(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, 2019 to March 31, 2020

(The 151st Fiscal Year)

KOMATSU LTD.

E01532

The 151st Fiscal Year (from April 1, 2019 to March 31, 2020)

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 29, 2020.

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

【Document title】	Annual Securities Report (“Yukashoken Hokokusho”)
【Clause of stipulation】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Place of filing】	Director-General of the Kanto Local Finance Bureau
【Filing date】	June 29, 2020
【Fiscal year】	The 151st Fiscal Year (from April 1, 2019 to March 31, 2020)
【Company name】	Kabushiki Kaisha Komatsu Seisakusho
【Company name in English】	KOMATSU LTD.
【Title and name of representative】	Hiroyuki Ogawa, President and Representative Director
【Address of registered head office】	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
【Telephone number】	+81 (0)3 5561-2604
【Name of contact person】	Kazuhiro Yokoo, General Manager of Corporate Controlling Department
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【Telephone number】	+81 (0)3 5561-2604
【Name of contact person】	Kazuhiro Yokoo, General Manager of Corporate Controlling Department
【Place for public inspection】	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			147th	148th	149th	150th	151st
Year ended			March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Net sales (Note 2)			1,854,964	1,802,989	2,501,107	2,725,243	2,444,870
Income before income taxes and equity in earnings of affiliated companies (Note 3)			204,881	166,469	291,807	377,471	223,114
Net income attributable to Komatsu Ltd.			137,426	113,381	196,410	256,491	153,844
Comprehensive income attributable to Komatsu Ltd.			42,682	113,396	148,578	248,576	62,999
Total Komatsu Ltd. shareholders' equity			1,517,414	1,576,674	1,664,540	1,815,582	1,771,606
Total equity			1,587,760	1,648,515	1,743,590	1,902,868	1,856,225
Total assets			2,614,654	2,656,482	3,372,538	3,638,219	3,653,686
Total Komatsu Ltd. shareholders' equity per share (Note 4)		(Yen)	1,609.69	1,672.01	1,764.58	1,923.47	1,875.47
Net income attributable to Komatsu Ltd. per share	Basic (Note 5)	(Yen)	145.80	120.26	208.25	271.81	162.93
	Diluted	(Yen)	145.61	120.10	207.97	271.51	162.80
Total Komatsu Ltd. shareholders' equity ratio		(%)	58.0	59.4	49.4	49.9	48.5
Return on equity		(%)	9.0	7.3	12.1	14.7	8.6
Price earnings ratio		(Times)	13.1	24.1	17.0	9.5	10.9
Net cash provided by operating activities			319,634	256,126	148,394	202,548	295,181
Net cash used in investing activities			(148,642)	(133,299)	(377,745)	(187,204)	(190,930)
Net cash provided by (used in) financing activities			(173,079)	(107,718)	243,949	(3,660)	(3,457)
Cash and cash equivalents, end of year			106,259	119,901	144,397	148,479	247,616
Number of employees		(Persons)	47,017	47,204	59,632	61,908	62,823
[Separately, average number of temporary employees]			[3,479]	[3,410]	[5,385]	[6,766]	[6,056]

Notes:

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

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

(2) The Company

(Millions of yen, unless otherwise stated)

Fiscal year		147th	148th	149th	150th	151st
Year ended		March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Net sales (Note 2)		692,482	685,938	868,403	928,967	719,292
Ordinary income		78,629	76,747	136,924	195,534	62,008
Net income		75,756	67,320	135,119	157,754	58,316
Capital stock		70,120	70,120	70,120	70,561	70,973
Number of common share issued	(Thousands of shares)	971,967	971,967	971,967	972,252	972,581
Net assets		744,523	768,240	813,162	877,409	829,003
Total assets		1,137,971	1,150,396	1,305,526	1,339,074	1,356,652
Net assets per share	(Yen)	786.65	811.73	859.01	927.18	876.06
Cash dividend per share	(Yen)	58.0	58.0	84.0	110.0	94.0
[Of the above interim dividend per share]	(Yen)	[29.0]	[29.0]	[36.0]	[51.0]	[55.0]
Net income per share	(Yen)	80.33	71.36	143.18	167.10	61.73
Net income per share reflecting the potential dilution	(Yen)	80.23	71.27	143.00	166.94	61.70
Total equity ratio	(%)	65.2	66.6	62.1	65.4	61.0
Return on equity	(%)	10.3	8.9	17.1	18.7	6.8
Price earnings ratio	(Times)	23.9	40.7	24.8	15.4	28.8
Dividend payout ratio	(%)	72.2	81.3	58.7	65.8	152.3
Total shareholders return	(%)	83.6	127.7	158.6	121.9	92.4
[Of TOPIX Machine Index]	(%)	[81.8]	[106.0]	[125.4]	[109.2]	[97.0]
Highest share price of each fiscal year (Note 3)	(Yen)	2,639.5	3,029.0	4,475.0	3,917.0	2,882.0
Lowest share price of each fiscal year (Note 3)	(Yen)	1,557.5	1,661.5	2,622.5	2,240.0	1,507.0
Number of employees	(Persons)	10,449	10,371	10,465	11,537	11,692
[Separately, average number of temporary employees]	(Persons)	[1,117]	[989]	[1,074]	[1,496]	[1,486]

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

2. History

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

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

3. Description of Business

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

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

Komatsu is comprised 219 consolidated subsidiaries and 42 affiliated companies accounted for by the equity method.

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

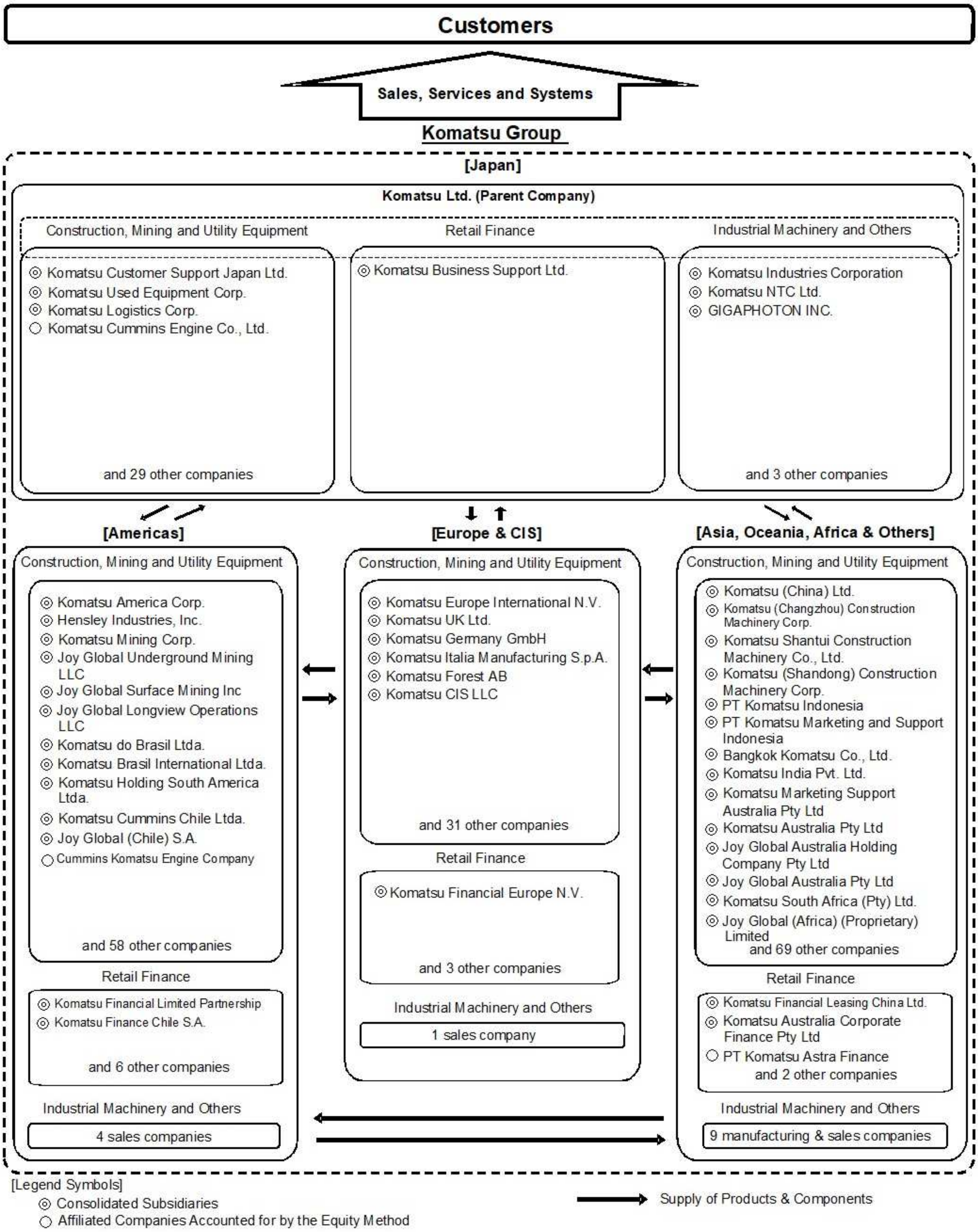
<table>
<tr><th colspan="2">Category/principal products and businesses</th><th>Principal companies</th></tr>
<tr><td colspan="3">Construction, Mining and Utility Equipment</td></tr>
<tr><td>Excavating equipment</td><td>Hydraulic excavators, rope shovels, mini excavators and backhoe loaders</td><td rowspan="14">Komatsu Ltd., Komatsu Customer Support Japan Ltd., Komatsu Used Equipment Corp., Komatsu Logistics Corp., Komatsu America Corp., Hensley Industries, Inc., Komatsu Mining Corp., Joy Global Underground Mining LLC, Joy Global Surface Mining Inc, Joy Global Longview Operations LLC, Komatsu do Brasil Ltda., Komatsu Brasil International Ltda., Komatsu Holding South America Ltda., Komatsu Cummins Chile Ltda., Joy Global (Chile) S.A., Komatsu Europe International N.V., Komatsu UK Ltd., Komatsu Germany GmbH, Komatsu Italia Manufacturing S.p.A., Komatsu Forest AB, Komatsu CIS LLC, Komatsu (China) Ltd., Komatsu (Changzhou) Construction Machinery Corp., Komatsu Shantui Construction Machinery Co., Ltd., Komatsu (Shandong) Construction Machinery Corp., PT Komatsu Indonesia, PT Komatsu Marketing & Support Indonesia, Bangkok Komatsu Co., Ltd., Komatsu India Pvt. Ltd., Komatsu Marketing Support Australia Pty Ltd, Komatsu Australia Pty Ltd, Joy Global Australia Holding Company Pty Ltd, Joy Global Australia Pty Ltd, Komatsu South Africa (Pty) Ltd., Joy Global (Africa) (Proprietary) Limited and other 149 subsidiaries.
(Total 184 companies)</td></tr>
<tr><td>Loading equipment</td><td>Wheel loaders, mini wheel loaders and skid-steer loaders</td></tr>
<tr><td>Grading and roadbed preparation equipment</td><td>Bulldozers, motor graders and vibratory rollers</td></tr>
<tr><td>Hauling equipment</td><td>Off-highway dump trucks, articulated dump trucks and crawler carriers</td></tr>
<tr><td>Forestry equipment</td><td>Harvesters, forwarders and feller bunchers</td></tr>
<tr><td>Tunneling machines</td><td>Shield machines and tunnel-boring machines</td></tr>
<tr><td>Underground Mining Equipment</td><td>Continuous miners and longwall shearers</td></tr>
<tr><td>Recycling equipment</td><td>Mobile crushers, mobile soil recyclers and mobile tub grinders</td></tr>
<tr><td>Industrial vehicles</td><td>Forklift trucks</td></tr>
<tr><td>Other equipment</td><td>Railroad maintenance equipment</td></tr>
<tr><td>Engines and components</td><td>Diesel engines, diesel generator sets and hydraulic equipment</td></tr>
<tr><td>Casting products</td><td>Steel castings and iron castings</td></tr>
<tr><td>Logistics</td><td>Transportation, warehousing and packing</td></tr>
</table>

Category/principal products and businesses		Principal companies
Retail Finance		
Retail Financing	Leasing and installment of construction and mining equipment	Komatsu Ltd., Komatsu Business Support Ltd., Komatsu Financial Limited Partnership, Komatsu Finance Chile S.A., Komatsu Financial Europe N.V., Komatsu Financial Leasing China Ltd., Komatsu Australia Corporate Finance Pty Ltd and other 11 subsidiaries (Total 18 companies)
Industrial Machinery and Others		
Metal forging and stamping presses	Servo presses and mechanical presses	Komatsu Ltd., Komatsu Industries Corporation, Komatsu NTC Ltd., GIGAPHOTON INC. and other 16 subsidiaries. (Total 20 companies)
Sheet-metal machines	Laser cutting machines, fine-plasma cutting machines, press brakes and shears	
Machine tools	Transfer machines, machining centers, crankshaft millers, grinding machines and wire saws	
Defense systems	Ammunition and armored personnel carriers	
Temperature-control equipment	Thermoelectric modules and temperature-control equipment for semiconductor manufacturing	
Optical Machinery	Excimer laser used for lithography tools in semiconductor manufacturing	

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

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

(As of March 31, 2020)



4. Overview of Subsidiaries and Affiliates

Consolidated subsidiaries

(Millions of yen, unless otherwise stated)

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

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu America Corp. *1, 2	Chicago, U.S.A.	1,071 million US dollars	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of construction, mining and utility equipment and supervision in the Americas. (Note 1)
Hensley Industries, Inc.	Dallas, U.S.A.	2 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture and sales of parts of construction and mining equipment.
Komatsu Mining Corp.	Milwaukee, U.S.A.	5 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Overall management of mining equipment business (Note 1)
Joy Global Underground Mining LLC *1, 3	Warrendale, U.S.A.	1,406 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Joy Global Surface Mining Inc	Milwaukee, U.S.A.	1 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Joy Global Longview Operations LLC *1, 4	Longview, U.S.A.	992 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu Finance America Inc.	Chicago, U.S.A.	1 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Financing within Komatsu Group, fundraising, etc.
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)
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 do Brasil Ltda.	Suzano, Brazil	143 million real	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment and casting products.
Komatsu Brasil International Ltda.	Sao Paulo, Brazil	287 million real	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)

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

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Italia Manufacturing S.p.A.	Este, Italy	6 million euro	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment.
Komatsu Forest AB	Umea, Sweden	397 million Swedish krona	Construction, Mining and Utility Equipment	100.0	Manufacture, sales, and service of forestry equipment.
Komatsu CIS LLC *1	Moscow, Russia	5,301 million Russian rubles	Construction, Mining and Utility Equipment	100.0	Sales of construction and mining equipment.
Komatsu Manufacturing Rus LLC *1	Yaroslavl, Russia	4,273 million Russian rubles	Construction, Mining and Utility Equipment	[94.2] 94.2	Manufacture of construction equipment.
Komatsu Financial Europe N.V. *1	Vilvoorde, Belgium	80 million euro	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu (China) Ltd. *1	Shanghai, China	165 million US dollars	Construction, Mining and Utility Equipment	100.0	Sales of construction and mining equipment and supervision in China. (Note 1)
Komatsu (Changzhou) Construction Machinery Corp.	Changzhou, Jiangsu, China	41 million US dollars	Construction, Mining and Utility Equipment	[85.0] 85.0	Manufacture of construction equipment.
Komatsu Shantui Construction Machinery Co., Ltd.	Jining, Shandong, China	21 million US dollars	Construction, Mining and Utility Equipment	[30.0] 60.0	Manufacture of construction equipment.
Komatsu (Shandong) Construction Machinery Corp. *1	Jining, Shandong, China	233 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of components for construction equipment and casting products, etc.
PT Komatsu Indonesia *1	Jakarta, Indonesia	192,780 million Indonesian rupiah	Construction, Mining and Utility Equipment	94.9	Manufacture and sales of construction and mining equipment and casting products.
PT Komatsu Marketing & Support Indonesia	Jakarta, Indonesia	5 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
PT Komatsu Undercarriage Indonesia	Bekasi, Indonesia	15 million US dollars	Construction, Mining and Utility Equipment	[84.3] 84.3	Manufacture and sales of parts of construction and mining equipment.

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
PT Komatsu Remanufacturing Asia	Balikpapan, Indonesia	1,200 thousand US dollars	Construction, Mining and Utility Equipment	[51.0] 51.0	Manufacture and sales of remanufacturing components for construction and mining equipment.
Bangkok Komatsu Co., Ltd.	Chonburi, Thailand	620 million Thai baht	Construction, Mining and Utility Equipment	[74.8] 74.8	Manufacture and sales of construction equipment and casting products.
Komatsu Parts Asia Co., Ltd.	Chonburi, Thailand	170 million Thai baht	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales of parts of construction and mining equipment.
Komatsu India Pvt. Ltd. *1	Kanchpuram, India	10,963 million Indian rupees	Construction, Mining and Utility Equipment	[54.8] 100.0	Manufacture and sales of construction and mining equipment.
Komatsu Marketing Support Australia Pty Ltd	Fairfield, Australia	21 million Australian dollars	Construction, Mining and Utility Equipment	[40.0] 60.0	Sales of construction and mining equipment. (Note 1)
Komatsu Australia Pty Ltd	Fairfield, Australia	30 million Australian dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
Joy Global Australia Holding Company Pty Ltd *1	Murarrie, Australia	443 million Australian dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Roles as holding company of Joy Global Australia Pty Ltd.
Joy Global Australia Pty Ltd *1	Murarrie, Australia	608 million Australian dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu South Africa (Pty) Ltd.	Germiston, Republic of South Africa	186 million rand	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment. (Note 1)
Joy Global (Africa) (Proprietary) Limited	Wadeville, Republic of South Africa	6,676 rand	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu Financial Leasing China Ltd. *1	Shanghai, China	1,630 million renminbi	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu Australia Corporate Finance Pty Ltd	Fairfield, Australia	49 million Australian dollars	Retail Finance	[60.0] 60.0	Retail financing related to construction and mining equipment.

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
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 160 companies					

Affiliated companies accounted for by the equity method

(Millions of yen, unless otherwise stated)

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

Notes:

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

	Information on income or loss, etc. (Millions of yen)				
	Net sales	Income before income taxes and equity in earnings of affiliated companies	Net income	Total equity	Total assets
Komatsu Customer Support Japan Ltd.	286,639	9,056	6,489	64,739	167,710
Komatsu America Corp.	492,681	68,693	66,666	645,059	1,556,189

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

9) Komatsu Financial Limited Partnership (indicated by asterisk 5 (*5) in “Company name”) is a limited partnership established based on the state law of Delaware, the U.S., and the Company invests in it through Komatsu America Corp. Its net assets, which are equivalent to its equity, amount to USD 710 million.
10) Cummins Komatsu Engine Company (indicated by asterisk 6 (*6) in “Company name”) is a general partnership established based on the state law of Indiana, the U.S., and the Company invests in it through Komatsu America Corp.; the total investments amount to USD 2 million.

5. Employees

(1) Consolidated

(As of March 31, 2020)

Operating segment	Number of employees	
Construction, Mining and Utility Equipment	57,787	[5,432]
Retail Finance	255	[11]
Industrial Machinery and Others	4,116	[458]
Corporate	665	[155]
Total	62,823	[6,056]

Notes:

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

(2) The Company

(As of March 31, 2020)

Number of employees	Average age	Average length of service	Average annual salary (gross)
11,692 [1,486]	39.5 years old	15.1 years	¥7,467,775

Operating segment	Number of employees	
Construction, Mining and Utility Equipment	10,750	[1,302]
Retail Finance	9	[0]
Industrial Machinery and Others	268	[29]
Corporate	665	[155]
Total	11,692	[1,486]

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

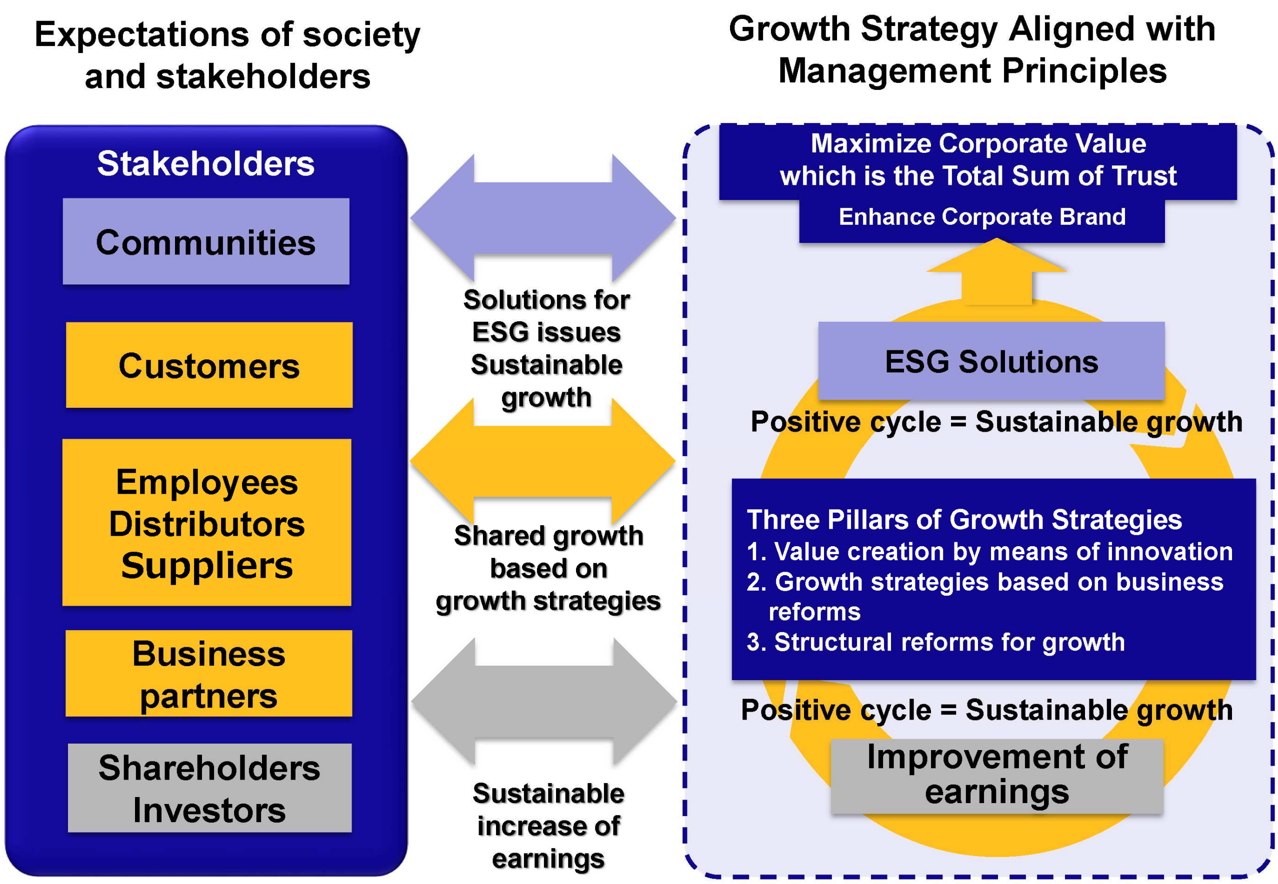
The Company has a labor contract with the Komatsu Labor Union, which is organized by approximately 10,900 employees and 8 branches in Japan.
The Komatsu Labor Union is a member of "All Komatsu Workers Union" and "Japanese Association of Metal, Machinery and Manufacturing Workers."
Each of 13 consolidated subsidiaries and affiliated companies in Japan has a labor contract with its each labor union joining "All Komatsu Workers Union." They are organized by approximately 6,600 employees of subsidiaries and affiliated companies.
The relationships between the Company, subsidiaries, affiliated companies and these labor unions are stable.

Item 2. Business Overview

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

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

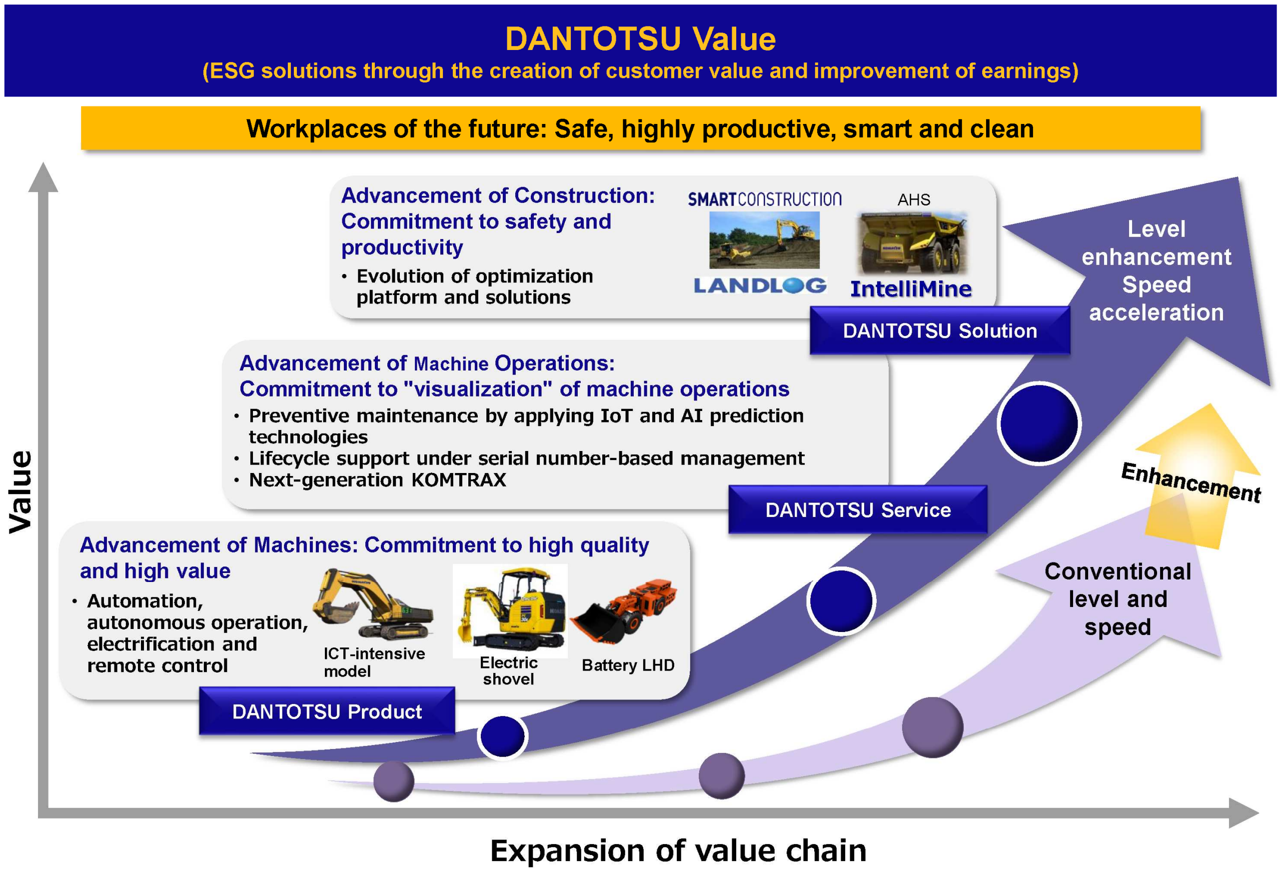
The cornerstone of the Komatsu (the Company and its consolidated subsidiaries)'s management lies in its commitment to Quality and Reliability and the maximization of its corporate value. We at Komatsu define our corporate value as the total sum of trust from society and all our stakeholders.
In our three-year mid-term management plan, "DANTOTSU Value - *FORWARD* Together for Sustainable Growth," with the fiscal year ending March 31, 2022 as the goal year, we aim for growth toward its 100th Anniversary (2021) and beyond, and are pursuing three management strategies (growth strategies): 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. In the current market environment, due to the US-China trade friction and UK leaving the EU, as well as due to the impact of the novel coronavirus (COVID-19) pandemic, the outlook is opaque and uncertain in the construction, mining and utility equipment segment and the industrial machinery and others segment. In this environment, we will strive for sustainable growth through a positive circle of improving earnings and solving environmental, social, and corporate governance (ESG) issues without being affected by changes in market demand by making priority investment in growth areas through the assessment of cost effectiveness and strategic value based on these three pillars of growth strategies.



Realizing "DANTOTSU Value" along with the evolution of the three growth strategies

To promote the three pillars of growth strategies, we aim to advance and enhance the level of DANTOTSU products, DANTOTSU service, and DANTOTSU solutions, for which we have continued to make efforts, at a faster speed, and create DANTOTSU value (a virtuous cycle generated by ESG solutions through the creation of customer value and improvement of earnings). We will work to realize safe, highly productive, smart and clean workplace of the future with customers in both physical aspects (increased sophistication and automation of construction equipment) and non-physical aspects (optimization of customers' construction operations). In this manner, we will help solve ESG issues through our core business by offering high-quality, high-performance products, service and solutions ensuring safety and reduction of environmental impact in response to climate change.

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



Targets of the mid-term management plan

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

Growth	Growth rate above the industry's average
Profitability	Industry's top-level operating income ratio
Efficiency	ROE*1 of 10% or higher
Financial position	Industry's top-level financial position
Retail finance business	1. ROA*2: 1.5-2.0% 2. 5.0 or under for net debt-to-equity ratio*3

[New] ESG	1. Reduction of environmental impact CO_2 emissions: Decrease by 50% in 2030 from 2010 Renewal energy use: Increase to 50% of total energy use in 2030 2. Evaluation by external organizations: Selected for DJSI*4 (World & Asia Pacific) and CDP*5 A-list (Climate Changes and Water Risk), etc.

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.

Notes:

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

*2 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

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

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

[State of Progress of Focused Activity Items and Challenges from the Next Term Onward]

Three Management Strategies		Examples of Activities
1. Value Creation by Means of Innovation	FY2019 achievements	･Expanded deployments of SMARTCONSTRUCTION (cumulative number of sites in Japan now exceeds 10,000) ･Announced the provision of "SMARTCONSTRUCTION Digital Transformation," starting from April 2020 ･Announced the deployment of retrofit kits for hydraulic excavators to enable 3D construction, starting from April 2020 ･Achieved a total of 221 dump truck units operating under the Autonomous Haulage System (AHS) ･Acquired Immersive Corporation Pty Ltd, an operator training company for mining customers ･Exhibited a battery-powered mini excavator at bauma 2019, international construction equipment trade fair, and rolled it out as a rental machine for the Japanese market
	Challenges for the Next Term and Onward	･Expand SMARTCONSTRUCTION overseas ･Develop a new platform for mining ･Development of technology for automation, autonomous operation, electrification and remote control
2. Growth Strategies Based on Business Reforms	FY2019 achievements	･Consolidation of facilities with Komatsu Mining Corp. ･Launched aggregate/cement models ･Made model changes for hydraulic excavator for strategic regions ･Introduced the KomVision Human Detection & Collision Mitigation System as a standard fitment to hydraulic excavators in the Japanese market
	Challenges for the Next Term and Onward	･Improve the market position of the hard rock mining business ･Launch next-generation KOMTRAX ･Continue to promote value-chain reforms aimed at realizing full lifecycle support ･Reforms of the industrial machinery business (Expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)
3. Structural Reforms for Growth	FY2019 achievements	･Steadily implemented cost improvement activities ･Won the Prime Minister's Award at the Monozukuri Nippon Grand Awards for KOM-MICS realizing "connected plants" ･Began construction on the new Komatsu Mining Corp. Milwaukee plant and the new Komatsu Forest AB plant in Umeå, Sweden
	Challenges for the Next Term and Onward	･Promote work reforms using ICT and IoT ･Promote continuous cost improvement activities ･Develop human resources with global perspective and promote diversity

Solving ESG issues through the three growth strategies

Komatsu has continued to act in accordance with its basic policy of fulfilling CSR activities through its core business. It has selected priority issues from among those that are considered important both to the business of Komatsu and to stakeholders, and has concentrated on three CSR themes. In addition, Komatsu has linked its activities to 5 of the 17 of the UN's Sustainable Development Goals (SDGs) that are particularly relevant to its business.

One of the goals of the mid-term management plan is to solve ESG issues through the three growth strategies. Key performance indicators (KPI) that are associated with these three growth strategies have been set to ensure that these aims are accomplished steadily, and the KPIs have been disclosed in the integrated report.

CSR Themes	ESG Solutions through Three Pillars of Growth Strategies	Relevant SDGs
Enhancing Quality of Life -Providing Products Required by Society-	･Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry). ･Improve productivity, efficiency, safety and environmental impact (lower CO_2 emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain. ･Make commitment to DANTOTSU Value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value).	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS
Human Resource Development	･Develop a diverse workforce with a high level of productivity and technical skills. ･Strengthen and develop diverse and global-scope talent to help achieve sustainable workplaces. ･Develop talent with cross-value chain capabilities.	8 DECENT WORK AND ECONOMIC GROWTH
Growing with Society	･Offer resolutions for social issues through collaboration with stakeholders. ･Act as a responsible corporate citizen ensuring corporate governance and compliance and respecting human rights.	11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS

2. Risk Factors

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

(1) Economic and market conditions

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

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

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

(2) Foreign currency exchange rate fluctuations

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

(3) Fluctuations in financial markets

While Komatsu is currently improving the efficiency of its asset management, its aggregate short- and long-term interest-bearing debt was ¥1,012.3 billion as of March 31, 2020. Although Komatsu has strived to reduce the effect of interest rate fluctuations using various measures, including procuring funds at fixed interest rates, an increase in interest rates may increase Komatsu's interest expenses and thereby adversely affect Komatsu's results of operations. In addition, with respect to Komatsu's pension assets, though Komatsu has been evaluating its operational status and reviewing its portfolio on a regular basis, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of Komatsu's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect Komatsu's results of operations and financial condition.

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

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

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

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

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

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

(10) Natural calamities, wars, terrorism, accidents, epidemics and other matters
If natural disasters (such as earthquakes, tsunamis and floods), epidemics, radioactive contamination, wars, terrorist acts, riots, accidents (such as fires and explosions), unforeseeable criticism or interference by third parties were to occur in the regions in which Komatsu operates, Komatsu may incur extensive damage to one or more of its facilities that then could not become fully operational within a short period of time. Even if Komatsu's operations were not directly harmed by such events, confusion in logistic and supply networks, shortages in the supply of electric power, gas and other utilities, telecommunication problems and/or problems of supplier's production may continue for a long period of time. In preparation for actualization of these risks, Komatsu takes measure such as establishment of a business continuity plan or implementation of training sessions, and, if a material risk is actualized, Komatsu will set up an emergency headquarters and take appropriate steps to minimize damage.

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

1. Overview of Results of Operations, etc.

Komatsu's financial position, results of operations and cash flows (hereinafter "Results of Operations, etc.") in the fiscal year ended March 31, 2020 are as follows.

(1) Financial Position and Operating Results

(i) Overview

For the fiscal year ended March 31, 2020, consolidated net sales decreased by 10.3% from the fiscal year ended March 31, 2019 to ¥2,444,870 million. With respect to profits, operating income decreased by 37.0% from the fiscal year ended March 31, 2019 to ¥250,707 million. The operating income ratio decreased by 4.3 percentage points from the fiscal year ended March 31, 2019 to 10.3%. Income before income taxes and equity in earnings of affiliated companies decreased by 40.9% from the fiscal year ended March 31, 2019 to ¥223,114 million. Net income attributable to Komatsu Ltd. decreased by 40.0% from the fiscal year ended March 31, 2019 to ¥153,844 million.

Consolidated results for the fiscal year

	151st fiscal year (Millions of yen)	Changes from 150th fiscal year
Net sales	2,444,870	(10.3%)
Construction, Mining and Utility Equipment	2,211,263	(10.8%)
Retail Finance	70,910	11.5%
Industrial Machinery and Others	177,586	(12.6%)
Elimination	(14,889)	―
Segment profit	255,030	(36.1%)
Construction, Mining and Utility Equipment	227,311	(37.8%)
Retail Finance	12,673	(27.6%)
Industrial Machinery and Others	13,703	(26.5%)
Corporate & elimination	1,343	―
Operating income	250,707	(37.0%)
Income before income taxes and equity in earnings of affiliated companies	223,114	(40.9%)
Net income attributable to Komatsu Ltd.	153,844	(40.0%)

(ii) Changes in foreign exchange rate

The Japanese yen appreciated particularly against the U.S. dollar, the Euro and the Australian dollar for the fiscal year ended March 31, 2020 compared to the fiscal year ended March 31, 2019. It is estimated that segment profit for the construction, mining and utility equipment business for the fiscal year ended March 31, 2020 decreased approximately ¥10.6 billion compared to the fiscal year ended March 31, 2019 due primarily to the Japanese yen appreciation. Its estimation of influence amount is calculated as of a multiplication its trading amount of foreign currencies of the Company and its consolidated subsidiaries and the change in foreign exchange rate, not reflected sales price adjustment.

(iii) Net sales

Consolidated net sales for the fiscal year ended March 31, 2020 decreased by 10.3% to ¥2,444,870 million from ¥2,725,243 million for the fiscal year ended March 31, 2019. Net sales to external customers in Japan for the fiscal year ended March 31, 2020 decreased by 1.9% to ¥396,584 million from ¥404,160 million for the fiscal year ended March 31, 2019. Net sales to external customers in overseas for the fiscal year ended March 31, 2020 decreased by 11.8% to ¥2,048,286 million from ¥2,321,083 million for the fiscal year ended March 31, 2019.

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

Cost of sales decreased by 7.2% from the fiscal year ended March 31, 2019 to ¥1,749,048 million primarily due to decreased net sales. The ratio of cost of sales to net sales increased by 2.3 percentage points from the fiscal year ended March 31, 2019 to 71.5%.

Selling, general and administrative expenses remained flat from the fiscal year ended March 31, 2019 to ¥440,792 million.

R&D expenses that were included in cost of sales and selling, general and administrative expenses increased by 1.8% from the fiscal year ended March 31, 2019 to ¥74.7 billion.

(v) Impairment losses on long-lived assets

Impairment losses on long-lived assets for the fiscal year ended March 31, 2020 increased by ¥1,943 million to ¥3,194 million as compared to ¥1,251 million for the fiscal year ended March 31, 2019. For the fiscal year ended March 31, 2020, this was due primarily to impairment losses from other intangible assets not subject to amortization and property, plant and equipment.

(vi) Impairment loss on goodwill

Impairment loss on goodwill for the fiscal year ended March 31, 2020 increased by ¥3,699 million because Komatsu recognized no impairment loss on goodwill for the fiscal year ended March 31, 2019.

(vii) Other operating income (expenses), net

Net other operating income of ¥2,570 million was recognized for the fiscal year ended March 31, 2020 as compared to net other operating expenses of ¥336 million for the fiscal year ended March 31, 2019.

(viii) Operating income

As a result of the above factors, operating income for the fiscal year ended March 31, 2020 decreased by 37.0% to ¥250,707 million as compared to ¥397,806 million for the fiscal year ended March 31, 2019.

(ix) Other income (expenses), net

Interest and dividend income increased by ¥224 million to ¥7,378 million for the fiscal year ended March 31, 2020 as compared to ¥7,154 million for the fiscal year ended March 31, 2019. Interest expense increased by ¥491 million to ¥24,592 million for the fiscal year ended March 31, 2020 as compared to ¥24,101 million for the fiscal year ended March 31, 2019.

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

As a result of the above factors, income before income taxes and equity in earnings of affiliated companies for the fiscal year ended March 31, 2020 decreased by 40.9% to ¥223,114 million as compared to ¥377,471 million for the fiscal year ended March 31, 2019.

(xi) Income taxes
Income tax expense for the fiscal year ended March 31, 2020 decreased by ¥43,726 million to ¥62,873 million from ¥106,599 million for the fiscal year ended March 31, 2019. The actual effective tax rate for the fiscal year ended March 31, 2020 remained flat from the fiscal year ended March 31, 2019 to 28.2%.The difference between the Japanese statutory tax rate of 31.3% and the actual effective tax rate of 28.2% was caused by income of foreign subsidiaries being taxed at a rate lower than the Japanese statutory tax rate.

(xii) Equity in earnings of affiliated companies
Equity in earnings of affiliated companies for the fiscal year ended March 31, 2020 decreased by ¥336 million to ¥3,443 million as compared to ¥3,779 million for the fiscal year ended March 31, 2019.

(xiii) Net income
As a result of the above factors, net income for the fiscal year ended March 31, 2020 decreased by ¥110,967million to ¥163,684 million as compared to ¥274,651 million for the fiscal year ended March 31, 2019.

(xiv) Net income attributable to noncontrolling interests
Net income attributable to noncontrolling interests for the fiscal year ended March 31, 2020 decreased by ¥8,320 million to ¥9,840 million as compared to ¥18,160 million for the fiscal year ended March 31, 2019. The portion attributable to noncontrolling interests decreased mainly as a result of an decrease in earnings recorded by Komatsu Marketing Support Australia Pty Ltd, etc.

(xv) Net income attributable to Komatsu Ltd.
As a result of the above, net income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2020 decreased by 40.0% to ¥153,844 million as compared to ¥256,491 million for the fiscal year ended March 31, 2019. Accordingly, basic net income attributable to Komatsu Ltd. per share decreased to ¥162.93 for the fiscal year ended March 31, 2020 from ¥271.81 for the fiscal year ended March 31, 2019. Diluted net income attributable to Komatsu Ltd. per share decreased to ¥162.80 for the fiscal year ended March 31, 2020 from ¥271.51 for the fiscal year ended March 31, 2019.

(xvi) Segment profit
(Segment profit is calculated by subtracting cost of sales and selling, general and administrative expenses from net sales.)
While Komatsu worked to improve selling prices, segment profit for the construction, mining and utility equipment business for the fiscal year ended March 31, 2020 decreased by ¥138,035 million to ¥227,311 million,maily due to reduced sales volume, as partially affected by the coronavirus (COVID-19) pandemic, a change in the geographic composition of sales, and adverse effects of the Japanese yen's appreciation, as compared to ¥365,346 million for the fiscal year ended March 31, 2019.
Segment profit for the retail finance business for the fiscal year ended March 31, 2020 decreased by ¥4,833 million to ¥12,673 million, mainly reflecting no more reversal of allowances for doubtful accounts in China, as compared to ¥17,506 million for the fiscal year ended March 31, 2019.
Segment profit for the industrial machinery and others business for the fiscal year ended March 31, 2020 decreased by ¥4,934 million to ¥13,703 million, mainly affected by declined demand for presses and machine tools in the automobile manufacturing industry, and against the spread of coronavirus infections, as well as decreased demand for Excimer laser-related products in the semiconductor market, as compared to ¥18,637 million for the fiscal year ended March 31, 2019.
Consolidated segment profit, which was added corporate expenses and elimination, decreased by ¥144,363 million to ¥255,030 million as compared to ¥399,393 million for the fiscal year ended March 31, 2019.
Consolidated segment profit is not in accordance with U.S. GAAP but is disclosed as beneficial information for users of the financial statements.

(2) Cash flows
Net cash provided by operating activities totaled ¥295,181 million, an increase of ¥92,633 million from the previous fiscal year, mainly due to good progress made in the collection of trade notes and accounts receivable, while net income for the fiscal year declined. Net cash used in investing activities totaled ¥190,930 million, an increase of ¥3,726 million, due to increased acquisition of shares of subsidiaries, while the purchase of fixed assets declined. Net cash used in financing activities amounted to ¥3,457 million (as compared to ¥3,660 million used for the previous fiscal year), mainly due to the payment of cash dividends, while Komatsu funded by issuing commercial papers. After adding the effects of foreign exchange fluctuations to the total amount of each cash flow, as of March 31, 2020, cash and cash equivalents totaled ¥247,616 million, an increase of ¥99,137 million from the fiscal year ended March 31, 2019.

(3) Production, Orders Received and Sales
Komatsu produces and sells a wide range of products, and there are various types of specifications in terms of the capacity, structure design, model and others, even for the same kinds of products. In addition, Komatsu does not adopt a make-to-order production system for many products. Thus, Komatsu does not present this production and orders received in amount or volume terms for each operating segment.
Therefore, production, orders received and sales are disclosed in relation to the business results of each operating segment in "2. Views and issues analyzed/discussed with regard to the status of Results of Operations, etc. from the management's perspective"

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

Views and issues analyzed/discussed with regard to the status of Results of Operations, etc. of Komatsu from the management's perspective are as follows.
Following description contains forward-looking statements which the Company judged as of the filing date of this Annual Securities Report.
(1) Critical Accounting Policies
The Company prepares its consolidated financial statements in conformity with U.S. GAAP. The Company's management regularly makes certain estimates and judgments that the Company believes are reasonable based upon available information. These estimates and judgments affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of income and expenses during the periods presented, and the disclosed information regarding contingent liabilities and debts. These estimates and judgments are based on Komatsu's historical experience, terms of existing contracts, Komatsu's observance of trends in the industry, information provided by its customers and information available from other outside sources, as appropriate. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty, and may differ from actual results. For a summary of the Company's significant accounting policies, including the critical accounting policies discussed below, see Note 1 to the Consolidated Financial Statements.
COVID-19 is a crisis broadly impacting the economy and corporate activities, and it could possibly impact Komatsu's financial position and results of operations. Just how COVID-19 will spread from this point forward, or when it will be contained, is still unclear. Nevertheless, based on the assumption that the COVID-19-related impacts will continue for a length of time in the fiscal year ending March 31, 2021, Komatsu has assessed the likelihood of recovery of deferred tax assets and the impairment losses on long-lived assets and goodwill given these items are relatively material among the accounting estimates. Komatsu is making its best estimates based on the information available. However, if actual future trends deviate from those assumptions, Komatsu's financial position and results of operations may be adversely affected.
The Company's management believes that the following accounting policies are critical in fully understanding and evaluating the Company's reported financial results.

(i) Allowance for Doubtful Receivables
Komatsu estimates the collectability of its trade receivables taking into consideration numerous factors, including the current financial position of each customer.
Komatsu establishes an allowance for expected losses based on individual credit information, historical experience and assessment of overdue receivables. Komatsu continually analyzes data obtained from internal and external sources in order to become familiar with customers' credit situations. Since Komatsu's historical loss experiences have fallen within their original estimates and established provisions, the Company's management believes its allowance for doubtful receivables to be adequate. However, if the composition of Komatsu's trade receivables were to change or the financial position of each customer were to change due to an unexpected significant shift in the economic environment, it is possible that the accuracy of its estimates could be affected and thus its financial position and results of operations could be materially affected.
For additional information, see Note 4 to the Consolidated Financial Statements.

(ii) Deferred Income Tax Assets and Uncertain Tax Positions
The Company estimates income taxes and income taxes payable in accordance with applicable tax laws in each of the jurisdictions in which it operates. Net operating loss carry forwards and temporary differences resulting from differing treatment of items for taxation and financial accounting and reporting purposes are recognized on the Company's consolidated balance sheet by adjusting the effect for deferred income tax assets and liabilities. Komatsu is required to assess the likelihood that each of its group company's deferred tax assets will be recovered from future taxable income estimated for each group company and the available tax planning strategies.
The Company's management estimates its future taxable income and considers the likelihood of recovery of deferred tax assets based on the management plan authorized by the Board of Directors, periodic operational reports of each group company, future market conditions and tax planning strategies, and, to the extent the Company's management believes that any such recovery is not likely, each group company establishes a valuation allowance to reduce the amount of deferred tax assets reflected in the consolidated balance sheet. Changes to the amount and timing of future taxable income determined by the Company's management could result in an increase or decrease to the valuation allowance.
Benefits derived from uncertain tax positions are recognized when a particular tax position meets the more-likely-than-not recognition threshold based on the technical merits of such position. A benefit is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon a final settlement with the appropriate taxing authority. Komatsu assesses the likelihood of sustaining such tax positions at each reporting date, with any changes in estimate reflected in the financial statements for the period during which such changes occur, until such time as the positions are effectively settled.
While the Company's management believes that all deferred tax assets after adjustments for valuation allowance will be realized and all material uncertain tax positions that are recognized will be successfully sustained, the Company may be required to adjust its deferred tax assets or valuation allowance or reserve for unrecognized tax benefits if its estimates differ from actual results due to poor operating results, lower future taxable income as compared to estimated taxable income or different interpretations of tax laws by the relevant tax authorities. These adjustments to the valuation allowance or recognized tax benefits could materially affect Komatsu's financial position and results of operations.
For additional information, see Note 16 to the Consolidated Financial Statements.

(iii) Valuation of Long-Lived Assets and Goodwill

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

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

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

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

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

(iv) Fair Values of Financial Instruments

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

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

Komatsu has measured non-marketable equity securities without readily determinable fair value by the method where changes in observable prices in orderly transactions for identical or similar investments issued by the same issuer are added to or subtracted from the carrying amount after the write-down due to impairment, except for investments which are measured at net asset value per share.

In case of decrease market price, in periodically assessing other-than-temporary impairment of investments in affiliated companies, Komatsu considers the period and amount of its decline, and the financial positions and prospects of each subject companies.

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

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

(v) Pension Liabilities and Expenses

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

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

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

The following table illustrates the sensitivity of pension obligations and net periodic pension costs to changes in discount rates and expected long-term rate of return on pension plan assets, while holding all other assumptions constant, for Komatsu's pension plans as of March 31, 2020.

	Change in assumption	Pension obligations (Billions of yen)	Net periodic pension costs (Billions of yen)
Discount rate	0.5% increase/decrease	-24.5 / +26.2	-0.2 / +0.3
Expected long-term rate of return	0.5% increase/decrease	ー	-1.5 / +1.5

(vi) Recently Issued Accounting Standards Not Yet Adopted

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

(2) Views and issues analyzed/discussed with regard to the status of Results of Operations, etc. in the fiscal year ended March 31, 2020

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

For the fiscal year ended March 31, 2020, consolidated net sales decreased by 10.3% from the fiscal year ended March 31, 2019 to ¥2,444,870 million.

In the construction, mining and utility equipment business, demand declined in Strategic Markets, centering on Asia, and in some other regions, as adversely affected by the coronavirus (COVID-19) pandemic in the fourth quarter. As a result, sales decreased from the fiscal year ended March 31, 2019. In the industrial machinery and others business, demand for presses and machine tools fell in the automobile manufacturing industry and against the spread of coronavirus infections. Demand for Excimer laser-related products also decreased on the semiconductor market. As a result, sales dropped from the fiscal yerar ended March 31, 2019.

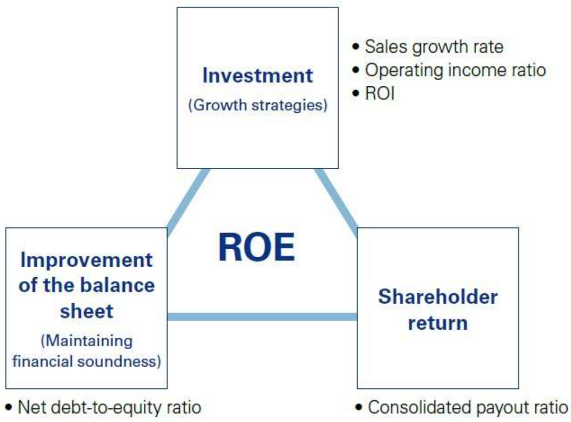
With respect to profits, while Komatsu worked to improve selling prices, operating income decreased by 37.0% from the fiscal year ended March 31, 2019, to ¥250,707 million. This was mainly due to reduced sales volume, as partially affected by the coronavirus (COVID-19) pandemic, a change in the geographic composition of sales, and adverse effects of the Japanese yen’s appreciation.

As of March 31, 2020, total assets increased by ¥15,467 million from March 31, 2019, to ¥3,653,686 million. Komatsu increased cash to ensure on-hand liquidity and recognized right-of-use assets under operating lease on the consolidated balance sheet in compliance with the new accounting standard it adopted, while decreasing receivables and inventories. Interest-bearing debt increased by ¥81,678 million from March 31, 2019, to ¥1,012,378 million. Komatsu Ltd. shareholders’ equity decreased by ¥43,976 million from March 31, 2019, to ¥1,771,606 million. As a result, Komatsu Ltd. shareholders’ equity ratio decreased by 1.4 percentage points from March 31, 2019, to 48.5%.

(ii) Liquidity and Capital Resources

< Use of funds >

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



< Source of funds and liquidity management >

Komatsu’s principal capital resources policy is to secure sufficient capital resources to be able to respond to future capital needs in connection with its operations and to maintain an appropriate level of liquidity. Consistent with this policy, Komatsu has secured various sources of funding, such as loans, corporate bonds, notes and lines of credit. Komatsu expects to use cash generated from its operations and funds procured through such external sources to satisfy future capital expenditures and working capital needs. In addition, in order to improve the efficiency and effectiveness of its cash management, Komatsu’s overseas subsidiaries participate in a global cash pooling system based on the agreement with financial institutions, which is used to fund their liquidity needs. Participating overseas subsidiaries are allowed to withdraw cash from these financial institutions up to the aggregate cash deposit balance made to such financial institutions. This agreement contains specific provisions for the right to offset positive and negative cash balances on a global basis. Komatsu's consolidated balance sheet as of March 31, 2020 reflects cash net of withdrawals of ¥267,138 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, 2020, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥133,945 million with financial institutions to secure liquidity. As of March 31, 2020, ¥112,135 million was available to be used under such credit line agreements. Furthermore, as a measure to secure liquidity against COVID-19 crisis, Komatsu has established additional credit line agreements after closing the 151st fiscal year (from April 1, 2019 to March 31, 2020). The Company has established the agreements totaling ¥300,000 million, which are based on a resolution of the Board of Directors held on April 16, 2020, and the Company and Komatsu America Inc. have established the agreements totaling USD 1,300 million, which are based on a resolution of the Board of Directors held on May 22, 2020. In addition, the Company and Komatsu Finance America Inc. each has a commercial paper program. As of March 31, 2020, the program size of the Company is 300,000 million, 93,000 million of which was unused, and the program size of Komatsu Finance America Inc. is USD 1,000 million, USD 100 million of which was unused.

To fulfill Komatsu's medium- to long-term funding needs, the Company has established a bond program as well as a Euro Medium Term Note (hereinafter "EMTN") program. In November 2018, the Company's bond program was renewed so that it could issue up to ¥100,000 million of variable-term bonds within a two-year period. As of March 31, 2020, ¥80,000 million remains unused under this program. On the other hand, Komatsu also has ¥156,961 million aggregate principal amount of bonds outstanding under past program as of March 31, 2020. This amount includes bonds which were issued under the bond program prior to its 2018 renewal. In addition, the Company, Komatsu Finance America Inc. and Komatsu Europe Coordination Center N.V. have established a USD 1,500 million EMTN program. Any of these three issuer entities can issue notes in various currencies under the EMTN program which was agreed with EMTN dealers. The aggregate principal amount of notes outstanding as of March 31, 2020 under the EMTN program was ¥102,845 million.

Komatsu's short-term debt as of March 31, 2020, which primarily consisted of bank loans, increased by ¥78,999 million to ¥483,658 million from March 31, 2019. This short-term debt primarily consisted of commercial paper and such short-term debt was used primarily for working capital.

Komatsu's long-term debt, including debt with maturity dates on or before March 31, 2021, increased by ¥2,679 million to ¥528,720 million in the fiscal year ended March 31, 2020 as compared to the fiscal year ended March 31, 2019. As of March 31, 2020, Komatsu's long-term debt excluding market value adjustment, consisted of (1) ¥268,914 million in loans from banks, insurance companies and other financial institutions, (2) ¥156,961 million in unsecured bonds and (3) ¥102,845 million in EMTNs. Such long-term debt was used primarily for capital expenditures and long-term working capital needs.

As a result, Komatsu's interest-bearing debt as of March 31, 2020 increased by ¥81,678 million to ¥1,012,378 million as compared to March 31, 2019. Net interest-bearing debt after deducting cash and deposits decreased by ¥17,185 million to ¥762,705 million in the fiscal year ended March 31, 2020. As a result, Komatsu's net debt to-equity ratio, as of March 31, 2020 was 0.43 to 1, compared to 0.43 to 1 as of March 31, 2019.

At March 31, 2020, Komatsu's total current assets decreased by ¥22,170 million to ¥1,946,790 million. Komatsu's total current liabilities increased by ¥76,486 million to ¥1,158,625 million. As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2020, was 168.0%, decreased by 13.9 percentage points from the fiscal year ended March 31, 2019. Based on anticipated cash flows from its operating activities, the available sources of funds and the level of its current ratio, Komatsu believes that it has sufficient means to satisfy its liquidity needs and future obligations. As of March 31, 2020, Komatsu's total cash and cash equivalents was ¥247,616 million. Out of total cash and cash equivalents, ¥169,388 million was held outside of Japan in various overseas subsidiaries as of March 31, 2020.

Komatsu obtains credit ratings from three rating agencies: Standard and Poor's Ratings Services ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Rating and Investment Information, Inc. ("R&I"). As of March 31, 2020, the Company's issuer ratings were as follows:

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

Moody's: A2 (long-term), Prime-1(short-term)
R&I: AA- (long-term), a-1+ (short-term)

< Capital investment >
In the fiscal year ended March 31, 2020, with respect to the construction, mining and utility equipment operating segment, Komatsu made capital investments to enhance production efficiency and flexibility and to enhance its rental-to-used equipment business. With respect to the retail finance operating segment, Komatsu made capital investment for operating lease equipment. With respect to the industrial machinery and others operating segment, Komatsu made capital investments to renew obsolete equipment. As a result, Komatsu's capital investment on a consolidated basis for the fiscal year ended March 31, 2020 was ¥166,552 million, a decrease of ¥12,658 million from the fiscal year ended March 31, 2019.

< Tabular disclosure of contractual obligations >
The following table sets forth Komatsu's contractual obligations as of March 31, 2020.

	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	¥ 483,658	¥ 483,658	¥ −	¥ −	¥ −
Long-term debt obligations	528,720	118,880	323,293	86,547	−
Operating lease obligations	58,573	15,522	16,415	7,929	18,707
Interest on interest bearing debt	32,299	15,637	14,059	2,603	−
Liability for pension and other retirement benefits	4,946	4,946	−	−	−
Total	¥ 1,108,196	¥ 638,643	¥ 353,767	¥ 97,079	¥ 18,707

Notes:
1) With respect to long-term debt obligations, there is no market value adjustment.
2) Interest on interest-bearing debt is based on rates in effect as of March 31, 2020.
3) Liability for pension and other retirement benefits reflects contributions expected to be made during the fiscal year ending March 31, 2021 only, as the amounts of contributions beyond the next fiscal year are not yet determinable.

Commitments for capital investment outstanding at March 31, 2020, aggregated approximately ¥52,300 million.

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

<Construction, Mining and Utility Equipment operating segment>

Net sales of the construction, mining and utility equipment business decreased by 10.8% from the fiscal year ended March 31, 2019 to ¥2,211,263 million.

Komatsu promoted efforts of focus defined in the three pillars of growth strategies in the mid-term management plan and made steady progress to achieve a safe, highly productive, smart and clean workplaces of the future. In January 2020, Komatsu launched the PC30E-5 electric mini excavator as rental equipment in Japan. Komatsu also launched hydraulic excavators equipped with the in-house developed KomVision Human Detection & Collision Mitigation System, designed to curb collision accidents with people, as a standard feature for the first time in the industry in the Japanese market. As represented by this new product, Komatsu has continued to make efforts to improve the safety of customers' different workplaces.

With respect to "SMARTCONSTRUCTION," a solutions business for construction jobsites, which Komatsu launched in Japan in February 2015, Komatsu has made steady progress, introducing this new business model to over 10,000 construction sites to date (cumulative) in Japan. In April 2020, Komatsu began the steady introduction of new devices and applications, such as retrofit kits, designed to accelerate the speed of achieving digital transformation of construction sites in Japan. Komatsu also announced a plan to make full-scale launches of SMARTCONSTRUCTION in the United States, the United Kingdom, Germany, France, and Denmark.

Concerning the Autonomous Haulage System (AHS), Komatsu achieved a steady increase of dump trucks in operation.

In response to effects on its business, such as the coronavirus (COVID-19) pandemic, Komatsu focused its efforts on alternative procurement and inventory re-allocation designed to further strengthen global cross-sourcing of finished products and parts through its production and procurement operations. In sales and service operations, Komatsu reassessed their supply routes and promoted shift work, thereby working to ensure a continuous supply of products, parts and service.

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

Japan

Sales remained flat from the fiscal year ended March 31, 2019 to ¥310,856 million. This was mainly supported by the recovery from reduced sales, as affected by the reactionary drop of pre-buy demand in anticipation of the new emission control regulations enforced in September 2017, and the steady demand in infrastructure development projects.

The Americas

In North America, while demand remained steady, centering on construction equipment in the rental industry, sales decreased from the previous fiscal year, as Komatsu promoted the inventory adjustment of its distributors and weathered adverse effects of the coronavirus (COVID-19) pandemic, and sales decreased by 6.3% from the fiscal year ended March 31, 2019 to ¥573,587 million. In Latin America, sales decreased by 5.0% from the fiscal year ended March 31, 2019 to ¥309,255 million. While demand for construction and mining equipment was strong in Chile, demand fell in Argentina and Mexico, where economic conditions continued to deteriorate.

Europe and CIS

In Europe, sales increased by 5.9% from the fiscal year ended March 31, 2019 to ¥219,728 million. While demand declined in the United Kingdom, a major market of the region, and against the spread of coronavirus infections in the fourth quarter, sales advanced from the previous fiscal year, supported by steady demand, until the third quarter, centering on other major markets of France and Germany, in particular. In CIS, sales decreased by 5.4% from the fiscal year ended March 31, 2019 to ¥127,410 million, as adversely affected by the reduced demand for mining equipment in the coal sector.

China
Sales decreased by 22.9% from the fiscal year ended March 31, 2019 to ¥127,064 million, as adversely affected by a sharp drop in post-Chinese New Year (in February 2020) demand, resulting from the coronavirus (COVID-19) pandemic, and an increase in sales by domestic manufacturers.

Asia and Oceania
In Asia, sales decreased by 39.3% from the fiscal year ended March 31, 2019 to ¥205,761 million, as adversely affected by not only reduced demand for mining equipment in Indonesia, the largest market of the region, resulting from the declining price of thermal coal, but also sluggish demand for construction equipment and adverse effects of spreading infections of coronavirus in Asia. In Oceania, sales decreased by 5.7% from the fiscal year ended March 31, 2019 to ¥203,397 million,while Komatsu steadily captured sales of parts and service revenues for mining equipment, sales declined from the previous fiscal year, as mainly affected by declined sales of construction equipment.

Middle East and Africa
In the Middle East, sales increased by 1.2% from the fiscal year ended March 31, 2019 to ¥30,655 million, supported by firm demand for construction equipment, especially in the UAE. In Africa, while sales of construction equipment remained flat in Southern Africa, demand remained sluggish in other regions. As a result, sales decreased by 20.8% from the fiscal year ended March 31, 2019 to ¥98,263 million.

Segment assets as of March 31, 2020 decreased by ¥37,786 million to ¥2,521,646 million from March 31, 2019.

Production scale for the construction, mining and utility equipment operating segment decreased by 16.2% from the fiscal year ended March 31, 2019 to approximately ¥2,209.8 billion (based on sales prices on a consolidated basis).

<Retail Finance operating segment>
Revenues increased by 11.5% from the fiscal year ended March 31, 2019 to ¥70,910 million, supported by the benefits of increased assets centering on North America and Europe.

Segment assets as of March 31, 2020 decreased by ¥1,084 million to ¥841,063 million from March 31, 2019.

<Industrial Machinery and Others operating segment>
Sales decreased by 12.6% from the fiscal year ended March 31, 2019 to ¥177,586 million, mainly affected by declined demand for presses and machine tools in the automobile manufacturing industry, and against the spread of coronavirus infections, as well as decreased demand for Excimer laser-related products in the semiconductor market.
During the fiscal year, Komatsu Industries Corp. began sales of the “BENDING SUPPORT” machine to ensure energy savings for its press brake customers. GIGAPHOTON Inc. began shipping the new KrF laser “G300K” for the micro ablation via the processing routine as part of its GIGANEX series in March 2020, thereby making steady headway towards full-scale market entry in micro ablation via the processing steps.

Segment assets as of March 31, 2020 increased by ¥10,309 million to ¥216,728 million from March 31, 2019.

Production scale for the industrial machinery and others operating segment decreased by 8.6% from the fiscal year ended March 31, 2019 to approximately ¥183.2 billion (based on sales prices on a consolidated basis).

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

The targets of our three-year mid-term management plan (ended March 31, 2022) and its first year FY2019 results are as follows.

	Targets	Fiscal years Index	FY2019 Results
Growth	Growth rate above the industry's average	Sales-growth rate	(10.3%)
Profitability	Industry's top-level operating income ratio	Operating income ratio	10.3%
Efficiency	ROE[*1] of 10% or higher	ROE	8.6%
Financial position	Industry's top-level financial position	Net debt-to-equity ratio[*2]	0.43
Retail finance business	1. ROA[*3]: 1.5-2.0%	ROA	1.5%
	2. 5.0 or under for net debt-to-equity ratio	Net debt-to-equity ratio	3.80
[New] ESG	1. Reduction of environmental impact CO_2 emissions: Decrease by 50% in 2030 from 2010 Renewal energy use: Increase to 50% of total energy use in 2030	Reduction of environmental impact	CO_2:To reduce by 40% in 2021. Renewable energy use : 15% in 2021.
	2. Evaluation by external organizations: Selected for DJSI[*4] (World & Asia Pacific) and CDP[*5] A-list (Climate Changes and Water Risk), etc.	Evaluation by external organizations	DJSI: Selected CDP: Scored of climate A. CDP: Scored of Water Security A-.
Shareholder return	1. Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment.	Consolidated payout ratio	57.7%
	2. Set the goal of a consolidated payout ratio of 40% or higher.		

Notes:

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

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

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

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

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

4. Material Agreements, etc.

Not applicable.

5. Research and Development Activities

With commitment to providing “Quality and Reliability,” Komatsu is actively promoting research and development activities for new technologies and new products in the fields of construction, mining and utility equipment, industrial machinery and others.
With respect to the structure of Komatsu’s research and development, the Office of Chief Technology Officer (CTO), research and development departments of the Development Division of the Company, which focus on construction, mining and utility equipment and the technology departments of the Company’s subsidiaries and affiliates participate in its research and development activities. The total amount of research and development expenses for the fiscal year ended March 31, 2020 was ¥74,761 million. The objectives, results and expenses of the research and development activities by operating segment are described below.

(1) Construction, Mining and Utility Equipment
In order to efficiently develop construction, mining and utility equipment that can be used in various locations of the world, Komatsu has established research and development departments in Japan and overseas, which constitute a framework for global development, and also encourages joint research and development programs and personnel exchanges. Mainly through the Office of CTO, Komatsu is also proactively cooperating and collaborating, to create innovations, with Japanese and overseas universities, research institutes, and companies that have cutting-edge technologies in promising fields and striving to accelerate technological innovation achieved by merging core Komatsu technologies with external insight (Open innovation). Komatsu is pursuing following medium- and long-term research and development objectives intended to realize the safe, highly productive, smart and clean workplace of the future together with our customers.
<ICT (Information Communication Technology)>
Komatsu promotes the research and development activities of ICT (including remote management of equipment by obtaining information regarding machine locations, operating conditions and vehicle health using state-of-the-art remote sensing and telecommunication technologies), control technology and intelligent machine technology. Equipment with control systems and management systems Komatsu developed using these technologies has been rapidly penetrating in the market and contributing to productive operation and management of equipment. Through use of such technologies as ICT-intensive construction and “KOMTRAX”, Komatsu is progressing “customer-perspective-oriented” activities towards research and development of new generation products.
Komatsu developed intelligent Machine Control bulldozers and hydraulic excavators, by which constructions were made automated, and more precise and more efficient operation was realized. In addition, Komatsu expanded the areas and scale of the deployment of service business, “SMARTCONSTRUCTION”, that provides solutions to various problems of construction sites and realizes “Jobsite of the future”. By utilization of precision surveying technologies and connection of all information on construction sites by ICT, SMARTCONSTRUCTION makes it possible to improve customer’s productivities and safety on construction site.
For construction worksites, Komatsu is going to promote “LANDLOG”, our open platform which deals with digital transformation needs, upgrade ICT-intensive construction equipment for autonomous and collaborative operations, and develop construction simulations designed to take full advantage of our manufacturing engineering expertise and to optimize construction.
For agricultural and forestry workplaces, Komatsu is proposing “smart forestry” which aims to streamline the entire process of forestry through know-how from “SMARTCONSTRUCTION”, and will be working to commercialize agriculture-specific ICT-intensive construction equipment.
<Environmental Friendliness, Resource Saving and Safety>
As the Corporate Principle under Komatsu Earth Environment Charter, Komatsu is committed to develop and manufacture products for customer satisfaction with both well-environmental performance and economic efficiency. Komatsu is striving to minimize the impact on the environment throughout the product’s life cycle from production to disposal and recycle, while at the same time, aiming for innovation in economically superior products with improved fuel consumption.
Komatsu is placing special emphasis on research and development activities related to technologies improving fuel consumptions, which relates to both the environment (by reducing CO_2 emissions) and the economy (by decreasing fuel expenses). Hybrid hydraulic excavators have been launched first in Japan, and later in China, North America, Europe, Latin America, Asia, Oceania and Middle East. Accumulated number of introduced units has exceeded 4,800.

Construction equipment with clean diesel engines that meet the stringent emission standards in North America (Tier 4 Final), Europe (StageV) and Japan (Specified Special Vehicle Exhaust Gas Standard 2014) have been successfully launched to the market.
Komatsu is actively working to reduce the amount of materials that place burdens on the environment. Komatsu considers not only the earth environment but also the human environment and is proactively working to make further improvements to the working conditions of machine operators by enhancing safety measures and reducing noise and vibration levels of its machines, and by promoting electrification.

The principal products developed and launched to the market in the construction, mining and utility equipment operating segment during the fiscal year ended March 31, 2020 are listed below:

Product	Model
Hydraulic Excavators	PC200/210LC-11 equipped with KomVision Human Detection & Collision Mitigation System, PC3400-11M0
ICT Excavators	PC290LCi-11E0, PC360LCi-11E0
Bulldozers	D155CX-8, D475A-8
Wheel Loaders	WA470/475-10, WA800-8
Motor Graders	GD405-7
Dump Trucks	HD785-8, 730E-10, 930E-5AT
Utilities	PC18MR-5, PC20MR-5, PC25MR-5, PC30E-5, WA70M-8, WA80M-8
Mobile Crushers	BR200T-3
Forest Machines	PC350F-8M0, D61EM-23M0

The total amount of research and development expenses in the construction, mining and utility equipment operating segment for the fiscal year ended March 31, 2020 was ¥65,548 million.

(2) Industrial Machinery and Others
The Company and some of subsidiaries belonging to the Industrial Machinery and Others operating segment take in charge of research and development in the fields of metal forging and stamping presses, sheet metal machines, machine tools and others.
In the metal forging and stamping presses business, in order to improve the drawing precision of the press machine and improve the design flexibility of the drawing die, Komatsu has developed and released a servo cushion device with eight control axes, which is twice the conventional. And, Komatsu is developing a predictive maintenance system in order to avoid sudden press line outages. The trial version of the product was experimentally attached to the customer's machine, and we were successful in improving the accuracy of the data. Therefore, Komatsu released some of the product's functions.
In the sheet metal machines business, in order to improve the usability of the press brake that was commercialized last year, Komatsu developed and released a holding device “BENDING SUPPORT” that can process long products while holding them. In the plasma cutting machine, we have released a small series full model change machine “TFP510-3”.
In the machine tool business, Komatsu has developed the machining center “NH4555Y” and large size crankshaft balance measuring machine “DD300”.
In the others business, Komatsu enhanced its activities, excimer laser for semiconductor lithography system, EUV light source, and semiconductor package substrate ablation, precise temperature control equipment and high-performance thermoelectric heat exchange units for semiconductor manufacturing, micro thermo-modules for use in high speed optical communications, and thermoelectric power generation modules and its systems.
The total amount of research and development expenses in the industrial machinery and others operating segment for the fiscal year ended March 31, 2020 was ¥9,213 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, 2020 by operating segment was as follows:

(Millions of yen)	Fiscal year ended March 31, 2020	Percentage change as compared to the fiscal year ended March 31, 2019
Construction, Mining and Utility Equipment	116,282	17.7%
Retail Finance	45,636	(40.1)%
Industrial Machinery and Others	4,634	10.3%
Total	166,552	(7.1)%

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

2. Major Facilities

Major facilities of Komatsu are as follows:

(1) The Company

(As of March 31, 2020)

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.	16,755	8,260	3,139 (666)	1,614	29,770	2,309
Kanazawa Plant Kanazawa, Ishikawa	Construction, Mining and Utility Equipment, Industrial Machinery and Others	Manufacturing of hydraulic excavators, metal forging and stamping presses, sheet-metal machines, etc.	4,232	605	1,240 (97)	246	6,323	358
Himi Plant Himi, Toyama	Construction, Mining and Utility Equipment	Manufacturing of steel castings, iron castings, patterns for casting	5,254	2,577	1,409 (342)	2,072	11,314	845
Osaka Plant Hirakata, Osaka *1	Construction, Mining and Utility Equipment	Manufacturing of bulldozers, hydraulic excavators, recycling equipment, etc.	17,751	10,294	4,236 (542)	2,519	34,802	2,082
Ibaraki Plant Hitachinaka, Ibaraki	Construction, Mining and Utility Equipment	Manufacturing of dump trucks, wheel loaders, etc.	6,345	1,634	10,086 (309)	1,045	19,111	805
Shonan Plant Hiratsuka, Kanagawa	Construction, Mining and Utility Equipment	Manufacturing of controllers, monitors, hybrid components, etc.	1,717	580	2,214 (68)	273	4,786	701
Oyama Plant Oyama, Tochigi	Construction, Mining and Utility Equipment	Manufacturing of engines, hydraulic equipment, etc.	17,290	10,740	584 (584)	2,397	31,012	1,817

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Tochigi Plant Oyama, Tochigi	Construction, Mining and Utility Equipment	Manufacturing of industrial vehicles, hydraulic excavators, etc.	4,326	1,474	2,780 (214)	330	8,912	546
Koriyama Plant Koriyama, Fukushima	Construction, Mining and Utility Equipment	Manufacturing of hydraulic equipment	2,618	2,115	876 (369)	355	5,965	374
Head office Minato-ku, Tokyo	-	Others	1,716	63	1,179 (2)	344	3,304	1,149

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

(2) Subsidiary located in Japan

(As of March 31, 2020)

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Komatsu NTC Ltd. Nanto, Toyama	Industrial Machinery and Others	Manufacturing of machine tools, industrial machinery, etc.	4,491	1,176	4,350 (231)	524	10,541	1,257

(3) Subsidiaries located in overseas

(As of March 31, 2020)

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.	712	1,211	218 (215)	341	2,482	309
Komatsu America Corp. Peoria, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of dump trucks	1,786	1,136	— (529)	1,300	4,222	511
Hensley Industries, Inc. Dallas, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of construction and mining equipment components	1,623	1,741	429 (104)	550	4,343	426
Joy Global Surface Mining Inc Milwaukee, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of rope shovel, etc.	565	3,075	586 (170)	4,167	8,393	753
Joy Global Longview Operations LLC Longview, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of wheel loaders, etc.	1,749	1,284	1,048 (518)	2,708	6,789	542
Komatsu do Brasil Ltda. Suzano, Brazil	Construction, Mining and Utility Equipment	Manufacturing of bulldozers, hydraulic excavators, etc.	916	620	15 (633)	983	2,534	956
Komatsu UK Ltd. Birtley, U.K.	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, etc.	702	929	— (200)	24	1,655	313
Komatsu Germany GmbH Dusseldorf, Germany	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators	2,077	2,099	1,023 (111)	790	5,989	610

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Komatsu Germany GmbH Hannover, Germany	Construction, Mining and Utility Equipment	Manufacturing of wheel loaders, etc.	2,249	349	445 (155)	1,154	4,197	623
Komatsu Italia Manufacturing S.p.A. Este, Italy	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, backhoe loaders, etc.	987	633	306 (143)	65	1,991	276
Komatsu Forest AB Umea, Sweden	Construction, Mining and Utility Equipment	Manufacturing of forestry equipment.	225	559	224 (43)	1,160	2,168	640
Komatsu Manufacturing Rus, LLC Yaroslavl, Russia	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, dump trucks, etc.	1,595	813	5 (450)	21	2,434	328
Komatsu (Changzhou) Construction Machinery Corp. Jiangsu, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, wheel loaders, etc.	6,459	1,435	— (—) [295]	162	8,056	479
Komatsu Shantui Construction Machinery Co., Ltd. Shandong, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators	3,877	2,243	— (—) [411]	650	6,770	782
Komatsu (Shandong) Construction Machinery Corp. Shandong, China *2	Construction, Mining and Utility Equipment	Manufacturing of steel castings, construction and mining equipment components, etc.	2,810	3,914	— (—) [313]	933	7,657	912
PT Komatsu Indonesia Jakarta, Indonesia	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, bulldozers and dump trucks, etc.	2,862	2,039	3,461 (305)	492	8,854	1,344

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	938	1,035	505 (64)	1,321	3,799	808
Bangkok Komatsu Co., Ltd. Chonburi, Thailand	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, iron castings, etc.	1,063	916	1,418 (179)	369	3,766	775
Komatsu India Pvt. Ltd Kanchpuram, India *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, dump trucks, etc.	2,300	1,170	— (—) [240]	53	3,523	435
Joy Global (Africa) (Proprietary) Limited Wadeville, Republic of South Africa	Construction, Mining and Utility Equipment	Manufacturing of continuous miners and underground mining equipment, etc.	672	283	42 (115)	152	1,149	669

*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, 2020, 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 ¥156,700 million in the fiscal year ending March 31, 2021 (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, 2021 (Millions of yen)	Principal investment detail and objectives	Sources of funding
Construction, Mining and Utility Equipment	108,800	To enhance production efficiency and flexibility	Funds on hand, bank borrowings, etc.
Retail Finance	42,100	Operating lease equipment	Funds on hand, bank borrowings, etc.
Industrial Machinery and Others	5,800	To renew obsolete equipment	Funds on hand, bank borrowings, etc.
Total	156,700		

Notes:

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

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

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

With respect to the retail finance operating segment, Komatsu plans to make capital 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, 2020) (Shares)	Number of issued shares as of the filing date (June 29, 2020) (Shares)	Name of stock exchange on which the Company is listed or names of authorized financial instruments firms associations	Description
Common shares	972,581,230	972,581,230	Tokyo Stock Exchange (First Section)	This is the standard of the Company's shares, whose holders have unlimited rights. The number of shares constituting one unit is 100 shares.
Total	972,581,230	972,581,230	–	–

(2) Stock acquisition rights, etc.

(i) Stock option plans

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

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

Date of resolution	July 10, 2015 (Meeting of the Board of Directors)
Category and number of individuals covered by the plan	Directors of the Company: 10
Number of Stock Acquisition Rights (Units)*	218 [161] *1
Class of shares subject to Stock Acquisition Rights*	Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*	21,800 [16,100] *2
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share
Period for exercising Stock Acquisition Rights*	From August 3, 2018 to July 31, 2023
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price ¥1 Additional paid-in capital per share ¥1 *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.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4

*These items indicate the status as of the end of the fiscal year (March 31, 2020). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2020) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

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

2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after July 10, 2015 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company

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

   (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted
       Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
   (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights
       The class of shares subject to the Stock Acquisition Rights shall be the common stock of the Reorganized Company.
   (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights
       The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
   (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights
       The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
   (5) Exercise period for the Stock Acquisition Rights
       The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.

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

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

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

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

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

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

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

Date of resolution	July 14, 2016 (Meeting of the Board of Directors)
Category and number of individuals covered by the plan	Directors of the Company: 10
Number of Stock Acquisition Rights (Units)*	224 [157] *1
Class of shares subject to Stock Acquisition Rights*	Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*	22,400 [15,700] *2
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share
Period for exercising Stock Acquisition Rights*	From August 1, 2019 to July 31, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price ¥1 Additional paid-in capital per share ¥1 *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.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4

*These items indicate the status as of the end of the fiscal year (March 31, 2020). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2020) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

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

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

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

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

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

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

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

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

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

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

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

(5) Exercise period for the Stock Acquisition Rights

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

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

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

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

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

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

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

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

Date of resolution	July 13, 2017 (Meeting of the Board of Directors)
Category and number of individuals covered by the plan	Directors of the Company: 8
Number of Stock Acquisition Rights (Units)*	281 *1
Class of shares subject to Stock Acquisition Rights*	Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*	28,100 *2
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share
Period for exercising Stock Acquisition Rights*	From August 1, 2020 to July 31, 2025
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*	Issue price ¥1 Additional paid-in capital per share ¥1 *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.
Transfer of the Stock Acquisition Rights*	Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*	*4

*These items indicate the status as of the end of the fiscal year (March 31, 2020). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2020) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

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

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

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

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

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

(3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.

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

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

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

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

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

(7) Restriction on acquisition of the Stock Acquisition Rights by transfer
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

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

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

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

Date of resolution	Ordinary General Meeting of Shareholders	June 20, 2012
	Meeting of the Board of Directors	July 12, 2012
Category and number of individuals covered by the plan		Employees of the Company: 74 Directors of major subsidiaries of the Company: 13
Number of Stock Acquisition Rights (Units)*		78 *1
Class of shares subject to Stock Acquisition Rights*		Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*		7,800 *2
Amount to be paid in to exercise Stock Acquisition Rights*		¥1 per share
Period for exercising Stock Acquisition Rights*		From August 1, 2015 to July 31, 2020
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
Conditions for exercising the Stock Acquisition Rights*		If a holder of Stock Acquisition Rights who is a Director, Audit & Supervisory Board Member, or employee of the Company, or Director, Audit & Supervisory Board Member, or employee of a subsidiary or affiliate of the Company, loses all their respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described above, and other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the holders of the Stock Acquisition Rights.
Transfer of the Stock Acquisition Rights*		Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*		*4

*These items indicate the status as of the end of the fiscal year (March 31, 2020). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2020) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

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

2. If the Company effects a stock split of its common stock (including allotment of its common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the number of shares granted subject to one Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the number of shares granted after June 20, 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.

Date of resolution	Ordinary General Meeting of Shareholders	June 19, 2013
	Meeting of the Board of Directors	July 17, 2013
Category and number of individuals covered by the plan		Employees of the Company: 71 Directors of major subsidiaries of the Company: 15
Number of Stock Acquisition Rights (Units)*		329 [311] *1
Class of shares subject to Stock Acquisition Rights*		Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*		32,900 [31,100] *2
Amount to be paid in to exercise Stock Acquisition Rights*		¥1 per share
Period for exercising Stock Acquisition Rights*		From August 1, 2016 to July 31, 2021
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*		Issue price ¥1 Additional paid-in capital per share ¥1 *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.
Transfer of the Stock Acquisition Rights*		Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*		*4

*These items indicate the status as of the end of the fiscal year (March 31, 2020). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2020) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

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

3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company
   In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively "Restructuring Actions"), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter "Remaining Stock Acquisition Rights") shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter "Reorganized Company"). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).
   (1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted
      Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
   (2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights
      The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
   (3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights
      The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
   (4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights
      The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
   (5) Exercise period for the Stock Acquisition Rights
      The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
   (6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
      (i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
      (ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
   (7) Restriction on acquisition of the Stock Acquisition Rights by transfer
      Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

(8) Provisions pertaining to acquisition of the Stock Acquisition Rights
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

Date of resolution	Ordinary General Meeting of Shareholders	June 18, 2014
	Meeting of the Board of Directors	July 11, 2014
Category and number of individuals covered by the plan		Employees of the Company: 74 Directors of major subsidiaries of the Company: 14
Number of Stock Acquisition Rights (Units)*		382 [339] *1
Class of shares subject to Stock Acquisition Rights*		Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*		38,200 [33,900] *2
Amount to be paid in to exercise Stock Acquisition Rights*		¥1 per share
Period for exercising Stock Acquisition Rights*		From August 1, 2017 to July 31, 2022
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*		Issue price ¥1 Additional paid-in capital per share ¥1 *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.
Transfer of the Stock Acquisition Rights*		Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*		*4

*These items indicate the status as of the end of the fiscal year (March 31, 2020). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2020) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

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

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

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

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

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

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

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

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

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

Date of resolution	Ordinary General Meeting of Shareholders	June 24, 2015
	Meeting of the Board of Directors	July 10, 2015
Category and number of individuals covered by the plan		Employees of the Company: 73 Representative Directors of major subsidiaries of the Company: 11
Number of Stock Acquisition Rights (Units)*		617 [577] *1
Class of shares subject to Stock Acquisition Rights*		Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*		61,700 [57,700] *2
Amount to be paid in to exercise Stock Acquisition Rights*		¥1 per share
Period for exercising Stock Acquisition Rights*		From August 3, 2018 to July 31, 2023
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*		Issue price ¥1 Additional paid-in capital per share ¥1 *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.
Transfer of the Stock Acquisition Rights*		Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*		*4

*These items indicate the status as of the end of the fiscal year (March 31, 2020). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2020) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

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

3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company
In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively "Restructuring Actions"), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter "Remaining Stock Acquisition Rights") shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter "Reorganized Company"). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).
(1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
(2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights
The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
(3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
(4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
(5) Exercise period for the Stock Acquisition Rights
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
(6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
(i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
(ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
(7) Restriction on acquisition of the Stock Acquisition Rights by transfer
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

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

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

Date of resolution	Ordinary General Meeting of Shareholders	June 22, 2016
	Meeting of the Board of Directors	July 14, 2016
Category and number of individuals covered by the plan		Employees of the Company: 74 Representative Directors of major subsidiaries of the Company: 10
Number of Stock Acquisition Rights (Units)*		938 [896] *1
Class of shares subject to Stock Acquisition Rights*		Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*		93,800 [89,600] *2
Amount to be paid in to exercise Stock Acquisition Rights*		¥1 per share
Period for exercising Stock Acquisition Rights*		From August 1, 2019 to July 31, 2024
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*		Issue price ¥1 Additional paid-in capital per share ¥1 *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.
Transfer of the Stock Acquisition Rights*		Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*		*4

*These items indicate the status as of the end of the fiscal year (March 31, 2020). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2020) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

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

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

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

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

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

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

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

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

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

Date of resolution	Ordinary General Meeting of Shareholders	June 20, 2017
	Meeting of the Board of Directors	July 13, 2017
Category and number of individuals covered by the plan		Employees of the Company: 78 Representative Directors of major subsidiaries of the Company: 10
Number of Stock Acquisition Rights (Units)*		1,716 *1
Class of shares subject to Stock Acquisition Rights*		Common stock
Number of shares subject to Stock Acquisition Rights (Shares)*		171,600 *2
Amount to be paid in to exercise Stock Acquisition Rights*		¥1 per share
Period for exercising Stock Acquisition Rights*		From August 1, 2020 to July 31, 2025
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of Stock Acquisition Rights*		Issue price ¥1 Additional paid-in capital per share ¥1 *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.
Transfer of the Stock Acquisition Rights*		Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Company's Board of Directors.
Matters relating to grants of Stock Acquisition Rights in association with organizational restructuring actions*		*4

*These items indicate the status as of the end of the fiscal year (March 31, 2020). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2020) are indicated in the bracket "[ ]". Other items have not been changed since the end of the fiscal year.

Notes:

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

3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company
In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively "Restructuring Actions"), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter "Remaining Stock Acquisition Rights") shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter "Reorganized Company"). In this event, the Remaining Stock Acquisition Rights shall become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).
(1) Number of the Stock Acquisition Rights of a Reorganized Company to be granted
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of the Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.
(2) Class of shares of the Reorganized Company subject to the Stock Acquisition Rights
The class of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.
(3) Number of shares of the Reorganized Company subject to the Stock Acquisition Rights
The number of shares shall be determined in accordance with Note 2. above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.
(4) Amount of assets to be paid upon the exercise of the Stock Acquisition Rights
The amount of assets to be paid upon exercise of newly granted Stock Acquisition Rights shall be the amount obtained by multiplying ¥1 per share by the number of shares to be issued for each acquisition right as determined in (3) above.
(5) Exercise period for the Stock Acquisition Rights
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in the table above, or the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the expiration date of the exercise period for the Stock Acquisition Rights stipulated in the table above.
(6) Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
(i) The amount of paid-in capital increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be 1/2 of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of Corporate Accounting Regulations of Japan. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
(ii) The amount of capital surplus increase in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as described in (i) above.
(7) Restriction on acquisition of the Stock Acquisition Rights by transfer
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

(8) Provisions pertaining to acquisition of the Stock Acquisition Rights
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

(ii) Rights plan
Not applicable.

(iii) Other stock acquisition rights, etc.
Not applicable.

(3) Exercises, etc., of moving strike convertible bonds, etc.
Not applicable.

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

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

Notes:

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

(5) Shareholding by shareholder category

(As of March 31, 2020)

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	2	209	78	1,552	879	149	210,004	212,873	-
Number of shares held (Units)	600	3,358,678	305,709	243,818	3,802,505	1,030	2,005,760	9,718,100	771,230
Shareholding ratio (%)	0.00	34.56	3.14	2.50	39.12	0.01	20.63	100.00	-

Notes:

1) 27,479,956 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 274,799 units and 56 shares, respectively.
2) The shares registered in the name of the Japan Securities Depository Center, Incorporated are included in “Other corporations” and “Share less than one unit” in the table. These amounts are 70 units and 16 shares, respectively.
3) The figures of “Shareholding ratio” in the table have been rounded down to the second decimal place.

(6) Major shareholders

(As of March 31, 2020)

Name	Address	Number of shares held (Thousands of - shares)	Shareholding ratio (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsuchou, Minato-ku, Tokyo, Japan	75,533	7.99
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	45,657	4.83
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)	32,244	3.41
Taiyo Life Insurance Company	2-7-1, Nihonbashi, Chuo-ku, Tokyo, Japan	27,200	2.87
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan (2-11-3, Hamamatsuchou, Minato-ku, Tokyo, Japan)	26,626	2.81
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	22,815	2.41
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	18,449	1.95
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	17,835	1.88
JP Morgan Chase Bank 385151 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo, Japan)	15,951	1.68
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders (Standing proxy: Sumitomo Mitsui Banking Corporation)	240 GREENWICH STREET, 8TH FLOOR WEST, NEW YORK, N.Y. 10286, U.S.A (1-3-2, Marunouchi, Chiyoda-ku, Tokyo, Japan)	14,237	1.50
Total	–	296,550	31.37

Notes:

1) The figures of “Shareholding ratio (excluding treasury stock) (%)” in the table are rounded down to the second decimal place.
2) 27,479,000 shares of treasury stock held by the Company are excluded from the list.
3) All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account), Japan Trustee Services Bank, Ltd. (Trust Account), Japan Trustee Services Bank, Ltd. (Trust Account 7) and Japan Trustee Services Bank, Ltd. (Trust Account 5) are held through trusts.

4) The Change Report No.1 pertaining to Report of Possession of Large Volume relating to the Company's shares was 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 is not able to confirm the actual state of shareholdings as of March 31, 2020. 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

5) The Change Report No.2 pertaining to Report of Possession of Large Volume relating to the Company's shares was filed in the joint names of Nomura Securities Co., Ltd. and two joint holders at the date of June 19, 2019 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders' list of the Company and does not reflect the information in the Report, because the Company is not able to confirm the actual state of shareholdings as of March 31, 2020. The major content of the report is as follows:

Name, address and number of shares held (As of June 14, 2019)

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	204,630	0.02
Nomura International PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	6,412,442	0.66
Nomura Asset Management Co., Ltd.	1-12-1, Nihonbashi, Chuo-ku, Tokyo, Japan	51,818,600	5.33
Total	－	58,435,672	6.01

6) The Change Report No.1 pertaining to Report of Possession of Large Volume relating to the Company's shares was filed in the name of Capital Research and Management Company at the date of March 6, 2020 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders' list of the Company and does not reflect the information in the Report, because the Company is not able to confirm the actual state of shareholdings as of March 31, 2020. The major content of the report is as follows:

Name, address and number of shares held (As of February 28, 2020)

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.	37,871,030	3.89
Total	－	37,871,030	3.89

(7) Voting rights

(i) Issued shares

(As of March 31, 2020)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(treasury stock) Common shares 27,479,900	-	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 894,600	-	Same as above
Shares with full voting rights (others)	Common shares 943,435,500	9,434,355	Same as above
Shares less than one unit	Common shares 771,230	-	Same as above
Number of issued shares	972,581,230	-	-
Total number of voting rights	-	9,434,355	-

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, 2020)

Name of shareholders, address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
The Company 2-3-6, Akasaka, Minato-ku, Tokyo, Japan	27,479,900	-	27,479,900	2.82
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	11,300	298,300	0.00
KOMATSU AKITA LTD. *1 9-48, Kawashiiriokawamachi, Akita City, Akita, Japan	-	86,600	86,600	0.00
KOMATSU AWAJI LTD. *1 1-1-7, Kuwama, Sumoto City, Hyogo, Japan	-	84,700	84,700	0.00
TOCHIGI SHEARING LTD. *2 1-22, Owada, Moka City, Tochigi, Japan	-	55,500	55,500	0.00
KOMATSU SANIN LTD. *1 1876, Higashitsudacho, Matsue City, Shimane, Japan	10,000	17,600	27,600	0.00
KOMATSU IBARAKI LTD. *1 358-1, Yoshizawacho, Mito City, Ibaraki, Japan	-	26,700	26,700	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	-	2,100	2,100	0.00
YAMAGATA KOMATSU FORKLIFT LTD. 1-2-1, Ryutsu-Center, Yamagata City, Yamagata, Japan	300	-	300	0.00
Total	28,090,00	284,500	28,374,500	2.91

Notes:

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

2. Acquisitions, etc. of Treasury Stock

Classes of shares, etc.

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

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

Not applicable.

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

Not applicable.

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

Category	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the fiscal year*1	29,128	17,983,994
Treasury stock acquired during the current period*2	196	360,686

Notes:

1) Treasury stock acquired during the fiscal year consists of the purchase of shares constituting less than one unit of shares and the acquisition of restricted stock without consideration.
2) Treasury stock acquired during the current period does not include shares constituting less than one unit of shares purchased during the period from June 1, 2020 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 (Request for sale of shares less than one unit of shares)	414,000 141	414,000 287,951	26,700 75	26,700 132,825
Number of treasury stock held	27,479,956	–	27,453,377	–

Notes:

1) The number of treasury stock held during the current period does not include shares disposed of through exercise of stock options or request for sale of shares less than one unit of shares during the period from June 1, 2020 to the filing date of this Annual Securities Report.
2) “Total disposal amount” in the table shows the total amount paid in on exercise of stock options.

3. Dividend Policy

The Company is working to secure a sound financial position and strengthen our competitiveness to sustainably increase its corporate value. Concerning cash dividends to shareholders, the Company maintains the policy of continuing stable dividends by comprehensively considering consolidated business results, future investment plans, cash flows and other related factors. 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 policy of a consolidated dividend payout ratio of 40% or higher. In accordance with such dividend policy, the Company set the fiscal year-end dividend at ¥39 per share. Annual cash dividends for the 151st fiscal year, including the interim dividend of ¥55 per share, amounted to ¥94 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 151st fiscal year are as follows:

Date of resolution	Total dividend amount (Millions of yen)	Dividend amount per share (Yen)
October 30, 2019 Resolution of the meeting of the Board of Directors	51,967	55
June 18, 2020 Resolution of the Ordinary General Meeting of Shareholders	36,858	39

4. Corporate Governance, etc.

(1) Overview of corporate governance

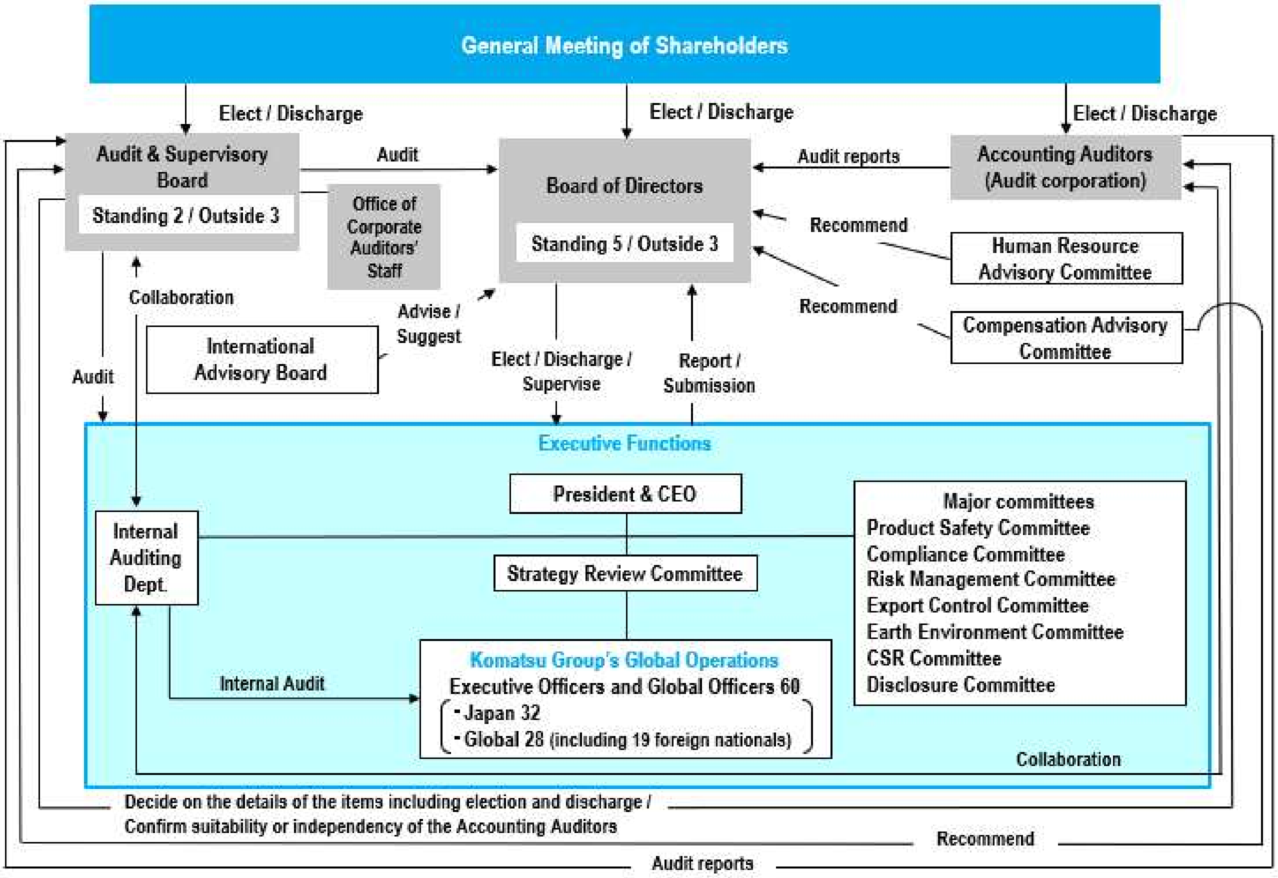
A. Basic stance on corporate governance

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

B. Current Corporate Governance Structure

1. Overview of current corporate governance structure

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



At the Company, the Board of Directors is positioned as the core of corporate governance, and to improve the effectiveness of discussions at meetings of the Board of Directors, the Company has worked to put in place a system to ensure thorough discussions of important management matters and prompt decision making, and reform their operational aspect. Having introduced the Executive Officer (Shikko Yakuin) System in 1999, the Company has separated management decision making and supervisory functions from executive functions to the extent permitted by laws and regulations, and while appointing both Outside Directors and Outside Audit & Supervisory Board Members, limits the Board of Directors to a small number of members.
The Company holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the eight (8) Directors on the Board, three (3) are Outside Directors to ensure transparent and objective management.
The Company strives to make improvements to increase the effectiveness of the Board of Directors and conducts an annual evaluation and analysis of the effectiveness of the Board of Directors.
Furthermore, at least half of the five (5) Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. The Audit & Supervisory Board determines such matters as audit policies and the division of duties among Audit & Supervisory Board Members. Each Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings and audits the execution of duties by Directors. Meetings of the Audit & Supervisory Board are in principle held periodically at least once every month, and the Board performs appropriate audits by such means as hearing reports from members of the executive management team on their execution of duties. The Company has also established the Office of Corporate Auditors' Staff to assist the Audit & Supervisory Board Members in their duties.

To promote efficient management of the Board of Directors, the Company has established a Strategy Review Committee consisting of Senior Executive Officers and senior managers. Based on the reviews of the Committee, Executive Officers and senior managers execute their duties within the authority delegated by the Board of Directors.
As a means to supplement executive functions, the Company established the International Advisory Board (IAB) in 1995. Through the IAB, the Company aims to secure objective advice and suggestions from experts from Japan and abroad about how to function as a global company by exchanging opinions and holding discussions.
The Human Resource Advisory Committee, consisting of three (3) Outside Directors (one of them as Committee Chairperson), Chairperson of the Board and President, appoints the candidates for directors and auditors, and discusses appointment and discharge of executive officers and other senior management officers including President (CEO), and reports the results to the Board of Directors. When selecting the candidates, the Committee also considers diversity, as represented by gender and nationality. Based on the report, the Board of Directors discusses and decides appointments of the candidates for directors and Audit & Supervisory Board Members as well as appointments and discharges of executive and other officers.
[Members of the Human Resource Advisory Committee] Chairperson: Masayuki Oku. Members: Mitoji Yabunaka, Makoto Kigawa, Tetsuji Ohashi and Hiroyuki Ogawa. (As of March 31, 2020)
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, one (1) Outside Director and two (2) Outside Audit & Supervisory Board Members) 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.

Similarly, the Audit and Supervisory Board discusses and decides the amounts for Audit & Supervisory Board Members. The chairperson of the Committee is elected by mutual vote from the four (4) external members every year.
[Members of the Compensation Advisory Committee] Chairperson: Tsuguoki Fujinuma. Members: Masayuki Oku, Hirohide Yamaguchi, Eiko Shinotsuka, and Tetsuji Ohashi. (As of March 31, 2020)
Furthermore, the Company works to mitigate legal risks by securing timely advice from expert law offices regarding important legal issues.

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

3. Basic policy on internal control system and status of maintenance and development thereof
With regards to systems for ensuring that the execution of duties by Directors complies with laws and regulations, and the Company's Articles of Incorporation, and other systems for ensuring the properness of operations, the details of the resolution of the Board of Directors of the Company are as follows:
(1) Basic Policy on Internal Control
The Company defines its corporate value as the total sum of trust given to us by society and all stakeholders.
To increase this corporate value, the Company recognizes the importance of strengthening corporate governance. The Company strives to maintain transparency and soundness of management by appointing Outside Directors and Outside Audit & Supervisory Board Members, while limiting the members of the Board of Directors small so that discussions at the Board of Directors are more substantial. The Company also does its utmost to improve the operation of the Board of Directors, aiming at more effective governance by the Board, ample discussions and quick decision making.

(2) Systems for Retention and Management of Information Related to Directors' Execution of Duties
The Company shall adequately retain and manage important information related to Directors' execution of duties, including the record of Board meetings and other approved documents, as stipulated by laws and regulations, and the Company's internal rules.

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

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

(4) Systems for Ensuring Efficient Execution of Duties by Directors
To ensure the efficient execution of duties by Directors, the Company shall implement the following:

i) The Board of Directors shall meet in principle at least once every month and more often as needed. It shall strive to maintain transparency and soundness of management through the participation of Outside Directors. It shall also establish the Regulations of the Board of Directors and the Standards for Agenda of Board Meetings, thereby clarifying the matters on which the Board of Directors should make decisions.

ii) Together with the introduction of the Executive Officer System, the Company shall define the separation of duties for Directors, Executive Officers and senior managers, and set up internal rules including the Regulations of Decision-Making Authority, to ensure appropriate and effective execution of duties by Directors, Executive Officers and other senior managers.

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

(5) Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws and Regulations, and the Company's Articles of Incorporation
The Board of Directors makes decisions on important management matters in accordance with laws and regulations and the Regulations of the Board of Directors. In accordance with the decisions made by the Board of Directors, each Director not only executes his or her own duties but also supervises employees for the execution of their duties, and reports the conditions thereof to the Board of Directors.
The Company shall establish the Compliance Committee 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 amounts stipulated by laws and regulations.

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

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

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

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

1. The Board of Directors and Audit & Supervisory Board Members of the Company as of June 29, 2020 (As of the filing date of this Annual Securities Report) are shown as below.

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

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Chairperson of the Board and Representative Director	Tetsuji Ohashi	Mar. 23, 1954	Apr. 1977	Joined the Company Product Control Section, Planning & Coordination Department of Awazu Plant	*4	151
			Jun. 1982	Graduate School, Stanford University, U.S.A. (until Jun. 1984)		
			Oct. 1998	General Manager of Planning & Cooperation Department of Awazu Plant, Production Division		
			Oct. 2001	Plant Manager of Moka Plant, Production Division		
			Jan. 2004	President and COO of Komatsu America Corp.		
			Apr. 2007	Took office as Executive Officer of the Company		
			Apr. 2007	President of Production Division		
			Apr. 2008	Took office as Senior Executive Officer		
			Jun. 2009	Took office as Director and Senior Executive Officer		
			Apr. 2012	Took office as Director and Senior Executive Officer		
			Apr. 2013	Took office as President and Representative Director		
			Apr. 2013	CEO		
			Apr. 2019	Took office as Chairperson of the Board and Representative Director (current)		
President and Representative Director and CEO	* Hiroyuki Ogawa	Mar. 23, 1961	Apr. 1985	Joined the Company Production Engineering Section, Production Engineering Department of Kawasaki Plant	*4	55
			Apr. 2004	Plant Manager of Chattanooga Manufacturing Operation, Komatsu America Corp.		
			Apr. 2007	General Manager of Planning & Coordination Department of Osaka Plant, Production Division		
			Apr. 2010	Took office as Executive Officer		
			Apr. 2010	Plant Manager of Ibaraki Plant, Production Division		
			Apr. 2013	President of Procurement Division in Production Division		
			Apr. 2014	Representative of All Indonesia Operations Chairperson of PT Komatsu Marketing & Support Indonesia (until Mar. 2016)		
			Apr. 2015	Took office as Senior Executive Officer		
			Apr. 2016	President of Production Division		
			Apr. 2018	Took office as Senior Executive Officer		
			Jun. 2018	Took office as Director and Senior Executive Officer		
			Apr. 2019	Took office as President and Representative Director (current)		
			Apr. 2019	CEO (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	* Masayuki Moriyama	Feb. 5, 1960	Apr. 1982	Joined the Company Technology Management Department, Vehicle Development Center of Kawasaki Plant	*4	52
			Jul. 1988	Graduate School, Cornell University, U.S.A. (until Jun. 1990)		
			Mar. 2000	Komatsu America Corp. (until Mar. 2003)		
			Apr. 2010	Took office as Executive Officer of the Company		
			Apr. 2010	General Manager of Construction Equipment Technical Center 1, Development Division		
			Apr. 2014	President and Chief Operating Officer (COO) of Komatsu America Corp.		
			Apr. 2015	Took office as Senior Executive Officer		
			Apr. 2017	President of Mining Business Division (current)		
			Apr. 2018	Took office as Senior Executive Officer		
			Jun. 2019	Took office as Director and Senior Executive Officer (current)		
Director	* Kiyoshi Mizuhara	Jan. 13, 1960	Apr. 1983	Joined the Company General Sales Department, Export Sales Division	*4	35
			Sep. 1988	Komatsu Dresser Company (currently Komatsu America Corp.) (until Mar. 1993)		
			Mar. 1997	Komatsu Hanomag GmbH (currently Komatsu Germany GmbH) (until Mar. 2003)		
			Apr. 2008	General Manager of Business Control Department, Construction & Mining Equipment Marketing Division		
			Apr. 2011	General Manager of Construction Equipment Corporate Planning Department, Construction & Mining Equipment Marketing Division		
			Apr. 2013	Took office as Executive Officer		
			Apr. 2013	Representative of All India Operations President of Komatsu India Pvt. Ltd.		
			Apr. 2017	Took office as Senior Executive Officer		
			Apr. 2017	President of Construction & Mining Equipment Marketing Division (current)		
			Apr. 2019	Took office as Senior Executive Officer		
			Jun. 2019	Took office as Director and Senior Executive Officer (current)		
Director	* Kuniko Urano	Oct. 19, 1956	Apr. 1979	Joined the Company Education Section, Human Resources Department	*4	34
			Apr. 2005	General Manager of Logistics Planning Department, Production Division		
			Apr. 2010	General Manager of Corporate Communications Department		
			Apr. 2011	Took office as Executive Officer		
			Apr. 2014	General Manager of Human Resources Department		
			Apr. 2016	Took office as Senior Executive Officer		
			Jun. 2018	Took office as Director and Senior Executive Officer (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	Makoto Kigawa	Dec. 31, 1949	Apr. 1973	Joined the Fuji Bank, Limited (currently Mizuho Bank, Ltd.)	*4	-
			Apr. 2004	Took office as Managing Director, Chief Risk Officer / Head of Risk Management Group, and Chief Human Resources Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)		
			Mar. 2005	Retired from Mizuho Corporate Bank, Ltd.		
			Apr. 2005	Joined Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.)		
			Jun. 2005	Took office as Managing Director		
			Nov. 2005	Took office as Representative Managing Director of Yamato Holdings Co., Ltd.		
			Apr. 2006	Took office as Representative Director and Managing Executive Officer		
			Jun. 2006	Took office as Representative Director and Senior Managing Executive Officer		
			Mar. 2007	Took office as Representative Director and Executive Officer		
			Mar. 2007	Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.		
			Apr. 2011	Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd.		
			Apr. 2015	Took office as Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd.		
			Jun. 2016	Took office as Director of the Company (current)		
			Apr. 2018	Took office as Director and Chairman of Yamato Holdings Co., Ltd.		
			Apr. 2019	Took office as Director of Yamato Holdings Co., Ltd.		
			Jun. 2019	Took office as Special Adviser of Yamato Holdings Co., Ltd. (current)		

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

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Standing Audit & Supervisory Board Member	Terumi Sasaki	Dec. 24, 1960	Apr. 1983 Jul. 1996 Jun. 2011 Sep. 2012 Apr. 2017 Apr. 2020 Jun. 2020	Joined the Company Shipping Section, Transportation Department, Export Sales Division Komatsu Hanomag GmbH (currently Komatsu Germany GmbH) (until Oct. 2003) General Manager of IFRS Implementation Department Vice President, Finance and Control of Komatsu America Corp. Executive Vice President and Chief Financial Officer (CFO) of Komatsu Mining Corp. Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*6	21
Audit & Supervisory Board Member	Hirohide Yamaguchi	Mar. 6, 1951	Apr. 1974 Oct. 2008 Mar. 2013 Jul. 2013 Jun. 2014	Joined the Bank of Japan (hereinafter "BOJ") Took office as Deputy Governor of BOJ Retired from BOJ Took office as Chairman of the Advisory Board of Nikko Financial Intelligence, Inc. (currently Nikko Research Center, Inc.) (current) Took office as Audit & Supervisory Board Member of the Company (current)	*7	-
Audit & Supervisory Board Member	Eiko Shinotsuka	May. 1, 1942	Apr. 1993 Apr. 2008 Jun. 2015	Took office as professor at Ochanomizu University Took office as professor emeritus at Ochanomizu University (current) Took office as Audit & Supervisory Board Member of the Company (current)	*8	-
Audit & Supervisory Board Member	Kotaro Ohno	Apr. 1, 1952	Apr. 1976 Jul. 2009 Jul. 2012 Jul. 2014 Sep. 2016 Nov. 2016 Jun. 2017	Appointed as Prosecutor Took office as Vice-Minister of Justice Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office Took office as Prosecutor-General of Supreme Public Prosecutors Office Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office Attorney at law, Special Counsel of Mori Hamada & Matsumoto (current) Took office as Audit & Supervisory Board Member of the Company (current)	*5	-
Total						372

Notes:

1) Directors Makoto Kigawa, Takeshi Kunibe and Arthur M. Mitchell are Outside Directors.
2) Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are Outside Audit & Supervisory Board Members.
3) The Company introduced an executive officer system in June 1999. As of June 29, 2020, the Company has 48 officers including 4 persons simultaneously holding the position of director. Such persons have been marked with an asterisk above their names in the table.
4) The term of office of the Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year of the Company ending within 1 year after the Ordinary General Meeting of Shareholders held on June 18, 2020.

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

B. Outside Directors and Outside Audit & Supervisory Board Members

The Company has three (3) Outside Directors and three (3) Outside Audit & Supervisory Board Members as of June 29, 2020 (As of the filing date of this Annual Securities Report).
Outside Directors of the Company perform their duty of contributing to the maintenance of management transparency and soundness by providing advice and suggestions based on their considerable insight and rich experience from an independent standpoint for proposed items and their discussions at the meetings of the Board of Directors. Outside Audit & Supervisory Board Members perform their duty of enforcing audit activities throughout the fiscal year based on the audit policy, audit plan, audit method and assignment of duties, which they discussed and decided at the meeting of the Audit & Supervisory Board in collaboration with Standing Audit & Supervisory Board Members, as well as provide comments as necessary based on their professional standpoint and rich experience at the meetings of the Board of Directors and of the Audit & Supervisory Board.
The Board of Directors of the Company has determined the independence standards for Outside Directors and Outside Audit & Supervisory Board Members as follows. Outside Directors Makoto Kigawa, Takeshi Kunibe and Arthur M. Mitchell and Outside Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are unlikely to have a conflict of interest with general shareholders, because there are no special interests between them and the Company. Accordingly, they are considered to be Independent Directors and Audit & Supervisory Board Members.

The Company’s Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members
1. Basic stance:
Independent Board Members are defined as Outside Board Members who have no potential conflict of interest with ordinary shareholders of the Company.
In the event that they are critically controlled by the top management of the Company or they can critically control the top management of the Company, they are deemed to have a conflict of interest with ordinary shareholders of the Company. Therefore, the Board of Directors determines that they have no independence from the Company.

2. Independence standards:
Based on ‘1. Basic stance’ above, the Board of Directors determines an Outside Board Member who is listed below has no independence from the Company.
1) Person engaged in transactions or execution of business with the Company or its subsidiary as his/her major business partner
This is applicable to a business partner or a person engaged in business execution with the Company or its subsidiary, and the Company or its subsidiary can give significant influence on decision making of the concerned partner or person.
Through its departments engaged in business transactions with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), the Company reviews the business relationship of these companies by making direct inquiries to the concerned companies and implementing other means, thereby evaluating their independence from the Company.

2) Main business partner of the Company or person engaged in business execution thereof
This is applicable to a business partner or a person engaged in business execution with the Company, and the concerned business partner or person engaged in business execution thereof can give significant influence on the Company’s decision making. Specifically, in the event that the Company generates sales, revenues, etc. from its business with the concerned business partner, which account for a considerable portion of total sales, revenues, etc. of the Company, the Board of Directors of the Company determines the concerned business partner or person has no independence from the Company.
The Company discusses with its departments engaging in business with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), and evaluates their independence from the Company.

3) Consultant(s), certified public accountant(s), lawyer(s) or other professional(s) obtaining large amounts of money or other financial benefits, other than remunerations of Outside Board Members of the Company (when

such financial benefits are obtained by an incorporated entity, this matter applies to a person belonging to such organization)
With respect to large amounts of money or other financial benefits, the Company determines independence in accordance with “large amounts of money or other financial benefits” stipulated in Article 74, Paragraph 4, Item 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 29, 2020 (As of the filing date of this Annual Securities Report) are outlined below.

<Outside Directors>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for appointment as Outside Director
Makoto Kigawa (June 2016)	Special Adviser of Yamato Holdings, Co., Ltd. Outside Director of Seven Bank, Ltd. Outside Director of Oki Electric Industry Co., Ltd. Outside Audit & Supervisory Board Member of The Higo Bank, Ltd.	Having served as Representative Director of Yamato Holdings, Co., Ltd. and Yamato Transport Co., Ltd., Mr. Makoto Kigawa has considerable knowledge and rich experience in the business world, including use of ICT, business model innovation and so forth, and engaging in strategic and advanced corporate management, among others. Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to appropriate monitoring of the management strategies of the Company, and to the enhancement of the Company's medium-and long-term corporate value. Therefore, the Company appointed him as an Outside Director. Mr. Makoto Kigawa is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director and has submitted the relevant notification to the Tokyo Stock Exchange. Mr. Kigawa held the positions of Representative Managing Director, Representative Director and Managing Executive Officer, Representative Director and Senior Managing Executive Officer, Representative Director and Executive Officer, Representative Director, President and Executive Officer, and Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd from November 2005 to April 2018. However, he currently has no involvement with the execution of business at Yamato Holdings Co., Ltd. The Company and its consolidated subsidiaries have transactions with Yamato Holdings Co., Ltd.'s subsidiaries, including Yamato Transport Co., Ltd. for payment of transportation expenses, etc. However, the amount of the payment is less than 0.1% of sum of the consolidated cost of sales and selling, general and administrative expenses of the Company and its consolidated subsidiaries for the most recent fiscal year. In addition, the amount of the payment is less than 0.1% of the consolidated operating revenue of Yamato Holdings Co., Ltd. for the most recent fiscal year.

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for appointment as Outside Director
Takeshi Kunibe (June 2020)	Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD Outside Audit & Supervisory Board Member of Nankai Electric"Railway" Co.,Ltd.	Takeshi Kunibe has considerable knowledge and rich experience in the business world, including the field of finance and in group company management, etc., having served successively as Representative Director, President and Chief Executive Officer of SMBC, as well as Representative Director and President, Director President and Representative Executive Officer, and Chairman of the Board of SMFG. Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management as well as enhancing corporate governance. Therefore, the Company appointed him as an Outside Director. Mr. Takeshi Kunibe is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director and has submitted the relevant notification to the Tokyo Stock Exchange. Mr. Kunibe serves as Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. and served as Representative Director, President and Chief Executive Officer of Sumitomo Mitsui Banking Corporation from April 2011 to April 2017. However, more than three (3)years have passed since his retirement from Sumitomo Mitsui Banking Corporation, and he currently has no involvement with the execution of business at the said bank. Because the Company and its consolidated subsidiaries have several lenders and the said bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, the said bank is not a business partner which has a significant impact on the Company's decision making. As of the end of the most recent fiscal year, the balance of loans from the said bank was JPY 145.2billion, which was 14.4% of the total amount of loans.
Arthur M. Mitchell (June 2020)	Registered foreign lawyer of White & Case LLP Outside Director of Sumitomo Mitsui Financial Group, Inc.	Mr. Arthur M. Mitchell has worked for many years as a New York state attorney and foreign law attorney in Japan, and has considerable knowledge and rich experience in the field of international legal affairs. 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. Mr. Arthur M. Mitchell is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director and has submitted the relevant notification to the Tokyo Stock Exchange.

<Outside Audit & Supervisory Board Members>

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

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

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

(3) Conditions of Audits

A. Audit & Supervisory Board Members' Audit

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

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

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

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

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

In the fiscal year ended March 31, 2020, 15 meetings of the Audit & Supervisory Board were held, and the status of attendance of individual Audit & Supervisory Board Members is as follows:

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

・Major matters to be examined by the Audit & Supervisory Board

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

・Activity status of Audit & Supervisory Board Members

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

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

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

B. Internal Audit

There are twenty-three (23)employees in the Internal Audit Department, which is in charge of the corporate internal audit of the Company.

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

・Collaboration between audits by Audit & Supervisory Board Members and accounting audit

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

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

・Collaboration between audits by Audit & Supervisory Board Members and internal audits

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

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

・Collaboration between internal audits and accounting audits

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

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

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

C. Accounting Audit

1. Name of the Audit Corporation

KPMG AZSA LLC

2. The number of consecutive years they have conducted audits

50 years

Note: Above years are counted since Asahi & Co (predecessor of KPMG AZSA LLC) was incorporated audit corporation. The number of consecutive years become sixty-nine (69) if the period that private accountant office audited the Company before Asahi & Co audited it is included in aggregation range.

3. Certified public accountants who performed the work

Masafumi Tanabu (engaged for five (5) consecutive years in auditing)
Tomoo Nishigori (engaged for one (1) consecutive year in auditing)
Daisuke Toyama (engaged for one (1) consecutive year in auditing)

4. Composition of assistants who supported the audit work

Thirty-two (32) other certified public accountants
Forty-one (41) associates

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

The Audit & Supervisory Board confirms that, subject to the policy of dismissal or non-reappointment of Independent Public Accounting Firm, the Independent Public Accounting Firm is not found to fall under any of the items in Article 340, Paragraph 1 of the Companies Act of Japan, and there is no problem in properly performing their duties regarding the independence, reliability, etc.
We decided to continue selecting (re-appointing) KPMG AZSA LLC as the Independent Public Accounting Firm also considering the result of the evaluation of the firm by the Audit & Supervisory Board that was conducted as evaluation of the Independent Public Accounting Firm.

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

The Audit & Supervisory Board determines the evaluation of the Independent Public Accounting Firm by appropriately receiving reports therefrom on quality control systems, audit plans, audit summaries, etc., and taking into consideration the results of various examinations for the Independent Public Accounting Firm by external organizations, and of the hearing of opinions from related internal divisions, in particular.
The Audit & Supervisory Board has determined that there are no problematic facts found regarding the Independent Public Accounting Firm’s activities and its independence and reliability, etc. in the current fiscal year.

D. Details of audit fee, etc.

1. Details of fee to auditors

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

Category	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2019	
	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	365	9	371	4
Consolidated subsidiaries	287	2	288	1
Total	652	11	659	5

Note: Non-audit services provided to the Company and consolidated subsidiaries for the fiscal years ended March 31, 2020 and 2019, were services regarding issuance of bonds, etc.

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

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

Category	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2019	
	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	-	22	-	-
Consolidated subsidiaries	1,573	109	1,531	108
Total	1,573	131	1,531	108

Note: Non-audit services provided to the Company for the fiscal year ended March 31, 2020, were advisory services regarding environmental disclosure, etc. Non-audit services provided to consolidated subsidiaries for the fiscal years ended March 31, 2020 and 2019, were advisory services regarding tax, etc.

3. Other material fees for audit services

Not applicable.

4. Policy on determining audit fee

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

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

The Audit & Supervisory Board, based upon the "Practical Guidelines for Cooperation with Financial Auditors," etc. released by the Japan Audit & Supervisory Board Members Association, and having obtained necessary materials and having received reports from related departments and the Accounting Auditor, conducts confirmation of the auditing plans of the Accounting Auditor, the status of execution of duties, the trends in actual remuneration amount, the grounds for calculation of remuneration estimates and other matters, and having investigated appropriateness of remuneration, etc. for the Accounting Auditor, gives consent in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.

(4) Compensation

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

Classification	Number of Persons Paid (Persons)	Monetary Remuneration			Non-Monetary Remuneration	Amount of Remuneration Paid (Millions of yen)
		Basic Remuneration (Fixed Remuneration)	Bonus (Performance-Based Remuneration) (Note 3)	Total	Stock-Based Remuneration (Performance-Based Remuneration) (Note 4)	
Director	10	399	130	529	147	676
(Outside Director included above)	3	54	−	54	−	54
Audit & Supervisory Board Member	5	141	−	141	−	141
(Outside Audit & Supervisory Board Member included above)	3	54	−	54	−	54
Total	15	540	130	670	147	817
(Outside Director and Outside Audit & Supervisory Board Member included above)	6	108	−	108	−	108

Notes:

1) As of the end of the fiscal year ended March 31, 2020, there are eight (8) Directors (three (3) of whom are Outside Directors) and five (5) Audit & Supervisory Board Members (three (3) of whom are Outside Audit & Supervisory Board Members). However, the numbers and amounts in the table above include those for two (2) Directors who have retired as of the close of the 150th Ordinary General Meeting of Shareholders in June 2019.
2) It was resolved at the 149th Ordinary General Meeting of Shareholders, held in June 2018, that the maximum amount of remuneration to be paid to Directors per year, which is the total of basic remuneration and bonus in cash, shall not exceed JPY 1.5 billion (of which, payment to the Outside Directors shall not exceed JPY 100 million per year) and that the maximum amount of remuneration to be paid to Audit & Supervisory Board Members shall not exceed JPY 0.2 billion. Furthermore, in the same Ordinary General Meeting of Shareholders, the limit for remuneration, etc. related to the restricted stock granted to internal Directors as stock-based remuneration was decided as an amount that shall not exceed JPY 360 million annually for Stock -Based Remuneration A linked to the Company's consolidated performance for a single year and as an amount that shall not exceed JPY 180 million annually for Stock-Based Remuneration B linked to the performance of the Mid-Term Business Plan. Note that each of the aforementioned remuneration amounts resolved by the shareholders does not include the employee salary portion of remuneration to Directors concurrently serving as employees.
3) Stock-based remuneration represents the amounts of expense allocated as remuneration for Directors which are not monetary in accounting for the fiscal year ended March 31, 2020. Specifically, the total amount of remuneration expenses for stock-based remuneration in the fiscal year ended March 31, 2020 stated above comprises (1) the amount of expense recorded as remuneration for the fiscal year ended March 31, 2020 paid by newly issuing shares as restricted stock compensation with the pay-in date of September 2, 2019, following the resolution passed at the Board of Directors meeting held on July 12, 2019 (Japan time), and (2) the amount of expense, recorded as the estimate of the payment in the form of restricted stock compensation of Stock-Based Remuneration A, for which payment level was determined by the operating results of the fiscal year ended March 31, 2020.

4) The portions of salaries as employees for Directors concurrently serving as employees are not paid.
5) Amounts of less than JPY one (1) million are rounded to the nearest million yen.

B. Total amount of remuneration paid, etc., paid by the Company to persons whose total remuneration paid equaled or exceeded ¥100 million for the fiscal year ended March 31, 2020.

(Millions of yen)

Name and title	Monetary Remuneration			Non-Monetary Remuneration	Amount of Remuneration Paid
	Basic Remuneration (Fixed Remuneration)	Bonus (Performance-Based Remuneration)	Total	Stock-Based Remuneration (Performance-Based Remuneration)	
Hiroyuki Ogawa Director of the Company	103	41	144	46	190
Tetsuji Ohashi Director of the Company	93	37	130	41	171

Notes:

1) Stock-based remuneration represents the amounts of expense allocated as remuneration for Directors which are not monetary in accounting for the fiscal year ended March 31, 2020. Specifically, the total amount of remuneration expenses for stock-based remuneration in the fiscal year ended March 31, 2020 stated above comprises (1) the amount of expense recorded as remuneration for the fiscal year ended March 31, 2020 paid by newly issuing shares as restricted stock compensation with the pay-in date of September 2, 2019, following the resolution passed at the Board of Directors meeting held on July 12, 2019 (Japan time), and (2) the amount of expense, recorded as the estimate of the payment in the form of restricted stock compensation of Stock-Based Remuneration A, for which payment level was determined by the operating results of the fiscal year ended March 31, 2020.
2) The portions of salaries as employees for Directors concurrently serving as employees are not paid.
3) Amounts of less than one (1) million yen are rounded to the nearest million yen.

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

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

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

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

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

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

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

[System of Remuneration for Internal Director]

<table>
<tr><td>Basic remuneration
(Fixed Remuneration)</td><td colspan="2">Performance-Based Remuneration for a Single Year
(Monthly Remuneration x 0 ~ 24 months)</td><td>Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan
(Monthly Remuneration
x 0 ~ 3 months)</td></tr>
<tr><td>Monthly Remuneration
x 12 months</td><td>Bonus in Cash
(2/3, in principle)
[up to the equivalent of 12 months’ remuneration]</td><td>Stock-Based Remuneration A
(1/3, in principle)
Restricted Stock</td><td>Stock-Based Remuneration “B”
Restricted Stocks</td></tr>
</table>

a) Performance-based remuneration for a single year

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

The Compensation Advisory Committee decided on the remuneration standard for FY2019 based on the results of 8.6% for consolidated ROE, 6.1% for consolidated ROA, 10.3% for consolidated operating income ratio, and (10.3)% for rate of consolidated sales growth.

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

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

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

*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]

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

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

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

The Company will pay Internal Directors the equivalent of a three-month portion of monthly remuneration every fiscal year as remuneration linked to the period of the Company's Mid-Term Management Plan by granting restricted stock as stock-based remuneration (Stock-Based Remuneration B). In deciding Stock-Based Remuneration B, after the expiry of the period of the mid-term management plan, the number of shares on which to lift transfer restrictions (within range of 0-100%) will be decided based on the achievement of the management targets of the Mid-Term Management Plan presented in the following table and as a general rule, the restriction of transfer on the shares will be lifted after three years from delivery.

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

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

Management Indicators		Management Targets
Growth	Sales growth rate	Growth rate above the industry's average*1
Profitability	Operating income ratio	Industry's top-level operating income ratio*1
Efficiency	ROE	ROE of 10% or higher
Financial Position	Net debt-to-equity ratio*2	Industry's top-level financial position
Retail finance business	ROA Net debt-to-equity ratio*2	ROA 1.5% to 2.0% 5.0 or under for net debt-to-equity ratio*2
ESG	Reduction of environmental impact	CO2 emissions: Decrease by 50% in 2030 from 2010 Renewable energy use: Increase to 50% of total energy use in 2030
	Evaluation by external organizations	Selected for DJSI*3 (World & Asia Pacific) and for CDP*4 A-list (Climate Changes and Water Risk), etc.

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

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

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

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

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

(1) Overview

●Under the System, the Company shall grant Directors excluding the Outside Directors of the Company (hereinafter "Eligible Directors") monetary compensation receivables for the allocation of restricted stock for each fiscal year in principle, and, by having the Eligible Directors make contribution in kind to the Company using the monetary compensation receivables as contributed assets, shall issue or dispose of its shares of common stock to the Eligible Directors and allow them to hold such shares.

●The Company shall conclude a restricted stock grant agreement (hereinafter "Grant Agreement") with the Eligible Directors. With regard to the shares granted pursuant to the Grant Agreement (hereinafter "Granted Shares"), the Eligible Directors shall not be allowed to transfer, create a security interest on, or otherwise dispose (hereinafter "Transfer") of them at will (hereinafter "Restrictions") during a given period provided by the Grant Agreement (hereinafter "Restricted Period ").

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

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

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

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid- Range Management Plan)
(2) Framework of the remuneration system	The Company shall determine the amount of remuneration based on the Company's single-year performance, etc. and pay a part of the amount of remuneration so determined in the form of restricted stock to the Eligible Directors each fiscal year. The Restrictions will, in principle, be lifted three (3) years after the grant of the Granted Shares.	With respect to the period of the Company' s mid-range management plan, the Company shall grant restricted stock to the Eligible Directors each fiscal year based on the base amount of remuneration for each position. After the expiry of the period of the mid-range management plan, the Company shall determine the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc. In principle, the Company shall lift the Restrictions three (3) years after the grant of the Granted Shares.

<table>
<tr><td></td><td>Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)</td><td>Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid- Range Management Plan)</td></tr>
<tr><td rowspan="2">(3) Amount of monetary compensation receivables to be provided and the maximum number of shares to be granted</td><td>Amount of monetary compensation receivables:
No more than JPY 360 million per year; provided, however, that the employee salaries for the Directors concurrently serving as employees are not included in this amount.
Total number of Granted Shares:
No more than 239,000 shares during one fiscal year.</td><td>Amount of monetary compensation receivables:
No more than JPY 180 million per year; provided, however, that the employee salaries for the Directors concurrently serving as employees are not included in this amount.
Total number of Granted Shares:
No more than 120,000 shares during one fiscal year.</td></tr>
<tr><td colspan="2">However, if a stock split, consolidation of shares or any other situation with respect to the Company's common stock occurs that necessitates the adjustment of the total number of restricted stocks to be allocated, the total number of Granted Shares shall be reasonably adjusted.</td></tr>
<tr><td>(4) Amount to be paid per share</td><td colspan="2">The amount to be paid per share shall be determined by the Board of Directors to an extent that would not be considered especially advantageous to the Eligible Directors who are granted the shares of common stock of the Company under the System, that is, the closing price of the share of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution by the Board of Directors (or the closing price on the trading day immediately prior thereto if there is no trading on such business day), etc.</td></tr>
<tr><td>(5) Restriction Period</td><td colspan="2">The Restriction Period shall be three (3) years, and the Eligible Directors shall not Transfer the Granted Shares during such period.</td></tr>
<tr><td>(6) Lifting of Restrictions</td><td>The Company shall, in principle, lift the Restrictions on the Granted Shares at the expiry of the Restriction Period.</td><td>In principle, the Company shall, at the expiry of the Restriction Period, lift the Restrictions on all or part of the Granted Shares according to the degree of achievement of the targets raised in the mid-range management plan based on the indicators set by the Board of Directors, including the major performance indicators set in the mid-range management plan. Upon determination of the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc., the Company shall as a matter of course acquire, free of charge, the Granted Shares with respect to which the Company decides not to lift the Restrictions pursuant to the above provision.</td></tr>
</table>

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid- Range Management Plan)
(7) Treatment upon retirement	In the event that, prior to the expiry of the Restriction Period, the Eligible Director is deemed to have retired as a Director of the Company due to his or her death, the Company shall lift the Restrictions on all of the Granted Shares after making reasonable adjustments, as necessary, to the timing of the lifting of the Restrictions. If, prior to the expiry of the Restriction Period, the Eligible Director retires as a Director of the Company without any reason recognized as legitimate by the Board of Directors of the Company, such as the expiration of the term of office as a Director (hereinafter "Legitimate Reason for Retirement"), the Company shall as a matter of course acquire, free of charge, all or part of the Granted Shares.	In the event that, prior to the expiry of the Restriction Period, the Eligible Director is deemed to have retired as a Director of the Company due to his or her death, the Company shall make reasonable adjustments, as necessary, to (i) the number of Granted Shares with respect to which the Restrictions are to be lifted and the timing of the lifting of the Restrictions during the period from the time of the grant of the Granted Shares to immediately prior to the determination of the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid range management plan, etc., or (ii) the timing of the lifting of the Restrictions during the period from the determination of the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc. to the expiry of the Restriction Period. If, prior to the expiry of the Restriction Period, the Eligible Director retires as a Director of the Company without any Legitimate Reason for Retirement, the Company shall as a matter of course acquire, free of charge, all or part of the Granted Shares.
(8) Other matters to be determined by the Board of Directors	Other matters relating to the System shall be determined by the Board of Directors and shall be considered to be a part of the Grant Agreement.	

(5) Shareholdings

A. Classification of investment securities

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

B. Investment securities held for purpose other than pure investment

1. Policy of holding listed stocks

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

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

	Number of stock names	Amount on the balance sheet (Millions of yen)
Unlisted stocks	46	1,407
Other than unlisted stocks	-	-

Information on stocks whose number of shares increased in the fiscal year ended March 31, 2020

	Number of stock names	Acquisition cost for the increase of number of shares (Millions of yen)	Reason for acquisition
Unlisted stocks	1	214	Investment in venture capital company.
Other than unlisted stocks	-	-	-

Information on stocks whose number of shares decreased in the fiscal year ended March 31, 2020

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

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

Not applicable.

C. Investment securities held for pure investment

Not applicable.

D. Investment securities for which the holding purpose has changed from pure investment to other than pure investment in the fiscal year ended March 31, 2020

Not applicable.

E. Investment securities for which the holding purpose has changed from other than pure investment to pure investment in the fiscal year ended March 31, 2020

Not applicable.

Item 5. Financial Information

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

(1) The consolidated financial statements of the Company are prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP"), pursuant to Paragraph 3, Supplementary Provisions of the "Cabinet Office Ordinance for Partial Revision of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements", the Ordinance of the Cabinet Office No. 11 of 2002.
(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance of the Ministry of Finance No. 59 of 1963 "Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc." (hereinafter "Ordinance on Financial Statements, etc.").
Also, the Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2019 to March 31, 2020 and the non-consolidated financial statements for the 151st fiscal year (from April 1, 2019 to March 31, 2020) 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, 2020 and 2019

	2020		2019	
Assets	**Millions of yen**	**Ratio (%)**	**Millions of yen**	**Ratio (%)**
Current assets				
Cash and cash equivalents (Note 21)	¥ 247,616		¥ 148,479	
Time deposits (Note 21)	2,057		2,331	
Trade notes and accounts receivable, net (Notes 4, 7, 15, 17 and 24)	744,395		842,183	
Inventories (Note 5)	805,309		837,552	
Other current assets (Notes 7, 9, 20, 21, 22 and 24)	147,413		138,415	
Total current assets	1,946,790	53.3	1,968,960	54.1
Long-term trade receivables, net (Notes 4, 15, 17, 21 and 24)	420,918	11.5	416,363	11.4
Investments				
Investments in and advances to affiliated companies (Note 7)	38,210		37,321	
Investment securities (Notes 6, 21 and 22)	7,328		7,473	
Other	2,436		2,528	
Total investments	47,974	1.3	47,322	1.3
Property, plant and equipment				
– less accumulated depreciation and amortization (Notes 8 and 17)	757,679	20.8	776,422	21.3
Operating lease right-of-use assets (Notes 1 and 17)	53,454	1.5	—	—
Goodwill (Notes 3 and 10)	157,521	4.3	161,921	4.5
Other intangible assets				
– less accumulated amortization (Notes 3 and 10)	162,062	4.4	166,406	4.6
Deferred income taxes and other assets (Notes 12, 16, 20, 21, 22 and 24)	107,288	2.9	100,825	2.8
Total assets	¥ 3,653,686	100.0	¥ 3,638,219	100.0

	2020		2019	
Liabilities and Equity	**Millions of yen**	**Ratio (%)**	**Millions of yen**	**Ratio (%)**
Current liabilities				
Short-term debt (Notes 11 and 21)	¥ 483,658		¥ 404,659	
Current maturities of long-term debt (Notes 11 and 21)	118,880		53,556	
Trade notes, bills and accounts payable (Note 7)	220,160		266,951	
Income taxes payable (Note 16)	23,169		43,022	
Current operating lease liabilities (Notes 1 and 17)	14,933		—	
Other current liabilities (Notes 12, 15, 19, 20, 21, 22 and 24)	297,825		313,951	
Total current liabilities	1,158,625	31.7	1,082,139	29.7
Long-term liabilities				
Long-term debt (Notes 11 and 21)	409,840		472,485	
Liability for pension and retirement benefits (Note 12)	96,392		90,187	
Long-term operating lease liabilities (Notes 1 and 17)	38,624		—	
Deferred income taxes and other liabilities (Notes 15, 16, 19, 20, 21 and 22)	93,980		90,540	
Total long-term liabilities	638,836	17.5	653,212	18.0
Total liabilities	1,797,461	49.2	1,735,351	47.7
Commitments and contingent liabilities (Note 19)				
Equity				
Komatsu Ltd. shareholders' equity (Note 13)				
Common stock:				
Authorized 3,955,000,000 shares				
Issued 972,581,230 shares				
Outstanding 944,621,957 shares in 2020 and 943,908,946 shares in 2019	68,689		68,311	
Capital surplus	136,459		136,798	
Retained earnings:				
Appropriated for legal reserve	46,813		46,028	
Unappropriated	1,699,477		1,654,105	
Accumulated other comprehensive income (loss) (Notes 12, 14, 20 and 22)	(130,666)		(39,792)	
Treasury stock at cost,				
27,959,273 shares in 2020 and 28,343,514 shares in 2019 (Note 13)	(49,166)		(49,868)	
Total Komatsu Ltd. shareholders' equity	1,771,606	48.5	1,815,582	49.9
Noncontrolling interests	84,619	2.3	87,286	2.4
Total equity	1,856,225	50.8	1,902,868	52.3
Total liabilities and equity	¥ 3,653,686	100.0	¥ 3,638,219	100.0

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, 2020 and 2019.

Consolidated Statements of Income

	2020		2019	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 1, 7, 14, 15, 17 and 20)	¥2,444,870	100.0	¥2,725,243	100.0
Cost of sales (Notes 1, 8, 10, 12, 14, 17, 20 and 25)	1,749,048	71.5	1,885,163	69.2
Selling, general and administrative expenses (Notes 3, 8, 10, 12, 13, 17 and 25)	440,792	18.0	440,687	16.2
Impairment loss on long-lived assets (Notes 23 and 25)	3,194	0.1	1,251	0.0
Impairment loss on goodwill (Note 10)	3,699	0.2	—	—
Other operating income (expenses), net (Note 25)	2,570	0.1	(336)	(0.0)
Operating income	250,707	10.3	397,806	14.6
Other income (expenses), net (Note 25)				
Interest and dividend income (Note 7)	7,378	0.3	7,154	0.3
Interest expense	(24,592)	(1.0)	(24,101)	(0.9)
Other, net (Notes 6, 12, 14, 20 and 22)	(10,379)	(0.4)	(3,388)	(0.1)
Total	(27,593)	(1.1)	(20,335)	(0.7)
Income before income taxes and equity in earnings of affiliated companies	223,114	9.1	377,471	13.9
Income taxes (Notes 14 and 16)				
Current	66,464		112,541	
Deferred	(3,591)		(5,942)	
Total	62,873	2.6	106,599	3.9
Income before equity in earnings of affiliated companies	160,241	6.6	270,872	9.9
Equity in earnings of affiliated companies	3,443	0.1	3,779	0.1
Net income	163,684	6.7	274,651	10.1
Less: Net income attributable to noncontrolling interests	9,840	0.4	18,160	0.7
Net income attributable to Komatsu Ltd.	¥ 153,844	6.3	¥ 256,491	9.4

	Yen	
Per share data (Note 18):		
Net income attributable to Komatsu Ltd.:		
Basic	¥ 162.93	¥ 271.81
Diluted	¥ 162.80	¥ 271.51

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2020	2019
Net income	¥ 163,684	¥ 274,651
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments (Notes 14 and 16)	(94,938)	(3,373)
Pension liability adjustments (Notes 12, 14 and 16)	(1,096)	(3,138)
Net unrealized holding gains (losses) on derivative instruments (Notes 14, 16 and 20)	(1,392)	(1,676)
Total	(97,426)	(8,187)
Comprehensive income	66,258	266,464
Less: Comprehensive income attributable to noncontrolling interests	3,259	17,888
Comprehensive income attributable to Komatsu Ltd.	¥ 62,999	¥ 248,576

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, 2020

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

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

For the fiscal year ended March 31, 2019

	Millions of yen								
			Retained earnings						
	Common stock	Capital surplus	Appropriated for legal reserve	Un-appropriated	Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at March 31, 2018	**¥ 67,870**	**¥ 138,450**	**¥ 45,828**	**¥ 1,491,965**	**¥ (29,150)**	**¥ (50,423)**	**¥ 1,664,540**	**¥ 79,050**	**¥ 1,743,590**
Cumulative effects of Accounting Standards Update—adoption of ASU 2014-09, net of tax				(515)			(515)	(12)	(527)
Cumulative effects of Accounting Standards Update—adoption of ASU 2016-01, net of tax				681	(681)		—		—
Cumulative effects of Accounting Standards Update—adoption of ASU 2016-16, net of tax				(860)			(860)		(860)
Cash dividends				(93,457)			(93,457)	(6,291)	(99,748)
Transfer to retained earnings appropriated for legal reserve			200	(200)			—		—
Other changes		(1,497)			(2,046)		(3,543)	(3,349)	(6,892)
Net income				256,491			256,491	18,160	274,651
Other comprehensive income (loss), for the period, net of tax (Note 14)					(7,915)		(7,915)	(272)	(8,187)
Issuance and exercise of stock acquisition rights (Note 13)		(653)					(653)		(653)
Purchase of treasury stock						(41)	(41)		(41)
Sales of treasury stock		60				596	656		656
Restricted stock compensation (Note 13)	441	438					879		879
Balance at March 31, 2019	**¥ 68,311**	**¥ 136,798**	**¥ 46,028**	**¥ 1,654,105**	**¥ (39,792)**	**¥ (49,868)**	**¥ 1,815,582**	**¥ 87,286**	**¥ 1,902,868**

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, 2020 and 2019

	Millions of yen	
	2020	2019
Operating activities		
Net income	¥ 163,684	¥ 274,651
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	131,596	131,464
Deferred income taxes	(3,591)	(5,942)
Impairment loss and net loss (gain) on valuation of investment securities	(97)	499
Net gain on sale of fixed assets	(4,714)	(1,971)
Loss on disposal of fixed assets	3,980	3,660
Impairment loss on long-lived assets	3,194	1,251
Impairment loss on goodwill	3,699	—
Pension and retirement benefits, net	(1,672)	(1,827)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	44,568	(74,121)
Decrease (increase) in inventories	(9,915)	(99,507)
Increase (decrease) in trade payables	(38,340)	(37,683)
Increase (decrease) in income taxes payable	(19,445)	(22,971)
Other, net	22,234	35,045
Net cash provided by operating activities	295,181	202,548
Investing activities		
Capital expenditures	(184,707)	(192,050)
Proceeds from sale of fixed assets	14,968	11,200
Proceeds from sale of investment securities	844	1,960
Purchases of investment securities	(630)	(342)
Acquisition of subsidiaries and equity investees, net of cash acquired	(21,646)	(8,035)
Other, net *1	241	63
Net cash used in investing activities	(190,930)	(187,204)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	587,157	400,176
Payment on debt (Original maturities greater than three months)	(436,952)	(339,971)
Short-term debt, net (Original maturities three months or less)	(37,449)	45,087
Dividends paid	(107,687)	(93,457)
Other, net *2	(8,526)	(15,495)
Net cash used in financing activities	(3,457)	(3,660)
Effect of exchange rate change on cash and cash equivalents	(1,657)	(7,602)
Net increase in cash and cash equivalents	99,137	4,082
Cash and cash equivalents, beginning of year	148,479	144,397
Cash and cash equivalents, end of year	¥ 247,616	¥ 148,479

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

*1 In the fiscal year ended March 31, 2020, Komatsu (the Company and its consolidated subsidiaries) has classified "Proceeds from sale of subsidiaries and equity investees, net of cash disposed" as "Other, net" in the investing activities. Accordingly, the figure for the fiscal year ended March 31, 2019 was reclassified to conform to the presentation for the fiscal year ended March 31, 2020.

*2 In the fiscal year ended March 31, 2020, Komatsu has classified "Repayments of finance lease obligations" and "Sale (purchase) of treasury stock, net" as "Other, net" in the financing activities. Accordingly, the figures for the fiscal year ended March 31, 2019 were reclassified to conform to the presentation for the fiscal year ended March 31, 2020.

Notes to Consolidated Financial Statements
Komatsu Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

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

In this report, Komatsu Ltd. is hereinafter referred to as the "Company" and together with its consolidated subsidiaries as "Komatsu."
Komatsu primarily manufactures and markets various types of construction, mining and utility equipment throughout the world, provides retail financing to customers and sales distributors and is also engaged in the manufacture and sale of industrial machinery and others.
The consolidated net sales of Komatsu for the fiscal year ended March 31, 2020, consisted of the following: construction, mining and utility equipment business – 90.2%, retail finance business – 2.6%, industrial machinery and others business – 7.2%.
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, 2020, 83.8% were generated outside Japan, with 38.9% in the Americas, 14.7% in Europe and CIS, 6.4% in China, 18.5% in Asia (excluding Japan and China) and Oceania, and 5.3% in the Middle East and Africa.
The manufacturing operations of Komatsu are conducted primarily at plants in Japan, the United States, Brazil, the United Kingdom, Germany, Italy, Sweden, Russia, China, Indonesia, Thailand, India and South Africa.

Basis of Financial Statement Presentation

The accompanying consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States of America (hereinafter "U.S. GAAP").
The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates.
Some adjustments without being booked on each subsidiaries' and affiliates' financial statements are added to the accompanying consolidated financial statements. These adjustments are mainly due to the gaps of accounting principles between Japan and the United States of America. See Note 27 "Terminology, Forms and Preparation Methods of Consolidated Financial Statements".

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

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

Summary of Significant Accounting Policies

(1) Consolidation and Investments in Affiliated Companies
The consolidated financial statements include the accounts of the Company and all of its majority-owned Japanese and foreign subsidiaries, except for certain immaterial subsidiaries.
Variable interest entities are consolidated for which the Company is the primary beneficiary in accordance with Financial Accounting Standards Board (hereinafter "FASB") Accounting Standards Codification™ (hereinafter "ASC") 810, "Consolidation". The consolidated balance sheets as of March 31, 2020 and 2019 include assets for the Variable interest entities of ¥15,211 million and ¥26,551 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 and net realizable value. Komatsu determines cost of work in process and finished products principally 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 marketable equity securities are stated at fair value. Changes in fair values are included in net income in the accompanying consolidated statements of income.
Komatsu has measured non-marketable equity securities without readily determinable fair value by the method where changes in observable prices in orderly transactions for identical or similar investments issued by the same issuer are added to or subtracted from the carrying amount after the write-down due to impairment, except for investments which are measured at net asset value per share.

(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:

Asset	Life
Buildings	2 to 60 years
Machinery and equipment	2 to 20 years

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

(7) Leases

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

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

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

(8) Goodwill and Other Intangible Assets

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

(9) Revenue Recognition

Komatsu recognizes revenue based on the following five steps in accordance with FASB ASC 606, "Revenue from Contracts with Customers".

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The details are as described in Note 15 "Revenue".

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

(10) Income Taxes

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

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

(11) Product Warranties

After the product were sold or delivered, Komatsu repairs and replaces parts free of charge for a certain period in accordance with the contract. Thus, in order to provide for disbursement of the after-sales service costs, provision for product warranties is recognized based on the relevant historical result and is classified as other current liabilities and other liabilities.

(12) Pension and Retirement Benefits

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

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

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

(13) Share-Based Compensation

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

(14) Per Share Data

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

(15) Cash and Cash Equivalents
Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the date of purchase.
Komatsu's overseas subsidiaries participate in a global cash pooling system based on agreement with a single financial institution, which is used to fund short-term liquidity needs. This agreement contains specific provisions for the right to offset positive and negative cash balances on a global basis. The facility allows for cash withdrawals from this financial institution up to our aggregate cash deposits within the same financial institution. Komatsu's consolidated balance sheets as of March 31, 2020 and 2019 reflect cash net of withdrawals of ¥267,138 million and ¥256,615 million, respectively.

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

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

(18) Use of Estimates
Komatsu has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses presented in consolidated financial statements prepared in accordance with U.S. GAAP. Actual results could differ from the estimates and assumptions.
Komatsu has identified several areas where it believes estimates and assumptions are particularly critical to the financial statements. These are the determination of the useful lives of property, plant and equipment, the allowance for doubtful receivables, impairment of long-lived assets and goodwill, pension liabilities and expenses, product warranty liabilities, fair value of financial instruments, realization of deferred tax assets, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates.
COVID-19 is a crisis broadly impacting the economy and corporate activities, and it could possibly impact Komatsu's financial position and results of operations. Just how COVID-19 will spread from this point forward, or when it will be contained, is still unclear. Nevertheless, based on the assumption that the COVID-19-related impacts will continue for a length of time in the fiscal year ending March 31, 2021, Komatsu has assessed the likelihood of recovery of deferred tax assets and the impairment losses on long-lived assets and goodwill given these items are relatively material among the accounting estimates. Komatsu is making its best estimates based on the information available. However, if actual future trends deviate from those assumptions, Komatsu's financial position and results of operations may be adversely affected.

(19) Recently Adopted Accounting Standards

In the fiscal year ended March 31, 2020, Komatsu has adopted the Accounting Standards Update (hereinafter "ASU") 2016-02 "Leases". This update requires lessees to recognize most leases as the right-of-use assets and the lease liabilities on their balance sheets. This update does not substantially change lessor accounting. The FASB also modified the definition of lease. Additionally, the guidance expands qualitative and quantitative disclosures related to lease. Concerning accounting in relation to this update, Komatsu has adopted the rule in which an entity does not separate lease and non-lease components and regards all components as those of a single lease, and the exceptional rule in which an entity does not recognize short-term leases on the balance sheet. Concerning the transition methods in relation to this update, Komatsu has adopted a series of practical expedients in which an entity does not reassess whether any expired or existing lease contracts are or contain leases, the lease classification for them and initial direct costs for them. Komatsu has also adopted the additional transition methods in which an entity does not retrospectively restate presentation or disclosure of comparative years at the period of the application of the new accounting standards and an entity does not assess whether existing or expired land easements that were not previously accounted for as leases. The application of the provision has no significant impact on Komatsu's financial position and results of operations.

In the fiscal year ended March 31, 2020, Komatsu has adopted ASU 2017-12 "Targeted Improvements to Accounting for Hedging Activities". This update improves the application of hedge accounting under certain circumstances to reflect the economic consequences of an entity's risk management activities in financial statements more appropriately. The update eliminates the requirement to separately measure and present effective portion and ineffective portion of hedging and requires an entity to record the full amount of change in fair value of the hedging instrument in the same income statement line as gain or loss arising from the hedged item. The application of the provision has no significant impact on Komatsu's financial position and results of operations.

(20) Recnetly Issued Accounting Standards Not Yet Adopted

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

2. Supplemental Cash Flow Information

Additional cash flow information for the fiscal years ended March 31, 2020 and 2019, are as follows:

	Millions of yen	
	2020	2019
Additional cash flow information:		
Interest paid	¥ 24,876	¥ 24,070
Income taxes paid	89,558	136,348

3. Business Combination

Immersive Corporation Pty Ltd

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

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

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

The fair value measurement of the acquired assets and assumed liabilities under ASC 805, "Business Combinations" was completed as of the issue date of the third quarterly report of the fiscal year ended March 31, 2020.

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

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

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

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

The goodwill of ¥7,633 million was assigned to the Construction, Mining and Utility Equipment operating segment. The goodwill is not deductible for tax purpose.
Acquisition-related costs for the fiscal year ended March 31, 2020 are ¥300 million (accumulated acquisition-related costs: ¥332 million) and included in selling, general and administrative expenses in the consolidated statements of income for the fiscal year ended March 31, 2020.
Immersive's results of operations included in the consolidated statements of income for the fiscal year ended March 31, 2020 since the date of acquisition were immaterial.
Assuming this acquisition had been made on April 1, 2018, the impact on Net Sales and Net income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2020 and 2019 would be immaterial.

4. Trade Notes and Accounts Receivable

Receivables at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen	
	2020	2019
Trade notes	¥ 230,980	¥ 229,465
Accounts receivable	525,181	621,230
Total	756,161	850,695
Less: allowance-current	(11,766)	(8,512)
Trade notes and accounts receivable, net	¥ 744,395	¥ 842,183
Long-term trade receivables	425,974	420,609
Less: allowance-noncurrent	(5,056)	(4,246)
Long-term trade receivables, net	¥ 420,918	¥ 416,363

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, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Balance at beginning of year	¥ 8,004	¥ 16,330
Provision	5,071	(1,832)
Charge-offs	(3,507)	(6,341)
Other	(347)	(153)
Balance at end of year	¥ 9,221	¥ 8,004

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, 2020 and 2019 were summarized as follows:

	Millions of yen	
	2020	2019
31-90 days past due	¥ 1,088	¥ 1,297
Greater than 90 days past due	773	1,530
Total past due	¥ 1,861	¥ 2,827

Nonaccrual financing receivables at March 31, 2020 and 2019 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, 2020 and 2019.
Komatsu did not have any securitized trade notes and accounts receivable at March 31, 2020 and 2019.

5. Inventories

At March 31, 2020 and 2019, inventories comprise the following:

	Millions of yen			
	2020		2019	
Finished products, including finished parts held for sale	¥	586,468	¥	594,880
Work in process		153,082		171,063
Materials and supplies		65,759		71,609
Total	¥	805,309	¥	837,552

6. Investment Securities

The realized gains and losses and gross unrealized holding gains and losses related to equity securities which are recorded in other income (expenses), net in the accompanying consolidated statements of income for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen			
	2020		2019	
Net gains and losses recognized during the year on equity securities	¥	97	¥	(499)
Less: net gains and losses recognized during the year on equity securities sold during the year		(185)		61
Unrealized gains and losses recognized during the year on equity securities still held as of March 31, 2020 and 2019	¥	282	¥	(560)

Komatsu measures equity securities without readily determinable fair values by the method where changes in observable prices in orderly transactions for identical or similar investments issued by the same issuer are added to or subtracted from the carrying amount after the write-down due to impairment, except for investments which are measured at net asset value per share. As of March 31, 2020 and 2019, the carrying amounts of these investments were ¥7,328 million and ¥7,043 million, respectively. Any impairment or any adjustment relating to observable price changes recorded until March 31, 2020 and 2019 were not material.

7. Investments in and Advances to Affiliated Companies

At March 31, 2020 and 2019, investments in and advances to affiliated companies comprised the following:

	Millions of yen			
	2020		2019	
Investments in capital stock	¥	36,610	¥	36,066
Advances		1,600		1,255
Total	¥	38,210	¥	37,321

The investments in and advances to affiliated companies relate mainly to 20% to 50% of voting rights owned companies whereby Komatsu has the ability to exercise significant influence over the operational and financial policies.
At March 31, 2020 and 2019, 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			
	2020		2019	
Trade notes and accounts receivable, net	¥	27,976	¥	28,820
Short-term loans receivable		1,723		1,522
Trade notes, bills and accounts payable		5,876		7,360

Net sales to and dividends received from affiliated companies for the fiscal years ended March 31, 2020 and 2019, are as follows.

	Millions of yen			
	2020		2019	
Net sales	¥	81,730	¥	78,416
Dividends		1,399		1,340

Intercompany profits (losses) have been eliminated in the consolidated financial statements.
As of March 31, 2020 and 2019, consolidated unappropriated retained earnings included Komatsu's share of undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥23,937 million and ¥21,412 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, 2020 and 2019.

Summarized financial information for affiliated companies as of March 31, 2020 and 2019, and for the fiscal years ended March 31, 2020 and 2019, is as follows:

	Millions of yen			
	2020		2019	
Current assets	¥	151,972	¥	153,905
Net property, plant and equipment – less accumulated depreciation and amortization		54,568		54,584
Investments and other assets		32,342		34,576
Total assets	¥	238,882	¥	243,065
Current liabilities	¥	97,745	¥	101,757
Noncurrent liabilities		36,785		40,623
Equity		104,352		100,685
Total liabilities and equity	¥	238,882	¥	243,065

	Millions of yen			
	2020		2019	
Net sales	¥	236,507	¥	237,570
Net income	¥	10,276	¥	10,336

8. Property, Plant and Equipment

The major classes of property, plant and equipment at March 31, 2020 and 2019, are as follows:

	Millions of yen	
	2020	2019
Land	¥ 112,683	¥ 115,738
Buildings	512,160	507,987
Machinery and equipment	660,007	666,364
Equipment leased to others	335,248	348,616
Construction in progress	31,909	27,859
Total	1,652,007	1,666,564
Less: accumulated depreciation and amortization	(894,328)	(890,142)
Net property, plant and equipment	¥ 757,679	¥ 776,422

After the adoption of ASU 2016-02, Komatsu has reclassified acquisition cost of equipment leased to customers under operating leases from Machinery and equipment, etc. to Equipment leased to others. Leased equipment under operating leases at fiscal year ended March 31, 2019 also have been reclassified.

Depreciation for the fiscal years ended March 31, 2020 and 2019, were ¥111,108 million and ¥110,215 million, respectively.

9. Pledged Assets

At March 31, 2020 and 2019, assets pledged as collateral for guarantees for debt are as follows:

	Millions of yen	
	2020	2019
Other current assets	¥ 211	¥ 326
Total	¥ 211	¥ 326

The above assets were pledged against the following liabilities:

	Millions of yen	
	2020	2019
Guarantees for debt	¥ 211	¥ 326
Total	¥ 211	¥ 326

10. Goodwill and Other Intangible Assets

Intangible assets other than goodwill at March 31, 2020 and 2019 are as follows:

	Millions of yen					
	2020			2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥ 52,813	¥ (21,678)	¥ 31,135	¥ 42,798	¥ (20,030)	¥ 22,768
Leasehold	6,959	(1,675)	5,284	8,363	(1,844)	6,519
Trademarks	52,444	(10,866)	41,578	55,913	(7,832)	48,081
Customer relationships	73,505	(25,197)	48,308	73,773	(20,752)	53,021
Technology assets	37,423	(11,950)	25,473	32,030	(9,177)	22,853
Other	7,292	(4,635)	2,657	7,359	(3,579)	3,780
Total	230,436	(76,001)	154,435	220,236	(63,214)	157,022
Other intangible assets not subject to amortization			7,627			9,384
Total other intangible assets			¥ 162,062			¥ 166,406

The aggregate amortization expense of other intangible assets subject to amortization for the fiscal years ended March 31, 2020 and 2019 were ¥18,417 million and ¥19,645 million, respectively.
At March 31, 2020, the future estimated amortization expenses for each of five years relating to intangible assets currently recorded in the consolidated balance sheet are as follows:

Year ending March 31	Millions of yen
2021	¥ 18,597
2022	18,259
2023	16,607
2024	15,345
2025	14,073

The changes in carrying amounts of goodwill by operating segment for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Balance at March 31, 2018				
Goodwill	162,502	802	15,017	178,321
Accumulated impairment losses	(8,504)	–	(13,936)	(22,440)
	¥ 153,998	¥ 802	¥ 1,081	¥ 155,881
Goodwill acquired during the year	354	–	–	354
Foreign exchange impact	5,712	(26)	–	5,686
Balance at March 31, 2019				
Goodwill	168,568	776	15,017	184,361
Accumulated impairment losses	(8,504)	–	(13,936)	(22,440)
	¥ 160,064	¥ 776	¥ 1,081	¥ 161,921
Goodwill acquired during the year	11,007	–	–	11,007
Impairment losses	(3,699)	–	–	(3,699)
Foreign exchange impact	(11,580)	(128)	–	(11,708)
Balance at March 31, 2020				
Goodwill	167,995	648	15,017	183,660
Accumulated impairment losses	(12,203)	–	(13,936)	(26,139)
	¥ 155,792	¥ 648	¥ 1,081	¥ 157,521

11. Short-Term and Long-Term Debt

(1) Short-term debt at March 31, 2020 and 2019, consisted of the following:

	Millions of yen	
	2020	2019
Banks, insurance companies and other financial institutions	¥ 178,733	¥ 196,779
Commercial paper	304,925	207,880
Short-term debt	¥ 483,658	¥ 404,659

The weighted-average annual interest rates applicable to short-term debt outstanding at March 31, 2020 and 2019, were 1.9% and 2.2%, respectively.
Certain consolidated subsidiaries have entered into contracts for committed credit lines totaling ¥133,945 million and have unused committed lines of credit amounting to ¥112,135 million with certain financial institutions at March 31, 2020, which are available for full and immediate borrowings. The Company and Komatsu Finance America Inc. are a party to a committed ¥300,000 million and U.S.$1,000 million commercial paper program and unused committed commercial paper program amounting to ¥93,000 million and U.S.$100 million at March 31, 2020, are available upon the satisfaction of certain customary procedural requirements.

(2) Long-term debt at March 31, 2020 and 2019, consisted of the following:

	Millions of yen	
	2020	2019
Long-term debt without collateral:		
Banks, insurance companies and other financial institutions maturing serially through 2020–2025, weighted-average rate 2.6%	¥ 268,356	¥ 254,496
Euro Medium-Term Notes maturing serially through 2020–2024, weighted-average rate 3.0%	102,845	111,101
0.28% Unsecured Bonds due 2019	—	20,000
0.05% Unsecured Bonds due 2020	50,000	50,000
2.12% Unsecured Bonds due 2020	32,638	33,291
2.44% Unsecured Bonds due 2022	54,323	55,417
0.11% Unsecured Bonds due 2024	20,000	—
Other	558	1,736
Total	528,720	526,041
Less: current maturities	(118,880)	(53,556)
Long-term debt	¥ 409,840	¥ 472,485

(3) The Company, Komatsu Finance America Inc. and Komatsu Europe Coordination Center N.V. registered as an issuer under the Euro Medium-Term Note (hereinafter “EMTN”) Program on the London Stock Exchange. The registered amount of the EMTN Program at March 31, 2020 and 2019 were U.S.$1,500 million and U.S.$2,000 million respectively.
Under the EMTN Program, each of the issuers may from time to time issue notes denominated in any currency as may be agreed between the relevant issuers and dealers. The issuers under the EMTN Program issued ¥2,989 million during the fiscal year ended March 31, 2020, while they did not issue any EMTNs during the fiscal year ended March 31, 2019.
In November 2018, the Company’s bond program was renewed so that it could issue up to ¥100,000 million of variable-term bonds within a two-year period. As of March 31, 2020, ¥80,000 million remained unused under this program. In September 2017, the Komatsu Finance America Inc. issued U.S.$800 million of variable-term bonds within a three-year or a five-year period. On the other hand, ¥50,000 million in the aggregate principal amount of bonds outstanding as of March 31, 2020 was issued under the past bond program prior to its 2018 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, 2020 and 2019 respectively are as follows. There are no market value adjustments excluded from the amount of 2020 and 2019.

	Millions of yen	
	2020	2019
Due within one year	¥ 118,880	¥ 53,556
Due after one year through two years	102,080	117,435
Due after two years through three years	221,213	83,171
Due after three years through four years	12,218	216,784
Due after four years through five years	74,329	12,568
Due after five years	—	42,527
Total	¥ 528,720	¥ 526,041

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			
	2020		2019	
	Domestic	Overseas	Domestic	Overseas
Change in benefit obligations:				
Benefit obligations, beginning of year	¥ 135,947	¥ 234,821	¥ 132,473	¥ 237,054
Service cost	8,400	988	8,022	1,006
Interest cost	79	6,922	90	7,536
Actuarial loss (gain)	(574)	1,397	440	1,772
Plan participants' contributions	—	162	—	145
Effect of changes in consolidated subsidiaries	—	—	105	—
Plan amendment	1,329	—	931	1,727
Settlements	—	(1,637)	—	(238)
Benefits paid	(6,618)	(12,821)	(6,114)	(16,529)
Foreign currency exchange rate change	—	(10,314)	—	2,348
Benefit obligations, end of year	¥ 138,563	¥ 219,518	¥ 135,947	¥ 234,821
Change in plan assets:				
Fair value of plan assets, beginning of year	¥ 82,257	¥ 216,623	¥ 81,604	¥ 219,024
Actual return on plan assets	(775)	8,631	739	10,005
Employers' contributions	3,707	1,893	3,630	2,164
Plan participants' contributions	—	162	—	145
Plan amendment	984	—	—	—
Settlements	—	(1,637)	—	(284)
Benefits paid	(3,871)	(12,493)	(3,716)	(16,257)
Foreign currency exchange rate change	—	(10,160)	—	1,826
Fair value of plan assets, end of year	¥ 82,302	¥ 203,019	¥ 82,257	¥ 216,623
Funded status, end of year	¥ (56,261)	¥ (16,499)	¥ (53,690)	¥ (18,198)

Amounts recognized in the consolidated balance sheets at March 31, 2020 and 2019 are as follows:

	Millions of yen			
	2020		2019	
	Domestic	Overseas	Domestic	Overseas
Deferred income taxes and other assets	¥ —	¥ 16,930	¥ —	¥ 11,288
Other current liabilities	(146)	(607)	(136)	(639)
Liability for pension and retirement benefits	(56,115)	(32,822)	(53,554)	(28,847)
	¥ (56,261)	¥ (16,499)	¥ (53,690)	¥ (18,198)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2020 and 2019 are as follows:

	Millions of yen			
	2020		2019	
	Domestic	Overseas	Domestic	Overseas
Actuarial loss	¥ 24,641	¥ 16,665	¥ 24,255	¥ 14,150
Prior service cost	1,512	909	1,342	1,043
	¥ 26,153	¥ 17,574	¥ 25,597	¥ 15,193

The accumulated benefit obligations for all defined benefit plans at March 31, 2020 and 2019 are as follows:

	Millions of yen			
	2020		2019	
	Domestic	Overseas	Domestic	Overseas
Accumulated benefit obligations	¥ 123,630	¥ 216,445	¥ 120,233	¥ 231,497

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			
	2020		2019	
	Domestic	Overseas	Domestic	Overseas
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	¥ 122,514	¥ 126,785	¥ 119,215	¥ 187,869
Fair value of plan assets	80,988	95,535	77,382	160,956
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	¥ 138,563	¥ 129,179	¥ 135,947	¥ 192,168
Fair value of plan assets	82,302	95,750	82,257	162,683

Net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2020 and 2019, consisted of the following components:

	Millions of yen			
	2020		2019	
	Domestic	Overseas	Domestic	Overseas
Service cost	¥ 8,400	¥ 988	¥ 8,022	¥ 1,006
Interest cost on projected benefit obligations	79	6,922	90	7,536
Expected return on plan assets	(1,236)	(9,692)	(1,222)	(10,979)
Amortization of actuarial loss or gain	1,051	(57)	1,231	162
Amortization of prior service cost	175	134	167	43
Net periodic cost	¥ 8,469	¥ (1,705)	¥ 8,288	¥ (2,232)

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

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen			
	2020		2019	
	Domestic	Overseas	Domestic	Overseas
Current year actuarial loss	¥ 1,437	¥ 2,458	¥ 923	¥ 2,746
Amortization of actuarial loss or gain	(1,051)	57	(1,231)	(162)
Current year prior service cost	345	—	931	1,727
Amortization of prior service cost	(175)	(134)	(167)	(43)
	¥ 556	¥ 2,381	¥ 456	¥ 4,268

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, 2021 are summarized as follows:

	Millions of yen	
	Domestic	Overseas
Amortization of actuarial loss or gain	¥ 1,054	¥ 341
Amortization of prior service cost	145	238

Weighted-average assumptions used to determine benefit obligations of Komatsu's defined benefit plans at March 31, 2020 and 2019 are as follows:

	2020		2019	
	Domestic	Overseas	Domestic	Overseas
Discount rate	0.1%	3.1%	0.1%	3.4%
Assumed rate of increase in future compensation levels (Point-based benefit system)	4.5%	—	4.5%	—
Assumed rate of increase in future compensation levels	2.6%	3.1%	2.6%	3.8%

Weighted-average assumptions used to determine net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2020 and 2019 are as follows:

	2020		2019	
	Domestic	Overseas	Domestic	Overseas
Discount rate	0.1%	3.4%	0.1%	3.5%
Assumed rate of increase in future compensation levels (Point-based benefit system)	4.5%	—	4.5%	—
Assumed rate of increase in future compensation levels	2.6%	3.8%	2.6%	3.6%
Expected long-term rate of return on plan assets	1.5%	4.6%	1.5%	5.1%

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

Plan assets

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

The "Pension and Retirement Benefit Committee" is organized in the Company in order to periodically monitor the performance of such plan assets.

The Company and its Japanese subsidiaries' targeted basic portfolio for plan assets consists of three major components: approximately 20% invested in equity securities, approximately 30% invested in debt securities, and approximately 50% invested in other assets, primarily consisting of investments in life insurance company general accounts. Foreign subsidiaries' targeted basic portfolio for plan assets, which varies by country, primarily consists of as follows: approximately 35% invested in equity securities and approximately 65% invested in debt securities.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, Komatsu has investigated the business condition of the investee companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds and municipal bonds, and corporate bonds. Prior to investing, Komatsu has investigated the quality of the issue, including credit rating, interest rate and repayment dates, and has appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity described above. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. With respect to investments in foreign investment assets, Komatsu has investigated the stability of the underlying governments and economies, the market characteristics such as settlement systems and the taxation systems. For each such investment, Komatsu has selected the appropriate investment country and currency. There is no significant concentration of risk within the portfolio of investments.

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

The fair values of benefit plan assets at March 31, 2020 and 2019 by asset class are as follows:

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

	Millions of yen									
	Domestic					Overseas				
At March 31, 2019	Level 1	Level 2	Level 3	Investments measured at net asset value	Total	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Plan assets										
Cash	¥ 340	¥ −	¥ −	¥ −	¥ 340	¥ (1,328)	¥ −	¥ −	¥ −	¥ (1,328)
Equity securities										
Japanese equities	10,938	−	−	−	10,938	810	−	−	−	810
Foreign equities	8,887	−	−	−	8,887	11,343	38,923	−	30	50,296
Pooled funds	−	−	−	−	−	73	819	−	−	892
Debt securities										
Government bonds and municipal bonds	18,554	−	−	−	18,554	167	44,039	−	−	44,206
Corporate bonds	−	7,028	−	−	7,028	−	103,571	−	−	103,571
Other assets										
Life insurance company general accounts	−	36,510	−	−	36,510	−	−	−	−	−
Other	−	−	−	−	−	1,208	4,607	12,361	−	18,176
Total	¥ 38,719	¥ 43,538	¥ −	¥ −	¥ 82,257	¥ 12,273	¥ 191,959	¥ 12,361	¥ 30	¥ 216,623

(1) The plan’s equity securities include common stock of the Company in the amount of ¥12 million and ¥47 million at March 31, 2020 and 2019, respectively.
(2) The plan’s pooled funds which are primarily held by the U.K. subsidiaries invest in hedge funds.
(3) The plan’s government bonds and municipal bonds include approximately 10% Japanese bonds and 90% foreign bonds.

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

Level 1 assets are comprised principally of equity and debt securities, which are valued using quoted prices in active markets. Level 2 assets are comprised of equity securities, debt securities and investments in life insurance company general accounts. Equity and debt securities are valued using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. Investments in life insurance company general accounts are valued at conversion value.
The fair value of Level 3 assets mainly consist of the U.K. buy-in contracts held by foreign subsidiaries. The amount of these buy-in contracts are ¥10,494 million and ¥12,361 million at March 31, 2020 and 2019, respectively. These buy-in contracts are categorized as Level 3 due to the lack of active markets for these types of investments and the use of unobservable measurement inputs. Amounts of actual returns on, purchases and sales of, these buy-in contracts for the fiscal years ended March 31, 2020 and 2019 are not material.
Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the three-level fair value hierarchy but have been recorded separately.

Cash flows
(1) Contributions
Komatsu expects to contribute ¥3,637 million and ¥1,309 million to their domestic benefit plans and their overseas benefit plans, respectively in the fiscal year ending March 31, 2021.

(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:

	Millions of yen	
Fiscal year ending March 31	Domestic	Overseas
2021	¥ 7,265	¥ 11,908
2022	7,442	11,937
2023	9,358	12,006
2024	8,219	12,004
2025	7,395	11,989
Through 2026-2030	38,634	58,770

Other postretirement benefit plans

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

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

	Millions of yen	
	2020	2019
Change in accumulated postretirement benefit obligations:		
Accumulated postretirement benefit obligations, beginning of year	¥ 16,537	¥ 16,161
Service cost	558	537
Interest cost	562	587
Actuarial loss (gain)	(328)	(755)
Plan amendment	(1,157)	−
Benefits paid	(828)	(912)
Foreign currency exchange rate change	(184)	919
Accumulated postretirement benefit obligation, end of year	¥ 15,160	¥ 16,537
Change in plan assets:		
Fair value of plan assets, beginning of year	¥ 11,019	¥ 10,622
Actual return on plan assets	(36)	379
Employers' contributions	153	87
Benefits paid	(504)	(548)
Foreign currency exchange rate change	(226)	479
Fair value of plan assets, end of year	¥ 10,406	¥ 11,019
Funded status, end of year	¥ (4,754)	¥ (5,518)

Amounts recognized in the consolidated balance sheets at March 31, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Deferred income taxes and other assets	¥ 2,446	¥ 2,049
Other current liabilities	(190)	(207)
Liability for pension and retirement benefits	(7,010)	(7,360)
	¥ (4,754)	¥ (5,518)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Actuarial loss	¥ 1,426	¥ 1,174
Prior service cost	(1,149)	14
	¥ 277	¥ 1,188

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

Net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2020 and 2019 included the following components:

	Millions of yen	
	2020	2019
Service cost	¥ 558	¥ 537
Interest cost on projected benefit obligations	562	587
Expected return on plan assets	(583)	(596)
Amortization of actuarial loss or gain	39	101
Amortization of prior service cost	6	6
Net periodic cost	¥ 582	¥ 635

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

Other changes in plan assets and accumulated postretirement benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen	
	2020	2019
Current year actuarial loss (gain)	¥ 291	¥ (538)
Amortization of actuarial loss or gain	(39)	(101)
Current year prior service cost	(1,157)	—
Amortization of prior service cost	(6)	(6)
	¥ (911)	¥ (645)

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, 2021 are summarized as follows:

	Millions of yen
Amortization of actuarial loss or gain	¥ 74
Amortization of prior service cost	(121)

Weighted-average assumptions used to determine accumulated postretirement benefit obligations of the U.S. subsidiaries' plans at March 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	3.3%	3.9%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Current healthcare cost trend rate	6.3%	6.5%
Ultimate healthcare cost trend rate	4.9%	5.0%
Number of years to reach ultimate healthcare cost trend rate	5	4

Weighted-average assumptions used to determine net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	3.9%	3.9%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Expected long-term rate of return on plan assets	5.6%	5.6%
Current healthcare cost trend rate	6.5%	6.2%
Ultimate healthcare cost trend rate	5.0%	5.0%
Number of years to reach ultimate healthcare cost trend rate	4	5

At March 31, 2020 and 2019, 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 22.

The fair values of postretirement benefit plan assets at March 31, 2020 and 2019, by asset class are as follows:

	Millions of yen				
At March 31, 2020	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Plan assets					
Cash	¥ 526	¥ −	¥ −	¥ −	¥ 526
Equity securities					
Foreign equities	3,493	−	−	−	3,493
Pooled funds	−	−	−	−	−
Debt securities					
Government bonds and municipal bonds	−	4,126	−	−	4,126
Corporate bonds	503	1,490	−	−	1,993
Other assets					
Other	−	268	−	−	268
Total	¥ 4,522	¥ 5,884	¥ −	¥ −	¥ 10,406

	Millions of yen				
At March 31, 2019	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Plan assets					
Cash	¥ 543	¥ −	¥ −	¥ −	¥ 543
Equity securities					
Foreign equities	2,009	−	−	−	2,009
Pooled funds	2,296	−	−	−	2,296
Debt securities					
Government bonds and municipal bonds	1,272	2,976	−	−	4,248
Corporate bonds	−	1,923	−	−	1,923
Other assets					
Other	−	−	−	−	−
Total	¥ 6,120	¥ 4,899	¥ −	¥ −	¥ 11,019

(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 will not expect to contribute to their postretirement benefit plans in the fiscal year ending March 31, 2021.

(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:

Fiscal year ending March 31	Millions of yen	
2021	¥	897
2022		899
2023		896
2024		872
2025		849
Through 2026-2030		4,164

Directors of Japanese subsidiaries are primarily covered by unfunded retirement allowance plans. At March 31, 2020 and 2019, the amounts required if all directors covered by the plans had terminated their service have been fully accrued. Such amounts are not material to Komatsu’s financial position and results of operations for any of the periods presented.
Certain subsidiaries maintain various defined contribution plans covering certain employees. The amount of cost recognized for the fiscal years ended March 31, 2020 and 2019 are ¥10,180 million and ¥8,353 million, respectively.

13. Komatsu Ltd. Shareholders' Equity

(1)At March 31, 2020 and 2019, affiliated companies owned 824,200 and 843,600 shares which represent 0.09% and 0.09% 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 ¥597,728 million, included in the Company's general books of account as of March 31, 2020 is available for dividends under the Act.

The payment of a cash dividend totaling ¥36,859 million to shareholders of record on March 31, 2020 was resolved at the Ordinary General Meeting of Shareholders held on June 18, 2020. The dividend has not been reflected in the consolidated financial statements as of March 31, 2020. Dividends are reported in the consolidated statements of equity when they are approved.

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

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

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

Based on the resolutions of the Ordinary General Meeting of Shareholders on June 23, 2010 and the Board of Directors on July 13, 2017, the Company issued 281 rights of its Stock Acquisition Rights to directors. Based on the resolutions of the Ordinary General Meeting of Shareholders on June 20, 2017 and the Board of Directors on July 13, 2017, the Company also issued 1,716 rights of its Stock Acquisition Rights to certain employees and certain representative directors of major subsidiaries during the fiscal year ended March 31, 2018. The options vest 100% on each of the grant dates and are exercisable from August 1, 2020.

The number of shares subject to one Stock Acquisition Right is 100 shares.

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

The following table summarizes information about stock option activities for the fiscal years ended March 31, 2020 and 2019:

	2020		2019	
	Number of shares	Weighted average exercise price Yen	Number of shares	Weighted average exercise price Yen
Outstanding at beginning of year	892,300	¥ 1	1,227,000	¥ 1
Granted	—	—	—	—
Exercised	(414,000)	1	(334,700)	1
Forfeited	—	—	—	—
Outstanding at end of year	478,300	1	892,300	1
Exercisable at end of year	278,600	1	442,500	1

The intrinsic values of options exercised were ¥912 million and ¥1,010 million for the fiscal years ended March 31, 2020 and 2019.
The information for options outstanding and options exercisable at March 31, 2020 is as follows:

Outstanding				Options Exercisable			
	Weighted average exercise price	Intrinsic value	Weighted average remaining contractual life		Weighted average exercise price	Intrinsic value	Weighted average remaining contractual life
Number of shares	Yen	Millions of yen	Years	Number of shares	Yen	Millions of yen	Years
478,300	¥ 1	¥ 850	4.1	278,600	¥ 1	¥ 495	3.3

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

Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)
As an alternative to stock acquisition rights which have been granted as stock-based remuneration, the Company shall determine the amount of remuneration based on the Company's single-year performance, etc. and pay a part of the amount of remuneration so determined in the form of restricted stock to the Eligible Directors, etc. each fiscal year. The restrictions will, in principle, be lifted 3 years after the grant of the granted shares. If, prior to the expiry of the restriction period, the Eligible Director, etc. retires without any reason recognized as legitimate by the Board of Directors of the Company, the Company shall acquire, free of charge, all or part of the granted shares.

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

The granted shares have the same rights as common shares to net income attributable to Komatsu Ltd. regardless of whether the restrictions are still existing.
Based on the resolutions of the Ordinary General Meeting of Shareholders on June 19, 2018 and the Board of Directors on July 12, 2019, the Company issued 328,770 shares of common shares of the Company as the restricted stock compensation to the Eligible Directors, etc.
Based on the resolutions of the Ordinary General Meeting of Shareholders on June 19, 2018 and the Board of Directors on July 12, 2018, the Company issued 284,800 shares of common shares of the Company as the restricted stock compensation to the Eligible Directors, etc.
The Company recognizes compensation expense using the fair value method. The fair values of the restricted stock are measured at grant-date fair value of common shares of the Company. Compensation expense for the fiscal year ended March 31, 2020 and 2019 were recorded in selling, general and administrative expenses, and were not material to Komatsu's financial position and results of operations.

The following table summarizes information about the restrict stock activities for the fiscal year ended March 31, 2020 and 2019:

	2020		2019	
	Number of shares	Weighted average exercise price Yen	Number of shares	Weighted average exercise price Yen
Outstanding at beginning of year	281,660	¥ 3,098	—	¥ —
Granted	328,770	2,508	284,800	3,098
Lifted	—	—	—	—
Forfeited	(21,980)	3,098	(3,140)	3,098
Outstanding at end of year	588,450	2,768	281,660	3,098

14. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen				
	2020				
	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 the year	¥ (15,438)	¥ —	¥ (25,890)	¥ 1,536	¥ (39,792)
Other comprehensive income (loss) before reclassifications	(95,102)	—	(2,061)	94	(97,069)
Amounts reclassified from accumulated other comprehensive income (loss)	164	—	965	(1,486)	(357)
Net other comprehensive income (loss)	(94,938)	—	(1,096)	(1,392)	(97,426)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(6,430)	—	(10)	(141)	(6,581)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(88,508)	—	(1,086)	(1,251)	(90,845)
Equity transactions with noncontrolling interests	(29)	—	—	—	(29)
Balance, end of the year	¥(103,975)	¥ —	¥ (26,976)	¥ 285	¥(130,666)

All amounts are net of tax.

	Millions of yen				
	2019				
	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 the year	¥ (10,166)	¥ 681	¥ (22,745)	¥ 3,080	¥ (29,150)
Cumulative effects of Accounting Standards Update—adoption of ASU 2016-01, net of tax	—	(681)	—	—	(681)
Other comprehensive income (loss) before reclassifications	(3,395)	—	(4,309)	(4,401)	(12,105)
Amounts reclassified from accumulated other comprehensive income (loss)	22	—	1,171	2,725	3,918
Net other comprehensive income (loss)	(3,373)	—	(3,138)	(1,676)	(8,187)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(175)	—	35	(132)	(272)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(3,198)	—	(3,173)	(1,544)	(7,915)
Equity transactions with noncontrolling interests	(2,074)	—	28	—	(2,046)
Balance, end of the year	¥ (15,438)	¥ —	¥ (25,890)	¥ 1,536	¥ (39,792)

All amounts are net of tax.

Reclassification out of accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen 2020		Affected line items in consolidated statements of income
Foreign currency translation adjustments			
Liquidation and sale	¥	(164)	Other income (expenses), net: Other, net
		(164)	Total before tax
		−	Income taxes
		(164)	Net of tax
Pension liability adjustments			
Amortization of actuarial loss or gain		(1,033)	Other income (expenses), net: Other, net
Amortization of prior service cost		(315)	Other income (expenses), net: Other, net
		(1,348)	Total before tax
		383	Income taxes
		(965)	Net of tax
Net unrealized holding gains (losses) on derivative instruments			
Forwards contracts		1,725	Net sales
		(211)	Cost of sales
		333	Other income (expenses), net: Other, net
		1,847	Total before tax
		(361)	Income taxes
		1,486	Net of tax
Total reclassification for the year	¥	357	Net of tax

	Millions of yen 2019		Affected line items in consolidated statements of income
Foreign currency translation adjustments			
Liquidation and sale	¥	(22)	Other income (expenses), net: Other, net
		(22)	Total before tax
		−	Income taxes
		(22)	Net of tax
Pension liability adjustments			
Amortization of actuarial loss or gain		(1,494)	Other income (expenses), net: Other, net
Amortization of prior service cost		(216)	Other income (expenses), net: Other, net
		(1,710)	Total before tax
		539	Income taxes
		(1,171)	Net of tax
Net unrealized holding gains (losses) on derivative instruments			
Forwards contracts		(3,485)	Other income (expenses), net: Other, net
		(3,485)	Total before tax
		760	Income taxes
		(2,725)	Net of tax
Total reclassification for the year	¥	(3,918)	Net of tax

Tax effects allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		
	2020		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the year	¥ (95,128)	¥ 26	¥ (95,102)
Less: reclassification adjustment for losses included in net income	164	—	164
Net foreign currency translation adjustments	(94,964)	26	(94,938)
Pension liability adjustments			
Pension liability adjustments arising during the year	(3,374)	1,313	(2,061)
Less: reclassification adjustment for losses included in net income	1,348	(383)	965
Net pension liability adjustments	(2,026)	930	(1,096)
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding gains arising during the year	639	(545)	94
Less: reclassification adjustment for gains included in net income	(1,847)	361	(1,486)
Net unrealized holding losses	(1,208)	(184)	(1,392)
Other comprehensive income (loss)	¥ (98,198)	¥ 772	¥ (97,426)

	Millions of yen		
	2019		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the year	¥ (3,401)	¥ 6	¥ (3,395)
Less: reclassification adjustment for losses included in net income	22	—	22
Net foreign currency translation adjustments	(3,379)	6	(3,373)
Pension liability adjustments			
Pension liability adjustments arising during the year	(5,790)	1,481	(4,309)
Less: reclassification adjustment for losses included in net income	1,710	(539)	1,171
Net pension liability adjustments	(4,080)	942	(3,138)
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during the year	(5,895)	1,494	(4,401)
Less: reclassification adjustment for losses included in net income	3,485	(760)	2,725
Net unrealized holding losses	(2,410)	734	(1,676)
Other comprehensive income (loss)	¥ (9,869)	¥ 1,682	¥ (8,187)

15. Revenue

Komatsu engages in the business activities of sales of products, services and retail financing for customers in Japan and overseas, under three operating segments: the “Construction, Mining and Utility Equipment” operating segment, the “Retail Finance” operating segment and the “Industrial Machinery and Others” operating segment. In these business activities, Komatsu provides goods or services identified in contracts with customers. Komatsu recognizes revenue when or as control over these goods or services is transferred to the customer at the amount of the transaction price that reflects the consideration to which it expects to be entitled. When two or more goods or services are provided to the same customer, Komatsu identifies performance obligations in a single contract or combined contracts and allocates the transaction price to each identified performance obligations based on relative stand-alone selling prices.

For sale of equipment, parts, attachment and others, revenue is recognized when the customers accept the goods or services. Conditions for acceptance, such as shipping, receipt by customers, completion of installation or completion of performance test, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

For services such as periodic check, maintenance, and repair and other services, revenue is recognized when provision of the service is completed, or over the period for which the service is provided. Conditions for completion of service provision, including receipt of completion report, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

Komatsu’s certain consolidated subsidiaries have signed long-term maintenance contracts with their customers, in which case the customers receive services and simultaneously consume them as the performance obligations are satisfied. Thus, revenue from such services is recognized over the period of the contract with the customer in accordance with the progress percentage on the basis of costs incurred, which appropriately represents the transfer of control to the customer.

Shipping and handling activities occurring after control over an equipment has transferred to a customer are not identified as services.

Certain transaction prices include variable consideration such as future discounts and sales returns. Variable consideration is an estimate of the expected value or the most likely amount, to the extent that it is probable that a significant reversal in cumulative revenue recognized up to that point will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the period between when control over goods or services is transferred to the customer and when the customer pays for the goods or services is expected to be one year or less at the inception of the contract, Komatsu does not make any adjustment for the effect of time value of consideration.

Komatsu is obligated to accept parts returned from customers for a certain period after the sale. In consideration of the relevant historical return result and other factors, Komatsu’s right to recover parts from customers is recognized in other current assets as a return asset, and also a refund liability is recognized in other current liabilities for its obligation to refund the customers upon return of parts.

With regard to transactions with combination of products, periodic check, maintenance and others, performance obligations are identified in a single contract or combined contracts. Transaction price is allocated to each identified performance obligation according to the proportion of stand-alone selling price that is determined based on observable price such as contract amount, and estimated cost including historical experience.

After the product are sold or delivered, Komatsu repairs the sold product and replaces parts free of charge for a certain period in accordance with the contract. Thus, in order to provide for disbursement of the after-sales service costs, provision for product warranties is recognized based on the relevant historical result. In addition to this standard warranty, Komatsu offers a package of extended warranty for power line (engine & power systems and hydraulic system) upon the purchase of a product and free maintenance service as a service program to maintain the performance of construction equipment over a longer period of time. Komatsu determines this program to be a service-type warranty, and identifies a separate performance obligation for recognizing revenue from this program. As the costs incurred to obtain a contract with a customer are to be amortized within one year, they are expensed as incurred by applying a practical expedient on the costs for obtaining a contract with a customer.

(1) Disaggregation of revenue

Revenue from contracts with customers and other sources during the fiscal year ended March 31, 2020 and 2019 are as follows.

	Millions of yen	
	2020	2019
Revenue recognized from contracts with customers	¥ 2,234,629	¥ 2,521,966
Revenue recognized from other sources	210,241	203,277
Total	¥ 2,444,870	¥ 2,725,243

The disaggregation of revenue by operating and geographic segment are described in Note 23.

Revenue recognized from other sources primarily comprises revenue recognized from lease contracts and financial income such as interest income.

(2) Contract balances

Contract balances arising from contracts with customers at March 31, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Receivables *1	¥ 980,371	¥ 1,067,025
Contract assets *2	3,483	7,443
Contract liabilities *3	100,472	94,720

*1 Receivables are included in trade notes and accounts receivable, net and long-term trade receivables, net in the accompanying consolidated balance sheets. These amounts are before deducting allowance for doubtful trade receivables.

*2 Contract assets are included in trade notes and accounts receivable, net in the accompanying consolidated balance sheets. These amounts are before deducting allowance for doubtful trade receivables.

*3 Contract liabilities are included in other current liabilities and deferred income taxes and other liabilities in the accompanying consolidated balance sheets.

Komatsu's contract assets mainly relate to its right to consideration for product sales contracts in the industrial machinery business, for which the performance obligation has been satisfied but the invoicing conditions have not been satisfied as of a reporting date. Contract assets are reclassified to receivables when the right to consideration becomes unconditional.

Komatsu's contract liabilities are those arising from all or part of the consideration received from the customers before the corresponding performance obligation is satisfied. The main components of the contract liabilities are unearned revenue and advances received. Komatsu recognizes unearned revenue by identifying separate performance obligations such as extended warranties. Advances received from the customers are recognized in long-term maintenance contracts for which revenue is recognized over the contract period, and also in product sales contracts for large press machines and the like for which revenue is recognized upon acceptance of the customers.

Revenue recognized for the fiscal year ended March 31, 2020 that was included in the contract liability balance as of March 31, 2019 was ¥52,387 million. Revenue recognized for the fiscal year ended March 31, 2019 that was included in the contract liability balance as of April 1, 2018 was ¥47,817 million.
The amount of revenue recognized during the fiscal year ended March 31, 2020 and 2019 from the performance obligations satisfied or partially satisfied in the previous periods and the amount of impairment losses recognized for receivables and contract assets are immaterial. Additionally, there were no significant changes in contract assets and contract liabilities for contracts with customers during the fiscal year ended March 31, 2020 and 2019.

(3) Transaction price allocated to the remaining performance obligations
As of March 31, 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year was ¥177,207 million, of which ¥90,689 million is expected to be recognized as revenue in the fiscal year ending March 31, 2021.

16. Income Taxes

The sources of income before income taxes and equity in earnings of affiliated companies and the sources of income taxes for the fiscal years ended March 31, 2020 and 2019, were as follows:

	Millions of yen			
	2020		2019	
Income before income taxes and equity in earnings of affiliated companies:				
Japan	¥	65,421	¥	151,703
Foreign		157,693		225,768
	¥	223,114	¥	377,471
Income taxes:				
Current –				
Japan	¥	21,642	¥	52,850
Foreign		44,822		59,691
	¥	66,464	¥	112,541
Deferred –				
Japan	¥	1,427	¥	(3,314)
Foreign		(5,018)		(2,628)
	¥	(3,591)	¥	(5,942)
Total	¥	62,873	¥	106,599

Total income taxes recognized for the fiscal years ended March 31, 2020 and 2019 were applicable to the following:

	Millions of yen			
	2020		2019	
Income before income taxes and equity in earnings of affiliated companies	¥	62,873	¥	106,599
Other comprehensive income(loss):				
Foreign currency translation adjustments		(26)		(6)
Pension liability adjustments		(930)		(942)
Net unrealized holding gains(losses) on derivative instruments		184		(734)
Total income taxes	¥	62,101	¥	104,917

Temporary differences and tax loss carryforwards which gave rise to deferred tax assets and liabilities at March 31, 2020 and 2019, are as follows:

	Millions of yen			
	2020		2019	
Deferred tax assets:				
Allowances provided, not yet recognized for tax	¥	7,473	¥	7,862
Accrued expenses		40,601		41,520
Investment securities		1,054		1,453
Pension and retirement benefits		17,504		17,149
Property, plant and equipment		1,398		1,398
Operating lease liabilities		15,116		−
Inventories		11,959		12,275
Net operating loss carryforwards		31,794		32,649
Research and development expenses		1,431		1,678
Tax credit carryforwards		2,123		2,930
Other		9,013		12,957
Total gross deferred tax assets		139,466		131,871
Less: valuation allowance		(25,779)		(29,118)
Total deferred tax assets	¥	113,687	¥	102,753
Deferred tax liabilities:				
Unrealized holding gains on securities available for sale	¥	−	¥	24
Property, plant and equipment		24,280		23,963
Operating lease right-of-use assets		15,093		−
Intangible assets		28,825		32,318
Undistributed earnings of foreign subsidiaries and affiliated companies accounted for by the equity method		8,294		7,077
Other		239		514
Total deferred tax liabilities	¥	76,731	¥	63,896
Total deferred tax assets	¥	36,956	¥	38,857

Net deferred tax assets and liabilities as of March 31, 2020 and 2019 are reflected on the consolidated balance sheets under the following captions:

	Millions of yen			
	2020		2019	
Deferred income taxes and other assets	¥	62,832	¥	64,506
Deferred income taxes and other liabilities		(25,876)		(25,649)
	¥	36,956	¥	38,857

The valuation allowance was ¥31,244 million as of March 31, 2018. The net changes in the total valuation allowance for the fiscal years ended March 31, 2020 and 2019 were a decrease of ¥3,339 million and a decrease of ¥2,126 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, 2020 and 2019, are deductible, management believes it is more likely than not that the companies will realize the benefits of these deductible differences and net operating loss carryforwards. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.
As of March 31, 2020, Komatsu had tax credit carryforwards of approximately ¥2,123 million, which will expire within the year ending March 31, 2026.

The Company and its Japanese subsidiaries are subject to a National Corporate tax rate of approximately 23%, an inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 5%, which in the aggregate resulted in a Japanese statutory tax rate of approximately 31.3% for the fiscal year ended March 31, 2020 and 2019. 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, 2020 and 2019, are summarized as follows:

	2020	2019
Japanese statutory tax rate	31.3%	31.3%
Increase (decrease) in tax rates resulting from:		
Change in valuation allowance	(0.5)	(0.9)
Expenses not deductible for tax purposes	2.1	1.6
Income of foreign subsidiaries taxed at lower than Japanese normal rate	(4.0)	(3.5)
Tax credit for research and development expenses	(1.9)	(0.7)
Effect of enacted changes in U.S. tax act	―	0.2
Other, net	1.2	0.2
Effective tax rate	28.2%	28.2%

Foreign subsidiaries are subject to income taxes of the countries in which they operate. At March 31, 2020 and 2019, undistributed earnings of foreign subsidiaries amount to ¥1,055,635 million and ¥971,118 million, respectively. The Company has a policy to distribute a certain portion of undistributed earnings of foreign subsidiaries. As of March 31, 2020 and 2019, Komatsu recognized deferred tax liabilities of ¥2,612 million and ¥1,462 million, respectively, associated with those earnings. As of March 31, 2020 and 2019, Komatsu did not recognize deferred tax liabilities of ¥49,269 million and ¥47,264 million, respectively, for such portion of undistributed earnings of foreign subsidiaries that the Company intends to reinvest indefinitely.
At March 31, 2020, certain subsidiaries had net operating loss carryforwards aggregating approximately ¥68,258 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:

At March 31, 2020	Millions of yen	
Within 5 years	¥	30,093
6 to 20 years		2,464
Indefinite periods		35,701
Total	¥	68,258

For other net operating loss carryforwards than the aforementioned amount, at March 31, 2020, some U.S. subsidiaries had net operating loss carryforwards associated with state tax aggregating approximately ¥241,812 million, which may be used as a deduction in determining taxable income in future periods. The deferred tax assets associated with those net operating loss carryforwards were ¥15,366 million.
The reconciliation of beginning and ending balances of unrecognized tax benefite are as follows:

	Millions of yen			
	2020		2019	
Balance at beginning of year	¥	16,094	¥	12,064
Additions for tax positions related to current period		1,215		1,715
Additions for tax positions related to prior period		386		2,358
Reductions for tax positions related to prior period		(411)		(136)
Reductions for settlements		(766)		—
Other		(129)		93
Balance at end of year	¥	16,389	¥	16,094
Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate		16,389		16,094

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, 2020 and 2019, interest and penalties related to unrecognized tax benefits were not material. Based on the information available as of March 31, 2020, Komatsu does not expect significant changes to the unrecognized tax benefits within the next twelve months.
Komatsu files income tax returns in Japan and various foreign tax jurisdictions. Komatsu is no longer subject to income tax examinations by the tax authority before and in the fiscal year ended March 31, 2015 in Japan and, is no longer subject to income tax examinations by the tax authority before and in the fiscal year ended March 31, 2011 in the United States. In other foreign tax jurisdictions, the other subsidiaries are no longer subject to income tax examinations by tax authorities before and in the fiscal year ended March 31, 2011 with few exceptions.

17. Leases

(1) Lessee

Komatsu leases lands, buildings, vehicles, employee housings, etc. through finance and operating leases. Some of these leases may include options to extend or terminate the lease with preliminary notice. Komatsu determines lease terms with the options on the lease commencement date if it is reasonably certain that Komatsu will exercise those options. As a rate implicit in the most of Komatsu's leases cannot be determined, Komatsu recognizes right-of-use assets and lease liabilities calculated present value of lease payments by using incremental borrowing rate based on the information available. Komatsu's finance leases are not material.

Supplementary information to operating leases on the balance sheet as of March 31, 2020 is as follows:

	2020
Weighted average remaining lease term	8.6years
Weighted average discount rates	1.9%

Amounts of maturities of operating lease liabilities in each of the next five years and in the aggregate for the five years thereafter as of March 31, 2020 are as follows:

	Millions of yen	
		2020
2021	¥	15,522
2022		9,938
2023		6,477
2024		4,666
2025		3,263
Thereafter		18,707
Total minimum lease payments	¥	58,573
Less: Imputed interest		(5,016)
Total lease liabilities	¥	53,557

Lease costs for the fiscal year ended March 31, 2020 are comprised of the following:

	Millions of yen	
		2020
Operating lease cost	¥	18,834
Short term lease cost		4,479

Variable lease payments that are not included in lease liabilities are not material.

Supplementary cash flow information to leases for the fiscal year ended March 31, 2020 is as follows:

	Millions of yen	
		2020
Cash paid for amount included in the measurement of lease liabilities		
Operating leases		
Cash flows by operating activities	¥	19,214
Noncash activity – Rights of use assets obtained in exchange for lease liabilities		
Operating leases	¥	17,475

Leases that have not yet commenced but that create significant rights and obligations as of March 31, 2020 are not material.

Rent expenses under cancelable and non-cancelable operating leases amounted to ¥22,638 million for the fiscal year ended March 31, 2019.

At March 31, 2019, the future minimum lease payments under non-cancelable operating leases and finance leases are as follows:

	Millions of yen		
Fiscal year ended March 31	Finance leases	Operating lease commitments	Total
2020	¥ 744	¥ 8,620	¥ 9,364
2021	627	6,007	6,634
2022	161	4,277	4,438
2023	8	3,210	3,218
2024	141	2,278	2,419
Thereafter	—	5,075	5,075
Total minimum lease payments	¥ 1,681	¥ 29,467	¥ 31,148
Less: amounts representing interest	(64)		
Present value of net minimum finance lease payments	¥ 1,617		

(2) Lessor
Komatsu provides sales-type and operating leases as a lessor for leveling cash payments of its customers when customers purchase primarily Komatsu's construction and mining equipment. Revenue from the sale of these products under sales-type leases is recognized at the inception of the lease. Interest income on sales-type leases is recognized over the life of each lease using the interest method. Revenue from operating leases is recognized on a straight-line basis over the lease term. Some of these leases may include options to extend or terminate the lease. Some of these leases also may include options for the lessee to purchase the underlying assets at stated fixed price or fair market value.
The residual value of Komatsu's leased equipment is determined based on its estimated end-of-term market values. Komatsu estimates the residual value of leased equipment at the inception of the lease based on historical used equipment market sales prices, latest trends of the market, etc. Komatsu monitors estimated residual values of the leased equipment during the term of leases through understanding trends of the market. The present value of guaranteed residual value provided by customers as of March 31, 2020 is ¥8,425 million.

Net investment in the sales-type leases as of March 31, 2020 is comprised of the following:

	Millions of yen
	2020
Lease receivables	¥ 181,560
Unguaranteed residual assets	8,105
Net investment in the sales-type leases *	¥ 189,665
Less: current portion	(82,700)
	¥ 106,965

* The net investment in the sales-type leases is included in trade notes and accounts receivable, net and long-term trade receivables, net on the consolidated balance sheet.

Undiscounted lease payments to be received under sales-type and operating leases in each of the next five years and in the aggregate for the five years thereafter as of March 31, 2020 are as follows:

	Millions of yen			
	Sales-type leases		Operating leases	
2021	¥	81,929	¥	33,133
2022		53,501		18,207
2023		35,440		8,043
2024		16,300		3,648
2025		6,198		1,314
Thereafter		914		342
Total undiscounted lease payments to be received	¥	194,282	¥	64,687
Less: Imputed interest		(12,722)		—
Total lease receivables	¥	181,560	¥	—

Revenues from sales-type and operating leases as a lessor, included in net sales on the consolidated statement of income, for the fiscal year ended March 31, 2020 are as follows:

	Millions of yen	
	2020	
Sales-type lease revenue		
Revenue recognized at the commencement date *	¥	91,122
Interest income		9,859
Total sales-type lease revenue		100,981
Operating lease revenue		92,664
Total	¥	193,645

* The revenue recognized at the commencement date is included in net sales of the Construction, Mining and Utility Equipment operating segment.

Equipment sales revenue from sales-type leases is recognized at the inception of the lease. At March 31, 2019 lease receivables comprised the following:

	Millions of yen	
	2019	
Minimum lease payments receivable	¥	175,248
Unearned income		(12,540)
Net lease receivables	¥	162,708

18. Net Income Attributable to Komatsu Ltd. per Share

The Company has the restricted stock compensation system (hereinafter, the "System") for directors (other than outside directors) and employees of the Company and directors and employees of major subsidiaries. Among the new shares issued under the System, those transfer restrictions which have not been cancelled are distinguished as participating securities from common shares. Each common share and restricted stock has the same rights to net income attributable to Komatsu Ltd.

A reconciliation of the numerators and denominators of the basic net income attributable to Komatsu Ltd. per share computations is as follows:

	Millions of yen	
	2020	2019
Net income attributable to Komatsu Ltd.	¥ 153,844	¥ 256,491
Net income attributable to participating securities (restricted stocks)	75	44
Net income attributable to common shareholders	¥ 153,769	¥ 256,447

	Number of shares	
	2020	2019
Weighted average number of common shares outstanding, less treasury stock	944,230,565	943,625,229
Weighted average number of participating securities (restricted stocks)	459,183	163,556
Weighted average number of common shares	943,771,382	943,461,673

	Yen	
	2020	2019
Basic net income attributable to Komatsu Ltd. per share	¥ 162.93	¥ 271.81

A reconciliation of the numerators and denominators of the diluted net income attributable to Komatsu Ltd. per share computations is as follows:

	Millions of yen	
	2020	2019
Net income attributable to Komatsu Ltd.	¥ 153,844	¥ 256,491
Net income attributable to participating securities (restricted stocks)	75	44
Net income attributable to common shareholders	¥ 153,769	¥ 256,447

	Number of shares	
	2020	2019
Weighted average number of common shares outstanding, less treasury stock	944,230,565	943,625,229
Dilutive effect of:		
Stock options	741,949	1,063,977
Weighted average number of participating securities (restricted stocks)	459,183	163,556
Weighted average number of diluted common shares	944,513,331	944,525,650

	Yen	
	2020	2019
Diluted net income attributable to Komatsu Ltd. per share	¥ 162.80	¥ 271.51

19. Commitments and Contingent Liabilities

At March 31, 2019, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥103 million.

Komatsu provides guarantees to third parties of loans of the employees, affiliated companies, customers and other companies. The guarantees of loans relating to the employees are mainly made for their housing loans. The guarantees of loans relating to the affiliated companies, customers and other companies are made to enhance the credit of those companies. For each guarantee provided, Komatsu would have to perform under a guarantee if the borrower defaults on a payment within the contract terms. The contract terms are from 10 years to 30 years in the case of employees with housing loans, and from 1 year to 7 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, 2020 and 2019 were ¥12,142 million and ¥14,917 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at March 31, 2020 were insignificant. Certain of those guarantees were secured by collateral and insurance issued to Komatsu.

Komatsu provides guarantees that subsidiaries of the Company perform the obligations of the terms and conditions of contracts by standby letters of credit issued by banks. Komatsu would have to pay the liabilities incurred to banks if the subsidiaries don't perform the obligations of the terms and conditions of contracts. The maximum amount of undiscounted payments Komatsu would have had to make in the event of defaults of the contracts at March 31, 2020 and 2019 were ¥15,590 million and ¥16,850 million, respectively.

Management of the Company believes that losses from those contingent liabilities, if any, would not have a material effect on the consolidated financial statements.

Commitments for capital investment outstanding at March 31, 2020 and 2019 aggregated approximately ¥52,300 million and approximately ¥29,300 million, respectively.

Komatsu is involved in certain legal actions and claims arising mainly in the ordinary course of its business. It is the opinion of management and legal counsel that such litigation and claims will be resolved without material effect on Komatsu's financial position.

Komatsu has business activities with customers, dealers and associates around the world and its trade receivables from such parties and the guarantees for them are well diversified to minimize concentrations of credit risks. Management does not anticipate incurring losses on its trade receivables in excess of established allowances.

Komatsu also issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen	
	2020	2019
Balance at beginning of year	¥ 43,565	¥ 44,623
Addition	25,942	31,481
Utilization	(29,227)	(29,141)
Other	(1,821)	(3,398)
Balance at end of year	¥ 38,459	¥ 43,565

20. Derivative Financial Instruments

Risk Management Policy

Komatsu is exposed to market risk primarily from changes in foreign currency exchange and interest rates with respect to debt obligations, international operations and foreign currency denominated credits and debts. In order to manage these risks that arise in the normal course of business, Komatsu enters into various derivative transactions for hedging pursuant to its policies and procedures (Notes 21 and 22). Komatsu does not enter into derivative financial transactions for trading or speculative purposes.

Komatsu has entered into interest rate swap and cap agreements, partly concurrent with currency swap agreements for the purpose of managing the risk resulting from changes in cash flow or fair value that arise in their interest rate and foreign currency exposure with respect to certain short-term and long-term debts.

Komatsu operates internationally, which exposes Komatsu to the foreign exchange risk against existing assets and liabilities and transactions denominated in foreign currencies (principally the U.S. dollar and the Euro). In order to reduce these risks, Komatsu executes forward exchange contracts and option contracts based on its projected cash flow in foreign currencies.

Komatsu is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments, but Komatsu does not expect any counterparties to fail to meet their obligations because of the high credit rating of the counterparties. Komatsu has not held any derivative instruments which consisted of credit-risk-related contingent features.

Cash Flow Hedges

Komatsu uses derivative financial instruments designated as cash flow hedges to manage Komatsu's foreign exchange risks associated with forecasted transactions and Komatsu's interest risks associated with debt obligations. For transactions denominated in foreign currencies, Komatsu typically hedges forecasted and firm commitment exposures to the variability in cash flow basically up to one year. For the variable rate debt obligations, Komatsu enters into interest rate swap contracts to manage the changes in cash flows. Komatsu records the changes in fair value of derivative instruments designated as cash flow hedges in accumulated other comprehensive income (loss). These amounts are reclassified into same location as earnings derived from hedged item when the hedged items impact earnings. Approximately ¥332 million of existing losses included in accumulated other comprehensive income (loss) at March 31, 2020 will be reclassified into earnings within twelve months from that date. Cash flow hedges discontinued during the fiscal year ended March 31, 2020 as a result of anticipated transactions that are no longer probable of occurring were not material to Komatsu's financial position and results of operations.

Undesignated Derivative Instruments

Komatsu has entered into interest rate swap and cross-currency swap contracts not designated as hedging instruments under ASC 815, "Derivatives and Hedging" as a means of managing Komatsu's interest rate exposures for short-term and long-term debts. Forward contracts not designated as hedging instruments under ASC 815 are also used to hedge certain foreign currency exposures. The changes in fair value of such instruments are recognized currently in earnings.

Notional Principal Amounts of Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at March 31, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Forwards contracts:		
Sale of foreign currencies	¥ 147,655	¥ 209,878
Purchase of foreign currencies	101,835	145,476
Interest rate swaps and cross-currency swap agreements	83,088	108,606

Fair value of derivative instruments at March 31, 2020 and 2019 on the consolidated balance sheets are as follows:

	Millions of yen			
	2020			
	Derivative Assets		Derivative Liabilities	
Derivative instruments designated as hedging instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Other current assets	¥ 1,567	Other current liabilities	¥ 1,836
	Deferred income taxes and other assets	9	Deferred income taxes and other liabilities	318
Interest rate swaps and cross-currency swap agreements	Other current assets	—	Other current liabilities	4
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	866
Total		¥ 1,576		¥ 3,024

	Derivative Assets		Derivative Liabilities	
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Other current assets	¥ 7,511	Other current liabilities	¥ 1,673
	Deferred income taxes and other assets	2	Deferred income taxes and other liabilities	2
Interest rate swaps and cross-currency swap agreements	Other current assets	546	Other current liabilities	196
	Deferred income taxes and other assets	207	Deferred income taxes and other liabilities	—
Total		¥ 8,266		¥ 1,871
Total Derivative Instruments		¥ 9,842		¥ 4,895

	Millions of yen			
	2019			
	Derivative Assets		Derivative Liabilities	
Derivative instruments designated as hedging instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Other current assets	¥ 893	Other current liabilities	¥ 577
	Deferred income taxes and other assets	1	Deferred income taxes and other liabilities	404
Interest rate swaps and cross-currency swap agreements	Other current assets	1	Other current liabilities	1
	Deferred income taxes and other assets	3	Deferred income taxes and other liabilities	513
Total		¥ 898		¥ 1,495

	Derivative Assets		Derivative Liabilities	
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Other current assets	¥ 1,980	Other current liabilities	¥ 1,649
	Deferred income taxes and other assets	2	Deferred income taxes and other liabilities	2
Interest rate swaps and cross-currency swap agreements	Other current assets	98	Other current liabilities	163
	Deferred income taxes and other assets	104	Deferred income taxes and other liabilities	46
Total		¥ 2,184		¥ 1,860
Total Derivative Instruments		¥ 3,082		¥ 3,355

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, 2020 and 2019 are as follows:

Derivative instruments designated as cash flow hedging relationships

	Millions of yen			
	2020			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives		
		Location of consolidated statements of income	Amount	
Forwards contracts	¥ 1,146	Net sales	¥	1,725
		Cost of sales		(211)
		Other income (expenses), net: Other, net		333
Interest rate swaps and cross-currency swap agreements	(507)	―		―
Total	¥ 639		¥	1,847

	Millions of yen				
	2019				
	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	¥ (5,427)	Other income (expenses), net: Other, net	¥ (4,321)	Other income (expenses), net: Other, net	¥ 836
Interest rate swaps and cross-currency swap agreements	(468)	―	―	―	―
Total	¥ (5,895)		¥ (4,321)		¥ 836

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

	Millions of yen		
	2020		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	
Forwards contracts	Other income (expenses), net: Other, net	¥	4,067
Interest rate swaps and cross-currency swap agreements	Cost of sales		(34)
	Other income (expenses), net: Other, net		(27)
Total		¥	4,006

	Millions of yen		
	2019		
	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	¥	1,347
Interest rate swaps and cross-currency swap agreements	Cost of sales		(51)
	Other income (expenses), net: Other, net		(96)
Total		¥	1,200

21. Fair Values of Financial Instruments

(1) Cash and cash equivalents, Time deposits, Short-term debt

The carrying amounts approximate fair value because of the short maturity of these instruments.

(2) Investment securities, marketable equity securities (Note 22)

The fair values of investment securities are stated in Note 22 and therefore are not included in the table below.

(3) Long-term trade receivables, net, excluding lease receivables (Note 4)

The fair values of long-term trade receivables are based on the present value of future cash flows through maturity, discounted using the current interest rates for similar receivables of comparable maturity.

(4) Long-term debt, including current portion

The fair values of each of the long-term debt are based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the current market borrowing rate for similar debt of comparable maturity.

(5) Derivatives (Notes 20 and 22)

The fair values of derivative financial instruments are stated in Note 22 and therefore are not included in the table below.

The carrying amounts and the estimated fair values of the financial instruments as of March 31, 2020 and 2019, and fair value levels are summarized as follows:

	Millions of yen				
	2020		2019		
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Fair Value Levels
Cash and cash equivalents	¥ 247,616	¥ 247,616	¥ 148,479	¥ 148,479	Level 1
Time deposits	2,057	2,057	2,331	2,331	Level 2
Long-term trade receivables, net, excluding lease receivables	314,592	314,592	294,025	294,025	Level 2
Short-term debt	483,658	483,658	404,659	404,659	Level 2
Long-term debt, including current portion	528,720	528,460	526,041	523,921	Level 2

Notes:

1) Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could affect the estimates.

2) The fair value levels are stated in Note 22.

22. Fair Value Measurements

ASC 820, "Fair Value Measurements" defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 – Unobservable inputs for the assets or liabilities

Assets and liabilities that are measured at fair value on a recurring basis

The fair value hierarchy levels of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2020 and 2019 are as follows:

	Millions of yen			
At March 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Investment securities, marketable equity securities				
Manufacturing industry	¥ −	¥ −	¥ −	¥ −
Derivatives				
Forward contracts	−	9,089	−	9,089
Interest rate swaps and cross-currency swap agreements	−	753	−	753
Total	¥ −	¥ 9,842	¥ −	¥ 9,842
Liabilities				
Derivatives				
Forward contracts	¥ −	¥ 3,829	¥ −	¥ 3,829
Interest rate swaps and cross-currency swap agreements	−	1,066	−	1,066
Total	¥ −	¥ 4,895	¥ −	¥ 4,895

	Millions of yen			
At March 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Investment securities, marketable equity securities				
Manufacturing industry	¥ 430	¥ −	¥ −	¥ 430
Derivatives				
Forward contracts	−	2,876	−	2,876
Interest rate swaps and cross-currency swap agreements	−	206	−	206
Total	¥ 430	¥ 3,082	¥ −	¥ 3,512
Liabilities				
Derivatives				
Forward contracts	¥ −	¥ 2,632	¥ −	¥ 2,632
Interest rate swaps and cross-currency swap agreements	−	723	−	723
Total	¥ −	¥ 3,355	¥ −	¥ 3,355

Investment securities
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 20 and 21)
Derivatives primarily represent foreign exchange contracts and interest rate swap agreements. The fair value of foreign exchange contracts is based on a valuation model that discounts cash flows resulting from the differential between contract rate and the market-based forward rate and is classified in Level 2 in the fair value hierarchy. The fair value of interest rate swap agreements is based on a valuation model that discounts cash flows based on the terms of the contract and the swap curves and is classified in Level 2 in the fair value hierarchy.

The following table summarizes information about changes of Level 3 for the fiscal years ended March 31, 2020 and 2019:

	Millions of yen			
	2020		2019	
Balance, beginning of year	¥	−	¥	(242)
Total gains or losses (realized / unrealized)		−		242
Included in earnings		−		257
Included in other comprehensive income (loss)		−		(15)
Balance, end of year	¥	−	¥	−

Assets and liabilities that are measured at fair value on a non-recurring basis
For the fiscal years ended March 31, 2020 and 2019, assets and liabilities that were measured at fair value on a non -recurring basis were not material.

23. Business Segment and Geographic Information

Komatsu has three operating segments: 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Those operating segments which have separate financial information are available for allocating resources and assessing its performance by management.
The accounting policies employed for the preparation of segment information are identical to those employed for the preparation of the consolidated financial statements of the Company.
Segment profit available for allocating resources and assessing its performance by management is determined by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment. Segment profit excludes certain general corporate administration and finance expenses, such as costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations. Segment profit also excludes certain charges which may otherwise relate to operating segments, including impairments of long-lived assets and goodwill.

The following tables present financial information regarding Komatsu's operating segments and geographic information at March 31, 2020 and 2019, and for the fiscal years then ended:

Operating segments:

	Millions of yen	
	2020	2019
Net sales:		
Construction, Mining and Utility Equipment –		
External customers	¥ 2,205,976	¥ 2,466,660
Intersegment	5,287	12,326
Total	2,211,263	2,478,986
Retail Finance –		
External customers	62,952	57,355
Intersegment	7,958	6,230
Total	70,910	63,585
Industrial Machinery and Others –		
External customers	175,942	201,228
Intersegment	1,644	2,007
Total	177,586	203,235
Elimination	(14,889)	(20,563)
Consolidated	¥ 2,444,870	¥ 2,725,243
Segment profit:		
Construction, Mining and Utility Equipment	¥ 227,311	¥ 365,346
Retail Finance	12,673	17,506
Industrial Machinery and Others	13,703	18,637
Total segment profit	253,687	401,489
Corporate expenses and elimination	1,343	(2,096)
Total	255,030	399,393
Impairment loss on long-lived assets	3,194	1,251
Impairment loss on goodwill	3,699	—
Other operating income (expenses), net	2,570	(336)
Operating income	250,707	397,806
Interest and dividend income	7,378	7,154
Interest expense	(24,592)	(24,101)
Other, net	(10,379)	(3,388)
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 223,114	¥ 377,471

	Millions of yen	
	2020	2019
Segment assets:		
Construction, Mining and Utility Equipment	¥ 2,521,646	¥ 2,559,432
Retail Finance	841,063	842,147
Industrial Machinery and Others	216,728	206,419
Corporate assets and elimination	74,249	30,221
Consolidated	¥ 3,653,686	¥ 3,638,219
Depreciation and amortization:		
Construction, Mining and Utility Equipment	¥ 91,049	¥ 94,150
Retail Finance	32,266	29,505
Industrial Machinery and Others	6,210	6,205
Consolidated	¥ 129,525	¥ 129,860
Capital investment:		
Construction, Mining and Utility Equipment	¥ 116,282	¥ 98,809
Retail Finance	45,636	76,198
Industrial Machinery and Others	4,634	4,203
Consolidated	¥ 166,552	¥ 179,210

Business categories and principal products and services included in each operating segment are as follows:

a) Construction, Mining and Utility Equipment operating segment:
Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, underground mining equipment, recycling equipment, industrial vehicles, other equipment, engines and components, casting products and logistics

b) Retail Finance:
Financing

c) Industrial Machinery and Others operating segment:
Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment and optical machinery
Transfers between segments are made at estimated arm’s length prices.
Segment assets are those assets used in the operations of each segment. Unallocated corporate assets consist primarily of cash and cash equivalents maintained for general corporate purposes.
Amortization for the fiscal years ended March 31, 2020 and 2019, does not include amortization of long-term prepaid expenses of ¥2,071 million and ¥1,604 million.
Impairment loss on long-lived assets recorded in each segment asset for the fiscal years ended March 31, 2020 and 2019, are as follows:

	Millions of yen	
	2020	2019
Construction, Mining and Utility Equipment	¥ 2,158	¥ 1,015
Retail Finance	1	—
Industrial Machinery and Others	1,035	236
Total	¥ 3,194	¥ 1,251

Geographic information:

Net sales determined by customer location for the fiscal year ended March 31, 2020 are as follows:

	Millions of yen			
	2020			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 310,856	¥ 2,324	¥ 83,404	¥ 396,584
The Americas	882,842	49,042	18,966	950,850
Europe and CIS	347,138	2,527	9,914	359,579
China	127,064	3,135	25,615	155,814
Asia (excluding Japan and China) and Oceania	409,158	5,845	37,728	452,731
Middle East and Africa	128,918	79	315	129,312
Total	¥ 2,205,976	¥ 62,952	¥ 175,942	¥ 2,444,870

Net sales to U.S.A. in the Americas for the fiscal year ended March 31, 2020 were ¥511,966 million.

The amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements for the fiscal year ended March 31, 2020 within the net sales of the Construction, Mining and Utility Equipment operating segment are ¥35,733 million in Japan, ¥32,865 million in the Americas, ¥30,986 million in Europe and CIS, ¥32,636 million in China, and ¥15,752 million in Asia (excluding Japan and China) and Oceania. Net sales of the Retail Finance operating segment for the fiscal year ended March 31, 2020 are primarily the amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements.

Net sales determined by customer location for the fiscal year ended March 31, 2019 are as follows:

	Millions of yen			
	2019			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 312,791	¥ 1,937	¥ 89,432	¥ 404,160
The Americas	937,850	43,842	32,895	1,014,587
Europe and CIS	342,213	2,640	13,663	358,516
China	164,803	3,267	24,590	192,660
Asia (excluding Japan and China) and Oceania	554,611	5,577	40,566	600,754
Middle East and Africa	154,392	92	82	154,566
Total	¥ 2,466,660	¥ 57,355	¥ 201,228	¥ 2,725,243

Net sales to U.S.A. in the Americas for the fiscal year ended March 31, 2019 were ¥521,391 million.

The amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements for the fiscal year ended March 31, 2019 within the net sales of the Construction, Mining and Utility Equipment operating segment are ¥36,251 million in Japan, ¥29,275 million in the Americas, ¥26,583 million in Europe and CIS, ¥47,406 million in China, and ¥6,757 million in Asia (excluding Japan and China) and Oceania. Net sales of the Retail Finance operating segment for the fiscal year ended March 31, 2019 are primarily the amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements.

Net sales determined by geographic origin for the fiscal years ended March 31, 2020 and 2019, and property, plant and equipment determined based on physical location at March 31, 2020 and 2019, are as follows:

	Millions of yen	
	2020	2019
Net sales:		
Japan	¥ 534,514	¥ 632,903
The Americas	891,329	930,269
Europe and CIS	355,928	372,649
China	137,257	176,053
Others	525,842	613,369
Total	¥ 2,444,870	¥ 2,725,243
Property, plant and equipment:		
Japan	¥ 364,347	¥ 360,409
The Americas	244,603	255,664
Europe and CIS	40,885	41,439
Others	107,844	118,910
Total	¥ 757,679	¥ 776,422

There were no sales to a single major external customer for the fiscal years ended March 31, 2020 and 2019. Property, plant and equipment located in U.S.A. in the Americas at March 31, 2020 and 2019 were ¥173,024 million and ¥180,945 million, respectively.

24. Supplementary Information to Balance Sheets

At March 31, 2020 and 2019, other current assets were comprised of the following:

	Millions of yen			
	2020		2019	
Prepaid expenses	¥	14,521	¥	14,161
Short-term loans receivable:				
Affiliated companies		1,723		1,522
Other		30		36
Total	¥	1,753	¥	1,558
Other		131,139		122,696
Total	¥	147,413	¥	138,415

At March 31, 2020 and 2019, other current liabilities were comprised of the following:

	Millions of yen			
	2020		2019	
Accrued expenses	¥	110,310	¥	119,198
Advances received		58,248		56,275
Other		129,267		138,478
Total	¥	297,825	¥	313,951

Valuation and qualifying accounts deducted from assets to which they apply for the fiscal years ended March 31, 2020 and 2019 were comprised of the following:

	Millions of yen			
	2020		2019	
Allowance for doubtful receivables				
Balance at beginning of year	¥	12,758	¥	23,657
Additions				
Charged to costs and expenses		10,589		5,270
Charged to other accounts		22		5
Deductions		(6,547)		(16,174)
Balance at end of year	¥	16,822	¥	12,758

Deductions were principally collectible or uncollectible accounts and notes charged to the allowance.

	Millions of yen			
	2020		2019	
Valuation allowance for deferred tax assets				
Balance at beginning of year	¥	29,118	¥	31,244
Additions				
Charged to costs and expenses		2,364		9,188
Charged to other accounts		—		—
Deductions		(5,703)		(11,314)
Balance at end of year	¥	25,779	¥	29,118

Deductions were principally changes in the expected realization of deferred tax assets and realization or expiration of net operating loss carryforwards.

25. Supplementary Information to Statements of Income

The following information shows research and development expenses and advertising costs, for the fiscal years ended March 31, 2020 and 2019. 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			
	2020		2019	
Research and development expenses	¥	74,761	¥	73,447
Advertising costs		3,694		3,326

Shipping and handling costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2020 and 2019, were as follows:

	Millions of yen			
	2020		2019	
Shipping and handling costs	¥	48,217	¥	55,706

For the fiscal years ended March 31, 2020 and 2019, Komatsu recognized an impairment loss of ¥3,194 million and ¥1,251 million related to property, plant and equipment and intangible assets at the Company and certain subsidiaries, as profitability of the assets was expected to be low in the future and Komatsu estimated the carrying amounts would not be recovered by the future cash flows.

Other operating income (expenses), net for the fiscal years ended March 31, 2020 and 2019, were comprised of the following:

	Millions of yen			
	2020		2019	
Gain on sale of fixed assets	¥	5,955	¥	2,653
Loss on disposal or sale of fixed assets		(5,221)		(4,342)
Other		1,836		1,353
Total	¥	2,570	¥	(336)

Other income (expenses), net for the fiscal years ended March 31, 2020 and 2019, were comprised of the following:

	Millions of yen			
	2020		2019	
Interest income				
Installment receivables	¥	1,684	¥	1,929
Other		5,174		4,776
Dividends		520		449
Interest expense		(24,592)		(24,101)
Impairment loss and net loss (gain) on valuation of investment securities		97		(499)
Exchange gain (loss), net		(12,904)		(5,597)
Other		2,428		2,708
Total	¥	(27,593)	¥	(20,335)

26. Material Subsequent Events

Not applicable.

Komatsu evaluated subsequent events through June 29, 2020, the issue date of its consolidated financial statements.

27. Terminology, Forms and Preparation Methods of Consolidated Financial Statements

The terminology, forms and preparation methods of the Company's consolidated financial statements are in accordance with U.S. GAAP.

The main differences between consolidated financial statements prepared in accordance with U.S. GAAP and those prepared in accordance with the Accounting Standards for Consolidated Financial Statements and the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements of Japan (hereinafter "J. GAAP") are as follows.

(1) Scope of consolidation

For consolidated financial statements in accordance with J. GAAP, the scope of consolidation is determined on an effective control and influence basis. For consolidated financial statements in accordance with U.S. GAAP, the scope of consolidation is determined on the shareholding basis on which the determination is based on voting rights and on a consolidation basis of variable interest entities.

(2) Accounting policies

a. Deferred income on installment sales

Although deferral of income on installment sales is permitted in accordance with J. GAAP, the Company recognizes income at the time of sales without deferring income on installment sales in its consolidated financial statements in accordance with U.S. GAAP.

b. Share issuance cost

Although in accordance with J. GAAP, share issuance cost is permitted to be recognized in profit or loss when incurred, the Company treats such cost in a deduction item from capital surplus as expenses incidental to capital transactions in its consolidated financial statements in accordance with U.S. GAAP.

c. Accounting for retirement benefits

Although in accordance with J. GAAP, net actuarial gains or losses are required to be amortized over certain periods that are shorter than the average remaining years of service, the Company has adopted the corridor approach in its consolidated financial statements in accordance with U.S. GAAP.

d. Business combination and goodwill

Goodwill is required to be amortized over certain periods in accordance with J. GAAP, while U.S. GAAP requires companies to implement impairment test at least once annually without goodwill being amortized. For intangible fixed assets with indefinite useful lives, U.S. GAAP also requires companies to implement impairment test without such assets being amortized.

(3) Presentation methods and other matters

a. Presentation of legal retained earnings

Although in accordance with J. GAAP, legal retained earnings is recorded as retained earnings together with other surplus, the Company separately presents as appropriated legal reserve in its consolidated financial statements in accordance with U.S. GAAP.

b. Extraordinary income and loss

In accordance with J. GAAP, gain or loss on certain sales of non-current assets, such as gain or loss from the sale of fixed assets, is presented as extraordinary income or loss. However, since there is no concept of extraordinary items in U.S. GAAP, extraordinary income or loss is not presented in the Company's consolidated financial statements.

c. Investment and rental properties

In accordance with J. GAAP, if the investment and rental properties are material, disclose notes for the outline, the carrying amount in the consolidated balance sheets and fair value of these properties are required. However, such notes are omitted in the Company's consolidated financial statements because the total amount of investment and rental properties is immaterial.

Supplementary Schedule

Detailed Statements of Bonds

Refer to Note 11 in the notes of consolidated financial statements.

Detailed Statements of Borrowings, etc.

Refer to Note 11 in the notes of consolidated financial statements.

Detailed Statements of Asset Retirement Obligation

The amounts of asset retirement obligation at the beginning and end of this fiscal year are less than a hundredth of the amounts of total liabilities and total equity at the beginning and end of this fiscal year, respectively. This statement has been omitted because it is immaterial.

(2) Others

Quarterly Financial Information

	Millions of yen except per share amounts			
	Three months ended June 30, 2019	Six months ended September 30, 2019	Nine months ended December 31, 2019	Fiscal year ended March 31, 2020
Net sales	¥ 609,767	¥ 1,213,485	¥ 1,827,442	¥ 2,444,870
Income before income taxes and equity in earnings of affiliated companies	66,910	128,212	189,922	223,114
Net income attributable to Komatsu Ltd.	47,476	90,062	135,268	153,844
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	50.30	95.40	143.27	162.93
Diluted	50.25	95.32	143.15	162.80

	Yen			
	Three months ended June 30, 2019	Three months ended September 30, 2019	Three months ended December 31, 2019	Three months ended March 31, 2020
Net income attributable to Komatsu Ltd. per share				
Basic	50.30	45.11	47.87	19.67
Diluted	50.25	45.07	47.83	19.66

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(Years ended March 31, 2020 and 2019)

	Millions of yen	
	2020	**2019**
Assets		
Current assets:		
Cash and deposits	297,095	244,913
Notes receivable-trade	1,594	1,540
Accounts receivable-trade	129,987	185,209
Merchandise and finished goods	39,491	39,174
Work in process	40,099	40,975
Raw materials and supplies	3,327	3,808
Prepaid expenses	4,544	4,336
Short-term loans receivable	40,188	54,760
Accounts receivable-other	31,094	24,357
Other current assets	3,085	2,434
Allowance for doubtful accounts	(655)	(590)
Total current assets	589,853	600,919
Non-current assets:		
Property, plant and equipment:		
Buildings	92,008	90,286
Structures	16,175	16,044
Machinery and equipment	42,785	38,376
Vehicles	810	602
Tools, furniture and fixtures	11,102	9,484
Rental equipment	53,403	52,860
Land	45,857	45,552
Construction in progress	5,837	5,939
Total property, plant and equipment	267,981	259,146
Intangible assets:		
Software	26,782	18,099
Other intangible assets	119	86
Total intangible assets	26,902	18,185
Investments and other assets:		
Investment securities	1,407	1,237
Stocks of subsidiaries and affiliates	390,106	378,851
Investments in capital of subsidiaries and affiliates	40,676	41,371
Long-term loans receivable	14,755	14,327
Long-term prepaid expenses	3,326	3,087
Deferred tax assets	20,280	21,239
Other investments	5,124	4,823
Allowance for doubtful accounts	(1,479)	(1,477)
Allowance for investment loss	(2,285)	(2,638)
Total investments and other assets	471,914	460,822
Total non-current assets	766,798	738,155
Total assets	1,356,652	1,339,074

	Millions of yen	
	2020	2019
Liabilities		
Current liabilities:		
Notes payable-trade	9	55
Accounts payable-trade	58,780	79,555
Short-term loans payable	7,805	6,000
Commercial papers	207,000	119,000
Current portion of bonds	50,000	20,000
Accounts payable-other	15,177	11,500
Accrued expenses	22,376	22,018
Income taxes payable	-	17,876
Advances received	60	632
Deposits received	33,624	30,736
Provision for bonuses	10,349	10,385
Provision for directors' bonuses	157	290
Provision for product warranties	7,758	9,494
Other current liabilities	6,341	3,407
Total current liabilities	419,438	330,951
Non-current liabilities:		
Bonds payable	20,000	50,000
Long-term loans payable	34,500	28,500
Provision for product warranties	2,200	3,799
Provision for retirement benefits	42,143	41,466
Other long-term liabilities	9,367	6,949
Total non-current liabilities	108,211	130,714
Total liabilities	527,649	461,665
Net Assets		
Shareholders' equity:		
Capital stock	70,973	70,561
Capital surplus:		
Legal capital surplus	140,993	140,581
Other capital surplus	285	260
Total capital surplus	141,279	140,841
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:		
Reserve for special depreciation	99	174
Reserve for advanced depreciation of non-current assets	12,082	12,030
General reserve	210,359	210,359
Retained earnings brought forward	423,662	473,008
Total retained earnings	664,240	713,610
Treasury stock	(48,761)	(49,478)
Total shareholders' equity	827,731	875,534
Valuation and translation adjustments:		
Deferred gains or losses on hedges	234	77
Total valuation and translation adjustments	234	77
Stock acquisition rights	1,036	1,796
Total net assets	829,003	877,409
Total liabilities and net assets	1,356,652	1,339,074

Non-Consolidated Statement of Income
(Years ended March 31, 2020 and 2019)

	Millions of yen	
	2020	2019
Net sales	719,292	928,967
Cost of sales	563,160	666,853
Gross profit	156,132	262,114
Selling, general and administrative expenses		
Haulage expenses	24,859	31,330
Salaries and allowances	48,579	47,841
Provision for bonuses	4,581	5,004
Provision for directors' bonuses	177	290
Retirement benefit expenses	2,962	3,457
Depreciation	9,434	9,573
Research and development expenses	51,662	50,054
Other	(12,223)	(10,659)
Total selling, general and administrative expenses	130,033	136,893
Operating income	26,099	125,220
Non-operating income		
Interest and dividends income	39,888	74,450
Transfer pricing taxation adjustment	*2 2,739	–
Other	1,925	1,578
Total non-operating income	44,553	76,028
Non-operating expenses		
Interest expenses	179	529
Transfer pricing taxation adjustment	–	*2 53
Other	8,464	5,131
Total non-operating expenses	8,644	5,715
Ordinary income	62,008	195,534
Extraordinary income		
Gain on extinguishment of tie-in shares	–	*3 2,931
Gain on sales of land	772	1,465
Gain on sales of investment securities	–	109
Total extraordinary income	772	4,506
Extraordinary losses		
Impairment loss	–	229
Loss on valuation of stocks of subsidiaries and affiliates	–	1,104
Total extraordinary losses	–	1,333
Income before income taxes	62,781	198,707
Income taxes - current	3,575	39,611
Income taxes - deferred	889	1,341
Total income taxes	4,464	40,952
Net income	58,316	157,754

Non-Consolidated Statement of Changes in Net Assets
(From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	70,561	140,581	260	140,841	18,036	174	12,030	210,359	473,008	713,610
Changes of items during the period										
Reversal of reserve for special depreciation						(75)			75	−
Provision of reserve for advanced depreciation of non-current assets							405		(405)	−
Reversal of reserve for advanced depreciation of non-current assets							(353)		353	−
Dividends from surplus									(107,686)	(107,686)
Net income									58,316	58,316
Purchase of treasury stock										
Disposal of treasury stock			25	25						
Restricted stock compensation	412	412		412						
Net changes of items other than shareholders' equity										
Total changes of items during the period	412	412	25	437	−	(75)	51	−	(49,346)	(49,369)
Balance at the end of current period	70,973	140,993	285	141,279	18,036	99	12,082	210,359	423,662	664,240

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(49,478)	875,534	77	77	1,796	877,409
Changes of items during the period						
Reversal of reserve for special depreciation		–				–
Provision of reserve for advanced depreciation of non-current assets		–				–
Reversal of reserve for advanced depreciation of non-current assets		–				–
Dividends from surplus		(107,686)				(107,686)
Net income		58,316				58,316
Purchase of treasury stock	(17)	(17)				(17)
Disposal of treasury stock	735	760				760
Restricted stock compensation		824				824
Net changes of items other than shareholders' equity			157	157	(759)	(602)
Total changes of items during the period	717	(47,803)	157	157	(759)	(48,405)
Balance at the end of current period	(48,761)	827,731	234	234	1,036	829,003

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

(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	200	140,340	18,036	271	11,737	210,359	408,907	649,312
Changes of items during the period										
Provision of reserve for special depreciation						1			(1)	−
Reversal of reserve for special depreciation						(97)			97	−
Provision of reserve for advanced depreciation of non-current assets							658		(658)	−
Reversal of reserve for advanced depreciation of non-current assets							(365)		365	−
Dividends from surplus									(93,456)	(93,456)
Net income									157,754	157,754
Purchase of treasury stock										
Disposal of treasury stock			59	59						
Restricted stock compensation	441	441		441						
Net changes of items other than shareholders' equity										
Total changes of items during the period	441	441	59	500	−	(96)	293	−	64,101	64,297
Balance at the end of current period	70,561	140,581	260	140,841	18,036	174	12,030	210,359	473,008	713,610

(Millions of yen)

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

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.

3) The application of the treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For items for which the non-consolidated taxation system is reviewed in tandem with the transitions to the group tax sharing system that is established under the Act Partially Amending the Income Tax Act (Act No. 8 of 2020), and to the group tax sharing system, the Company reports the amounts of deferred tax assets and deferred tax liabilities pursuant to the provision of the tax law prior to the amendment, and not apply the provision of paragraph (44) of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), as allowed by the treatment prescribed under paragraph (3) of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020).

Unapplied Accounting Standards, etc.

Accounting standard for revenue recognition, etc.

• “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 on March 31, 2020, Accounting Standards Board of Japan)

• “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30 on March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

The accounting standards are comprehensive accounting standards for revenue recognition.

An entity recognizes revenue based on the following five-steps.

• Identify the contract(s) with a customer
• Identify the performance obligations in the contract
• Determine the transaction price
• Allocate the transaction price to the performance obligations in the contract
• Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Planned date of application

The date of commencement of the application is currently under consideration.

(3) Impact of the application of the accounting standards, etc.

The amount of the impact on non-consolidated financial statements is currently under review.

Additional Information

COVID-19 is a crisis broadly impacting the economy and corporate activities, and it could possibly impact the Company's financial position and results of operations. Just how COVID-19 will spread from this point forward, or when it will be contained, is still unclear. Nevertheless, based on the assumption that the COVID-19-related impacts will continue for a length of time in the fiscal year ending March 31, 2021, the Company has assessed the likelihood of recovery of deferred tax assets this item is relatively material among the accounting estimates. The Company is making its best estimates based on the information available. However, if actual future trends deviate from those assumptions, the Company's financial position and results of operations may be adversely affected.

Notes to Non-Consolidated Balance Sheet

(Years ended March 31, 2020 and 2019)

1. Receivables from, and debts payable to subsidiaries and affiliates

	Millions of yen	
	2020	2019
Short-term receivables from subsidiaries and affiliates	156,087	211,150
Short-term debts payable to subsidiaries and affiliates	51,354	42,153
Long-term receivables from subsidiaries and affiliates	15,187	14,867

2. Contingency liability

	Millions of yen	
	2020	2019
Balance of guarantees for bonds and debt for borrowings from financial institutions by subsidiaries and affiliates	206,028	205,707
Balance of guarantees for debt for borrowings from financial institutions by employees (home loans)	540	646
Balance of keep-well agreements for the bonds of subsidiaries and affiliates	106,815	111,990

Notes to Non-Consolidated Statement of Income

(Years ended March 31, 2020 and 2019)

1. Trading with subsidiaries and affiliates

	Millions of yen	
	2020	2019
Sales	593,637	733,374
Purchases	119,735	141,881
Trading other than operating transactions	48,528	84,021

*2. Transfer pricing taxation adjustment

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

*3. Gain on extinguishment of tie-in shares

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

Notes to Non-Consolidated Statement of Changes in Net Assets

The 151st Fiscal Year (From April 1, 2019 to March 31, 2020)

(1) Type and number of shares issued

(Thousands of shares)

	Number of Shares at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Number of Shares at Fiscal Year-end
Common stock*	972,252	328	–	972,581
Total	972,252	328	–	972,581

Note: The 328 thousand-share increase in the number of common stock is due to the issuance of new shares as restricted stock compensation

(2) Dividends

1) Payment amount of dividends

Resolution	Type of Shares	Total Dividends (Millions of yen)	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 18, 2019	Common stock	55,718	59	March 31, 2019	June 19, 2019
Meeting of the Board of Directors held on October 30, 2019	Common stock	51,967	55	September 30, 2019	December 2, 2019

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

Resolution	Type of Shares	Total Dividends (Millions of yen)	Resource of Dividends	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 18, 2020	Common stock	36,858	Retained earnings	39	March 31, 2020	June 19, 2020

The 150th Fiscal Year (From April 1, 2018 to March 31, 2019)

(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	284	–	972,252
Total	971,967	284	–	972,252

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

(2) Dividends

1) Payment amount of dividends

Resolution	Type of Shares	Total Dividends (Millions of yen)	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 19, 2018	Common stock	45,301	48	March 31, 2018	June 20, 2018
Meeting of the Board of Directors held on October 29, 2018	Common stock	48,155	51	September 30, 2018	November 29, 2018

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

The Company proposed the following dividends to be resolved at the Ordinary General Meeting of Shareholders to be held on June 18, 2019.

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

Securities

Fair values for shares of subsidiaries (carrying amount of ¥383,992 million and ¥372,815 million as of March 31, 2020 (151st fiscal year) and March 31, 2019 (150th fiscal year), respectively) and shares of affiliated companies (carrying amount of ¥6,114 million and ¥6,036 million as of March 31, 2020 (151st fiscal year) and March 31, 2019 (150th fiscal year), respectively) are not presented because their market prices are not available and it is extremely difficult to determine their fair values.

Tax Effect Accounting

1. Major Reasons for the accrual of deferred tax assets and deferred tax liabilities
   (Years ended March 31, 2020 and 2019)

	Millions of yen	
	2020	**2019**
Deferred tax assets		
Provision for product warranties	3,037	4,054
Inventories	1,035	715
Accrued enterprise tax	−	961
Provision for bonuses	3,156	3,167
Provision for retirement benefits	12,140	12,076
Allowance for investment loss	696	804
Impairment loss	910	913
Investment securities and stocks of subsidiaries and affiliates	3,542	3,718
Excess over depreciation limit	1,657	1,761
Allowance for doubtful accounts	651	630
Others	6,799	5,641
Subtotal deferred tax assets	33,628	34,444
Less valuation allowance	(5,577)	(6,245)
Total deferred tax assets	28,050	28,198
Deferred tax liabilities		
Enterprise tax receivable	(223)	−
Reserve for advanced depreciation of non-current assets	(5,382)	(5,366)
Others	(2,163)	(1,592)
Total deferred tax liabilities	(7,769)	(6,959)
Net deferred tax assets	20,280	21,239

2. Major components of difference between the statutory tax rate and the effective tax rate after tax effect accounting is applied

	2020	**2019**
Statutory tax rate	30.5%	30.5%
Adjustments		
Expenses not deductible permanently such as entertainment expenses	4.6	0.2
Income not taxable permanently such as dividend income	(18.6)	(11.3)
Foreign tax credit	(2.7)	(0.2)
Valuation allowance	(1.1)	0.2
Tax credit for experiment and research expenses	(4.5)	(1.1)
Others	(1.1)	2.3
Effective tax rate after tax effect accounting is applied	7.1	20.6

Significant Subsequent Event

The 151st fiscal year (From April 1, 2019 to March 31, 2020)

Based on a resolution of the Board of Directors meeting held on May 22, 2020, the Company established a commitment line agreement (a maximum loan amount of USD 1,300 million) with the Company and Komatsu America Corp., a wholly owned subsidiary of the Company, as borrowers. The Company guarantees the borrowing of Komatsu America Corp.

Non-consolidated supplementary schedule for the 151st Fiscal Year (From April 1, 2019 to March 31, 2020)

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	90,286	7,755	381 [26]	5,651	92,008	123,150
	Structures	16,044	1,615	57 [0]	1,426	16,175	31,490
	Machinery and equipment	38,376	13,464	518 [12]	8,536	42,785	234,739
	Vehicles	602	508	11	289	810	3,190
	Tools, furniture and fixtures	9,484	6,303	277	4,407	11,102	67,873
	Rental equipment	52,860	16,056	5,051 [29]	10,463	53,403	31,980
	Land	45,552	942	637 [8]	–	45,857	–
	Construction in progress	5,939	27,841	27,943 [19]	–	5,837	–
	Total	259,146	74,487	34,878 [97]	30,775	267,981	492,424
Intangible assets	Software	18,099	14,397	368	5,345	26,782	–
	Other intangible assets	86	45	–	12	119	–
	Total	18,185	14,442	368	5,357	26,902	–

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.

3. The increase of software in the fiscal year was mainly as follows.

Software related to KOMTRAX ¥4,039 million

Software related to SMARTCONSTRUCTION ¥3,334 million

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	2,068	657	591	2,134
Allowance for investment loss	2,638	–	353	2,285
Provision for bonuses	10,385	10,349	10,385	10,349
Provision for directors’ bonuses	290	213	346	157
Provision for product warranties	13,293	9,958	13,293	9,958

(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 Transfer agent Forward office Purchase and sales fee	 (Special account) Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan (Special account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan - 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 https://home.komatsu/jp/
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, 2020 to the filing date of Annual Securities Report.

(1)	Annual Securities Report and Documents Attached, and Confirmation Letter	Business Term (150th)	From April 1, 2018 To March 31, 2019	Filed with Director-General of the Kanto Local Finance Bureau on June 17, 2019
(2)	Internal Control Report and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on June 17, 2019
(3)	Quarterly Report and Confirmation Letter	(151st First Quarter)	From April 1, 2019 To June 30, 2019	Filed with Director-General of the Kanto Local Finance Bureau on August 9, 2019
		(151st Second Quarter)	From July 1, 2019 To September 30, 2019	Filed with Director-General of the Kanto Local Finance Bureau on November 13, 2019
		(151st Third Quarter)	From October 1, 2019 To December 31, 2019	Filed with Director-General of the Kanto Local Finance Bureau on February 13, 2020
(4)	Extraordinary Report	Pursuant to Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with Director-General of the Kanto Local Finance Bureau on June 22, 2020
(5)	Securities Registration Statement (issuance of new shares under the restricted stock compensation plan) and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on July 12, 2019
(6)	Amendment to Securities Registration Statement	Amendment to the Securities Registration Statement filed on July 12, 2019		Filed with Director-General of the Kanto Local Finance Bureau on July 29, 2019
		Amendment to the Securities Registration Statement filed on July 12, 2019		Filed with Director-General of the Kanto Local Finance Bureau on August 9, 2019
(7)	Supplemental Document to Shelf Registration Statement and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on May 31, 2019
(8)	Amended Shelf Registration Statement			Filed with Director-General of the Kanto Local Finance Bureau on June 20, 2019
				Filed with Director-General of the Kanto Local Finance Bureau on July 1, 2019
				Filed with Director-General of the Kanto Local Finance Bureau on June 18, 2020
				Filed with Director-General of the Kanto Local Finance Bureau on June 22, 2020

Part II Information on Guarantors, etc., for the Company

Not applicable.

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

Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting

June 29, 2020

To The Board of Directors of Komatsu Ltd.:

KPMG AZSA LLC
Tokyo Office

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

Tomoo Nishigori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Daisuke Toyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Komatsu Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the Komatsu's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of equity and the consolidated statement of cash flows for the fiscal year then ended, and notes to the consolidated financial statements and supplementary schedules, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America, pursuant to Paragraph 3 of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (the Cabinet Office Ordinance No.11 of 2002).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in

accordance with accounting principles generally accepted in the United States of America, for disclosing, as necessary, matters related to going concern.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a modified opinion on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.
We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Report on the Audit of the Internal Control Report

Opinion
We also have audited the accompanying internal control report of the Company as at March 31, 2020, in accordance with Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.
In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2020, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion
We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report
Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.
Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report
Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that expresses our opinion on the internal control report based on our audit from an independent point of view.
In accordance with internal control auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:
- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated, and other matters required by internal control auditing standards.
We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest required to be disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

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

Independent Auditor's Report on the Financial Statements

June 29, 2020

To The Board of Directors of Komatsu Ltd.

KPMG AZSA LLC
Tokyo Office

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

Tomoo Nishigori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Daisuke Toyama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the non-consolidated financial statements of Komatsu Ltd. provided in the "Financial Information" section in the Komatsu's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, significant accounting policies, the related notes, and the supplementary schedules of Komatsu Ltd. as at March 31, 2020 and for the 151st fiscal year from April 1, 2019 to March 31, 2020, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.
In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Komatsu Ltd. as at March 31, 2020, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Non-Consolidated Financial Statements
Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that expresses our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:
- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the non-consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.
We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest required to be disclosed by the Certified Public Accountants Act of Japan
We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor’s Report:
The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan.

Cover

【Document title】	Internal Control Report
【Clause of stipulation】	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Place of filing】	Director-General of the Kanto Local Finance Bureau
【Filing date】	June 29, 2020
【Company name】	Kabushiki Kaisha Komatsu Seisakusho
【Company name in English】	KOMATSU LTD.
【Title and name of representative】	Hiroyuki Ogawa, President and Representative Director
【Title and name of chief financial officer】	Takeshi Horikoshi, Senior Executive Officer
【Address of registered head office】	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
【Place for public inspection】	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1. Matters relating to the basic framework for internal control over financial reporting

Mr. Hiroyuki Ogawa, President and Representative Director, and Mr. Takeshi Horikoshi, Senior Executive Officer, are responsible for establishing and maintaining internal control over financial reporting of Komatsu Group (Komatsu Ltd., its subsidiaries and equity-method affiliates) and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters relating to the scope of assessment, the base date of assessment and the assessment procedures

Komatsu Ltd. (the "Company") assessed the effectiveness of our internal control over financial reporting on the base date as of March 31, 2020 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, 2020.

4. Additional notes

Not applicable.

5. Special notes

Not applicable.

Cover

【Document title】	Confirmation Letter
【Clause of stipulation】	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Place of filing】	Director-General of the Kanto Local Finance Bureau
【Filing date】	June 29, 2020
【Company name】	Kabushiki Kaisha Komatsu Seisakusho
【Company name in English】	KOMATSU LTD.
【Title and name of representative】	Hiroyuki Ogawa, President and Representative Director
【Title and name of chief financial officer】	Takeshi Horikoshi, Senior Executive Officer
【Address of registered head office】	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
【Place for public inspection】	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Komatsu's President and Representative Director Hiroyuki Ogawa, and Chief Financial Officer and Senior Executive Officer Takeshi Horikoshi, have confirmed that the content of the Annual Securities Report of Komatsu Ltd. of the 151st fiscal year (from April 1, 2019 to March 31, 2020) was described properly based on the laws and regulations concerning the Financial Instruments and Exchanges Act and Related Regulations.

2. Special Notes

Not applicable.