
Long-term prepaid expenses	2,075	978
Other investments	7,255	8,196
Allowance for doubtful accounts	(1,519)	(1,527)
Allowance for investment loss	(2,748)	(2,187)
Total investments and other assets	408,576	384,672
Total non-current assets	681,060	668,539
Total assets	1,150,396	1,137,971

Millions of yen

	2017	2016
<b>Liabilities</b>		
Current liabilities:		
Notes payable-trade	32	10
Accounts payable-trade	107,640	94,441
Short-term loans payable	32,270	40,857
Commercial papers	19,000	22,000
Current portion of bonds	30,000	30,000
Accounts payable-other	7,911	8,840
Accrued expenses	21,010	20,573
Income taxes payable	11,912	6,339
Advances received	546	848
Deposits received	25,466	20,176
Provision for bonuses	8,343	9,191
Provision for directors' bonuses	145	202
Provision for product warranties	6,897	6,051
Other current liabilities	3,454	2,958
Total current liabilities	274,629	262,491
Non-current liabilities:		
Bonds payable	20,000	50,000
Long-term loans payable	37,500	36,500
Deferred tax liabilities	4,338	882
Provision for product warranties	1,557	2,271
Provision for retirement benefits	37,067	35,704
Other long-term liabilities	7,063	5,598
Total non-current liabilities	107,526	130,956
Total liabilities	382,156	393,447
<b>Net Assets</b>		
Shareholders' equity:		
Capital stock	70,120	70,120
Capital surplus:		
Legal capital surplus	140,140	140,140
Other capital surplus	141	28
Total capital surplus	140,281	140,168
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:		
Reserve for special depreciation	368	466
Reserve for advanced depreciation of non-current assets	12,084	12,487
General reserve	210,359	210,359
Retained earnings brought forward	334,680	321,569
Total retained earnings	575,528	562,919
Treasury stock	(50,457)	(51,008)
Total shareholders' equity	735,472	722,200
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	30,119	19,538
Deferred gains or losses on hedges	301	244
Total valuation and translation adjustments	30,421	19,783
Stock acquisition rights	2,345	2,540
Total net assets	768,240	744,523
Total liabilities and net assets	1,150,396	1,137,971

**Non-Consolidated Statement of Income**

(Years ended March 31, 2017 and 2016)

	Millions of yen	
	2017	2016
Net sales	685,938	692,482
Cost of sales	516,070	517,760
Gross profit	169,868	174,722
Selling, general and administrative expenses		
Haulage expenses	22,804	24,461
Salaries and allowances	44,037	44,578
Provision for bonuses	4,127	4,495
Provision for directors' bonuses	145	202
Retirement benefit expenses	4,284	3,072
Depreciation	9,552	9,987
Research and development expenses	52,716	53,715
Other	(10,820)	(15,732)
Total selling, general and administrative expenses	126,845	124,779
Operating income	43,023	49,943
Non-operating income		
Interest and dividends income	38,778	33,160
Other	1,596	2,368
Total non-operating income	40,374	35,529
Non-operating expenses		
Interest expenses	1,112	1,352
Other	5,537	5,490
Total non-operating expenses	6,650	6,842
Ordinary income	76,747	78,629
Extraordinary income		
Gain on sales of land	451	5,041
Gain on sales of investment securities	142	2,787
Gain on sales of stocks of subsidiaries and affiliates	*2 4,333	–
Reversal of allowance for investment loss	–	1,329
Gain on sales of patent right	–	*3 3,202
Total extraordinary income	4,927	12,361
Extraordinary loss		
Impairment loss	133	3
Total extraordinary loss	133	3
Income before income taxes	81,541	90,987
Income taxes - current	15,577	13,177
Income taxes - deferred	(1,356)	2,053
Total income taxes	14,220	15,231
Net income	67,320	75,756

**Non-Consolidated Statement of Changes in Net Assets**  
(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity										
	Capital stock	Capital surplus			Retained earnings						Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings					
						Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward		
Balance at the beginning of current period	70,120	140,140	28	140,168	18,036	466	12,487	210,359	321,569	562,919	
Changes of items during the period											
Reversal of reserve for special depreciation						(98)			98	-	
Reversal of reserve for advanced depreciation of non-current assets							(403)		403	-	
Dividends from surplus									(54,711)	(54,711)	
Net income									67,320	67,320	
Purchase of treasury stock											
Disposal of treasury stock			112	112							
Net changes of items other than shareholders' equity											
Total changes of items during the period	-	-	112	112	-	(98)	(403)	-	13,110	12,609	
Balance at the end of current period	70,120	140,140	141	140,281	18,036	368	12,084	210,359	334,680	575,528	

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(51,008)	722,200	19,538	244	19,783	2,540	744,523
Changes of items during the period							
Reversal of reserve for special depreciation		–					–
Reversal of reserve for advanced depreciation of non-current assets		–					–
Dividends from surplus		(54,711)					(54,711)
Net income		67,320					67,320
Purchase of treasury stock	(21)	(21)					(21)
Disposal of treasury stock	572	684					684
Net changes of items other than shareholders' equity			10,581	57	10,638	(194)	10,443
Total changes of items during the period	550	13,272	10,581	57	10,638	(194)	23,716
Balance at the end of current period	(50,457)	735,472	30,119	301	30,421	2,345	786,240

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	70,120	140,140	–	140,140	18,036	557	15,254	210,359	297,651	541,859
Changes of items during the period										
Reversal of reserve for special depreciation						(90)			90	–
Reversal of reserve for advanced depreciation of non-current assets							(2,767)		2,767	–
Dividends from surplus									(54,695)	(54,695)
Net income									75,756	75,756
Purchase of treasury stock										
Disposal of treasury stock			28	28						
Net changes of items other than shareholders' equity										
Total changes of items during the period	–	–	28	28	–	(90)	(2,767)	–	23,918	21,060
Balance at the end of current period	70,120	140,140	28	140,168	18,036	466	12,487	210,359	321,569	562,919



(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(51,533)	700,586	32,479	71	32,550	2,981	736,118
Changes of items during the period							
Reversal of reserve for special depreciation		–					–
Reversal of reserve for advanced depreciation of non-current assets		–					–
Dividends from surplus		(54,695)					(54,695)
Net income		75,756					75,756
Purchase of treasury stock	(20)	(20)					(20)
Disposal of treasury stock	545	574					574
Net changes of items other than shareholders' equity			(12,940)	173	(12,767)	(440)	(13,207)
Total changes of items during the period	524	21,613	(12,940)	173	(12,767)	(440)	8,405
Balance at the end of current period	(51,008)	722,200	19,538	244	19,783	2,540	744,523

## Notes to Non-Consolidated Financial Statements

### Significant Accounting Policies

#### (1) Method and basis of valuation of securities

Investments in subsidiaries and affiliated companies:

Stated at cost determined by the moving-average method.

Available-for-sale securities:

Securities whose market value is readily determinable:

Stated at fair market value, based on market quotation at the balance sheet date.

(Unrealized gains and losses are reported, net of applicable income taxes, as a separate component of net assets.

The cost of securities sold is determined based on the moving-average method.)

Securities whose market value is not readily determinable:

Stated at cost determined by the moving-average method.

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

Merchandise and finished goods, work in process:

Stated at cost (specific identification method).

Raw materials and supplies:

Stated at cost (periodic average method).

The value stated in the balance sheet is computed according to write-downs based on the decreased profitability.

#### (3) Depreciation of non-current assets

Property, plant and equipment (excluding lease assets):

Straight-line method

Intangible assets (excluding lease assets):

Straight-line method

Lease assets

Lease assets pertaining to finance leases that do not transfer ownership of leased property to the lessee:

Straight-line method over the lease period as the useful life

#### (4) Allowances and provisions

##### 1) Allowance for doubtful accounts

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

##### 2) Allowance for investment loss

In order to prepare for losses from investing in domestic and overseas unlisted companies, allowance for investment loss is accounted for by taking into consideration the financial position of the issuer and fluctuation of the foreign exchange of the country of the issuer.

##### 3) Provision for bonuses

Provision for bonuses is provided for payment prospect of bonuses to employees at an amount considered to be recorded for the fiscal year.

##### 4) Provision for directors' bonuses

Provision for directors' bonuses is provided for payment prospect of bonuses to Directors at an amount considered to be recorded for the fiscal year.

5) Provision for product warranties

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

6) Provision for retirement benefits

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

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

(5) Accounting for income and expenses

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

(6) Other significant information for preparation of financial statements

1) Accounting for consumption taxes, etc.

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

2) Application of consolidated taxation system in Japan

The Company applies a consolidated tax payment system.

**Notes to Non-Consolidated Balance Sheet**

(Years ended March 31, 2017 and 2016)

1. Receivables from, and debts payable to subsidiaries and affiliates

	<b>Millions of yen</b>	
	<b>2017</b>	<b>2016</b>
Short-term receivables from subsidiaries and affiliates	186,578	185,381
Short-term debts payable to subsidiaries and affiliates	74,639	75,312
Long-term receivables from subsidiaries and affiliates	17,135	15,622

2. Contingency liability

	<b>Millions of yen</b>	
	<b>2017</b>	<b>2016</b>
Balance of guarantees for debt for borrowings from financial institutions by subsidiaries and affiliates and cooperation companies	32,626	42,855
Balance of guarantees for debt for borrowings from financial institutions by employees (home loans)	967	1,167
Balance of keep-well agreements for the bonds of subsidiaries and affiliates	61,348	62,307

**Notes to Non-Consolidated Statement of Income**  
(Years ended March 31, 2017 and 2016)

1. Trading with subsidiaries and affiliates

	Millions of yen	
	2017	2016
Sales	531,497	535,601
Purchases	123,221	115,635
Trading other than operating transactions	44,807	42,182

\*2. Gain on sales of stocks of subsidiaries and affiliates

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

\*3. Gain on sales of patent right

Gain on sales of patent right was recorded as a result of the transfer of patents and know-how to the Company's subsidiary GIGAPHOTON INC.

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

The 148<sup>th</sup> Fiscal Year (From April 1, 2016 to March 31, 2017)

(1) Type and number of shares issued

(Thousands of shares)

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

(2) Dividends

1) Payment amount of dividends

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

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

The Company proposed the following dividends to be resolved at the Ordinary General Meeting of Shareholders to be held on June 20, 2017.

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

The 147<sup>th</sup> Fiscal Year (From April 1, 2015 to March 31, 2016)

(1) Type and number of shares issued

(Thousands of shares)

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

(2) Dividends

1) Payment amount of dividends

Resolution	Type of Shares	Total Dividends (Millions of yen)	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 24, 2015	Common stock	27,344	29	March 31, 2015	June 25, 2015
Meeting of the Board of Directors held on October 28, 2015	Common stock	27,350	29	September 30, 2015	December 1, 2015

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

The Company proposed the following dividends to be resolved at the Ordinary General Meeting of Shareholders to be held on June 22, 2016.

Planned Resolution	Type of Shares	Total Dividends (Millions of yen)	Resource of Dividends	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 22, 2016	Common stock	27,353	Retained earnings	29	March 31, 2016	June 23, 2016

**Securities**

Shares of subsidiaries (carrying amount of ¥288,059 million and ¥287,727 million as of March 31, 2017 (148<sup>th</sup> fiscal year) and March 31, 2016 (147<sup>th</sup> fiscal year), respectively) and shares of affiliated companies (carrying amount of ¥2,168 million as of both March 31, 2017 (148<sup>th</sup> fiscal year) and March 31, 2016 (147<sup>th</sup> fiscal year)) are not presented because their market prices are not available and it is extremely difficult to determine their fair values.

## Tax Effect Accounting

### 1. Major Reasons for the accrual of deferred tax assets and deferred tax liabilities (Years ended March 31, 2017 and 2016)

	Millions of yen	
	2017	2016
<b>Deferred tax assets</b>		
Provision for product warranties	2,595	2,554
Inventories	886	567
Accrued enterprise tax	499	184
Provision for bonuses	2,564	2,825
Provision for retirement benefits	10,102	9,410
Allowance for investment loss	838	667
Impairment loss	1,411	1,534
Investment securities and stocks of subsidiaries and affiliates	5,095	6,155
Excess over depreciation limit	1,732	1,815
Excess allowance for doubtful accounts	579	582
Others	5,548	5,419
Subtotal deferred tax assets	31,854	31,718
Less valuation allowance	(8,420)	(8,689)
Total deferred tax assets	23,434	23,028
<b>Deferred tax liabilities</b>		
Reserve for advanced depreciation of non-current assets	(5,405)	(5,590)
Valuation difference on available-for-sale securities	(11,685)	(8,235)
Others	(1,708)	(1,675)
Total deferred tax liabilities	(18,798)	(15,501)
Net deferred tax assets	4,635	7,527

### 2. Major components of difference between the statutory tax rate and the effective tax rate after tax effect accounting is applied

	2017	2016
Statutory tax rate	30.7%	32.9%
<b>Adjustments</b>		
Expenses not deductible permanently such as entertainment expenses	0.5	0.2
Income not taxable permanently such as dividend income	(13.7)	(11.3)
Foreign tax credit	(0.2)	(0.2)
Valuation allowance	0.0	(1.1)
Tax credit for experiment and research expenses	(4.0)	(4.6)
Reduction of deferred tax assets at end of period due to change in income tax rates	—	0.8
Income taxes for prior periods	3.5	—
Others	0.6	0.0
Effective tax rate after tax effect accounting is applied	17.4	16.7

## Significant Subsequent Event

The 148<sup>th</sup> fiscal year (From April 1, 2016 to March 31, 2017)

The Company has guaranteed a bank loan executed by its wholly-owned subsidiary in the U.S., Komatsu America Corp. (USD 3,300 million). The purpose of the loan was to pay for the acquisition of Joy Global Inc. and repay part of the debt owed by Joy Global Inc. For further information about the acquisition of Joy Global Inc., please refer to “25. Material Subsequent Events” under the “Notes to Consolidated Financial Statements.”

**Non-consolidated supplementary schedule for the 148<sup>th</sup> Fiscal Year (From April 1, 2016 to March 31, 2017)**

**Detailed statement of property, plant and equipment, etc.**

(Millions of yen)

Category	Type of assets	Balance at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Depreciation and amortization during the Fiscal Year	Balance at Fiscal Year-end	Accumulated depreciation and amortization
Property, plant and equipment	Buildings	85,102	4,250	303	4,779	84,269	108,351
	Structures	14,748	1,232	159 [113]	1,231	14,590	27,454
	Machinery and equipment	46,323	4,958	926	10,296	40,058	200,536
	Vehicles	862	206	3	311	754	2,475
	Tools, furniture and fixtures	10,060	3,846	295	4,203	9,408	63,251
	Rental equipment	67,954	14,848	11,672	10,028	61,101	24,019
	Land	42,872	339	21 [20]	—	43,190	—
	Construction in progress	3,800	22,232	20,113	—	5,919	—
	Total	271,725	51,915	33,496 [133]	30,851	259,292	426,088
Intangible assets	Software	11,232	5,338	222	3,737	12,611	—
	Other intangible assets	909	9	28	311	579	—
	Total	12,142	5,347	250	4,048	13,190	—

- Notes: 1. The figures in square brackets in the “Decrease During the Fiscal Year” column represent amounts of impairment loss included in the figures above.
2. The increase in rental equipment was mainly due to the increase in construction machinery and other equipment owned for the purpose of leasing to other companies. The increase in construction in progress was mainly due to the increase in rental equipment.

**Detailed statement of reserves**

(Millions of yen)

Item	Balance at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Balance at Fiscal Year-end
Allowance for doubtful accounts	1,907	381	392	1,896
Allowance for investment loss	2,187	561	–	2,748
Provision for bonuses	9,191	8,343	9,191	8,343
Provision for directors' bonuses	202	145	202	145
Provision for product warranties	8,322	8,454	8,322	8,454

**(2) Primary assets and liabilities**

As the consolidated financial statements are prepared, this information is omitted here.

**(3) Others**

There are no special items to report.



## Item 6. Stock-Related Administration for the Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date of dividends	Interim dividends : September 30 Year-end dividends : March 31
Number of shares constituting one unit *	100 shares
Purchase and sales of shares less than one unit	
Handling office	(Special account) Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Transfer agent	(Special account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Forward office	-
Purchase and sales fee	Free of charge
Method of public notice	The method of public notice by the Company shall be electronic public notice, provided, however, that if, the use of the electronic public notice becomes impossible, due to an accident or any other unavoidable reason, the public notices of the Company shall be made by publication in The Nihon Keizai Shimbun published in Tokyo. URL for public notice is following <a href="https://home.komatsu/jp/">https://home.komatsu/jp/</a>
Special benefit for shareholders	The Gift of Gratitude to Long-term Shareholders  1. Qualified shareholders Shareholders of record as of March 31 every year, who own at least three (3) units (300 shares) and have continuously owned any number of shares of the Company at least for the last three (3) years* as of March 31 every year. *Shareholders who qualify for the shareholding of at least the last three (3) years are shown in the register of shareholders as of March 31 and September 30 every year, with the statement saying that they have continuously held shares of the Company seven (7) times, i.e., for a period of seven (7) x six (6) months, or more, including the record date, under the same shareholder numbers.  2. Gift of gratitude Original miniature models of Komatsu products (not for sale) One miniature model per qualified shareholder

Note:  
Shareholders of the Company are not entitled to exercise their rights pertaining to shares constituting less than one (1) unit (Tangen) of shares held by them, except for the following rights:

- (1) The rights provided for in each item of Article 189, Paragraph 2 of the Companies Act of Japan;
- (2) The right to make a request provided for in the provisions of Article 166, Paragraph 1 of the Companies Act of Japan;
- (3) The right to receive the allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by each shareholder.
- (4) The right to make a request to the Company for transfer of shares constituting less than one unit.

## Item 7. Reference Information on the Company

### 1. Information on the Parent Company

Not applicable.

### 2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2017 to the filing date of Annual Securities Report.

(1)	Annual Securities Report and documents attached, and Confirmation Letter	Business Term (147 <sup>th</sup> )	From April 1, 2015 To March 31, 2016	Filed with Director-General of the Kanto Local Finance Bureau on June 21, 2016
(2)	Internal Control Report and documents attached			Filed with Director-General of the Kanto Local Finance Bureau on June 21, 2016
(3)	Quarterly Report and Confirmation Letter	(148 <sup>th</sup> First Quarter)	From April 1, 2016 To June 30, 2016	Filed with Director-General of the Kanto Local Finance Bureau on August 10, 2016
		(148 <sup>th</sup> Second Quarter)	From July 1, 2016 To September 30, 2016	Filed with Director-General of the Kanto Local Finance Bureau on November 10, 2016
		(148 <sup>th</sup> Third Quarter)	From October 1, 2016 To December 31, 2016	Filed with Director-General of the Kanto Local Finance Bureau on February 10, 2017
(4)	Extraordinary Report	Pursuant to Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with Director-General of the Kanto Local Finance Bureau on June 24, 2016
		Pursuant to Article 19, paragraph 2, item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with Director-General of the Kanto Local Finance Bureau on July 14, 2016
		Pursuant to Article 19, paragraph 2, item 3 and item 16-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with Director-General of the Kanto Local Finance Bureau on July 21, 2016
(5)	Amendment to Extraordinary Report	Amendment to (4) Extraordinary Report dated July 14, 2016		Filed with Director-General of the Kanto Local Finance Bureau on August 1, 2016
		Amendment to (4) Extraordinary Report dated July 21, 2016		Filed with Director-General of the Kanto Local Finance Bureau on April 6, 2017
(6)	Shelf Registration Statement and documents attached			Filed with Director-General of the Kanto Local Finance Bureau on November 21, 2016
(7)	Amended Shelf Registration Statement			Filed with Director-General of the Kanto Local Finance Bureau on April 6, 2017

**Part II Information on Guarantors, etc., for the Company**

Not applicable.

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language]  
**Independent Auditor's Report on the Financial Statements**  
**and**  
**Internal Control Over Financial Reporting**

June 19, 2017

To The Board of Directors  
of 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

**Financial Statement Audit**

We have audited the accompanying consolidated financial statements of Komatsu Ltd. and its consolidated subsidiaries provided in the "Financial Information" section in the Komatsu's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of equity and the consolidated statement of cash flows for the fiscal year then ended, and notes to the consolidated financial statements and supplementary schedules, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to Paragraph 3 of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. 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 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 statement 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 methods 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 present fairly, in all material respects, the financial position of Komatsu Ltd. and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America (Refer to Note 1 in the notes to consolidated financial statements.).

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to the following:

1. As described in Note 22 "Business Segment and Geographic Information", from the fiscal year ended March 31, 2017, Komatsu Ltd. has changed the classification of operating segment.
2. As described in Note 25 "Material Subsequent Events", on April 5, 2017 (local time: UTC-5), Komatsu Ltd. has acquired Joy Global Inc. (Head office: the United States of America) through a subsidiary of Komatsu Ltd. in the United States of America.

### **Internal Control Audit**

We also have audited the internal control report of Komatsu Ltd. as at March 31, 2017, in accordance with Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

### **Management's Responsibility for the Internal Control Report**

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect financial reporting misstatements.

### **Auditor's Responsibility**

Our responsibility is to independently express an opinion on the internal control report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the internal control report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the assessment of internal control over financial reporting in the internal control report. The procedures selected depend on our judgment, including the assessment of significance of effect on the reliability of financial reporting. Also, an internal control audit includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management, and the overall internal control report presentation.

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 internal control report, in which Komatsu Ltd. states that internal control over financial reporting was effective as at March 31, 2017, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to the following:

As described in "Additional notes" in the internal control report, on April 5, 2017 (local time: UTC-5), Komatsu Ltd. has acquired Joy Global Inc. (Head office: the United States of America) through a subsidiary of Komatsu Ltd. in the United States of America.

### **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 Act of Japan.

### **Notes to the Reader of Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting:**

The Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting herein is the English translation of the Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting as required by the Financial Instruments and Exchange Act of Japan.

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

June 19, 2017

To The Board of Directors  
of 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 of Komatsu Ltd. provided in the "Financial Information" section in the Komatsu's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, significant accounting policies, the related notes, and the supplementary schedules of Komatsu Ltd. as at March 31, 2017 and for the 148th fiscal year from April 1, 2016 to March 31, 2017, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

**Management's Responsibility for the Non-Consolidated Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to independently express an opinion on the non-consolidated financial statements based on our audit. 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the non-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 non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the non-consolidated financial statement 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 methods of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-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 non-consolidated financial statements present fairly, in all material respects, the financial position of Komatsu Ltd. as at March 31, 2017, and its financial performance for the fiscal year then ended 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 Act of Japan.

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

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

## Cover

<b>【Document title】</b>	Internal Control Report
<b>【Clause of stipulation】</b>	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
<b>【Place of filing】</b>	Director-General of the Kanto Local Finance Bureau
<b>【Filing date】</b>	June 19, 2017
<b>【Company name】</b>	Kabushiki Kaisha Komatsu Seisakusho
<b>【Company name in English】</b>	KOMATSU LTD.
<b>【Title and name of representative】</b>	Tetsuji Ohashi, President and Representative Director
<b>【Title and name of chief financial officer】</b>	Mikio Fujitsuka, Executive Vice President and Representative Director
<b>【Address of registered head office】</b>	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
<b>【Place for public inspection】</b>	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

## **1. Matters relating to the basic framework for internal control over financial reporting**

Mr. Tetsuji Ohashi, President and Representative Director, and Mr. Mikio Fujitsuka, Executive Vice President and Representative Director, are responsible for establishing and maintaining internal control over financial reporting of Komatsu Group (Komatsu Ltd., its subsidiaries and equity-method affiliates) and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

## **2. Matters relating to the scope of assessment, the base date of assessment and the assessment procedures**

Komatsu Ltd. (the “Company”) assessed the effectiveness of our internal control over financial reporting on the base date as of March 31, 2017 and made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. In making this assessment, the Company evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis (“company-level controls”) and based on the result of this assessment, the Company appropriately selected business processes to be evaluated. In making these business processes assessment, the Company analyzed these selected business processes, identified key controls that may have a material impact on the reliability of internal control over financial reporting and assessed the design and operation of these key controls.

The Company determined the required assessment scope of internal controls over financial reporting for Komatsu Group from the perspective of the materiality that may affect the reliability of its financial reporting. The materiality that may affect the reliability of its financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. The Company reasonably determined the assessment scope of internal controls over business processes after considering the assessment results of company-level controls conducted for Komatsu Group. The Company did not include those consolidated subsidiaries and equity-method affiliates which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the assessment scope of company-level controls.

Regarding the assessment scope of internal control over business processes, the Company accumulated business units in descending order of net sales (after eliminating inter-company transactions) for the previous fiscal year, and those business units whose combined amount of net sales reaches approximately two-thirds of net sales on a consolidated basis were selected as significant business units.

At the selected significant business units, the Company included, in the assessment scope, those business processes leading to net sales, accounts receivables and inventories as accounts closely relating to business objectives of the Company.

Further, not only at selected significant business units, but also at other business units, the Company added to the assessment scope, those business processes having greater materiality considering their impact on the financial reporting, those business processes relating to greater likelihood of material misstatements in significant accounts involving estimates or forecasts as these significant accounts that may have a material impact on its business objectives; or those business processes relating to businesses or operations dealing with high-risk transactions.

## **3. Matters relating to the results of the assessment**

As a result of the assessment above, the Company concluded that internal control over financial reporting of Komatsu Group was effective as of March 31, 2017.

## **4. Additional notes**

On April 5, 2017 (local time: Eastern Standard Time, UTC-5), the Company acquired Joy Global Inc. (Head Office: U.S.A.), which engages in the manufacture, sales and service of mining equipment. It was acquired through Komatsu America Corp., a wholly owned subsidiary of the Company in the U.S.A., by purchasing all common shares of Joy Global Inc. This acquisition may have a material impact on the assessment of the effectiveness of internal control over financial reporting of Komatsu Group from the next fiscal year.

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



## **5. Special notes**

Not applicable.

## Cover

<b>【Document title】</b>	Confirmation Letter
<b>【Clause of stipulation】</b>	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
<b>【Place of filing】</b>	Director-General of the Kanto Local Finance Bureau
<b>【Filing date】</b>	June 19, 2017
<b>【Company name】</b>	Kabushiki Kaisha Komatsu Seisakusho
<b>【Company name in English】</b>	KOMATSU LTD.
<b>【Title and name of representative】</b>	Tetsuji Ohashi, President and Representative Director
<b>【Title and name of chief financial officer】</b>	Mikio Fujitsuka, Executive Vice President and Representative Director
<b>【Address of registered head office】</b>	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
<b>【Place for public inspection】</b>	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

**1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report**

Komatsu's President and Representative Director Tetsuji Ohashi, and Chief Financial Officer, Executive Vice President and Representative Director Mikio Fujitsuka, have confirmed that the content of the Annual Securities Report of Komatsu Ltd. of the 148<sup>th</sup> fiscal year (from April 1, 2016 to March 31, 2017) was described properly based on the laws and regulations concerning the Financial Instruments and Exchanges Act and Related Regulations.

**2. Special Notes**

Not applicable.