

(Translation)

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Annual Securities Report

From April 1, 2017 to March 31, 2018

(The 149th Fiscal Year)

KOMATSU LTD.

E01532

The 149th Fiscal Year (from April 1, 2017 to March 31, 2018)

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 18, 2018.

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.

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[Independent Auditors' Report]

[Internal Control Report]

[Confirmation Letter]

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 18, 2018
【Fiscal year】	The 149 th Fiscal Year (from April 1, 2017 to March 31, 2018)
【Company name】	Kabushiki Kaisha Komatsu Seisakusho
【Company name in English】	KOMATSU LTD.
【Title and name of representative】	Tetsuji Ohashi, President and Representative Director
【Address of registered head office】	2-3-6, Akasaka, Minato-ku, Tokyo, Japan
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【Name of contact person】	Kazuhiro Yokoo, General Manager of Corporate Controlling Department
【Nearest place of contact】	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
【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		145 th	146 th	147 th	148 th	149 th
Year ended		March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Net sales (Note 2)		1,953,657	1,978,676	1,854,964	1,802,989	2,501,107
Income before income taxes and equity in earnings of affiliated companies (Note 3)		242,056	236,074	204,881	166,469	291,807
Net income attributable to Komatsu Ltd.		159,518	154,009	137,426	113,381	196,410
Comprehensive income attributable to Komatsu Ltd.		232,959	236,992	42,682	113,396	148,578
Total Komatsu Ltd. shareholders' equity		1,376,391	1,528,966	1,517,414	1,576,674	1,664,540
Total equity		1,441,111	1,598,500	1,587,760	1,648,515	1,743,590
Total assets		2,651,556	2,798,407	2,614,654	2,656,482	3,372,538
Total Komatsu Ltd. shareholders' equity per share (Note 4)	(Yen)	1,443.97	1,622.48	1,609.69	1,672.01	1,764.58
Net income attributable to Komatsu Ltd. per share	Basic (Note 5) (Yen)	167.36	162.07	145.80	120.26	208.25
	Diluted (Yen)	167.18	161.86	145.61	120.10	207.97
Total Komatsu Ltd. shareholders' equity ratio	(%)	51.9	54.6	58.0	59.4	49.4
Return on equity	(%)	12.4	10.6	9.0	7.3	12.1
Price earnings ratio	(Times)	12.8	14.6	13.1	24.1	17.0
Net cash provided by operating activities		319,424	343,654	319,634	256,126	148,394
Net cash used in investing activities		(167,439)	(181,793)	(148,642)	(133,299)	(377,745)
Net cash provided by (used in) financing activities		(155,349)	(143,983)	(173,079)	(107,718)	243,949
Cash and cash equivalents, end of year		90,872	105,905	106,259	119,901	144,397
Number of employees (Separately, average number of temporary employees)	(Persons)	47,208 [4,765]	47,417 [3,805]	47,017 [3,479]	47,204 [3,410]	59,632 [5,385]

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	145 th	146 th	147 th	148 th	149 th
Year ended	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Net sales (Note 2)	757,766	789,867	692,482	685,938	868,403
Ordinary income	160,887	164,446	78,629	76,747	136,924
Net income	133,876	134,434	75,756	67,320	135,119
Capital stock	70,120	70,120	70,120	70,120	70,120
Number of common share issued (Thousands of shares)	983,130	971,967	971,967	971,967	971,967
Net assets	683,183	736,118	744,523	768,240	813,162
Total assets	1,156,060	1,213,401	1,137,971	1,150,396	1,305,526
Net assets per share (Yen)	712.79	777.51	786.65	811.73	859.01
Cash dividend per share (Yen)	58.0	58.0	58.0	58.0	84.0
[Of the above interim dividend per share] (Yen)	[29.0]	[29.0]	[29.0]	[29.0]	[36.0]
Net income per share (Yen)	140.38	141.39	80.33	71.36	143.18
Net income per share reflecting the potential dilution (Yen)	140.21	141.20	80.23	71.27	143.00
Total equity ratio (%)	58.8	60.4	65.2	66.6	62.1
Return on equity (%)	21.1	19.0	10.3	8.9	17.1
Price earnings ratio (Times)	15.2	16.7	23.9	40.7	24.8
Dividend payout ratio (%)	41.3	41.0	72.2	81.3	58.7
Number of employees (Persons)	10,217	10,416	10,449	10,371	10,465
[Separately, average number of temporary employees]	[1,354]	[1,215]	[1,117]	[989]	[1,074]

Notes:

- 1) The figures in the Company's financial statements have been rounded down to the nearest million yen.
- 2) Net sales do not include consumption taxes, etc.
- 3) As part of the ¥84 per share of cash dividend for the 149th fiscal year, the ¥48 per share year-end dividend for the 149th fiscal year is a matter to be resolved at the Company's Ordinary General Meeting of Shareholders scheduled to be held on June 19, 2018.

2. History

May 1921	The business unit of Komatsu Iron Works was spun off from Takeuchi Kogyo (in English, Takeuchi Mining Co.) to incorporate Kabushiki Kaisha Komatsu Seisakusho (in English, Komatsu Ltd.) in Komatsu Town (currently, Komatsu City), Ishikawa Prefecture, Japan.
April 1922	Acquired the business unit of Komatsu Denki Seikousho from Takeuchi Mining Co.
May 1938	Established Awazu Plant.
May 1949	Listed its common share on the Tokyo Stock Exchange and the Osaka Securities Exchange.
October 1952	Established Osaka Plant.
December 1952	Established Kawasaki Plant following the acquisition of Ikegai Automobile Manufacturing Company. Established Himi Plant following the acquisition of Chuetsu Electro Chemical Co., Ltd.
December 1962	Established Oyama Plant.
April 1985	Established a Research Division for research activities 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.

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 227 consolidated subsidiaries and 38 affiliated companies accounted for by the equity method.

The major business outlines of each business category and positioning of the Komatsu's principal subsidiaries and affiliates are described as follows.

Major business categories below correspond to the business category in business segment information by operating segment.

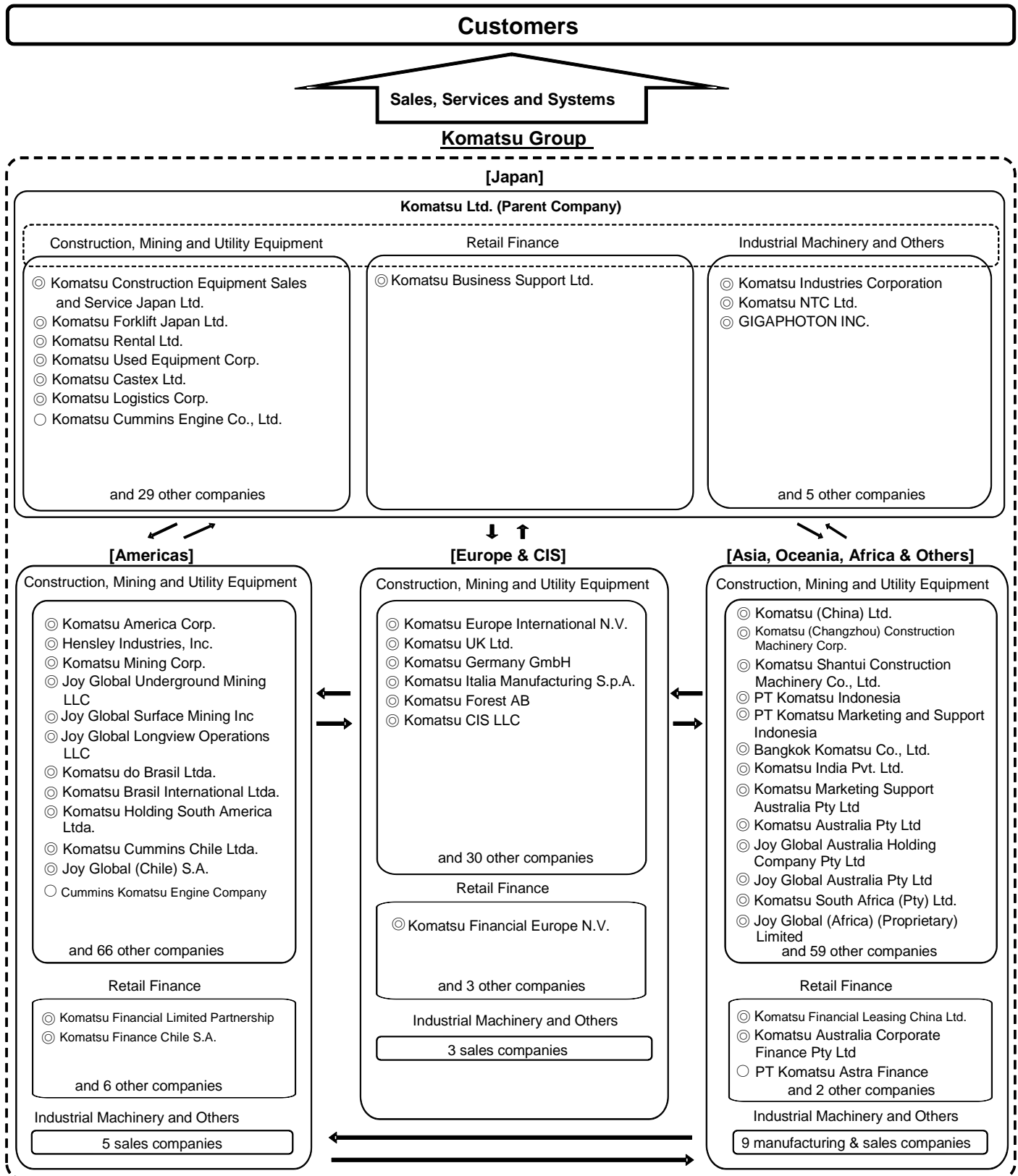
Category/principal products and businesses		Principal companies
Construction, Mining and Utility Equipment		
Excavating equipment	Hydraulic excavators, rope shovels, mini excavators and backhoe loaders	Komatsu Ltd., Komatsu Construction Equipment Sales and Service Japan Ltd., Komatsu Forklift Japan Ltd., Komatsu Rental Ltd., Komatsu Used Equipment Corp., Komatsu Castex Ltd., Komatsu Logistics Corp., Komatsu America Corp., 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., 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 151 subsidiaries. (Total 188 companies)
Loading equipment	Wheel loaders, mini wheel loaders and skid-steer loaders	
Grading and roadbed preparation equipment	Bulldozers, motor graders and vibratory rollers	
Hauling equipment	Off-highway dump trucks, articulated dump trucks and crawler carriers	
Forestry equipment	Harvesters, forwarders and feller bunchers	
Tunneling machines	Shield machines and tunnel-boring machines	
Underground Mining Equipment	Continuous miners and longwall shearers	
Recycling equipment	Mobile crushers, mobile soil recyclers and mobile tub grinders	
Industrial vehicles	Forklift trucks	
Other equipment	Railroad maintenance equipment	
Engines and components	Diesel engines, diesel generator sets and hydraulic equipment	
Casting products	Steel castings and iron castings	
Logistics	Transportation, warehousing and packing	
Retail Finance		
Retail Financing	Leasing and installment of construction and mining equipment	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)

Category/principal products and businesses		Principal 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 20 subsidiaries. (Total 24 companies)
Sheet-metal machines	Laser cutting machines, fine-plasma cutting machines, press brakes and shears	
Machine tools	Transfer machines, machining centers, crankshaft millers, grinding machines and wire saws	
Defense systems	Ammunition and armored personnel carriers	
Temperature-control equipment	Thermoelectric modules and temperature-control equipment for semiconductor manufacturing	
Others	Excimer laser used for lithography tools in semiconductor manufacturing	

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

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

(As of March 31, 2018)



4. Overview of Subsidiaries and Affiliates

Consolidated subsidiaries

(Millions of yen, unless otherwise stated)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Construction Equipment Sales and Service Japan Ltd. *1	Kawasaki, Kanagawa, Japan	950	Construction, Mining and Utility Equipment	100.0	Sales and service of construction and utility equipment. (Notes 1 and 2)
Komatsu Forklift Japan Ltd.	Shinagawa-ku, Tokyo, Japan	500	Construction, Mining and Utility Equipment	100.0	Sales and service of industrial vehicles.
Komatsu Rental Ltd.	Yokohama, Kanagawa, Japan	100	Construction, Mining and Utility Equipment	100.0	Rental of construction equipment, etc.
Komatsu Used Equipment Corp.	Yokohama, Kanagawa, Japan	290	Construction, Mining and Utility Equipment	100.0	Sales of used construction equipment, etc.
Komatsu Castex Ltd.	Himi, Toyama, Japan	6,979	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of casting product. Supply of some products to the Company.
Komatsu 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 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	Rolling Meadows, U.S.A.	1,071 million US dollars	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of construction, mining and utility equipment and supervision in the Americas.
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. *7, 8	Milwaukee, U.S.A.	5 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Joy Global Underground Mining LLC *1, 3, 8	Warrendale, U.S.A.	-	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Joy Global Surface Mining Inc *8	Milwaukee, U.S.A.	3 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, 8	Longview, U.S.A.	-	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu Finance America Inc.	Rolling Meadows, U.S.A.	1 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Financing within Komatsu Group, fundraising, etc.
Komatsu 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. *1	Jaragua, Brazil	287 million real	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales of construction equipment.
Komatsu Holding South America Ltda. *1	Santiago, Chile	156 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
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.

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Joy Global (Chile) S.A. *8	Santiago, Chile	1,959 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	Rolling Meadows, U.S.A.	-	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu Finance Chile S.A.	Santiago, Chile	40 million US dollars	Retail Finance	[100.0] 100.0	Retail financing related to construction and mining equipment.
Komatsu Europe International N.V. *1	Vilvoorde, Belgium	50 million euro	Construction, Mining and Utility Equipment	100.0	Sales of construction and mining equipment and supervision in Europe.
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 *8	Worcester, U.K.	30 million euro	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. *8	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.
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.

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
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.
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 construction equipment, components including crawler for construction equipment, etc. and casting products, etc.
PT Komatsu Indonesia *1	Jakarta, Indonesia	192,780 million Indonesian rupiah	Construction, Mining and Utility Equipment	94.9	Manufacture and sales of construction and mining equipment and casting products.
PT Komatsu Marketing & Support Indonesia	Jakarta, Indonesia	5 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
PT Komatsu Undercarriage Indonesia	Bekasi, Indonesia	15 million US dollars	Construction, Mining and Utility Equipment	[84.3] 84.3	Manufacture and sales of parts of construction and mining equipment.
Bangkok Komatsu Co., Ltd.	Chonburi, Thailand	620 million Thai baht	Construction, Mining and Utility Equipment	[74.8] 74.8	Manufacture and sales of construction equipment and casting products.
Komatsu India Pvt. Ltd. *1	Kanchipuram, India	10,963 million Indian rupees	Construction, Mining and Utility Equipment	[54.8] 100.0	Manufacture and sales of construction and mining equipment.

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Marketing Support Australia Pty Ltd	Fairfield, Australia	21 million Australian dollars	Construction, Mining and Utility Equipment	[40.0] 60.0	Sales of construction and mining equipment.
Komatsu Australia Pty Ltd	Fairfield, Australia	30 million Australian dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
Joy Global Australia Holding Company Pty Ltd *1, 8	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, 8	Murarrie, Australia	609 million Australian dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu South Africa (Pty) Ltd.	Isando, Republic of South Africa	186 million rand	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
Joy Global (Africa) (Proprietary) Limited *8	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 equipment.
Komatsu Australia Corporate Finance Pty Ltd	Fairfield, Australia	49 million Australian dollars	Retail Finance	[60.0] 60.0	Retail financing related to construction and mining equipment.
Komatsu Bangkok Leasing Co., Ltd.	Samutprakarn, Thailand	550 million Thai baht	Retail Finance	[60.0] 60.0	Retail financing related to construction and mining equipment.
Other 167 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)
KOMATSU SAITAMA LTD.	Kitamoto, Saitama, Japan	635	Construction, Mining and Utility Equipment	[40.0] 40.0	Sales and service of construction equipment.
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 33 companies					

Notes:

- 1) A certain member of the Board of Directors or an Audit & Supervisory Board Member of the Company concurrently holds a position on the Board of Directors at this company.
- 2) The Company rents certain land and buildings to this company.
- 3) The name of the operating segment in which the companies are classified is shown in "Principal business."
- 4) The figures in square brackets in "Ownership of voting right (%)" represent the percentage of voting rights owned indirectly by the Company, among the total ownership percentage shown outside the square brackets.
- 5) Companies with an asterisk 1 (*1) in "Company name" are specified subsidiaries. A company which corresponds to the specified subsidiary included in "other companies" of "Consolidated subsidiaries" is only Quadco Inc., a company based in Canada and engaged in forestry attachment operations.
- 6) The total amount of sales (excluding inter-company transactions) of 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 America Corp.	443,263	52,514	36,527	551,354	1,409,121

- 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 net assets, which are equivalent to its equity, amount to USD 2,393 million.
- 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 net assets, which are equivalent to its equity, amount to USD 1,027 million.
- 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 598 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.
- 11) Komatsu Mining Corp. (indicated by asterisk 7 (*7) in “Company name”) changed its name from Joy Global Inc. in April 2017.
- 12) Companies (indicated by asterisk 8 (*8) in “Company name”) were consolidated in the fiscal year ended March 31, 2018.

5. Employees

(1) Consolidated

(As of March 31, 2018)

Operating segment	Number of employees	
Construction, Mining and Utility Equipment	54,842	[4,632]
Retail Finance	205	[12]
Industrial Machinery and Others	3,956	[592]
Corporate	629	[149]
Total	59,632	[5,385]

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.
- 3) The number of employees for the fiscal year ended March 31, 2018 increased by 12,428 employees to 59,632 employees as compared to 47,204 employees for the fiscal year ended March 31, 2017. The number of temporary employees for the fiscal year ended March 31, 2018 increased by 1,975 employees to 5,385 employees as compared to 3,410 employees for the fiscal year ended March 31, 2017. These were due primarily to the new addition of Komatsu Mining Corp. to consolidated accounting.

(2) The Company

(As of March 31, 2018)

Number of employees	Average age	Average length of service	Average annual salary (gross)
10,465 [1,074]	39.3 years old	14.1 years	¥7,387,475

Operating segment	Number of employees	
Construction, Mining and Utility Equipment	9,540	[896]
Retail Finance	6	[0]
Industrial Machinery and Others	290	[29]
Corporate	629	[149]
Total	10,465	[1,074]

Notes:

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

(3) Relationship with labor union

The Company has a labor contract with the Komatsu Labor Union, which is organized by approximately 9,400 employees and 7 branches in Japan. The Komatsu Labor Union is a member of “All Komatsu Workers Union” and “Japanese Association of Metal, Machinery and Manufacturing Workers.”

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

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

Item 2. Business Overview

1. 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 given to us by society and all stakeholders. In our three-year mid-range management plan, “Together We Innovate GEMBA Worldwide–Growth Toward Our 100th Anniversary (2021) and Beyond–” with the fiscal year ending March 31, 2019 as the goal year, by innovating customers’ GEMBA (workplaces) together with our customers and providing innovation that creates new value, toward our 100th anniversary, we aim for growth in our core businesses of construction and mining equipment and industrial machinery, and are pursuing our three focused activity items: 1) Growth strategies based on innovation, 2) Growth strategies of existing businesses, and 3) Structural reforms designed to reinforce the business foundation. All of us at Komatsu will work to improve business performance, further strengthen our corporate foundation, and achieve our social mission in a well-balanced manner, as we make teamwork efforts in the focused activity items by sharing The KOMATSU Way and paying more attention to ESG (Environment, Social and Corporate Governance). Demand for construction equipment is set to increase worldwide. We expect to see a recovery also in demand for mining equipment, which has been slack for the past few years. We also recognize a long-term increase in demand driven by global population growth and increasing urbanization. Furthermore, demand for industrial machinery is also expected to remain firm over the coming years, albeit with some fluctuation, as demand is expected to increase from the automotive and semiconductor sectors, where our main customers operate.

Markets as Positioned by Komatsu

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

Targets

We have added Growth to the previous targets of Profitability, Efficiency, Redistribution of Profits to Shareholders and Financial position. Retail finance business has set its own targets in light of management efficiency and financial position.

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

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

Three management strategies and focused activities

1. Growth strategies based on innovation

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

In the construction, mining and utility equipment business, we made further advances with the "SMARTCONSTRUCTION" solutions business for construction jobsites, which we launched in Japan in February 2015, and with sales of intelligent Machine Control construction equipment starting in April 2016 in addition to rental services, SMARTCONSTRUCTION solutions have been introduced to more than 5,000 workplaces in Japan to date. SMARTCONSTRUCTION meets the "i-Construction" standards established by the Japanese government for increasing productivity through the introduction of ICT in all aspects of construction jobsites. Looking ahead, we will increase our efforts for the further spread and penetration of SMARTCONSTRUCTION as we work with customers to realize safe, highly productive construction jobsites of the future. In other areas, we will continue working to develop next-generation construction and mining equipment and components, including the Innovative Autonomous Haulage Vehicle, a new vehicle dedicated to unmanned operations that we announced in September 2016. Other ongoing developments include further expansion of the next-generation KOMTRAX (Komatsu Machine Tracking System) and the Autonomous Haulage System (AHS), and strengthening platform for mining. We will also develop DANTOTSU products to significantly boost productivity in machine tools, sheet-metal machines and metal forging and stamping presses by promoting in-house production of key components.

2. Growth strategies of existing businesses

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

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

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

3. Structural reforms designed to reinforce the business foundation

By following a policy of decoupling costs from growth, we will take effective measures to cut down on production costs and maintain an appropriate level of fixed costs, while investing for growth.

We will promote production reforms by means of "KOM-MICS" (Komatsu Manufacturing Innovation Cloud System), which networks manufacturing equipment of not only Komatsu plants but also suppliers for "visualization" and improvement of the shop floor. The "K-MICS PAD" system for monitoring the operating status of equipment in real time is set to be introduced to over 500 units. Furthermore, we will increase the speed of supplying products and parts and optimize inventories by connecting market information directly to plants.

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

We strengthened our global consolidated management framework, including by appointing "Global Officers" among our multinational top management personnel at the local group companies around the world in 2016, so that they can expand their role as managers and participate at a deeper level in consolidated management. Furthermore, in recognition of our appointment of women to management positions, including executive officers, and our measures to enable work-life balance, such as proactive introduction of childcare and nursing care leave systems for all genders, we

have also been selected for a fourth consecutive year as a “Nadeshiko Brand” a status conferred by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange on a listed companies with outstanding performance in promoting the empowerment of women.

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

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 impacted by a number of unstable factors, such as sudden changes of commodity prices and in the value of currencies and thus, changes in these factors could adversely affect Komatsu’s business results. Furthermore, when economic and/or market conditions change more drastically than expected, Komatsu may also experience, among other things, fewer orders of its products, an increase in cancellation of orders by customers and a delay in the collection of receivables.

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

(2) Foreign currency exchange rate fluctuations

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

(3) Fluctuations in financial markets

While Komatsu is currently improving the efficiency of its asset management, its aggregate short- and long-term interest-bearing debt was ¥810.5 billion as of March 31, 2018. Although Komatsu has strived to reduce the effect of interest rate fluctuations using various measures, including procuring funds at fixed interest rates, an increase in interest rates may increase Komatsu's interest expenses and thereby adversely affect Komatsu's results of operations. In addition, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of Komatsu's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect Komatsu's results of operations and financial condition.

(4) Laws and regulations of different countries

Komatsu is subject to 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

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

(6) Product and quality liability

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

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

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

(8) Procurement, production and other matters

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

commodity and energy prices were to exceed Komatsu's expectations or a prolonged shortage of materials and parts were to occur, Komatsu's results of operations may be adversely affected.

(9) Information security, intellectual property and other matters

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

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

If natural disasters (such as earthquakes, tsunamis and floods), epidemics, radioactive contamination, wars, terrorist acts, riots, accidents (such as fires and explosions), unforeseeable criticism or interference by third parties or computer virus infections were to occur in the regions in which Komatsu operates, Komatsu may incur extensive damage to one or more of its facilities that then could not become fully operational within a short period of time. Even if Komatsu's operations were not directly harmed by such events, confusion in logistic and supply networks, shortages in the supply of electric power, gas and other utilities, telecommunication problems and/or problems of supplier's production may continue for a long period of time. Accordingly, if delays or disruption in the procurement of materials and parts, or the production and sales of Komatsu's products and services, or deterioration of the capital-raising environment or other adverse developments were to take place as a result of such events, Komatsu's business results may be adversely affected.

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, 2018 are as follows.

(1) Financial Position and Operating Results

(i) Overview

For the fiscal year ended March 31, 2018, consolidated net sales increased by 38.7% from the fiscal year ended March 31, 2017 to ¥2,501,107 million. With respect to profits, operating income increased by 56.0% from the fiscal year ended March 31, 2017 to ¥271,581 million. The operating income ratio increased by 1.2 percentage points from the fiscal year ended March 31, 2017 to 10.9%. Income before income taxes and equity in earnings of affiliated companies increased by 75.3% from the fiscal year ended March 31, 2017 to ¥291,807 million, reflecting a gain from the sale of investment securities. Net income attributable to Komatsu Ltd. increased by 73.2% from the fiscal year ended March 31, 2017 to ¥196,410 million.

Consolidated results for the fiscal year

	149 th fiscal year (Millions of yen)	Changes from 148 th fiscal year
Net sales	2,501,107	38.7 %
Construction, Mining and Utility Equipment	2,280,967	44.7 %
Retail Finance	60,309	22.8 %
Industrial Machinery and Others	185,414	(2.9)%
Elimination	(25,583)	-
Segment profit	302,977	71.6 %
Construction, Mining and Utility Equipment	275,971	70.7 %
Retail Finance	12,963	191.1 %
Industrial Machinery and Others	14,459	16.0 %
Corporate & elimination	(416)	-
Operating income	271,581	56.0 %
Income before income taxes and equity in earnings of affiliated companies	291,807	75.3 %
Net income attributable to Komatsu Ltd.	196,410	73.2 %

(ii) Changes in foreign exchange rate

The Japanese yen depreciated particularly against the U.S. dollar for the fiscal year ended March 31, 2018 compared to the fiscal year ended March 31, 2017. It is estimated that segment profit for the construction, mining and utility equipment business for the fiscal year ended March 31, 2018 increased approximately ¥6.0 billion compared to the fiscal year ended March 31, 2017 due primarily to the Japanese yen depreciation. 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, 2018 increased by 38.7% to ¥2,501,107 million from ¥1,802,989 million for the fiscal year ended March 31, 2017. Net sales to external customers in Japan for the fiscal year ended March 31, 2018 increased by 0.7% to ¥396,061 million from ¥393,488 million for the fiscal year ended March 31, 2017. Net sales to external customers in overseas for the fiscal year ended March 31, 2018 increased by 49.3% to ¥2,105,046 million from ¥1,409,501 million for the fiscal year ended March 31, 2017.

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

Cost of sales increased by 37.3% from the fiscal year ended March 31, 2017 to ¥1,765,832 million primarily due to increased net sales. The ratio of cost of sales to net sales decreased by 0.7 percentage points from the fiscal year ended March 31, 2017 to 70.6%.

Selling, general and administrative expenses increased by 27.2% from the fiscal year ended March 31, 2017 to ¥432,298 million.

R&D expenses that were included in cost of sales and selling, general and administrative expenses increased by 4.4% from the fiscal year ended March 31, 2017 to ¥73,625 million.

(v) Impairment losses on long-lived assets

Impairment losses on long-lived assets for the fiscal year ended March 31, 2018 increased by ¥4,886 million to ¥6,629 million as compared to ¥1,743 million for the fiscal year ended March 31, 2017. 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, 2018 was ¥13,413 million while Komatsu recognized no impairment loss on goodwill for the fiscal year ended March 31, 2017.

(vii) Other operating income (expenses), net

Net other operating expenses of ¥11,354 million was recognized for the fiscal year ended March 31, 2018 as compared to net other operating income of ¥739 million for the fiscal year ended March 31, 2017. This was due primarily to a loss on the transfer of the vacation homes management business as compared to the fiscal year ended March 31, 2017.

(viii) Operating income

As a result of the above factors, operating income for the fiscal year ended March 31, 2018 increased by 56.0% to ¥271,581 million as compared to ¥174,097 million for the fiscal year ended March 31, 2017.

(ix) Other income (expenses), net

Interest and dividend income increased by ¥1,793 million to ¥5,255 million for the fiscal year ended March 31, 2018 as compared to ¥3,462 million for the fiscal year ended March 31, 2017. Interest expense increased by ¥10,160 million to ¥18,372 million for the fiscal year ended March 31, 2018 as compared to ¥8,212 million for the fiscal year ended March 31, 2017. Due to the sale of marketable equity securities available for sale, net gain on sales of investment securities was ¥49,083 million for the fiscal year ended March 31, 2018.

(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, 2018 increased by 75.3% to ¥291,807 million as compared to ¥166,469 million for the fiscal year ended March 31, 2017.

(xi) Income taxes

Income tax expense for the fiscal year ended March 31, 2018 increased by ¥35,982 million to ¥86,387 million from ¥50,405 million for the fiscal year ended March 31, 2017. The actual effective tax rate for the fiscal year ended March 31, 2018 decreased by 0.7 percentage points to 29.6% from 30.3% for the fiscal year ended March 31, 2017. The difference between the Japanese statutory tax rate of 31.5% and the actual effective tax rate of 29.6% was caused by change in valuation allowance.

(xii) Equity in earnings of affiliated companies

Equity in earnings of affiliated companies for the fiscal year ended March 31, 2018 increased by ¥243 million to ¥3,545 million as compared to ¥3,302 million for the fiscal year ended March 31, 2017.

(xiii) Net income

As a result of the above factors, net income for the fiscal year ended March 31, 2018 increased by ¥89,599 million to ¥208,965 million as compared to ¥119,366 million for the fiscal year ended March 31, 2017.

(xiv) Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests for the fiscal year ended March 31, 2018 increased by ¥6,570 million to ¥12,555 million as compared to ¥5,985 million for the fiscal year ended March 31, 2017. The portion attributable to noncontrolling interests increased mainly as a result of an increase in earnings recorded primarily by Komatsu Marketing Support Australia Pty Ltd and Komatsu Shantui Construction Machinery Co., Ltd.

(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, 2018 increased by 73.2% to ¥196,410 million as compared to ¥113,381 million for the fiscal year ended March 31, 2017. Accordingly, basic net income attributable to Komatsu Ltd. per share increased to ¥208.25 for the fiscal year ended March 31, 2018 from ¥120.26 for the fiscal year ended March 31, 2017. Diluted net income attributable to Komatsu Ltd. per share increased to ¥207.97 for the fiscal year ended March 31, 2018 from ¥120.10 for the fiscal year ended March 31, 2017.

(xvi) Segment profit

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

Segment profit for the construction, mining and utility equipment business for the fiscal year ended March 31, 2018 increased by ¥114,285 million to ¥275,971 million, driven by increased sales, especially in North America, China, Asia, more than offsetting temporary expenses incurred in relation to the acquisition of the former Joy Global Inc., as compared to ¥161,686 million for the fiscal year ended March 31, 2017.

Segment profit for the retail finance business for the fiscal year ended March 31, 2018 increased by ¥8,510 million to ¥12,963 million, mainly reflecting no more allowance for doubtful accounts recorded in China, as compared to ¥4,453 million for the fiscal year ended March 31, 2017.

Segment profit for the industrial machinery and others business for the fiscal year ended March 31, 2018 increased by ¥1,995 million to ¥14,459 million, mainly supported by increased sales of machine tools to the automobile manufacturing industry, as compared to ¥12,464 million for the fiscal year ended March 31, 2017.

Consolidated segment profit, which was added corporate expenses and elimination, increased by ¥126,398 million to ¥302,977 million as compared to ¥176,579 million for the fiscal year ended March 31, 2017.

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 ¥148,394 million, a decrease of ¥107,732 million from the previous fiscal year, mainly due to net income and depreciation and amortization, while working capital increased. Net cash used in investing activities totaled ¥377,745 million, an increase of ¥244,446 million from the previous fiscal year, mainly due to paying the consideration of the acquisition of Joy Global Inc., even when the Company sold a part of the available for sale investment securities owned by it. Net cash provided by financing activities totaled ¥243,949 million, mainly due to paying mentioned above, as compared to ¥107,718 million used for the previous fiscal year. After adding the effects of foreign exchange fluctuations, cash and cash equivalents, as of March 31, 2018, totaled ¥144,397 million, an increase of ¥24,496 million from the previous fiscal year-end.

(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.

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 15 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. 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.

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

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

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

(v) Pension Liabilities and Expenses

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

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

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

The following table illustrates the sensitivity of pension obligations and net periodic pension costs to changes in discount rates and expected long-term rate of return on pension plan assets, while holding all other assumptions constant, for Komatsu's pension plans as of March 31, 2018.

	Change in assumption	Pension obligations (Billions of yen)	Net periodic pension costs (Billions of yen)
Discount rate	0.5% increase/decrease	-23.6 / +25.2	-0.3 / +0.5
Expected long-term rate of return	0.5% increase/decrease	-	-1.5 / +1.5

(vi) Recent Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (hereinafter "FASB") issued Accounting Standards Update (hereinafter "ASU") 2014-09 "Revenue from Contracts with Customers". This update replaces the revenue recognition requirements in Accounting Standards Codification™ ("ASC") 605. This update requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers: Deferral of the Effective date" that defer for one year the

revenue recognition standard's effective date. In this update, its early adoption would be permitted, but not before the original effective date. Komatsu is currently considering the impact of this update on Komatsu's financial position and results of operations.

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

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

In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". This update requires an entity to divide net periodic pension cost and net periodic postretirement benefit cost into the service cost component and other components, and present the former in the same line item as other personnel expenses while presenting the latter in non-operating income or expenses. In addition, the update clarifies that only the service cost component is eligible for capitalization. This update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Komatsu is currently considering the impact of this update on Komatsu's financial position and results of operations.

In August 2017, the FASB issued ASU 2017-12 "Targeted Improvements to Accounting for Hedging Activities." This update improves the application of hedge accounting under certain circumstances to reflect 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. This update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Komatsu is currently considering 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, 2018

(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, 2018, consolidated net sales increased by 38.7% from the fiscal year ended March 31, 2017 to ¥2,501,107 million.

In the construction, mining and utility equipment business, net sales increased sharply from the fiscal year ended March 31, 2017, as Komatsu steadfastly capitalized on demand in China, Indonesia, and many other countries. Komatsu also benefited from the new addition of Joy Global Inc. (currently, Komatsu Mining Corp.), as a consolidated subsidiary, a leading U.S. manufacturer of mining equipment which Komatsu acquired in April 2017. In the industrial machinery and others business, net sales decreased from the fiscal year ended March 31, 2017, mainly reflecting reduced sales of presses and wire saws, while sales of machine tools increased to the automobile manufacturing industry.

With respect to profits, operating income increased by 56.0% from the fiscal year ended March 31, 2017 to ¥271,581 million, driven by increased sales in many regions of the world, more than offsetting temporary expenses incurred in relation to the acquisition of the former Joy Global Inc.

As of March 31, 2018, total assets increased by ¥716,056 million from March 31, 2017, to ¥3,372,538 million, mainly due to the addition of Komatsu Mining Corp. to consolidated accounting. Interest-bearing debt increased by ¥401,895 million from March 31, 2017, to ¥810,597 million, mainly due to financing the acquisition of Joy Global Inc. Komatsu Ltd. shareholders' equity increased by ¥87,866 million from March 31, 2017, to ¥1,664,540 million. As a result, Komatsu Ltd. shareholders' equity ratio decreased by 10.0 percentage points from March 31, 2017, to 49.4%.

(ii) Liquidity and Capital Resources

< Source of funds and liquidity management >

Komatsu's principal capital resources policy is to secure sufficient capital resources to be able to respond to future capital needs in connection with its operations and to maintain an appropriate level of liquidity. Consistent with this policy, Komatsu has secured various sources of funding, such as loans, corporate bonds, notes and lines of credit. Komatsu expects to use cash generated from its operations and funds procured through such external sources to satisfy future capital expenditures and working capital needs. In addition, in order to improve the efficiency and effectiveness of its cash management, Komatsu's overseas subsidiaries participate in a global cash pooling system based on the agreement with a single financial institution, which is used to fund their liquidity needs. Participating overseas subsidiaries are allowed to withdraw cash from this financial institution up to the aggregate cash deposit balance made to such financial institution. This agreement contains specific provisions for the right to offset positive and negative cash balances on a global basis. Komatsu's consolidated balance sheet as of March 31, 2018 reflects cash net of withdrawals of ¥244,289 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, 2018, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥30,251 million with financial institutions to secure liquidity. As of March 31, 2018, ¥22,484 million was available to be used under such credit line agreements. In addition, the Company has a ¥180,000 million commercial paper program, ¥112,000 million of which was unused as of March 31, 2018.

To fulfill Komatsu's medium- to long-term funding needs, the Company has established a bond program as well as a Euro Medium Term Note (hereinafter "EMTN") program. In November 2016, the Company's bond program was renewed so that it could issue up to ¥150,000 million of variable-term bonds within a two-year period. As of March 31, 2018, ¥100,000 million remains unused under this program. On the other hand, Komatsu also has ¥154,811 million aggregate principal amount of bonds outstanding under past program as of March 31, 2018. This amount includes bonds which were issued under the bond program prior to its 2016 renewal. In addition, the Company, Komatsu Finance America Inc. and Komatsu Europe Coordination Center N.V. have established a U.S.\$2.0 billion EMTN program. Any of these three issuer entities can issue notes in various currencies under the EMTN program which was agreed with EMTN dealers. The aggregate principal amount of notes outstanding as of March 31, 2018 under the EMTN program was ¥114,273 million.

Komatsu's short-term debt as of March 31, 2018, which primarily consisted of bank loans, increased by ¥130,641 million to ¥259,093 million from March 31, 2017. This short-term debt primarily consisted of bank loans and such short-term debt was used primarily for the acquisition of Joy Global Inc. and working capital.

Komatsu's long-term debt, including debt with maturity dates on or before March 31, 2019, increased by ¥271,254 million to ¥551,504 million in the fiscal year ended March 31, 2018 as compared to the fiscal year ended March 31, 2017. As of March 31, 2018, Komatsu's long-term debt excluding market value adjustment, consisted of (1) ¥280,768 million in loans from banks, insurance companies and other financial institutions, (2) ¥154,811 million in unsecured bonds, (3) ¥114,273 million in EMTNs and (4) ¥1,652 million in capital lease obligations. Such long-term debt was used primarily for the acquisition of Joy Global Inc., capital expenditures and long-term working capital needs.

As a result, Komatsu's interest-bearing debt as of March 31, 2018, including its capital lease obligations, increased by ¥401,895 million to ¥810,597 million as compared to March 31, 2017. Net interest-bearing debt after deducting cash and deposits also increased by ¥377,228 million to ¥663,740 million in the fiscal year ended March 31, 2018. As a result, Komatsu's net debt to-equity ratio, as of March 31, 2018 was 0.40 to 1, compared to 0.18 to 1 as of March 31, 2017.

At March 31, 2018, Komatsu's total current assets increased by ¥378,070 million to ¥1,797,591 million. Komatsu's total current liabilities increased by ¥289,479 million to ¥989,661 million. As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2018, was 181.6%, decreased by 21.1 percentage points from the fiscal year ended March 31, 2017.

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

As of March 31, 2018, Komatsu's total cash and cash equivalents was ¥144,397 million. Out of total cash and cash equivalents, ¥120,875 million was held outside of Japan in various overseas subsidiaries as of March 31, 2018.

The Company obtains credit ratings from three rating agencies: Standard and Poor's Ratings Services ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Rating and Investment Information, Inc. ("R&I"). As of March 31, 2018, the Company's issuer ratings were as follows:

S&P: A (long-term)

Moody's: A2 (long-term)

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

< Capital investment >

In the fiscal year ended March 31, 2018, 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, 2018 was ¥145,668 million, an increase of ¥3,662 million from the fiscal year ended March 31, 2017.

< Tabular disclosure of contractual obligations >

The following table sets forth Komatsu's contractual obligations as of March 31, 2018.

	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	¥ 259,093	¥ 259,093	¥ -	¥ -	¥ -
Long-term debt obligations (excluding capital lease obligations)	549,852	70,080	156,317	279,457	43,998
Capital (Finance) lease obligations	1,652	726	458	276	192
Operating lease obligations	22,482	7,228	8,790	4,595	1,869
Interest on interest bearing debt (including capital lease obligations)	46,429	13,699	19,891	12,254	585
Pension and other post retirement obligations	5,350	5,350	-	-	-
Total	¥ 884,858	¥ 356,176	¥ 185,456	¥ 296,582	¥ 46,644

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, 2018.
- 3) Pension and other post retirement obligations reflect contributions expected to be made during the fiscal year ending March 31, 2019 only, as the amounts of funding obligations beyond the next fiscal year are not yet determinable.

Commitments for capital investment outstanding at March 31, 2018, aggregated approximately ¥19,700 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 increased by 44.7% from the fiscal year ended March 31, 2017 to ¥2,280,967 million.

Komatsu embarked on sales of medium-sized "PC200-11" and "PC200i-11" intelligent Machine Control hydraulic excavators, both compliant with the Act on Regulation, Etc. of Emissions from Non-Road Special Motor Vehicles of 2014, the so-called "Off-Road Vehicle Act" (Tier 4 Final in the United States). New products have the feature of outstanding reduction of NOx emissions while achieving a high level of productivity and fuel economy. Komatsu has been working to expand sales of the new models which feature refined environmental performance, safety and ICT applications.

With respect to "SMARTCONSTRUCTION", a solutions business for construction jobsites, which Komatsu launched in Japan in February 2015, Komatsu has made steady progress, introducing this new business to over 5,000 construction jobsites to date (cumulative). In October 2017, Komatsu established LANDLOG Ltd., which initiated operation of a new open platform designed to optimize the whole construction production processes by centrally managing them. In December 2017, Komatsu announced a partnership agreement with NVIDIA Corporation, a leading semiconductor

manufacturer of the United States, equipped with advanced technologies in AI and image processing. By building on strategic partnerships for open innovation with companies in different industries, Komatsu is going to further improve the safety and productivity of construction jobsite operations and accelerate the pace of achieving "construction jobsites of the future."

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

Japan

Sales increased by 4.7% from the fiscal year ended March 31, 2017 to ¥315,690 million, supported by an increase of demand centering on the rental industry before the enforcement of new emission control regulations.

The Americas

In the United States and Canada, demand for construction equipment increased, centering on the infrastructure development and energy-related sectors. In Latin America, demand for construction equipment increased, especially in Argentina and Mexico. Affected also by the new addition of Komatsu Mining Corp. to consolidated accounting, sales in the Americas increased by 57.6% from the fiscal year ended March 31, 2017 to ¥853,023 million.

Europe and CIS

In Europe, sales increased by 33.2% from the fiscal year ended March 31, 2017 to ¥180,486 million, reflecting steady demand for construction equipment, especially in Germany, a major market of the region, and northern Europe. In CIS, sales increased by 53.9% from the fiscal year ended March 31, 2017 to ¥108,557 million, driven by a continued increase in demand for mining equipment, centering on gold mines.

China

Sales increased by 69.2% from the fiscal year ended March 31, 2017 to ¥164,772 million. This was supported by continued expansion of demand for construction equipment resulting from the progress of infrastructure development nationwide.

Asia and Oceania

In Asia, sales increased by 44.5% from the fiscal year ended March 31, 2017 to ¥298,654 million, mainly reflecting a steady increase of demand for mining equipment in Indonesia, the largest market of the region, resulting from the growing price of coal. In Oceania, in addition to an increase in demand for mining equipment, sales increased by 72.2% from the fiscal year ended March 31, 2017 to ¥181,972 million, as also affected by the addition of Komatsu Mining Corp. to consolidated accounting.

Middle East and Africa

In the Middle East, sales increased by 10.4% from the fiscal year ended March 31, 2017 to ¥39,554 million, mainly reflecting a recovering trend of market demand in some countries, offsetting negative effects of reduced budgets in Gulf nations in response to lowered crude oil prices. In Africa, sales increased by 73.4% from the fiscal year ended March 31, 2017 to ¥124,624 million, supported by an increase in demand for mining equipment in South Africa and benefits of newly adding Komatsu Mining Corp. to consolidated accounting.

Segment assets as of March 31, 2018 increased by ¥689,223 million to ¥2,434,291 million from March 31, 2017.

Production scale for the construction, mining and utility equipment operating segment increased by 55.3% from the fiscal year ended March 31, 2017 to approximately ¥2,412.2 billion (based on sales prices on a consolidated basis). This was due primarily to an increase of demand and the new addition of Komatsu Mining Corp. to consolidated accounting.

<Retail Finance operating segment>

Revenues increased by 22.8% from the fiscal year ended March 31, 2017 to ¥60,309 million, mainly supported by increased assets in North America.

Segment assets as of March 31, 2018 increased by ¥56,967 million to ¥728,518 million from March 31, 2017.

<Industrial Machinery and Others operating segment>

Sales decreased by 2.9% from the fiscal year ended March 31, 2017 to ¥185,414 million, as affected by reduced sales of presses, wire saws and products for Ministry of Defense, while sales of machine tools to the automobile manufacturing industry increased.

In March 2018, Komatsu Industries Corp. launched sales of the “H2FM630” Servo press. Equipped with a water-cooled high-torque servomotor and a large-capacity capacitor storage system, the H2FM630 achieves outstanding improvements in productivity and environmental performance, compared to conventional presses. Komatsu Industries Corp. is working to expand sales by introducing its latest models which feature its accumulated technological expertise and cutting-edge ICT advantages.

Segment assets as of March 31, 2018 decreased by ¥2,351 million to ¥209,476 million from March 31, 2017.

Production scale for the industrial machinery and others operating segment increased by 11.6% from the fiscal year ended March 31, 2017 to approximately ¥206.6 billion (based on sales prices on a consolidated basis).

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

We made good progress towards the targets in the second year of the three-year mid-range management plan to be completed in the fiscal year ending March 31, 2019. We achieved the sales growth rate of 38.7% for the fiscal year ended March 31, 2018 from the fiscal year ended March 31, 2017. It was 34.8% when compared to the fiscal year ended March 31, 2016, the final year of the previous mid-range management plan. Operating income ratio was 10.9%, showing a further improvement from 9.7% for the fiscal year ended March 31, 2017. With respect to ROE, we improved by 4.8 percentage points to 12.1% for the fiscal year ended March 31, 2018 as compared to 7.3% for the fiscal year ended March 31, 2017, outperforming the target level of 10%. In the retail finance business, while we fell short of achieving the ROA target, we achieved a net debt-to-equity ratio of 3.5 under 5.0.

4. Material Agreements, etc.

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

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

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

For additional information, see “Note 3. Business Combination” in “Notes to Consolidated Financial Statements” of “1. Consolidated Financial Statements, etc.” of “Item 5. Financial Information”.

The Company signed an agreement with Himawari Co., Ltd. (hereinafter “Himawari”) on December 14, 2017 to transfer the vacation homes management business of Komatsu General Services Ltd. (hereinafter “KGS”) to Himawari by conducting a series of transactions including the transfer of all issued shares of KGS.

Under this agreement, the Company transferred the vacation homes management business of KGS to Himawari, on March 1, 2018.

For additional information, see “Note 3. Business Combination” in “Notes to Consolidated Financial Statements” of “1. Consolidated Financial Statements, etc.” of “Item 5. Financial Information”.

5. Research and Development Activities

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

With respect to the structure of Komatsu’s research and development, the Office of Chief Technology Officer (CTO), Development Centers of the Development Division of the Company, which focus on construction, mining and utility equipment and the technology departments of the Company’s subsidiaries and affiliates participate in its research and development activities. The total amount of research and development expenses for the fiscal year ended March 31, 2018 was ¥73,625 million. The objectives, results and expenses of the research and development activities by operating segment are described below.

(1) Construction, Mining and Utility Equipment

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

<ICT (Information Communication Technology)>

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

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

<Environmental Friendliness, Resource Saving and Safety>

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

Komatsu is placing special emphasis on research and development activities relating to technologies, in particular, that improve fuel consumptions, which conduce to both the environment (by reducing CO₂ emissions) and the economy (by decreasing fuel expenses). Hybrid hydraulic excavators have been launched first in Japan, and later in China, North America, Europe, Latin America, Asia and Oceania. Accumulated number of them has exceeded 4,300.

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

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

The principal products developed and launched to the market in the construction, mining and utility equipment operating segment during the fiscal year ended March 31, 2018 are listed below:

Product	Model
Hydraulic Excavators	PC78UUT-10, PC80MR-5, PC138UU-11, PW148-11, PW160-11, PW180-11, HB205/215LC-3, PC228USLC-11, PC1250-11, PC2000-11, PC4000-11
ICT Excavators	PC78USi-10, PC200i/LCi-11
Wheel Loaders	WA100-8, WA480-8
Dump Trucks	830E-5, 930E-5, 980E-4AT
Forklift Trucks	FE25H-1

The total amount of research and development expenses in the construction, mining and utility equipment operating segment for the fiscal year ended March 31, 2018 was ¥62,842 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, Komatsu developed the “H2FM630”. The productivity of this press is able to wish for improvement of 60% than conventional mechanical press, and the investment to a factory power supply can be also suppressed equal to it by the Komatsu large volume capacitor system.

In the sheet-metal machines business, Komatsu introduced the new 3-dimensional laser machine “TLH series” with fiber laser which has equipped with drastically higher energy efficiency than CO₂ lasers. And Komatsu released the new "Bending eye" equipment which expanded a performance area from 3.2mm to 6mm at press brake market.

In the machine tool business, Komatsu has developed the next generation machines (Grinding machine “PX3560”, Crankshaft milling machine “PM200FH”) and global strategic machine (Twin spindle machining center “NX420”).

In the others business, Komatsu enhanced its activities, excimer laser for semiconductor lithography system, EUV light source, and excimer laser for FPD annealing system, 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, 2018 was ¥10,783 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, 2018 by operating segment was as follows:

(Millions of yen)	Fiscal year ended March 31, 2018	Percentage change as compared to the fiscal year ended March 31, 2017
Construction, Mining and Utility Equipment	86,250	5.5 %
Retail Finance	54,661	(0.2) %
Industrial Machinery and Others	4,757	(13.6) %
Total	145,668	2.6 %

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, 2018)

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.	16,713	7,388	3,738 (703)	1,784	29,624	2,262
Kanazawa Plant Kanazawa, Ishikawa	Construction, Mining and Utility Equipment, Industrial Machinery and Others	Manufacturing of hydraulic excavators, presses, etc.	4,731	826	1,238 (97)	179	6,975	316
Osaka Plant Hirakata, Osaka *1	Construction, Mining and Utility Equipment	Manufacturing of bulldozers, hydraulic excavators, recycling equipment, etc.	16,474	8,716	4,236 (542)	2,168	31,596	1,985
Ibaraki Plant Hitachinaka, Ibaraki	Construction, Mining and Utility Equipment	Manufacturing of dump trucks, wheel loaders, etc.	7,038	1,702	10,086 (309)	249	19,075	793
Shonan Plant Hiratsuka, Kanagawa	Construction, Mining and Utility Equipment	Manufacturing of controllers, monitors, hybrid components, etc.	1,791	417	2,214 (68)	231	4,655	672
Oyama Plant Oyama, Tochigi	Construction, Mining and Utility Equipment	Manufacturing of engines, hydraulic equipment, etc.	17,336	8,603	584 (584)	1,723	28,248	1,779
Tochigi Plant Oyama, Tochigi	Construction, Mining and Utility Equipment	Manufacturing of industrial vehicles, hydraulic excavators, etc.	4,996	1,544	2,780 (214)	303	9,626	553

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	
Koriyama Plant Koriyama, Fukushima	Construction, Mining and Utility Equipment	Manufacturing of hydraulic equipment	2,679	1,792	895 (377)	217	5,584	353
Head office Minato-ku, Tokyo	-	Others	1,730	25	1,179 (2)	220	3,156	1,149

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

(2) Subsidiaries located in Japan

(As of March 31, 2018)

Name and location	Operating segment	Facilities & equipment	Book value (Millions of yen)					Number of employees
			Buildings	Machinery and vehicles	Land (Thousand square meters)	Others	Total	
Komatsu Castex Ltd. Himi, Toyama	Construction, Mining and Utility Equipment	Manufacturing of steel castings, iron castings, etc.	5,559	2,177	1,455 (339)	315	9,506	785
Komatsu NTC Ltd. Nanto, Toyama	Industrial Machinery and Others	Manufacturing of machine tools, industrial machinery, etc.	4,001	1,471	4,350 (231)	521	10,343	1,226

(3) Subsidiaries located in overseas

(As of March 31, 2018)

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.	716	763	180 (215)	434	2,093	272
Komatsu America Corp. Peoria, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of dump trucks	1,585	928	- (529)	225	2,738	564
Hensley Industries, Inc. Dallas, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of construction and mining equipment components	783	1,655	419 (104)	192	3,049	430
Joy Global Surface Mining Inc Milwaukee, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of rope shovel, etc.	732	3,600	462 (170)	1,017	5,811	649

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	
Joy Global Longview Operations LLC Longview, U.S.A.	Construction, Mining and Utility Equipment	Manufacturing of wheel loaders, etc.	1,255	1,888	981 (518)	271	4,395	554
Komatsu do Brasil Ltda. Suzano, Brazil	Construction, Mining and Utility Equipment	Manufacturing of bulldozers, hydraulic excavators, etc.	1,485	749	23 (633)	794	3,051	861
Komatsu UK Ltd. Birtley, U.K.	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, etc.	717	789	- (200)	19	1,525	302
Komatsu Germany GmbH Dusseldorf, Germany	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators	2,519	2,388	1,120 (111)	678	6,705	629
Komatsu Germany GmbH Hannover, Germany	Construction, Mining and Utility Equipment	Manufacturing of wheel loaders, etc.	1,170	252	488 (158)	667	2,577	505
Komatsu Italia Manufacturing S.p.A. Este, Italy	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, backhoe loaders, etc.	1,136	980	227 (134)	2	2,345	295
Komatsu Forest AB Umea, Sweden	Construction, Mining and Utility Equipment	Manufacturing of forestry equipment.	351	691	44 (43)	112	1,198	644
Komatsu Manufacturing Rus, LLC Yaroslavl, Russia	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, dump trucks, etc.	2,400	1,087	6 (400)	34	3,527	257
Komatsu (Changzhou) Construction Machinery Corp. Jiangsu, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, wheel loaders, etc.	7,980	2,209	- (-) [281]	170	10,359	463
Komatsu Shantui Construction Machinery Co., Ltd. Shandong, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators	1,284	1,666	- (-) [286]	118	3,068	653

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 (Shandong) Construction Machinery Corp. Shandong, China *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, steel castings, construction and mining equipment components, etc.	6,925	7,126	- (-) [570]	585	14,636	1,110
PT Komatsu Indonesia Jakarta, Indonesia	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, bulldozers and dump trucks, etc.	2,867	1,906	3,360 (305)	571	8,704	1,345
PT Komatsu Undercarriage Indonesia Bekasi, Indonesia	Construction, Mining and Utility Equipment	Manufacturing of construction and mining equipment components	849	1,226	493 (64)	196	2,764	754
Bangkok Komatsu Co., Ltd. Chonburi, Thailand	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, iron castings, etc.	915	815	1,448 (179)	138	3,316	728
Komatsu India Pvt. Ltd Kanchipuram, India *2	Construction, Mining and Utility Equipment	Manufacturing of hydraulic excavators, dump trucks, etc.	2,447	1,618	- (-) [240]	95	4,160	386
Joy Global (Africa) (Proprietary) Limited Wadeville, Republic of South Africa	Construction, Mining and Utility Equipment	Manufacturing of continuous miners and underground mining equipment, etc.	1,062	563	63 (115)	82	1,770	758

*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, 2018, 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 ¥159,700 million in the fiscal year ending March 31, 2019 (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, 2019 (Millions of yen)	Principal investment detail and objectives	Sources of funding
Construction, Mining and Utility Equipment	98,000	To enhance production efficiency and flexibility	Funds on hand, bank borrowings, etc.
Retail Finance	56,700	Operating lease equipment	Funds on hand, bank borrowings, etc.
Industrial Machinery and Others	5,000	To renew obsolete equipment	Funds on hand, bank borrowings, etc.
Total	159,700		

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, 2018) (Shares)	Number of issued shares as of the filing date (June 18, 2018) (Shares)	Name of stock exchange on which the Company is listed or names of authorized financial instruments firms associations	Description
Common shares	971,967,660	971,967,660	Tokyo Stock Exchange (First Section)	Shareholders have unlimited standard rights. The number of shares constituting one unit is 100 shares.
Total	971,967,660	971,967,660	-	-

(2) Stock acquisition rights, etc.

(i) Stock option plans

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 13, 2011 (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)*	197		*1
Class of shares subject to Stock Acquisition Rights*	Common stock		
Number of shares subject to Stock Acquisition Rights (Shares)*	19,700		*2
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share		
Period for exercising Stock Acquisition Rights*	From August 1, 2014 to July 31, 2019		
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	*3
	Additional paid-in capital per share	¥1	
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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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, 2011 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company

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

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

Date of resolution	July 12, 2012 (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)*	187		*1
Class of shares subject to Stock Acquisition Rights*	Common stock		
Number of shares subject to Stock Acquisition Rights (Shares)*	18,700		*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	*3
	Additional paid-in capital per share	¥1	
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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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 12, 2012 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company
In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall

become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

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

Date of resolution	July 17, 2013 (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)*	251[122]		*1
Class of shares subject to Stock Acquisition Rights*	Common stock		
Number of shares subject to Stock Acquisition Rights (Shares)*	25,100[12,200]		*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	*3
	Additional paid-in capital per share	¥1	
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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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 17, 2013 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company
In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall

become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

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

Date of resolution	July 11, 2014 (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)*	386[243]		*1
Class of shares subject to Stock Acquisition Rights*	Common stock		
Number of shares subject to Stock Acquisition Rights (Shares)*	38,600[24,300]		*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	*3
	Additional paid-in capital per share	¥1	
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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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 11, 2014 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company
In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a wholly-owned subsidiary) (collectively “Restructuring Actions”), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter “Remaining Stock Acquisition Rights”) shall respectively be granted the Stock Acquisition Rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) inclusive of the Companies Act of Japan (hereinafter “Reorganized Company”). In this event, the Remaining Stock Acquisition Rights shall

become null and void and the Reorganized Company shall issue new Stock Acquisition Rights. However, the new Stock Acquisition Rights shall be granted, only if provisions for granting them in accordance with the following items are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), a share exchange agreement, or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

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

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)*	499		*1
Class of shares subject to Stock Acquisition Rights*	Common stock		
Number of shares subject to Stock Acquisition Rights (Shares)*	49,900		*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	*3
	Additional paid-in capital per share	¥1	
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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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)*	505		*1
Class of shares subject to Stock Acquisition Rights*	Common stock		
Number of shares subject to Stock Acquisition Rights (Shares)*	50,500		*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	*3
	Additional paid-in capital per share	¥1	
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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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	*3
	Additional paid-in capital per share	¥1	
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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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 23, 2010
	Meeting of the Board of Directors	July 13, 2010
Category and number of individuals covered by the plan	Employees of the Company: 50 Directors of major subsidiaries of the Company: 12	
Number of Stock Acquisition Rights (Units)*	21[9]	*1
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	2,100[900]	*2
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share	
Period for exercising Stock Acquisition Rights*	From August 2, 2013 to July 31, 2018	
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 Additional paid-in capital per share	¥1 ¥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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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 23, 2010 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.

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

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

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

Date of resolution	Ordinary General Meeting of Shareholders	June 22, 2011
	Meeting of the Board of Directors	July 13, 2011
Category and number of individuals covered by the plan	Employees of the Company: 65 Directors of major subsidiaries of the Company: 12	
Number of Stock Acquisition Rights (Units)*	266[229]	*1
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	26,600[22,900]	*2
Amount to be paid in to exercise Stock Acquisition Rights*	¥1 per share	
Period for exercising Stock Acquisition Rights*	From August 1, 2014 to July 31, 2019	
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 Additional paid-in capital per share	¥1 ¥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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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, 2011 for other reasons than the aforementioned, the Company shall properly adjust the number of shares granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable. Fractions of less than one share resulting from the foregoing adjustment shall be rounded down.
3. If the Stock Acquisition Rights are exercised, new shares shall not be issued, but treasury stock shall be allotted.
4. Policy for decision on extinguishment of Stock Acquisition Rights in organizational restructuring and details of granting Stock Acquisition Rights of reorganized company

In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as a result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is

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

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- (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	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)*	823[757]	*1
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	82,300[75,700]	*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 Additional paid-in capital per share	¥1 ¥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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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)*	1,527[1,458]	*1
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	152,700[145,800]	*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 Additional paid-in capital per share	¥1 ¥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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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)*	1,685[1,606]	*1
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	168,500[160,600]	*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 Additional paid-in capital per share	¥1 ¥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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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.
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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
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- (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.
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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.
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 - (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.
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- (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)*	1,930	*1
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	193,000	*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 Additional paid-in capital per share	¥1 ¥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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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)*	1,996	*1
Class of shares subject to Stock Acquisition Rights*	Common stock	
Number of shares subject to Stock Acquisition Rights (Shares)*	199,600	*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 Additional paid-in capital per share	¥1 ¥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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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 Additional paid-in capital per share	¥1 ¥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, 2018). The items which were changed between the end of the fiscal year and the end of month previous to the filing month (May 31, 2018) 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)
March 31, 2015 *	(11,162,600)	971,967,660	-	70,120	-	140,140

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

(5) Shareholding by shareholder category

(As of March 31, 2018)

Category	Status of shares (1 unit = 100 shares)							Shares less than one unit (Shares)	
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders		Individuals and others		Total
					Other than individuals	Individuals			
Number of shareholders	1	171	87	1,094	976	67	132,808	135,204	-
Number of shares held (Units)	100	3,486,523	212,126	206,574	4,308,725	523	1,497,692	9,712,263	741,360
Shareholding ratio (%)	0.00	35.89	2.18	2.12	44.36	0.00	15.42	100.00	-

Notes:

- 28,190,186 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 281,901 units and 86 shares, respectively.
- The shares registered in the name of the Japan Securities Depository Center, Incorporated are included in "Other corporations" and "Share less than one unit" in the table. These amounts are 70 units and 16 shares, respectively.
- The figures of "Shareholding ratio" in the table have been rounded down to the second decimal place.

(6) Major shareholders

(As of March 31, 2018)

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	62,612	6.63
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	62,405	6.61
Taiyo Life Insurance Company	2-7-1, Nihonbashi, Chuo-ku, Tokyo, Japan	34,000	3.60
JP Morgan Chase Bank 380055 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA (2-15-1, Konan, Minato-ku, Tokyo, Japan)	33,514	3.55
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	ONE LINCOLN STREET, BOSTON MA 02111, U.S.A. (3-11-1, Nihonbashi, Chuo-ku, Tokyo, Japan)	20,339	2.15
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)	18,638	1.97
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	18,451	1.95
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	17,835	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	17,183	1.82
State Street Bank West Client - Treaty 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo, Japan)	17,029	1.80
Total	—	302,011	32.00

Notes:

- The figures of “Shareholding ratio (excluding treasury stock) (%)” in the table are rounded down to the second decimal place.
- 28,190,000 shares of treasury stock held by the Company are excluded from the list.
- 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 5) and Japan Trustee Services Bank, Ltd. (Trust Account 7) are held through trusts.
- The Report of Possession of Large Volume relating to the Company’s shares was filed in the joint names of Sumitomo Mitsui Trust Bank, Limited and two joint holders at the date of January 19, 2017 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders’ list of the Company and does not reflect the information in the Report, because the Company is not able to confirm the actual state of shareholdings as of March 31, 2018. The major content of the report is as follows:

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

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

- 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, 2018. 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

- 6) The Change Report No.3 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 June 7, 2017 under the Financial Instruments and Exchange Act of Japan. However, the description in the table is as the same with that in the shareholders' list of the Company and does not reflect the information in the Report, because the Company is not able to confirm the actual state of shareholdings as of March 31, 2018. The major content of the Change Report is as follows:

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

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	40,138,600	4.13

(7) Voting rights

(i) Issued shares

(As of March 31, 2018)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(treasury stock) Common shares 28,190,100	-	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 887,500	-	Same as above
Shares with full voting rights (others)	Common shares 942,148,700	9,421,487	Same as above
Shares less than one unit	Common shares 741,360	-	Same as above
Number of issued shares	971,967,660	-	-
Total number of voting rights	-	9,421,487	-

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, 2018)

Name of shareholders, address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total shares held (Shares)	Ownership percentage to the total number of issued shares (%)
The Company 2-3-6, Akasaka, Minato-ku, Tokyo, Japan	28,190,100	-	28,190,100	2.90
KOMATSU DOUTOU LTD. 1-3-4, Nishinjuyonjokita, Obihiro City, Hokkaido, Japan	300,000	-	300,000	0.03
KOMATSU TOCHIGI LTD. *1 38-12, Hiradekougyodanchi, Utsunomiya City, Tochigi, Japan	287,000	9,700	296,700	0.03
KOMATSU AKITA LTD. *1 9-48, Kawashiiriokawamachi, Akita City, Akita, Japan	-	80,300	80,300	0.00
KOMATSU AWAJI LTD. *1 1-1-7, Kuwama, Sumoto City, Hyogo, Japan	-	77,600	77,600	0.00
TOCHIGI SHEARING LTD. *2 1-22, Owada, Moka City, Tochigi, Japan	19,400	51,100	70,500	0.00
KOMATSU SANIN LTD. *1 1876, Higashitsudacho, Matsue City, Shimane, Japan	10,000	14,000	24,000	0.00
KOMATSU IBARAKI LTD. *1 358-1, Yoshizawacho, Mito City, Ibaraki, Japan	-	23,300	23,300	0.00
HAMAMATSU KOMATSU FORKLIFT LTD. 1-6-15, Sakuradai, Nishi-ku, Hamamatsu City, Shizuoka, Japan	6,000	-	6,000	0.00
SHIZUOKA KOMATSU FORKLIFT LTD. 1-31-4, Kitamariko, Suruga-ku, Shizuoka City, Shizuoka, Japan	3,800	-	3,800	0.00
OITA KOMATSU FORKLIFT LTD. 4-2-12, Toyomi, Oita City, Oita, Japan	3,000	-	3,000	0.00
KOMATSU MIYAZAKI LTD. *1 2957-12, Shimonaka, Sadowaracho, Miyazaki City, Miyazaki, Japan	-	2,000	2,000	0.00
YAMAGATA KOMATSU FORKLIFT LTD. 1-2-1, Ryutsu-Center, Yamagata City, Yamagata, Japan	300	-	300	0.00
Total	28,819,600	258,000	29,077,600	2.99

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

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

Not applicable.

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

Not applicable.

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

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

Category	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the fiscal year	11,455	39,805,577
Treasury stock acquired during the current period *	1,228	4,476,806

Note: Treasury stock acquired during the current period does not include shares constituting less than one unit purchased during the period from June 1, 2018 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	250,400	88,378,400	53,500	53,500
(Request for sale of shares less than one unit)	167	524,556	18	66,924
Number of treasury stock held	28,190,186	-	28,137,896	-

Notes:

1. The number of treasury stock held during the current period does not include shares disposed of through exercise of stock options or request for sale of shares less than one unit during the period from June 1, 2018 to the filing date of this Annual Securities Report.
2. "Total disposal amount" in the table shows the total amount paid in on exercise of stock options.

3. Dividend Policy

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

The Company has set the goal of a consolidated dividend payout ratio of 40% or higher. Further, the Company maintains a policy of not decreasing dividends, as long as the consolidated dividend payout ratio does not surpass 60%. In accordance with such dividend policy, the Company plans to set the fiscal year-end dividend at ¥48 per share. Annual cash dividends for the 149th fiscal year, including the interim dividend of ¥36 per share, are expected to amount to ¥84 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 149th fiscal year are as follows:

Date of resolution	Total dividend amount (Millions of yen)	Dividend amount per share (Yen)
October 27, 2017 Resolution of the meeting of the Board of Directors	33,972	36
June 19, 2018 (planned) Resolution of the Ordinary General Meeting of Shareholders*	45,301	48

Note: These are the year-end dividends of the Company whose record date shall be March 31 of each year. These are proposed to be resolved at the Ordinary General Meeting of Shareholders of the Company to be held on June 19, 2018.

4. Historical Records of Share Price

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

Fiscal year	145 th	146 th	147 th	148 th	149 th
Year ended	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Highest (Yen)	3,095	2,963.0	2,639.5	3,029.0	4,475.0
Lowest (Yen)	1,958	2,091	1,557.5	1,661.5	2,622.5

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

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

Month	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018
Highest (Yen)	3,843.0	3,945.0	4,097.0	4,475.0	4,334.0	3,887.0
Lowest (Yen)	3,182.0	3,433.0	3,601.0	4,119.0	3,806.0	3,330.0

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

5. Board of Directors and Audit & Supervisory Board Members

(1) The Board of Directors and Audit & Supervisory Board Members of the Company as of June 18, 2018 (As of the filing date of this Annual Securities Report) are shown as below.

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

Title	Position	Name	Date of birth	Career summary	Term of office	Share ownership (Thousands of shares)
Chairperson of the Board and Director		Kunio Noji	Nov. 17, 1946	<p>Apr. 1969 Joined the Company Field Testing Department, Technical Division</p> <p>Jun. 1993 General Manager of Production Control Department, Technical Division in Construction Equipment Division</p> <p>Feb. 1995 Plant Manager of Chattanooga Manufacturing Operation, Komatsu Dresser Company (currently Komatsu America Corp.) (until Feb. 1997)</p> <p>Mar. 1997 President of Information Systems Division of the Company</p> <p>Jun. 1997 Took office as Director</p> <p>Jun. 1999 Resigned as Director, took office as Executive Officer</p> <p>Apr. 2000 President of Production Division</p> <p>Jun. 2000 Took office as Senior Executive Officer</p> <p>Jun. 2001 Took office as Managing Director and Senior Executive Officer</p> <p>Apr. 2003 Took office as Director and Senior Executive Officer</p> <p>Apr. 2003 President of Construction & Mining Equipment Marketing Division</p> <p>Jun. 2007 Took office as President and Representative Director, and Chief Executive Officer (CEO)</p> <p>Apr. 2013 Took office as Chairperson of the Board and Representative Director</p> <p>Apr. 2016 Took office as Chairperson of the Board and Director (current)</p>	*4	166
President and Representative Director	CEO	* Tetsuji Ohashi	Mar. 23, 1954	<p>Apr. 1977 Joined the Company Product Control Section, Planning & Coordination Department of Awazu Plant</p> <p>Jun. 1982 Graduate School, Stanford University, U.S.A. (until Jun. 1984)</p> <p>Oct. 1998 General Manager of Planning & Cooperation Department of Awazu Plant, Production Division</p> <p>Oct. 2001 Plant Manager of Moka Plant, Production Division</p> <p>Jan. 2004 President and Chief Operating Officer (COO) of Komatsu America Corp. (until Mar. 2007)</p> <p>Apr. 2007 Took office as Executive Officer of the Company</p> <p>Apr. 2007 President of Production Division</p> <p>Apr. 2008 Took office as Senior Executive Officer</p> <p>Jun. 2009 Took office as Director and Senior Executive Officer</p> <p>Apr. 2012 Took office as Director and Senior Executive Officer</p> <p>Apr. 2013 Took office as President and Representative Director (current)</p> <p>Apr. 2013 CEO (current)</p>	*4	88
Executive Vice President and Representative Director		* Mikio Fujitsuka	Mar. 13, 1955	<p>Apr. 1977 Joined the Company Accounting Section, Administration Department of Awazu Plant</p> <p>Jul. 1988 Komatsu Australia Pty., Ltd. (until Feb. 1994)</p> <p>Jun. 2001 General Manager of Corporate Controlling Department of the Company</p> <p>Apr. 2005 Took office as Executive Officer</p> <p>Apr. 2008 President of Global Retail Finance Business Division and President and Representative Director of Komatsu Business Support Ltd.</p> <p>Feb. 2009 General Manager of Corporate Planning Division and President of Global Retail Finance Business Division</p> <p>Apr. 2010 Took office as Senior Executive Officer</p> <p>Apr. 2011 Chief Financial Officer (CFO)</p> <p>Jun. 2011 Took office as Director and Senior Executive Officer</p> <p>Apr. 2013 Took office as Director and Senior Executive Officer</p> <p>Apr. 2016 Took office as Executive Vice President and Representative Director (current)</p>	*4	53

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director		Kazunori Kuromoto	May 23, 1955	Apr. 1980 Jun. 1985 Apr. 2006 Apr. 2007 Apr. 2008 Apr. 2009 Apr. 2012 Apr. 2012 Apr. 2013 Jun. 2013 Apr. 2014 Apr. 2016 Apr. 2018	Joined the Company Technical Center of Awazu Plant Graduate School, University of California, Los Angeles, U.S.A. (until Jun. 1987) General Manager of Construction Equipment Electronics, Development Division Took office as Executive Officer President of AHS Business, Construction & Mining Equipment Marketing Division President of IT Construction Business, Construction & Mining Equipment Marketing Division Took office as Senior Executive Officer President of ICT Business Division President of Global Mining Business Division and President of ICT Business Division Took office as Director and Senior Executive Officer President of ICT Solution Division Took office as Director and Senior Executive Officer Took office as Director (current)	*4	29
Director		Masanao Mori	Feb. 8, 1958	Apr. 1981 Apr. 2004 Apr. 2008 Apr. 2009 Apr. 2013 Jun. 2013 Apr. 2018	Joined the Company Labor Section, Human Resources Department General Manager of General Affairs Department, Engines & Hydraulics Business Division General Manager of Human Resources Department Took office as Executive Officer Took office as Senior Executive Officer Took office as Director and Senior Executive Officer Took office as Director (current)	*4	20
Director		Masayuki Oku	Dec. 2, 1944	Apr. 1968 Jun. 1994 Nov. 1998 Jan. 2001 Apr. 2001 Dec. 2002 Jun. 2003 Jun. 2005 Jun. 2005 Apr. 2011 Apr. 2011 Jun. 2014 Apr. 2017 Jun. 2017	Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter the "Bank") Took office as Director of the Bank Took office as Managing Director of the Bank Took office as Representative Director and Senior Managing Director of the Bank Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Banking Corporation (hereinafter "SMBC") Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Financial Group, Inc. (hereinafter "SMFG") Took office as Representative Director and Deputy President of SMBC Took office as Chairman of the Board and Representative Director of SMFG Took office as Representative Director and President of SMBC Retired from SMBC Took office as Chairman of the Board of SMFG Took office as Director of the Company (current) Took office as Director of SMFG Took office as Honorary Advisor of SMFG (current)	*4	0
Director		Mitoji Yabunaka	Jan. 23, 1948	Apr. 1969 Jan. 2008 Aug. 2010 Jun. 2014	Joined the Ministry of Foreign Affairs (hereinafter "MOFA") Took office as Vice-Minister for Foreign Affairs Took office as Adviser to MOFA Took office as Director of the Company (current)	*4	-

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director		Makoto Kigawa	Dec.31, 1949	Apr. 1973 Apr. 2004 Mar. 2005 Apr. 2005 Jun. 2005 Nov. 2005 Apr. 2006 Jun. 2006 Mar. 2007 Mar. 2007 Apr. 2011 Apr. 2015 Jun. 2016 Apr. 2018	Joined the Fuji Bank, Limited (currently Mizuho Bank, Ltd.) Took office as Managing Director, Chief Risk Officer / Head of Risk Management Group, and Chief Human Resources Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) Retired from Mizuho Corporate Bank, Ltd. Joined Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.) Took office as Managing Director Took office as Representative Managing Director of Yamato Holdings Co., Ltd. Took office as Representative Director and Managing Executive Officer Took office as Representative Director and Senior Managing Executive Officer Took office as Representative Director and Executive Officer Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd. Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd. Took office as Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd. Took office as Director of the Company (current) Took office as Director and Chairman of Yamato Holdings Co., Ltd. (current)	*4	-
Standing Audit & Supervisory Board Member		Kosuke Yamane	Jun. 19, 1958	Apr. 1981 Aug. 1991 Mar. 1999 Apr. 2003 Apr. 2004 Jan. 2006 Apr. 2008 Apr. 2011 Apr. 2011 Apr. 2016 Jun. 2016	Joined the Company Accounting Section, Administration Department of Awazu Plant Touche Ross & Co, U.K. (until Jul. 1992) Financial Officer of Komatsu Asia & Pacific Pte Ltd. (until Mar. 2003) General Manager of Corporate Communications & Investor Relations Department of the Company General Manager of Corporate Communications Department General Manager of Finance & Treasury Department General Manager of e-KOMATSU Technical Center Took office as Executive Officer President of Information Strategy Division Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*5	10
Standing Audit & Supervisory Board Member		Hironobu Matsuo	Jul. 22, 1958	Apr. 1982 Dec. 1992 Oct. 1995 Jan. 2006 Apr. 2008 Jun. 2012 Apr. 2013 Apr. 2017 Jun. 2017	Joined the Company Accounting Section, Administration Department of Osaka Plant Hanomag AG (currently Komatsu Germany GmbH) (until Sep. 1995) Komatsu Baumaschinen Deutschland GmbH (until Jun. 1997) Vice President of Komatsu (China) Ltd. (until Mar. 2008) General Manager of Corporate Controlling Department of the Company General Manager of Internal Auditing Department Took office as Executive Officer Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*6	11
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	-

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)	
Audit & Supervisory Board Member		Eiko Shinotsuka	May 1, 1942	Apr. 1993 Mar. 2009 Jun. 2015	Took office as professor at Ochanomizu University Took office as professor emeritus at Ochanomizu University (current) Took office as Audit & Supervisory Board Member of the Company (current)	*8	-	
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)	*6	-	
Total								381

Notes:

- 1) Directors Masayuki Oku, Mitoji Yabunaka and Makoto Kigawa are Outside Directors.
- 2) Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are Outside Audit & Supervisory Board Members.
- 3) The Company introduced an executive officer system in June 1999. As of June 18, 2018, the Company has 50 officers including 2 persons simultaneously holding the position of director. Such persons have been marked with an asterisk above their names in the table.
- 4) The term of office of the Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year of the Company ending within 1 year after the Ordinary General Meeting of Shareholders held on June 20, 2017.
- 5) The term of office of Audit & Supervisory Board Members Kosuke Yamane shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 22, 2016.
- 6) The term of office of Audit & Supervisory Board Member Hironobu Matsuo and Kotaro Ohno shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 20, 2017.
- 7) The term of office of Audit & Supervisory Board Member Hirohide Yamaguchi shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 18, 2014.
- 8) The term of office of Audit & Supervisory Board Member Eiko Shinotsuka shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 24, 2015.
- 9) The names of organizations and subsidiaries, etc., of the Company shown in the "Career summary" above present those at the time.

(2) The Board of Directors and Audit & Supervisory Board Members of the Company will be as shown below, when the proposed items of “Election of eight (8) Directors” and “Election of one (1) Audit & Supervisory Board Member” will be resolved at the Ordinary General Meeting of Shareholders to be held on June 19, 2018.

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

Male: 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 Director		Kunio Noji	Nov. 17, 1946	Apr. 1969 Joined the Company Field Testing Department, Technical Division Jun. 1993 General Manager of Production Control Department, Technical Division in Construction Equipment Division Feb. 1995 Plant Manager of Chattanooga Manufacturing Operation, Komatsu Dresser Company (currently Komatsu America Corp.) (until Feb. 1997) Mar. 1997 President of Information Systems Division of the Company Jun. 1997 Took office as Director Jun. 1999 Resigned as Director, took office as Executive Officer Apr. 2000 President of Production Division Jun. 2000 Took office as Senior Executive Officer Jun. 2001 Took office as Managing Director and Senior Executive Officer Apr. 2003 Took office as Director and Senior Executive Officer Apr. 2003 President of Construction & Mining Equipment Marketing Division Jun. 2007 Took office as President and Representative Director, and CEO Apr. 2013 Took office as Chairperson of the Board and Representative Director Apr. 2016 Took office as Chairperson of the Board and Director (current)	*4	166
President and Representative Director	CEO	* Tetsuji Ohashi	Mar. 23, 1954	Apr. 1977 Joined the Company Product Control Section, Planning & Coordination Department of Awazu Plant 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. (until Mar. 2007) 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 (current) Apr. 2013 CEO (current)	*4	88

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Executive Vice President and Representative Director		* Mikio Fujitsuka	Mar. 13, 1955	Apr. 1977 Jul. 1988 Jun. 2001 Apr. 2005 Apr. 2008 Feb. 2009 Apr. 2010 Apr. 2011 Jun. 2011 Apr. 2013 Apr. 2016	Joined the Company Accounting Section, Administration Department of Awazu Plant Komatsu Australia Pty., Ltd. (until Feb. 1994) General Manager of Corporate Controlling Department of the Company Took office as Executive Officer President of Global Retail Finance Business Division and President and Representative Director of Komatsu Business Support Ltd. General Manager of Corporate Planning Division and President of Global Retail Finance Business Division Took office as Senior Executive Officer CFO Took office as Director and Senior Executive Officer Took office as Director and Senior Executive Officer Took office as Executive Vice President and Representative Director (current)	*4	53
Director		* Hiroyuki Ogawa	Mar. 23, 1961	Apr. 1985 Apr. 2004 Apr. 2007 Apr. 2010 Apr. 2010 Apr. 2013 Apr. 2014 Apr. 2015 Apr. 2016 Apr. 2018 Jun. 2018	Joined the Company Production Engineering Section, Production Engineering Department of Kawasaki Plant Plant Manager of Chattanooga Manufacturing Operation, Komatsu America Corp. (until Mar. 2007) General Manager of Planning & Coordination Department of Osaka Plant, Production Division Took office as Executive Officer Plant Manager of Ibaraki Plant, Production Division President of Procurement Division in Production Division Representative of All Indonesia Operations Chairperson of PT Komatsu Marketing & Support Indonesia (until Mar. 2016) Took office as Senior Executive Officer President of Production Division (current) Took office as Senior Executive Officer Took office as Director and Senior Executive Officer (current)	*4	10
Director		* Kuniko Urano	Oct. 19, 1956	Apr. 1979 Apr. 2005 Apr. 2010 Apr. 2011 Apr. 2014 Apr. 2016 Jun. 2018	Joined the Company Education Section, Human Resources Department General Manager of Logistics Planning Department, Production Division General Manager of Corporate Communications Department Took office as Executive Officer General Manager of Human Resources Department Took office as Senior Executive Officer Took office as Director and Senior Executive Officer (current)	*4	18

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director		Masayuki Oku	Dec. 2, 1944	Apr. 1968 Jun. 1994 Nov. 1998 Jan. 2001 Apr. 2001 Dec. 2002 Jun. 2003 Jun. 2005 Jun. 2005 Apr. 2011 Apr. 2011 Jun. 2014 Apr. 2017 Jun. 2017	Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter the "Bank") Took office as Director of the Bank Took office as Managing Director of the Bank Took office as Representative Director and Senior Managing Director of the Bank Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Banking Corporation (hereinafter "SMBC") Took office as Representative Director and Senior Managing Director of Sumitomo Mitsui Financial Group, Inc. (hereinafter "SMFG") Took office as Representative Director and Deputy President of SMBC Took office as Chairman of the Board and Representative Director of SMFG Took office as Representative Director and President of SMBC Retired from SMBC Took office as Chairman of the Board of SMFG Took office as Director of the Company (current) Took office as Director of SMFG Took office as Honorary Advisor of SMFG (current)	*4	0
Director		Mitoji Yabunaka	Jan. 23, 1948	Apr. 1969 Jan. 2008 Aug. 2010 Jun. 2014	Joined the Ministry of Foreign Affairs (hereinafter "MOFA") Took office as Vice-Minister for Foreign Affairs Took office as Adviser to MOFA Took office as Director of the Company (current)	*4	-
Director		Makoto Kigawa	Dec.31, 1949	Apr. 1973 Apr. 2004 Mar. 2005 Apr. 2005 Jun. 2005 Nov. 2005 Apr. 2006 Jun. 2006 Mar. 2007 Mar. 2007 Apr. 2011 Apr. 2015 Jun. 2016 Apr. 2018	Joined the Fuji Bank, Limited (currently Mizuho Bank, Ltd.) Took office as Managing Director, Chief Risk Officer / Head of Risk Management Group, and Chief Human Resources Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) Retired from Mizuho Corporate Bank, Ltd. Joined Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.) Took office as Managing Director Took office as Representative Managing Director of Yamato Holdings Co., Ltd. Took office as Representative Director and Managing Executive Officer Took office as Representative Director and Senior Managing Executive Officer Took office as Representative Director and Executive Officer Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd. Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd. Took office as Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd. Took office as Director of the Company (current) Took office as Director and Chairman of Yamato Holdings Co., Ltd. (current)	*4	-

Title	Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Standing Audit & Supervisory Board Member		Kosuke Yamane	Jun. 19, 1958	Apr. 1981 Aug. 1991 Mar. 1999 Apr. 2003 Apr. 2004 Jan. 2006 Apr. 2008 Apr. 2011 Apr. 2011 Apr. 2016 Jun. 2016	Joined the Company Accounting Section, Administration Department of Awazu Plant Touche Ross & Co, U.K. (until Jul. 1992) Financial Officer of Komatsu Asia & Pacific Pte Ltd. (until Mar. 2003) General Manager of Corporate Communications & Investor Relations Department of the Company General Manager of Corporate Communications Department General Manager of Finance & Treasury Department General Manager of e-KOMATSU Technical Center Took office as Executive Officer President of Information Strategy Division Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*5	10
Standing Audit & Supervisory Board Member		Hironobu Matsuo	Jul. 22, 1958	Apr. 1982 Dec. 1992 Oct. 1995 Jan. 2006 Apr. 2008 Jun. 2012 Apr. 2013 Apr. 2017 Jun. 2017	Joined the Company Accounting Section, Administration Department of Osaka Plant Hanomag AG (currently Komatsu Germany GmbH) (until Sep. 1995) Komatsu Baumaschinen Deutschland GmbH (until Jun. 1997) Vice President of Komatsu (China) Ltd. (until Mar. 2008) General Manager of Corporate Controlling Department of the Company General Manager of Internal Auditing Department Took office as Executive Officer Advisor to President Took office as Standing Audit & Supervisory Board Member (current)	*6	11
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 Mar. 2009 Jun. 2015	Took office as professor at Ochanomizu University Took office as professor emeritus at Ochanomizu University (current) Took office as Audit & Supervisory Board Member of the Company (current)	*8	-
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)	*6	-
Total							359

Notes:

- 1) Directors Masayuki Oku, Mitoji Yabunaka and Makoto Kigawa are Outside Directors.
- 2) Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are Outside Audit & Supervisory Board Members.
- 3) The Company introduced an executive officer system in June 1999. As of June 19, 2018, the Company has 50 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 19, 2018.

- 5) The term of office of Audit & Supervisory Board Member Kosuke Yamane shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 22, 2016.
- 6) The term of office of Audit & Supervisory Board Members Hironobu Matsuo and Kotaro Ohno shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 20, 2017.
- 7) The term of office of Audit & Supervisory Board Member Hirohide Yamaguchi shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within 4 years after the Ordinary General Meeting of Shareholders held on June 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 24, 2015.
- 9) The names of organizations and subsidiaries, etc., of the Company shown in the “Career summary” above present those at the time.

6. Corporate Governance, etc.

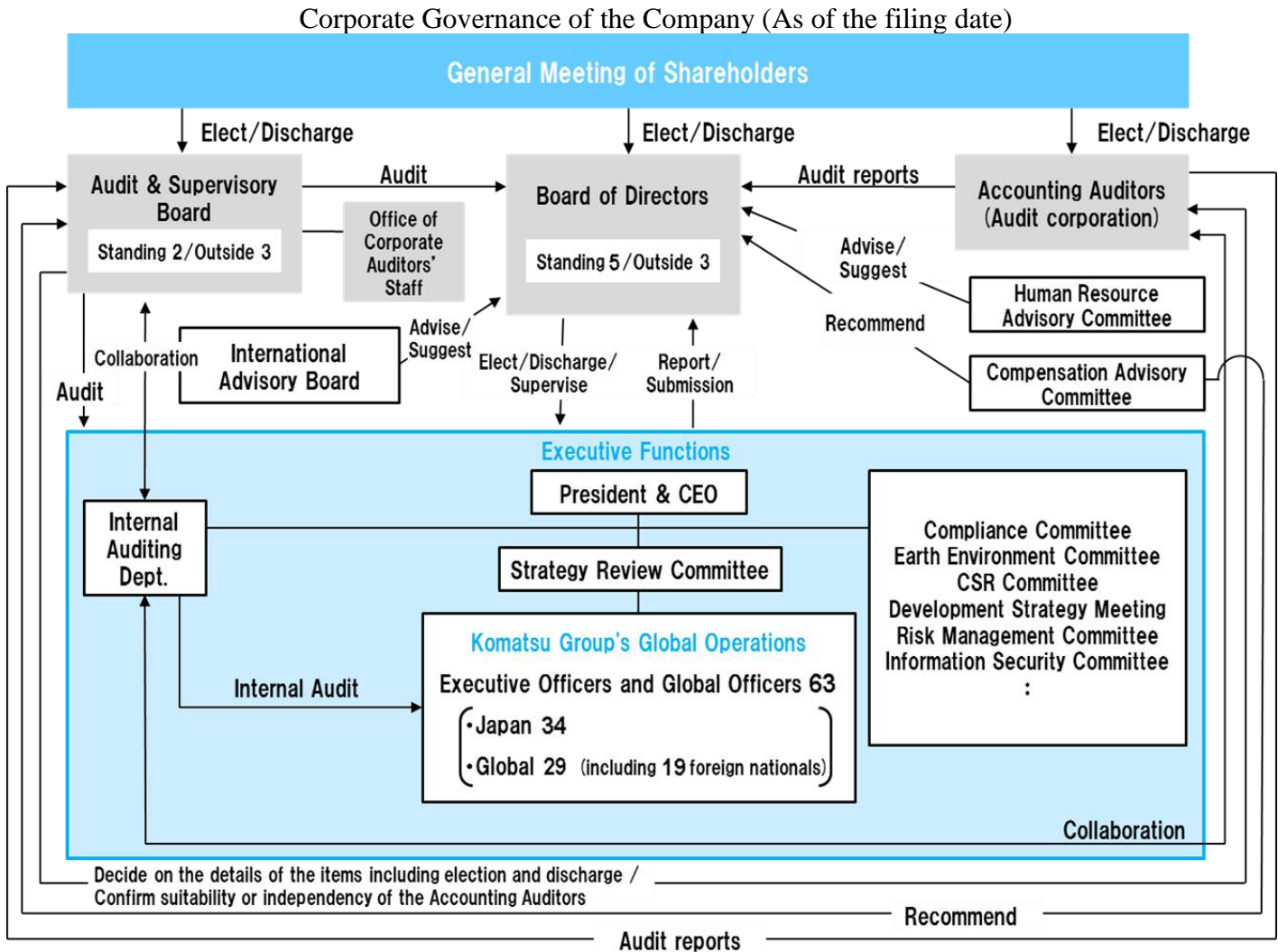
(1) Overview of corporate governance

<Basic stance on corporate governance>

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

A. Current Corporate Governance Structure

1. Overview of current corporate governance structure



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

The Company holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of

the executive management team including Representative Directors. Of the eight (8) Directors on the Board, three (3) are Outside Directors to ensure transparent and objective management.

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

Note: The Company is going to propose the agendas of Election of eight (8) Directors and Election of one (1) Audit & Supervisory Board Member as the matters requiring a resolution by the 149th Ordinary General Meeting of Shareholders scheduled for June 19, 2018. When the said agendas are approved, the Company will have eight (8) Directors (including three (3) Outside Directors), five (5) Audit & Supervisory Board Members (including three (3) Outside Audit & Supervisory Board Members), and four (4) Directors who concurrently serve executive functions.

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

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

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

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

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

2 . Reason for adoption of the current corporate governance system

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

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

(1) Basic Policy on Internal Control

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

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

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

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

(3) Rules and Other Systems for Risk Management

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

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

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

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

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

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

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

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

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

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

- i) The Company shall establish the Affiliated Company Regulations and relevant rules to contribute to proper and efficient operation of Group management. It shall also position the Komatsu Code of Worldwide Business Conduct, as the code to be applied by all

companies affiliated with Komatsu. Each department or division of the Company in charge of affiliated companies shall manage and support each relevant company, and each company in Komatsu shall stipulate various regulations for the proper promotion of duties.

- ii) The Company shall assign and dispatch persons for Directors and Audit & Supervisory Board Members of major affiliated companies as needed, in order to strengthen corporate governance on a group-wide basis and monitor their management.
- iii) Important committees of the Company, including the Compliance Committee, Risk Management Committee and Export Control Committee, shall take actions with the entire Group in view, and allow representatives of affiliated companies to take part in their meetings on occasion.
- iv) The Company shall make particularly important affiliated companies regularly report to the Board of Directors of the Company on the status of business, including risks and compliance.
- v) The Internal Auditing Department of the Company shall audit each division of the Company and implement or supervise auditing of major affiliated companies that belong to Komatsu. It shall also monitor and instruct each affiliated company regarding internal control systems built by them in accordance with Company requirements and the appropriate operation. The Internal Auditing Department shall also regularly report to the Board of Directors and the Audit & Supervisory Board about the building, operational status and results of internal control systems across the Komatsu Group.

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

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

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

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

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

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

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

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

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

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

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

- i) Handling of personnel affairs (employment, appointment and personnel changes) of the employees who belong to the Office of Corporate Auditors' Staff shall be premised on approval of the Standing Audit & Supervisory Board Members.
- ii) The employees who exclusively assist the Office of Corporate Auditors' Staff are independent of control and command of the Directors, and their performance shall be rated by the Standing Audit & Supervisory Board Members.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- i) The above policy shall be provided in Komatsu Code of Worldwide Business Conduct and diffused throughout the Company as well as each company in Komatsu.
- ii) The Company's General Affairs Department of the Head Office shall oversee the policy, working with the police and other specialized external organizations, in accordance with the above policy, to take a firm and organized stand against unwarranted claims by antisocial movements or groups and to prevent any business relationship with those movements or groups.

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

4. Outline of contents of limited liability agreement

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

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

There are twenty-two (22) employees in the Internal Audit Department, which is in charge of the corporate internal audit of the Company. With respect to the Audit & Supervisory Board Members (which consists of five (5) persons in total), the Company has consistently made sure that at least half of them are Outside Audit & Supervisory Board Members. The Company has established the Office of Corporate Auditors' Staff and assigned seven (7) employees who work as assistants to Audit & Supervisory Board Members either exclusively or concurrently in another position within the Company. Standing Audit & Supervisory Board Member Kosuke Yamane and Hironobu Matsuo have long engaged in accounting-related duties at the Company, and have considerably profound knowledge concerning financial affairs and accounting.

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

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

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

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

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

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

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

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

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

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

C. Articles of Incorporation of the Company

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

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

D. Accounting Audit

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

Certified public accountants	Hiroshi Miura (engaged for four (4) consecutive years in auditing)
	Masafumi Tanabu (engaged for three (3) consecutive years in auditing)
	Shin Suzuki (engaged for six (6) consecutive years in auditing)
Audit Corporation	KPMG AZSA LLC
Assistants involved in auditing work	Twenty-two (22) other certified public accountants
	Twenty-four (24) associates

E. Outside Directors and Outside Audit & Supervisory Board Members

The Company has three (3) Outside Directors and three (3) Outside Audit & Supervisory Board Members as of June 18, 2018 (As of the filing date of this Annual Securities Report).

Note: The Company is going to propose the agendas of Election of eight (8) Directors and Election of one (1) Audit & Supervisory Board Member as the matters requiring a resolution by the 149th Ordinary General Meeting of Shareholders scheduled for June 19, 2018. When the said agendas are approved, the Company will have three (3) Outside Directors and three (3) Outside Audit & Supervisory Board Members.

Outside Directors of the Company perform their duty of contributing to the maintenance of management transparency and soundness by providing advice and suggestions based on their considerable insight and rich experience from an independent standpoint for proposed items and their discussions at the meetings of the Board of Directors. Outside Audit & Supervisory Board Members perform their duty of enforcing audit activities throughout the fiscal year based on the audit policy, audit plan, audit method and assignment of duties, which they discussed and decided at the meeting of the Audit & Supervisory Board in collaboration with Standing Audit & Supervisory Board Members, as well as provide comments as necessary based on their professional standpoint and rich experience at the meetings of the Board of Directors and of the Audit & Supervisory Board. The Board of Directors of the Company has determined the independence standards for Outside Directors and Outside Audit & Supervisory Board Members as follows. Outside Directors Masayuki Oku, Mitoji Yabunaka and Makoto Kigawa and Outside Audit & Supervisory Board Members 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 18, 2018 (As of the filing date of this Annual Securities Report) are outlined below.

<Outside Directors>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for appointment as Outside Director
Masayuki Oku (June 2014)	Honorary Advisor of Sumitomo Mitsui Financial Group, Inc. Outside Director of Panasonic Corporation Outside Director of Kao Corporation Outside Director of Chugai Pharmaceutical Co., Ltd. Non-executive Director of The Bank of East Asia, Limited Outside Audit & Supervisory Board Member of Nankai Electric Railway Co., Ltd.	<p>Having served as Representative Director of Sumitomo Mitsui Banking Corporation, Mr. Masayuki Oku has been active internationally in the financial field and has considerable knowledge and rich experience in the business world.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management and enhancing corporate governance. Therefore, the Company appointed him as an Outside Director.</p> <p>Mr. Masayuki Oku held the positions of Representative Director and Senior Managing Director, Representative Director and Deputy President, and Representative Director and President of Sumitomo Mitsui Banking Corporation (including the former The Sumitomo Bank, Ltd.), which is one of the lenders of the Company and its consolidated subsidiaries, from January 2001 to April 2011. However, more than seven (7) years have passed since his retirement from Sumitomo Mitsui Banking Corporation, and he currently has no involvement with the execution of business at the said bank. Because the Company and its consolidated subsidiaries have several lenders and the said bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, the said bank is not a business partner which has a significant impact on the Company's decision making. Accordingly, Mr. Masayuki Oku is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director.</p>
Mitoji Yabunaka (June 2014)	Visiting Professor of Ritsumeikan University Outside Director of Mitsubishi Electric Corporation Outside Director of Takasago Thermal Engineering Co., Ltd.	<p>Having served as Vice-Minister for Foreign Affairs, Mr. Mitoji Yabunaka has been active in such fields as international policy coordination and overseas consular work, and has considerable knowledge and rich experience in international relations.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to the mitigation and avoidance of risk in the Company's global business operations, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company appointed him as an Outside Director.</p> <p>Mr. Mitoji Yabunaka is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director.</p>

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

<Outside Audit & Supervisory Board Members>

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

Notes:

The Company is going to propose the agendas of Election of eight (8) Directors and Election of one (1) Audit & Supervisory Board Member as the matters requiring a Resolution by the 149th Ordinary General Meeting of Shareholders scheduled for June 19, 2018. When the said agendas are approved, Outside Directors of the Company are following three (3) persons and Outside Audit & Supervisory Board Members of the Company are following three (3) persons.

<Outside Directors>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reason for nomination as candidate for Outside Director
Masayuki Oku (June 2014)	Honorary Advisor of Sumitomo Mitsui Financial Group, Inc. Outside Director of Panasonic Corporation Outside Director of Kao Corporation Outside Director of Chugai Pharmaceutical Co., Ltd. Non-executive Director of The Bank of East Asia, Limited Outside Audit & Supervisory Board Member of Nankai Electric Railway Co., Ltd.	<p>Having served as Representative Director of Sumitomo Mitsui Banking Corporation, Mr. Masayuki Oku has been active internationally in the financial field and has considerable knowledge and rich experience in the business world.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management and enhancing corporate governance. Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>Mr. Masayuki Oku held the positions of Representative Director and Senior Managing Director, Representative Director and Deputy President, and Representative Director and President of Sumitomo Mitsui Banking Corporation (including the former The Sumitomo Bank, Ltd.), which is one of the lenders of the Company and its consolidated subsidiaries, from January 2001 to April 2011. However, more than seven (7) years have passed since his retirement from Sumitomo Mitsui Banking Corporation, and he currently has no involvement with the execution of business at the said bank. Because the Company and its consolidated subsidiaries have several lenders and the said bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, the said bank is not a business partner which has a significant impact on the Company's decision making. Accordingly, Mr. Masayuki Oku is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director.</p>
Mitoji Yabunaka (June 2014)	Visiting Professor of Ritsumeikan University Outside Director of Mitsubishi Electric Corporation Outside Director of Takasago Thermal Engineering Co., Ltd.	<p>Having served as Vice-Minister for Foreign Affairs, Mr. Mitoji Yabunaka has been active in such fields as international policy coordination and overseas consular work, and has considerable knowledge and rich experience in international relations.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to the mitigation and avoidance of risk in the Company's global business operations, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>Mr. Mitoji Yabunaka is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director.</p>
Makoto Kigawa (June 2016)	Director and Chairman of Yamato Holdings Co., Ltd. Outside Director of Seven Bank, Ltd.(planned)	<p>Having served as Representative Director of Yamato Holdings, Co., Ltd. and Yamato Transport Co., Ltd., Mr. Makoto Kigawa has considerable knowledge and rich experience in the business world, including use of ICT, business model innovation and so forth, and engaging in strategic and advanced corporate management, among others.</p> <p>Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to appropriate monitoring of the management strategies of the Company, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company nominates him as a candidate for Outside Director.</p> <p>Mr. Kigawa serves as Director and Chairman of Yamato Holdings Co., Ltd. The Company and its consolidated subsidiaries have transactions with Yamato Holdings Co., Ltd.'s subsidiaries, including Yamato Transport Co., Ltd. for payment of transportation expenses, etc. However, the amount of the payment is less than 0.1% of the consolidated total of cost of sales and selling, general and administrative expenses of the Company and its consolidated subsidiaries for the most recent fiscal year.</p> <p>Mr. Makoto Kigawa is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director.</p>

<Outside Audit & Supervisory Board Members>

Name (Month and year of taking office)	Important concurrent positions held in other organizations	Reasons for appointment as Outside Audit & Supervisory Board Members And nomination as candidate for Outside Audit & Supervisory Board Members
Hirohide Yamaguchi (June 2014)	Chairman of the Advisory Board of Nikko Research Center, Inc. Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd. Outside Audit & Supervisory Board Member of Nippon Yusen Kabushiki Kaisha	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 nominates him as a candidate for Outside Audit & Supervisory Board Member. Mr. Hirohide Yamaguchi is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit & Supervisory Board Member.
Eiko Shinotsuka (June 2015)	Professor emeritus at Ochanomizu University Outside Director of Japan Securities Finance Co., Ltd Outside Director of LIFENET INSURANCE COMPANY	After engaging in research in economic fields at Japan Center for Economic Research, Ms. Eiko Shinotsuka, in addition to professor emeritus at Ochanomizu University, has the experience of having served as a member of the policy Board of the bank of Japan, Chairperson of the Cooperation Conference for the Gender Equality Promotion of the Cabinet Office, Executive Director of the Japan Legal Support Center and Commissioner of the National Personnel Authority, etc. and she has held numerous other official posts in public office up until now. Accordingly, she possesses wide-ranging knowledge and abundant experience, the Company expects her to execute her duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company appointed her as an Outside Audit & Supervisory Board Member. Ms. Eiko Shinotsuka is unlikely to have a conflict of interest with general shareholders and is considered as an Independent Audit & Supervisory Board Member.
Kotaro Ohno (June 2017)	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.

F. Compensation

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

Classification	Number of Persons Paid (Persons)	Monetary Remuneration			Non-Monetary Remuneration	Amount of Remuneration Paid (Millions of yen)
		Basic Remuneration	Bonus (Note 3)	Total	Stock-Based Remuneration (Note 4)	
Director	10	397	255	652	73	725
(Outside Director included above)	3	40	9	49	5	53
Audit & Supervisory Board Member	7	131	-	131	-	131
(Outside Audit & Supervisory Board Member included above)	4	45	-	45	-	45
Total	17	528	255	783	73	856
(Outside Director and Outside Audit & Supervisory Board Member included above)	7	85	9	94	5	98

Notes:

- 1) As of the end of the fiscal year, 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 include that for two (2) Directors and two (2) Audit & Supervisory Board Members who retired as of the close of the 148th Ordinary General Meeting of Shareholders in June 2017.
- 2) It was resolved at the 135th Ordinary General Meeting of Shareholders, held in June 2004, that the maximum amount of remuneration to be paid to Directors in total per month (excluding bonuses and stock-based remuneration) shall not exceed ¥60 million (however, not including salaries as employees) and it was resolved at the 143rd Ordinary General Meeting of Shareholders, held in June 2012, that the maximum amount of remuneration to be paid to Audit & Supervisory Board Members in total per month shall not exceed ¥13.5 million. It was also resolved at the 141st Ordinary General Meeting of Shareholders, held in June 2010, that the maximum amount of remuneration to be paid to Directors in the form of Stock Acquisition Rights to be granted as stock-based remuneration shall not exceed ¥360 million in total per year (however, not including salaries as employees) and the maximum amount of remuneration to be paid to Outside Directors in total per year shall not exceed ¥50 million out of those ¥360 million.
- 3) The amount of Bonuses for Directors shows the total amount to be paid to Directors, which is planned to be resolved at the 149th Ordinary General Meeting of Shareholders.
- 4) Stock-based remuneration represents the amount of expense allocated as remuneration for Directors, which are not monetary, in accounting for the fiscal year.
- 5) The portions of salaries as employees for Directors concurrently serving as employees are not paid.
- 6) Amounts of less than one (1) million yen are rounded to the nearest million yen.

2. Total amount of remuneration paid, etc., paid by the Company to persons whose total remuneration paid equaled or exceeded ¥100 million for the fiscal year ended March 31, 2018.

(Millions of yen)

Name and title	Monetary Remuneration			Non-Monetary Remuneration	Amount of Remuneration Paid
	Basic Remuneration	Bonus	Total	Stock-Based Remuneration	
Tetsuji Ohashi Director of the Company	100	73	173	19	192
Kunio Noji Director of the Company	91	67	157	19	177
Mikio Fujitsuka Director of the Company	59	44	103	12	115

Notes:

- 1) Stock-based remuneration represents the amount of expense allocated as remuneration for Directors, which are not monetary, in accounting for the fiscal year ended March 31. More specifically, Tetsuji Ohashi and Kunio Noji have each been granted the right to acquire 75 shares, Mikio Fujitsuka has been granted the right to acquire 47 shares (Upon exercise of each Stock Acquisition Rights, 100 common shares of the Company will be delivered) of the common stock of the Company. The value for stock-based remuneration that has been recorded by the Company from an accounting perspective for the fiscal year ended March 31, 2018 has been calculated pursuant to the Accounting Standard for Share-based Payments of Japan by multiplying the fair value per share (¥2,599 per share) as of the grant date (August 1, 2017) by the number of shares granted.
- 2) The Directors' bonus of the above-mentioned three Directors is described in the amount of remuneration that is planned to be paid, which will be resolved at a Board of Directors meeting after the total amount of proposed remuneration is resolved by the 149th Ordinary General Meeting of Shareholders of the Company.
- 3) The portions of salaries as employees for Directors concurrently serving as employees are not paid.
- 4) Amounts of less than one (1) million yen are rounded to the nearest million yen.

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

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

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

The remuneration for Directors comprises basic remuneration (fixed remuneration) and performance-based remuneration linked to the Company's consolidated performance for a single fiscal year. The total amount paid of performance-based remuneration shall be calculated each year by evaluating the basic indicators of ROE*1, ROA*2 and the operating income ratio at the percentages indicated in the table below and making adjustments for growth (growth rate of consolidated sales).

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

With regards to the performance-based remuneration levels, the upper limit shall be twice the basic remuneration (twelve (12) × monthly remuneration) of the Director, and the lower limit shall be zero (0) payment (remuneration in this case will comprise only the basic remuneration). Two-thirds (2/3) of the total amount of performance-based remuneration shall be paid in the form of cash as Directors' bonuses (provided, however, the upper limit is twelve (12) × monthly remuneration), and the amount remaining after deducting the Directors' bonuses shall be paid by granting Stock Acquisition Rights as stock-based remuneration for the purpose of fostering the same perspective on corporate value with the shareholders and consequently clarifying their incentive to enhance the long-term corporate value of the Company. *3 However, the total amount of performance-based remuneration to Outside Directors shall have the upper limit of one-third (1/3) of the annual basic remuneration in consideration of their role and standing. *4

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.

*3 The Company is going to propose the agenda of Determination of the Amount of Remuneration in the Restricted Stock Compensation System for Directors, as the matters requiring a Resolution by the 149th Ordinary General Meeting of Shareholders scheduled for June 19, 2018. When the said agenda is approved, The Company, in order to revise the remuneration system so that it will further contribute to the enhancement of the medium- and long-term corporate value of the Company, by linking the remuneration of the Directors, excluding the Outside Directors, more closely to the Company's performance, has decided, in addition to the performance-based remuneration linked to the consolidated performance for a single year (bonus in cash and the Stock-Based Remuneration), to newly pay the performance-based remuneration (Stock-Based Remuneration) that will reflect the degree of achievement of the targets raised in the mid-range management plan. The Stock-Based Remunerations shall be paid in the form of restricted stock. (The stock acquisition rights that have been granted to the Directors of the Company (including the Outside Directors) as the stock-based remuneration will not be newly granted.)

*4 The Company is going to propose the agenda of Revision of the Amount of Remuneration for Directors and Audit & Supervisory Board Members, as the matters requiring a Resolution by the 149th Ordinary General Meeting of Shareholders scheduled for June 19, 2018. When the said agenda is approved, The Company will abolish the performance-based remuneration for Outside Directors.

G. Shareholdings

1. Investment securities held for purposes other than pure investment

Number of stock names: 49

Total amount on the balance sheet: ¥1,316 million.

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

Specified investment securities, fiscal year ended March 31, 2018

Not applicable.

Specified investment securities, fiscal year ended March 31, 2017

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

3. Investment securities held for pure investment
Not applicable.
4. Investment securities for which the holding purpose has changed
Not applicable.

(2) Details of audit fee, etc.

(i) Details of fee to auditors

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, 2018		Fiscal year ended March 31, 2017	
	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	389	12	361	4
Consolidated subsidiaries	286	-	290	-
Total	675	12	651	4

(ii) Other material fees

(Fiscal year ended March 31, 2018)

Komatsu paid ¥1,650 million as fees for audit services and ¥202 million as fees for non-audit services to individual member firms affiliated with KPMG International, to which KPMG AZSA LLC belongs.

(Fiscal year ended March 31, 2017)

Komatsu paid ¥1,116 million as fees for audit services and ¥404 million as fees for non-audit services to individual member firms affiliated with KPMG International, to which KPMG AZSA LLC belongs.

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

(Fiscal year ended March 31, 2018)

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

(Fiscal year ended March 31, 2017)

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

(iv) Policy on determining audit fee

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

Item 5. Financial Information

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

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

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

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

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2017 to March 31, 2018 and the non-consolidated financial statements for the 149th fiscal year (from April 1, 2017 to March 31, 2018) 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.

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Komatsu Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2018 and 2017.

Consolidated Statements of Income

	2018		2017	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
Net sales (Note 7)	¥ 2,501,107	100.0	¥ 1,802,989	100.0
Cost of sales (Notes 10, 12, 14, 16, 19 and 24)	1,765,832	70.6	1,286,424	71.3
Selling, general and administrative expenses (Notes 3, 10, 12, 13, 14, 16 and 24)	432,298	17.3	339,986	18.9
Impairment loss on long-lived assets (Notes 10, 21 and 24)	6,629	0.3	1,743	0.1
Impairment loss on goodwill (Notes 10 and 21)	13,413	0.5	—	—
Other operating income (expenses), net (Notes 3 and 24)	(11,354)	(0.5)	(739)	(0.0)
Operating income	271,581	10.9	174,097	9.7
Other income (expenses), net (Note 24)				
Interest and dividend income (Note 7)	5,255	0.2	3,462	0.2
Interest expense	(18,372)	(0.7)	(8,212)	(0.5)
Gain on sales of investment securities, net (Notes 6 and 14)	49,083	2.0	178	0.0
Other, net (Notes 6, 14, 19 and 21)	(15,740)	(0.6)	(3,056)	(0.2)
Total	20,226	0.8	(7,628)	(0.4)
Income before income taxes and equity in earnings of affiliated companies	291,807	11.7	166,469	9.2
Income taxes (Notes 14 and 15)				
Current	87,039		51,991	
Deferred	(652)		(1,586)	
Total	86,387	3.5	50,405	2.8
Income before equity in earnings of affiliated companies	205,420	8.2	116,064	6.4
Equity in earnings of affiliated companies	3,545	0.1	3,302	0.2
Net income	208,965	8.4	119,366	6.6
Less: Net income attributable to noncontrolling interests	12,555	0.5	5,985	0.3
Net income attributable to Komatsu Ltd.	¥ 196,410	7.9	¥ 113,381	6.3

Yen

Per share data (Note 17):

Net income attributable to Komatsu Ltd.:

Basic	208.25	120.26
Diluted	207.97	120.10
Cash dividends per share	65.00	58.00

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2018	2017
Net income	¥ 208,965	¥ 119,366
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments (Notes 14 and 15)	(22,827)	(16,502)
Net unrealized holding gains (losses) on securities available for sale (Notes 6, 14 and 15)	(29,433)	10,861
Pension liability adjustments (Notes 12, 14 and 15)	414	4,908
Net unrealized holding gains (losses) on derivative instruments (Notes 14, 15 and 19)	2,398	(123)
Total	(49,448)	(856)
Comprehensive income	159,517	118,510
Less: Comprehensive income attributable to noncontrolling interests	10,939	5,114
Comprehensive income attributable to Komatsu Ltd.	¥ 148,578	¥ 113,396

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, 2018

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Un-appropriated					
Balance at March 31, 2017	¥ 67,870	¥ 138,285	¥ 45,368	¥ 1,357,350	¥ 18,682	¥ (50,881)	¥ 1,576,674	¥ 71,841	¥ 1,648,515
Cash dividends				(61,335)			(61,335)	(5,010)	(66,345)
Transfer to retained earnings appropriated for legal reserve			460	(460)			—		—
Other changes								1,280	1,280
Net income				196,410			196,410	12,555	208,965
Other comprehensive income (loss), for the period, net of tax (Note 14)					(47,832)		(47,832)	(1,616)	(49,448)
Issuance and exercise of stock acquisition rights (Note 13)		103					103		103
Purchase of treasury stock						(54)	(54)		(54)
Sales of treasury stock		62				512	574		574
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

For the fiscal year ended March 31, 2017

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

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, 2018 and 2017

	Millions of yen	
	2018	2017
Operating activities		
Net income	¥ 208,965	¥ 119,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	133,910	104,295
Deferred income taxes	(652)	(1,586)
Impairment loss and net gain from sale of investment securities	(48,793)	(151)
Net gain on sale of property	(237)	(1,229)
Loss on disposal of fixed assets	3,014	2,825
Impairment loss on long-lived assets	6,629	1,743
Impairment loss on goodwill	13,413	—
Pension and retirement benefits, net	(3,246)	4,439
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(181,426)	(69,120)
Decrease (increase) in inventories	(94,154)	7,474
Increase (decrease) in trade payables	28,830	36,351
Increase (decrease) in income taxes payable	40,387	(3,890)
Other, net	41,754	55,609
Net cash provided by operating activities	<u>148,394</u>	<u>256,126</u>
Investing activities		
Capital expenditures	(154,927)	(150,614)
Proceeds from sale of property	17,389	18,828
Proceeds from sale of available for sale investment securities	63,004	611
Purchases of available for sale investment securities	(595)	(292)
Sale of subsidiaries and equity investees, net of cash disposed	(10,520)	5,674
Acquisition of subsidiaries and equity investees, net of cash acquired	(289,801)	(7,289)
Collection of loan receivables	254	73
Disbursement of loan receivables	(2,414)	(221)
Increase in time deposits, net	(135)	(69)
Net cash used in investing activities	<u>(377,745)</u>	<u>(133,299)</u>
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	444,564	124,944
Payment on debt (Original maturities greater than three months)	(227,222)	(157,766)
Short-term debt, net (Original maturities three months or less)	96,332	(17,070)
Repayments of capital lease obligations	(54)	(54)
Sale (purchase) of treasury stock, net	49	237
Dividends paid	(61,335)	(54,711)
Other, net	(8,385)	(3,298)
Net cash provided by (used in) financing activities	<u>243,949</u>	<u>(107,718)</u>
Effect of exchange rate change on cash and cash equivalents	<u>9,898</u>	<u>(1,467)</u>
Net increase in cash and cash equivalents	24,496	13,642
Cash and cash equivalents, beginning of year	<u>119,901</u>	<u>106,259</u>
Cash and cash equivalents, end of year	<u>¥ 144,397</u>	<u>¥ 119,901</u>

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

Notes to Consolidated Financial Statements
Komatsu Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2018 and 2017

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

The consolidated net sales of Komatsu for the fiscal year ended March 31, 2018, consisted of the following: construction, mining and utility equipment business – 90.6%, retail finance business – 2.0%, industrial machinery and others business – 7.4%.

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, 2018, 84.2% were generated outside Japan, with 37.0% in the Americas, 12.1% in Europe and CIS, 7.8% in China, 20.7% in Asia (excluding Japan and China) and Oceania, and 6.6% 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 26 “Terminology, Forms and Preparation Methods of Consolidated Financial Statements”.

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

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

Summary of Significant Accounting Policies

(1) Consolidation and Investments in Affiliated Companies

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

Variable interest entities are consolidated for which the Company is the primary beneficiary in accordance with Financial Accounting Standards Board (hereinafter “FASB”) Accounting Standards Codification™ (hereinafter “ASC”) 810, “Consolidation”. The consolidated balance sheets as of March 31, 2018 and 2017 include assets for the Variable interest entities of ¥43,808 million and ¥36,061 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 debt and marketable equity securities are categorized as available-for-sale securities which are stated at fair value. Changes in fair values are included as a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated financial statements.

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

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

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

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

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

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

Certain leased machinery and equipment are accounted for as capital leases. The aggregate cost included in property, plant and equipment and related accumulated amortization as of March 31, 2018 and 2017 were as follows:

	<u>Millions of yen</u>	
	<u>2018</u>	<u>2017</u>
Aggregate cost	¥ 3,057	¥ 3,505
Accumulated amortization	751	1,275

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

(7) Goodwill and Other Intangible Assets

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

determined by the difference between the fair value of the asset or an asset group estimated using a discounted cash flow valuation model and carrying value.

(8) Revenue Recognition

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

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

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

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

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

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

(9) Income Taxes

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

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

(10) Product Warranties

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

(11) Pension and Retirement Benefits

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

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

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

(12) Share-Based Compensation

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

(13) Per Share Data

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

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

(14) Cash and Cash Equivalents

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

Komatsu's overseas subsidiaries participate in a global cash pooling system based on agreement with a single financial institution, which is used to fund short-term liquidity needs. This agreement contains specific provisions for the right to offset positive and negative cash balances on a global basis. The facility allows for cash withdrawals from this financial institution up to our aggregate cash deposits within the same financial institution. Komatsu's consolidated balance sheets as of March 31, 2018 and 2017 reflect cash net of withdrawals of ¥244,289 million and ¥171,135 million respectively.

(15) Derivative Financial Instruments

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

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

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

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

(17) Use of Estimates

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

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

(18) Recently Adopted Accounting Standards

In the fiscal year ended March 31, 2018, Komatsu has adopted the Accounting Standards Update (hereinafter "ASU") 2015-17, "Income Taxes: Balance Sheet Classification of Deferred Taxes" and classified deferred tax assets and liabilities as noncurrent in the consolidated balance sheets. Prior periods were not retrospectively adjusted. Komatsu's current deferred tax assets were ¥56,276 million and current deferred tax liabilities were ¥421 million as of March 31, 2017.

In the fiscal year ended March 31, 2018, Komatsu has adopted the Staff Accounting Bulletin (hereinafter "SAB") 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act (hereinafter the "Act")" and ASU 2018-05, "Income Taxes: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118". During a measurement period, SAB 118 and ASU 2018-05 allow for recording provisional amounts based on a reasonable estimate for an income tax accounting effect of the Act enacted on

December 22, 2017. Komatsu recorded provisional amounts in its consolidated financial statements based on the information available as of the issue date of the consolidated financial statements for an income tax accounting effect of the Act.

In the fiscal year ended March 31, 2018, Komatsu has early adopted ASU 2017-04, "Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment". ASU 2017-04 eliminates the conventional two-step goodwill impairment test and requires only the one-step quantitative impairment test, whereby a goodwill impairment loss will be measured as the excess of a reporting unit's carrying amount over its fair value. Accordingly, Komatsu recorded an impairment loss based on the update for the fiscal year ended March 31, 2018.

(19) New Accounting Standards

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

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

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

In March 2017, the FASB issued ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". This update requires an entity to divide net periodic pension cost and net periodic postretirement benefit cost into the service cost component and other components, and present the former in the same line item as other personnel expenses while presenting the latter in non-operating income or expenses. In addition, the update clarifies that only the service cost component is eligible for capitalization. This update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Komatsu is currently considering the impact of this update on Komatsu's financial position and results of operations.

In August 2017, the FASB issued ASU 2017-12 "Targeted Improvements to Accounting for Hedging Activities". This update improves the application of hedge accounting under certain circumstances to reflect 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. This update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Komatsu is currently considering the impact of this update on Komatsu's financial position and results of operations.

2. Supplemental Cash Flow Information

Additional cash flow information and noncash investing and financing activities for the fiscal years ended March 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	2017
Additional cash flow information:		
Interest paid	¥ 16,734	¥ 7,970
Income taxes paid	52,115	44,369
Noncash investing and financing activities:		
Capital lease obligations incurred	¥ 1,154	¥ 767

3. Business Combination

(1) Joy Global Inc. (currently Komatsu Mining Corp.)

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

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

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 second quarterly report of the 149th fiscal year.

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	¥ 316,128
Fair value of total consideration transferred	<u>316,128</u>
Recognized amounts of identifiable acquired assets and assumed liabilities	
Cash and cash equivalents	¥ 42,991
Trade notes and accounts receivable	59,012
Inventories	116,752
Other current assets	12,076
Property, plant and equipment	85,376
Intangible assets	129,951
Other non-current assets	17,198
Total acquired assets	<u>463,356</u>
Short-term debt	(33,355)
Accounts payable	(27,601)
Other current liabilities	(71,256)
Long-term debt	(81,568)
Liability for pension and retirement benefits	(23,531)
Deferred income taxes and other liabilities	(42,782)
Total assumed liabilities	<u>(280,093)</u>
Net acquired assets	<u>183,263</u>
Goodwill	<u>132,865</u>
	<u>¥ 316,128</u>

The consideration of ¥316,128 million included the payment of ¥3,720 million to terminate stock option plans as stock-based remuneration of Joy Global.

In intangible assets of ¥129,951 million, intangible assets subject to amortization of ¥128,511 million and main ones are as follows.

	Millions of yen	
	Gross carrying amount	Amortization period
Trademarks	¥ 56,271	15 years
Customer relationships	43,093	15 years
Technology assets	19,385	15 years
Backlog	7,532	14 months

The goodwill of ¥132,865 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, 2018 are ¥1,448 million (accumulated acquisition-related costs: ¥3,375 million) and included in selling, general and administrative expenses in the consolidated statement of income for the fiscal year ended March 31, 2018.

The amounts of net sales and net loss of Joy Global included in the consolidated statements of income for the fiscal year ended March 31, 2018 since the date of acquisition were ¥317,836 million and ¥6,296 million, respectively.

The following pro forma calculation (unaudited) made on the assumption that this acquisition of shares had been made as of April 1, 2016 represents the total of consolidated performance of the Company and Joy Global. This is for an information purpose only, and neither indicates actual operating results assuming that the acquisition had been made on April 1, 2016 nor contributes to any forecast of results. Furthermore, amounts in the following table do not include temporary expenses accompanying the acquisition, such as fair values of inventories in cost of sales and amortization of intangible assets. As this acquisition of shares was made on April 5, 2017 (local time: Eastern Standard Time, UTC-5) and near to the beginning of the fiscal year ended March 31, 2018, the pro forma calculation for the period is not disclosed.

	Millions of yen	
	2017	
Net Sales	¥ 2,069,153	
Net income attributable to Komatsu Ltd.	113,637	

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

(2) Transfer of vacation homes management business

The Company entered into an agreement on December 14, 2017, with Himawari Co., Ltd. (hereinafter “Himawari”) to transfer the vacation homes management business (road maintenance, plumbing, hot-springs water supply and other businesses) of the Company’s wholly-owned subsidiary Komatsu General Services Ltd. (hereinafter “KGS”) to Himawari, which operates resort related businesses. The transfer, which was conducted by a series of transactions including the transfer of all common shares of KGS, was completed on March 1, 2018.

KGS has operated the vacation homes management business for many years, servicing vacation homes in and around Izu Peninsula and Asama. However, as Himawari has a proven record in the resort apartment and vacation homes management business, the Company decided to transfer the business to Himawari for the further development of vacation homes.

A loss on the transfer of the vacation homes management business in the amount of ¥10,855 million was included in other operating income (expenses), net in the consolidated statements of income for the fiscal year ended March 31, 2018.

4. Trade Notes and Accounts Receivable

Receivables at March 31, 2018 and 2017 are summarized as follows:

	Millions of yen	
	2018	2017
Trade notes	¥ 213,539	¥ 174,250
Accounts receivable	590,054	462,134
Total	803,593	636,384
Less: allowance-current	(10,879)	(17,119)
Trade notes and accounts receivable, net	¥ 792,714	¥ 619,265
Long-term trade receivables	375,145	319,153
Less: allowance-noncurrent	(12,778)	(5,207)
Long-term trade receivables, net	¥ 362,367	¥ 313,946

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, 2018 and 2017 are as follows:

	Millions of yen	
	2018	2017
Balance at beginning of year	¥ 15,497	¥ 10,551
Provision	2,867	9,679
Charge-offs	(2,324)	(4,410)
Other	290	(323)
Balance at end of year	¥ 16,330	¥ 15,497

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, 2018 and 2017 were summarized as follows:

	Millions of yen	
	2018	2017
31-90 days past due	¥ 2,788	¥ 1,526
Greater than 90 days past due	9,225	12,293
Total past due	¥ 12,013	¥ 13,819

Nonaccrual financing receivables at March 31, 2018 and 2017 were not material.

Equipment sales revenue from sales-type leases is recognized at the inception of the lease. At March 31, 2018 and 2017, lease receivables comprised the following:

	Millions of yen	
	2018	2017
Minimum lease payments receivable	¥ 161,088	¥ 114,140
Unearned income	(11,163)	(7,799)
Net lease receivables	¥ 149,925	¥ 106,341

The residual values of leased assets at March 31, 2018 and 2017 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, 2018 and 2017.

Komatsu did not have any securitized trade notes and accounts receivable at March 31, 2018 and 2017.

5. Inventories

At March 31, 2018 and 2017, inventories comprised the following:

	Millions of yen	
	2018	2017
Finished products, including finished parts held for sale	¥ 512,511	¥ 383,630
Work in process	159,190	109,844
Materials and supplies	58,587	40,423
Total	¥ 730,288	¥ 533,897

6. Investment Securities

Investment securities at March 31, 2018 and 2017, primarily consisted of securities available for sale.

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

The cost, gross unrealized holding gains and losses, and fair value for such investment securities by major security types at March 31, 2018 and 2017, are as follows:

	Millions of yen			
	Cost	Gross unrealized holding		Fair value
		Gains	Losses	
At March 31, 2018				
Investment securities:				
Marketable equity securities available for sale	¥ 357	¥ 1,171	¥ —	¥ 1,528
Other investment securities at cost	7,685			
	¥ 8,042			
At March 31, 2017				
Investment securities:				
Marketable equity securities available for sale	¥ 13,035	¥ 46,032	¥ —	¥ 59,067
Other investment securities at cost	8,649			
	¥ 21,684			

Other investment securities primarily include non-marketable equity securities.

Proceeds from the sale of investment securities available for sale during the fiscal years ended March 31, 2018 and 2017, amounted to ¥63,004 million and ¥611 million, respectively.

Impairment loss and net gain (loss) from sale of investment securities available for sale during the fiscal years ended March 31, 2018 and 2017, amounted to gains of ¥48,793 million and ¥151 million, respectively. Such gains were included in other income (expenses), net in the accompanying consolidated statements of income.

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

7. Investments in and Advances to Affiliated Companies

At March 31, 2018 and 2017, investments in and advances to affiliated companies comprised the following:

	Millions of yen	
	2018	2017
Investments in capital stock	¥ 31,480	¥ 30,109
Advances	1,399	221
Total	¥ 32,879	¥ 30,330

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

At March 31, 2018 and 2017, 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	
	2018	2017
Trade notes and accounts receivable, net	¥ 30,648	¥ 25,484
Short-term loans receivable	999	191
Trade notes, bills and accounts payable	11,225	10,731

Net sales to and dividends received from affiliated companies for the fiscal years ended March 31, 2018 and 2017, are as follows.

	Millions of yen	
	2018	2017
Net sales	¥ 79,620	¥ 68,299
Dividends	1,532	1,209

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

As of March 31, 2018 and 2017, consolidated unappropriated retained earnings included Komatsu's share of undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥19,532 million and ¥18,323 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, 2018 and 2017.

Summarized financial information for affiliated companies at March 31, 2018 and 2017, and for the fiscal years ended March 31, 2018 and 2017, is as follows:

	Millions of yen	
	2018	2017
Current assets	¥ 146,905	¥ 137,415
Net property, plant and equipment – less accumulated depreciation and amortization	46,273	47,398
Investments and other assets	29,475	23,647
Total assets	¥ 222,653	¥ 208,460
Current liabilities	¥ 100,521	¥ 94,138
Noncurrent liabilities	34,158	30,827
Equity	87,974	83,495
Total liabilities and equity	¥ 222,653	¥ 208,460

	Millions of yen	
	2018	2017
Net sales	¥ 228,009	¥ 217,437
Net income	¥ 9,020	¥ 8,577

8. Property, Plant and Equipment

The major classes of property, plant and equipment at March 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	2017
Land	¥ 113,428	¥ 100,631
Buildings	494,221	445,030
Machinery and equipment	961,509	929,206
Construction in progress	21,765	20,481
Total	1,590,923	1,495,348
Less: accumulated depreciation and amortization	(850,395)	(816,321)
Net property, plant and equipment	¥ 740,528	¥ 679,027

Depreciation for the fiscal years ended March 31, 2018 and 2017, were ¥108,432 million and ¥94,925 million, respectively.

9. Pledged Assets

At March 31, 2018 and 2017, assets pledged as collateral for guarantees for debt are as follows:

	Millions of yen	
	2018	2017
Other current assets	¥ 247	¥ 260
Total	¥ 247	¥ 260

The above assets were pledged against the following liabilities:

	Millions of yen	
	2018	2017
Guarantees for debt	¥ 247	¥ 260
Total	¥ 247	¥ 260

10. Goodwill and Other Intangible Assets

Intangible assets other than goodwill at March 31, 2018 and 2017 are as follows:

	Millions of yen					
	2018			2017		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥ 38,195	¥ (18,573)	¥ 19,622	¥ 31,132	¥ (15,221)	¥ 15,911
Leasehold	8,803	(1,746)	7,057	7,943	(1,339)	6,604
Trademarks	54,145	(4,047)	50,098	1,077	(437)	640
Customer relationships	73,281	(15,006)	58,275	25,749	(10,273)	15,476
Technology assets	32,952	(8,598)	24,354	14,684	(6,341)	8,343
Backlog	7,317	(6,242)	1,075	1,165	(1,165)	—
Other	9,190	(5,909)	3,281	6,477	(5,007)	1,470
Total	223,883	(60,121)	163,762	88,227	(39,783)	48,444
Other intangible assets not subject to amortization			9,453			12,639
Total other intangible assets			¥ 173,215			¥ 61,083

The aggregate amortization expense of other intangible assets subject to amortization for the fiscal years ended March 31, 2018 and 2017 were ¥24,010 million and ¥8,294 million, respectively.

In the fiscal year ended March 31, 2018, for other intangible assets not subject to amortization (trademarks) that belong to the Industrial Machinery and Others operating segment, Komatsu recognized an impairment loss of ¥4,415 million due to a decrease in profitability resulting from deterioration of the environment surrounding the relevant business and other factors. This amount of impairment recognized was based on the excess of the carrying amount of the relevant other intangible assets not subject to amortization (trademarks) over the fair value calculated on the basis of estimated future net sales using the relief-from-royalty approach, and the amount was included in impairment loss on long-lived assets in the consolidated statements of income.

At March 31, 2018, the future estimated amortization expenses for each of five years relating to intangible assets currently recorded in the consolidated balance sheet are as follows:

<u>Year ending March 31</u>	<u>Millions of yen</u>
2019	¥ 18,573
2020	16,078
2021	14,382
2022	13,043
2023	12,061

The changes in carrying amounts of goodwill by operating segment for the fiscal years ended March 31, 2018 and 2017 are as follows:

	<u>Millions of yen</u>			
	<u>Construction, Mining and Utility Equipment</u>	<u>Retail Finance</u>	<u>Industrial Machinery and Others</u>	<u>Total</u>
Balance at March 31, 2016				
Goodwill	33,169	846	15,017	49,032
Accumulated impairment losses	(8,487)	—	(540)	(9,027)
	<u>¥ 24,682</u>	<u>¥ 846</u>	<u>¥ 14,477</u>	<u>¥ 40,005</u>
Goodwill acquired during the year	607	—	—	607
Foreign exchange impact	(536)	(4)	—	(540)
Balance at March 31, 2017				
Goodwill	33,240	842	15,017	49,099
Accumulated impairment losses	(8,487)	—	(540)	(9,027)
	<u>¥ 24,753</u>	<u>¥ 842</u>	<u>¥ 14,477</u>	<u>¥ 40,072</u>
Goodwill acquired during the year	137,017	—	—	137,017
Impairment losses	(17)	—	(13,396)	(13,413)
Foreign exchange impact	(7,755)	(40)	—	(7,795)
Balance at March 31, 2018				
Goodwill	162,502	802	15,017	178,321
Accumulated impairment losses	(8,504)	—	(13,936)	(22,440)
	<u>¥ 153,998</u>	<u>¥ 802</u>	<u>¥ 1,081</u>	<u>¥ 155,881</u>

In the fiscal year ended March 31, 2018, for goodwill of the reporting unit that belongs to the Industrial Machinery and Others operating segment, Komatsu recognized an impairment loss due to a decrease in profitability resulting from deterioration of the environment surrounding the relevant business and other factors. This amount of impairment recognized was based on comparison between the carrying amount of the reporting unit and the fair value calculated on the basis of estimated future cash flows, and the impairment amount was ¥13,396 million.

11. Short-Term and Long-Term Debt

(1) Short-term debt at March 31, 2018 and 2017, consisted of the following:

	Millions of yen	
	2018	2017
Banks, insurance companies and other financial institutions	¥ 191,093	¥ 109,452
Commercial paper	68,000	19,000
Short-term debt	¥ 259,093	¥ 128,452

The weighted-average annual interest rates applicable to short-term debt outstanding at March 31, 2018 and 2017, were 1.8% and 1.4%, respectively.

Certain consolidated subsidiaries have entered into contracts for committed credit lines totaling ¥30,251 million and have unused committed lines of credit amounting to ¥22,484 million with certain financial institutions at March 31, 2018, which are available for full and immediate borrowings. The Company is a party to a committed ¥180,000 million commercial paper program and unused committed commercial paper program amounting to ¥112,000 million at March 31, 2018, is available upon the satisfaction of certain customary procedural requirements.

(2) Long-term debt at March 31, 2018 and 2017, consisted of the following:

	Millions of yen	
	2018	2017
Long-term debt without collateral:		
Banks, insurance companies and other financial institutions maturing serially through 2018–2024, weighted-average rate 2.5%	¥ 274,891	¥ 162,156
Euro Medium-Term Notes maturing serially through 2018–2024, weighted-average rate 2.7%	114,273	60,799
0.32% Unsecured Bonds due 2017	—	30,000
0.28% Unsecured Bonds due 2019	20,000	20,000
0.05% Unsecured Bonds due 2020	50,000	—
2.12% Unsecured Bonds due 2020	31,825	—
2.44% Unsecured Bonds due 2022	52,986	—
Capital lease obligations (Note 16)	1,652	1,269
Other	5,877	6,026
Total	551,504	280,250
Less: current maturities	(70,806)	(89,391)
Long-term debt	¥ 480,698	¥ 190,859

(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, 2018 and 2017 were U.S.\$2.0 billion and U.S.\$1.4 billion 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 Program issued ¥63,780 million during the fiscal year ended March 31, 2018, and ¥44,876 million during the fiscal year ended March 31, 2017 of Euro Medium-Term Notes with various interest rates and maturity dates.

In November 2016, the Company’s bond program was renewed so that it could issue up to ¥150,000 million of variable-term bonds within a two-year period. As of March 31, 2018, ¥100,000 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, ¥20,000 million in the aggregate principal amount of bonds outstanding as of March 31, 2018 was issued under the past bond program prior to its 2016 renewal.

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

(5) Maturities of long-term debt at March 31, 2018 and 2017 respectively are as follows. There are 8 million (Gain) market value adjustments excluded from the amount of 2017, and no adjustment in 2018.

	Millions of yen	
	2018	2017
Due within one year	¥ 70,806	¥ 89,399
Due after one year through two years	45,936	68,862
Due after two years through three years	110,839	45,245
Due after three years through four years	53,840	19,638
Due after four years through five years	225,893	56,374
Due after five years	44,190	740
Total	¥ 551,504	¥ 280,258

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			
	2018		2017	
	Domestic	Overseas	Domestic	Overseas
Change in benefit obligations:				
Benefit obligations, beginning of year	¥ 131,383	¥ 46,734	¥ 132,744	¥ 45,025
Service cost	8,024	1,013	8,290	902
Interest cost	96	7,327	86	1,686
Actuarial loss (gain)	(71)	(2,960)	(1,012)	3,385
Plan participants' contributions	—	133	—	132
Effect of changes in consolidated subsidiaries	—	196,007	(1,088)	—
Plan amendment	15	—	—	—
Settlements	—	—	—	(94)
Benefits paid	(6,974)	(13,636)	(7,637)	(1,756)
Foreign currency exchange rate change	—	2,436	—	(2,546)
Benefit obligations, end of year	¥ 132,473	¥ 237,054	¥ 131,383	¥ 46,734
Change in plan assets:				
Fair value of plan assets, beginning of year	¥ 79,558	¥ 47,418	¥ 78,923	¥ 44,404
Actual return on plan assets	2,714	5,856	2,353	6,384
Employers' contributions	3,616	1,906	3,605	596
Plan participants' contributions	—	133	—	132
Effect of changes in consolidated subsidiaries	—	175,008	(664)	—
Settlements	—	—	—	(77)
Benefits paid	(4,284)	(13,368)	(4,659)	(1,506)
Foreign currency exchange rate change	—	2,071	—	(2,515)
Fair value of plan assets, end of year	¥ 81,604	¥ 219,024	¥ 79,558	¥ 47,418
Funded status, end of year	¥ (50,869)	¥ (18,030)	¥ (51,825)	¥ 684

Amounts recognized in the consolidated balance sheets at March 31, 2018 and 2017 are as follows:

	Millions of yen			
	2018		2017	
	Domestic	Overseas	Domestic	Overseas
Deferred income taxes and other assets	¥ —	¥ 10,983	¥ —	¥ 8,745
Deferred income taxes and other current liabilities	(114)	(638)	(126)	(188)
Liability for pension and retirement benefits	(50,755)	(28,375)	(51,699)	(7,873)
	¥ (50,869)	¥ (18,030)	¥ (51,825)	¥ 684

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2018 and 2017 are as follows:

	Millions of yen			
	2018		2017	
	Domestic	Overseas	Domestic	Overseas
Actuarial loss	¥ 24,563	¥ 11,566	¥ 27,563	¥ 9,366
Prior service cost	578	(641)	691	(603)
	¥ 25,141	¥ 10,925	¥ 28,254	¥ 8,763

The accumulated benefit obligations for all defined benefit plans at March 31, 2018 and 2017 are as follows:

	Millions of yen			
	2018		2017	
	Domestic	Overseas	Domestic	Overseas
Accumulated benefit obligations	¥ 117,325	¥ 233,481	¥ 116,489	¥ 44,192

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			
	2018		2017	
	Domestic	Overseas	Domestic	Overseas
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	¥ 110,977	¥ 200,824	¥ 110,272	¥ 11,304
Fair value of plan assets	74,981	175,007	73,111	4,776
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	¥ 132,473	¥ 203,608	¥ 131,383	¥ 12,977
Fair value of plan assets	81,604	175,178	79,558	4,917

Net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2018 and 2017, consisted of the following components:

	Millions of yen			
	2018		2017	
	Domestic	Overseas	Domestic	Overseas
Service cost	¥ 8,024	¥ 1,013	¥ 8,290	¥ 902
Interest cost on projected benefit obligations	96	7,327	86	1,686
Expected return on plan assets	(1,199)	(11,289)	(1,155)	(2,212)
Amortization of actuarial loss	1,414	273	1,790	676
Amortization of prior service cost	128	38	206	38
Net periodic cost	¥ 8,463	¥ (2,638)	¥ 9,217	¥ 1,090

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2018 and 2017 are summarized as follows:

	Millions of yen			
	2018		2017	
	Domestic	Overseas	Domestic	Overseas
Current year actuarial loss (gain)	¥ (1,586)	¥ 2,473	¥ (2,210)	¥ (787)
Amortization of actuarial loss	(1,414)	(273)	(1,790)	(676)
Current year prior service cost	15	—	(51)	—
Amortization of prior service cost	(128)	(38)	(206)	(38)
	¥ (3,113)	¥ 2,162	¥ (4,257)	¥ (1,501)

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, 2019 are summarized as follows:

	Millions of yen			
	Domestic		Overseas	
Amortization of actuarial loss	¥	1,114	¥	189
Amortization of prior service cost		113		273

Weighted-average assumptions used to determine benefit obligations of Komatsu's defined benefit plans at March 31, 2018 and 2017 are as follows:

	2018		2017	
	Domestic	Overseas	Domestic	Overseas
Discount rate	0.1%	3.5%	0.1%	3.8%
Assumed rate of increase in future compensation levels (Point-based benefit system)	4.5%	—	4.3%	—
Assumed rate of increase in future compensation levels	2.6%	3.6%	2.6%	3.7%

Weighted-average assumptions used to determine net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2018 and 2017 are as follows:

	2018		2017	
	Domestic	Overseas	Domestic	Overseas
Discount rate	0.1%	3.0%	0.1%	4.1%
Assumed rate of increase in future compensation levels (Point-based benefit system)	4.3%	—	3.9%	—
Assumed rate of increase in future compensation levels	2.6%	4.4%	2.6%	3.6%
Expected long-term rate of return on plan assets	1.5%	5.1%	1.5%	5.0%

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 35% invested in equity securities, approximately 35% invested in debt securities, and approximately 30% invested in other assets, primarily consisting of investments in life insurance company general accounts. 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 21.

The fair values of benefit plan assets at March 31, 2018 and 2017 by asset class are as follows:

At March 31, 2018	Millions of yen										
	Domestic				Overseas					Investments measured at net asset value	Total
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total			
Plan assets											
Cash	¥ 300	¥ —	¥ —	¥ 300	¥ (1,690)	¥ —	¥ —	¥ —	¥ —	¥ (1,690)	
Equity securities											
Japanese equities	11,207	—	—	11,207	562	144	—	—	—	706	
Foreign equities	8,715	—	—	8,715	16,976	1,950	—	27,112	—	46,038	
Pooled funds	—	—	—	—	7,406	1,124	—	2,661	—	11,191	
Debt securities											
Government bonds and municipal bonds	18,599	—	—	18,599	3,816	38,066	—	12,826	—	54,708	
Corporate bonds	—	6,642	—	6,642	—	67,671	—	22,191	—	89,862	
Other assets											
Life insurance company general accounts	—	36,141	—	36,141	—	—	—	—	—	—	
Other	—	—	—	—	875	254	13,580	3,500	—	18,209	
Total	¥ 38,821	¥ 42,783	¥ —	¥ 81,604	¥ 27,945	¥ 109,209	¥ 13,580	¥ 68,290	¥ —	¥ 219,024	

At March 31, 2017	Millions of yen										
	Domestic				Overseas					Investments measured at net asset value	Total
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total			
Plan assets											
Cash	¥ 280	¥ —	¥ —	¥ 280	¥ 924	¥ —	¥ —	¥ —	¥ —	¥ 924	
Equity securities											
Japanese equities	10,643	—	—	10,643	—	116	—	—	—	116	
Foreign equities	8,731	—	—	8,731	9,215	1,447	—	—	—	10,662	
Pooled funds	—	—	—	—	6,707	1,256	—	—	—	7,963	
Debt securities											
Government bonds and municipal bonds	18,010	—	—	18,010	3,375	12,256	—	—	—	15,631	
Corporate bonds	—	5,993	—	5,993	—	11,053	—	—	—	11,053	
Other assets											
Life insurance company general accounts	—	35,901	—	35,901	—	—	—	—	—	—	
Other	—	—	—	—	739	330	—	—	—	1,069	
Total	¥ 37,664	¥ 41,894	¥ —	¥ 79,558	¥ 20,960	¥ 26,458	¥ —	¥ —	¥ —	¥ 47,418	

(1) The plan's equity securities include common stock of the Company in the amount of ¥77 million and ¥58 million at March 31, 2018 and 2017, respectively.

(2) The plan's pooled funds which are primarily held by the U.S. subsidiaries include listed foreign equity securities primarily consisting of U.S. equity.

(3) The plan's government bonds and municipal bonds include approximately 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, consisting of the plan assets held by foreign subsidiaries of Joy Global Inc. (currently, Komatsu Mining Corp.) which was acquired in April 2017, was ¥13,580 million at March 31, 2018. Amounts of actual returns on, purchases and sales of, these assets for the fiscal year ended March 31, 2018 were 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 ¥3,599 million and ¥1,729 million to their domestic benefit plans and their overseas benefit plans, respectively in the fiscal year ending March 31, 2019.

(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	
	Domestic	Overseas
2019	¥ 6,460	¥ 12,136
2020	6,628	12,011
2021	7,034	12,115
2022	7,246	12,191
2023	9,121	12,230
Through 2024-2028	35,903	61,240

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	
	2018	2017
Change in accumulated postretirement benefit obligations:		
Accumulated postretirement benefit obligations, beginning of year	¥ 14,057	¥ 14,645
Service cost	481	477
Interest cost	557	571
Actuarial loss (gain)	178	(1,071)
Plan participants' contributions	119	7
Effect of changes in consolidated subsidiaries	2,844	—
Medicare Part D	—	54
Benefits paid	(1,377)	(868)
Foreign currency exchange rate change	(698)	242
Accumulated postretirement benefit obligation, end of year	¥ 16,161	¥ 14,057
Change in plan assets:		
Fair value of plan assets, beginning of year	¥ 9,940	¥ 10,003
Actual return on plan assets	525	490
Employers' contributions	222	26
Plan participants' contributions	119	7
Effect of changes in consolidated subsidiaries	1,192	—
Benefits paid	(804)	(542)
Foreign currency exchange rate change	(572)	(44)
Fair value of plan assets, end of year	¥ 10,622	¥ 9,940
Funded status, end of year	¥ (5,539)	¥ (4,117)

Amounts recognized in the consolidated balance sheets at March 31, 2018 and 2017 are as follows:

	Millions of yen	
	2018	2017
Deferred income taxes and other assets	¥ 1,610	¥ 1,441
Deferred income taxes and other current liabilities	(212)	(43)
Liability for pension and retirement benefits	(6,937)	(5,515)
	¥ (5,539)	¥ (4,117)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2018 and 2017 are as follows:

	Millions of yen	
	2018	2017
Actuarial loss	¥ 1,813	¥ 1,660
Prior service cost	20	97
	¥ 1,833	¥ 1,757

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

Net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2018 and 2017 included the following components:

	Millions of yen	
	2018	2017
Service cost	¥ 481	¥ 477
Interest cost on projected benefit obligations	557	571
Expected return on plan assets	(595)	(505)
Amortization of actuarial loss	95	239
Amortization of prior service cost	77	111
Net periodic cost	¥ 615	¥ 893

Other changes in plan assets and accumulated postretirement benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2018 and 2017 are summarized as follows:

	Millions of yen	
	2018	2017
Current year actuarial loss (gain)	¥ 248	¥ (1,056)
Amortization of actuarial loss	(95)	(239)
Amortization of prior service cost	(77)	(111)
	¥ 76	¥ (1,406)

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, 2019 are summarized as follows:

	Millions of yen
Amortization of actuarial loss	¥ 97
Amortization of prior service cost	(6)

Weighted-average assumptions used to determine accumulated postretirement benefit obligations of the U.S. subsidiaries' plans at March 31, 2018 and 2017 are as follows:

	2018	2017
Discount rate	3.9%	4.0%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Current healthcare cost trend rate	6.2%	6.2%
Ultimate healthcare cost trend rate	5.0%	5.0%
Number of years to ultimate healthcare cost trend rate	5	5

Weighted-average assumptions used to determine net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2018 and 2017 are as follows:

	2018	2017
Discount rate	3.9%	4.0%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Expected long-term rate of return on plan assets	5.6%	5.4%
Current healthcare cost trend rate	6.2%	6.5%
Ultimate healthcare cost trend rate	5.0%	5.0%
Number of years to ultimate healthcare cost trend rate	6	6

At March 31, 2018 and 2017, the impact of one percentage point change in the assumed health care cost trend rates would not be material to Komatsu's financial position and results of operations.

Plan assets

The U.S. subsidiaries' investment policies are to provide returns that will maximize principal growth while accepting only moderate risk.

The U.S. subsidiaries' asset portfolio will be invested in a manner that emphasizes safety of capital while achieving total returns consistent with prudent levels of risk. The basic portfolio for the plan assets are comprised approximately of 35% equity securities and 65% debt securities.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, the U.S. subsidiaries have investigated the business condition of the invested companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds and municipal bonds, and corporate bonds. Prior to investing, the U.S. subsidiaries have investigated the quality of the issue, including credit rating, interest rate and repayment dates, and have appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity described above. There is no significant concentration of risk within the portfolio of investments.

The three levels of input used to measure fair value are more fully described in Note 21.

The fair values of postretirement benefit plan assets at March 31, 2018 and 2017, by asset class are as follows:

At March 31, 2018	Millions of yen				Total
	Level 1	Level 2	Level 3	Investments measured at net asset value	
Plan assets					
Cash	¥ 622	¥ —	¥ —	¥ —	¥ 622
Equity securities					
Foreign equities	1,924	—	—	—	1,924
Pooled funds	2,117	—	—	—	2,117
Debt securities					
Government bonds and municipal bonds	1,172	2,966	—	—	4,138
Corporate bonds	—	1,417	—	404	1,821
Total	¥ 5,835	¥ 4,383	¥ —	¥ 404	¥10,622

At March 31, 2017	Millions of yen				Total
	Level 1	Level 2	Level 3	Investments measured at net asset value	
Plan assets					
Cash	¥ 506	¥ —	¥ —	¥ —	¥ 506
Equity securities					
Foreign equities	1,548	—	—	—	1,548
Pooled funds	1,598	—	—	—	1,598
Debt securities					
Government bonds and municipal bonds	1,106	3,418	—	—	4,524
Corporate bonds	—	1,764	—	—	1,764
Total	¥ 4,758	¥ 5,182	¥ —	¥ —	¥ 9,940

(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.

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

The U.S. subsidiaries expect to contribute ¥22 million to their postretirement benefit plans in the fiscal year ending March 31, 2019.

(2) Estimated future benefit payments

The benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter which reflect estimated future employee service are as follows:

<u>Fiscal year ending March 31</u>	<u>Millions of yen</u>
2019	¥ 1,032
2020	1,079
2021	1,070
2022	1,059
2023	1,052
Through 2024-2028	5,153

Directors of Japanese subsidiaries are primarily covered by unfunded retirement allowance plans. At March 31, 2018 and 2017, 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, 2018 and 2017 are ¥7,597 million and ¥2,858 million, respectively.

13. Komatsu Ltd. Shareholders' Equity

(1) At March 31, 2018 and 2017, affiliated companies owned 843,600 and 1,102,000 shares which represent 0.09% and 0.12% of the Company's common shares outstanding, respectively.

(2) The Companies Act of Japan (hereinafter "the Act") imposes certain limitations on the amount of retained earnings available for dividends. Accordingly, total shareholders' equity of ¥581,423 million, included in the Company's general books of account as of March 31, 2018 is available for dividends under the Act.

The payment of a cash dividend totaling ¥45,301 million to shareholders of record on March 31, 2018 will be discussed at the Ordinary General Meeting of Shareholders held on June 19, 2018. The dividend has not been reflected in the consolidated financial statements as of March 31, 2018. Dividends are reported in the consolidated statements of equity when approved and paid.

(3) The Company has two types of stock option plans as stock-based remuneration.

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

The right to purchase the Company's shares is granted at a predetermined price to directors and certain employees, and certain directors of major subsidiaries. The purchase price is the amount calculated by taking the average of the closing prices applicable to ordinary transactions of shares of the Company on the Tokyo Stock Exchange on all days for a month immediately preceding the month in which the date of grant of the right falls and multiplying by 1.05, provided that the exercise price shall not be less than the closing price of the shares of the Company on the Tokyo Stock Exchange on the date of the grant.

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

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

Based on the resolutions of the Ordinary General Meeting of Shareholders on June 23, 2010 and the Board of Directors on July 14, 2016, the Company issued 505 rights of its Stock Acquisition Rights to directors. Based on the resolutions of the Ordinary General Meeting of Shareholders on June 22, 2016 and the Board of Directors on July 14, 2016, the Company also issued 1,996 rights of its Stock Acquisition Rights to certain employees and certain representative directors of major subsidiaries during the fiscal year ended March 31, 2017. The options vest 100% on each of the grant dates and are exercisable from August 1, 2019.

In addition, 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 recognizes compensation expense using the fair value method. Compensation expenses during the fiscal years ended March 31, 2018 and 2017 were ¥519 million and ¥430 million, respectively, and were recorded in selling, general and administrative expenses.

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

The following table summarizes information about stock option activity for the fiscal years ended March 31, 2018 and 2017:

	2018		2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		Yen		Yen
Outstanding at beginning of year	1,277,700	¥ 70	1,593,800	¥ 600
Granted	199,700	1	250,100	1
Exercised	(250,400)	353	(322,200)	800
Forfeited	—	—	(244,000)	2,499
Outstanding at end of year	1,227,000	1	1,277,700	70
Exercisable at end of year	534,300	1	508,900	174

The intrinsic values of options exercised were ¥712 million and ¥533 million for the fiscal years ended March 31, 2018 and 2017.

The information for options outstanding and options exercisable at March 31, 2018 is as follows:

Number of shares	Outstanding			Options Exercisable			
	Weighted average exercise price	Intrinsic value	Weighted average remaining contractual life	Number of shares	Weighted average exercise price	Intrinsic value	Weighted average remaining contractual life
	Yen	Millions of yen	Years		Yen	Millions of yen	Years
1,227,000	¥ 1	¥ 4,351	5.0	534,300	¥ 1	¥ 1,895	3.4

The fair value of each share option award is estimated on the date of grant using a discrete-time model (a binomial model) based on the assumptions noted in the following table. Because a discrete-time model incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on implied volatilities from historical volatility of the Company's shares.

The Company uses historical data to estimate share option exercise and employee departure behavior used in the discrete-time model. The expected term of share options granted represents the period of time that share options granted are expected to be outstanding. The risk-free rate for periods within the contractual term of the share option is based on the Japanese government bond yield curve in effect at the time of grant.

	As of August 1, 2017	As of August 1, 2016
Grant-date fair value	¥ 2,599	¥ 1,721
Expected term	5 years	5 years
Risk-free rate	(0.10)% – 0.10%	(0.33)% – (0.26)%
Expected volatility	31.00%	32.00 %
Expected dividend yield	2.46%	2.71 %

Interest rate corresponding to discount periods is applied to risk-free rate, that is as follows:

	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
2018	(0.10)%	(0.11)%	(0.11)%	(0.09)%	(0.07)%	(0.04)%	(0.01)%	0.02 %	0.06 %	0.10 %
2017	(0.33)%	(0.37)%	(0.39)%	(0.39)%	(0.38)%	(0.36)%	(0.34)%	(0.32)%	(0.29)%	(0.26)%

14. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen				
	2018				
	Foreign currency translation adjustments	Net unrealized holding gains(losses) on securities available for sale	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of year	¥ 11,014	¥ 30,114	¥ (23,149)	¥ 703	¥ 18,682
Other comprehensive income (loss) before reclassifications	(22,761)	3,074	(958)	6,777	(13,868)
Amounts reclassified from accumulated other comprehensive income (loss)	(66)	(32,507)	1,372	(4,379)	(35,580)
Net other comprehensive income (loss)	(22,827)	(29,433)	414	2,398	(49,448)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(1,647)	—	10	21	(1,616)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(21,180)	(29,433)	404	2,377	(47,832)
Balance, end of year	¥ (10,166)	¥ 681	¥ (22,745)	¥ 3,080	¥ (29,150)

All amounts are net of tax.

	Millions of yen				
	2017				
	Foreign currency translation adjustments	Net unrealized holding gains(losses) on securities available for sale	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of year	¥ 26,603	¥ 19,253	¥ (28,067)	¥ 878	¥ 18,667
Other comprehensive income (loss) before reclassifications	(16,523)	10,964	2,874	114	(2,571)
Amounts reclassified from accumulated other comprehensive income (loss)	21	(103)	2,034	(237)	1,715
Net other comprehensive income (loss)	(16,502)	10,861	4,908	(123)	(856)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(913)	—	(10)	52	(871)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(15,589)	10,861	4,918	(175)	15
Balance, end of year	¥ 11,014	¥ 30,114	¥ (23,149)	¥ 703	¥ 18,682

All amounts are net of tax.

Reclassification out of accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen	
	2018	Affected line items in consolidated statements of income
Foreign currency translation adjustments		
Liquidation and sale	¥ 66	Other income (expenses), net: Gain on sales of investment securities, net and Other, net
	<u>66</u>	Total before tax
	<u>—</u>	Income taxes
	<u>66</u>	Net of tax
Net unrealized holding gains (losses) on securities available for sale		
Gain from sale	49,248	Other income (expenses), net: Gain on sales of investment securities, net
	<u>49,248</u>	Total before tax
	<u>(16,741)</u>	Income taxes
	<u>32,507</u>	Net of tax
Pension liability adjustments		
Amortization of actuarial loss	(1,782)	*1
Amortization of prior service cost	(243)	*1
	<u>(2,025)</u>	Total before tax
	<u>653</u>	Income taxes
	<u>(1,372)</u>	Net of tax
Net unrealized holding gains (losses) on derivative instruments		
Forwards contracts	6,258	Other income (expenses), net: Other, net
	<u>6,258</u>	Total before tax
	<u>(1,879)</u>	Income taxes
	<u>4,379</u>	Net of tax
Total reclassification for the year	<u>¥ 35,580</u>	Net of tax

*1 These amounts are included in the computation of net periodic pension cost. (Note 12)

	Millions of yen	
	2017	Affected line items in consolidated statements of income
Foreign currency translation adjustments		
Sale	¥ (21)	Other income (expenses), net: Gain on sales of investment securities, net
	(21)	Total before tax
	—	Income taxes
	(21)	Net of tax
Net unrealized holding gains (losses) on securities available for sale		
Gain from sale	207	Other income (expenses), net: Gain on sales of investment securities, net
	207	Total before tax
	(104)	Income taxes
	103	Net of tax
Pension liability adjustments		
Amortization of actuarial loss	(2,705)	*1
Amortization of prior service cost	(355)	*1
	(3,060)	Total before tax
	1,026	Income taxes
	(2,034)	Net of tax
Net unrealized holding gains (losses) on derivative instruments		
Forwards contracts	347	Other income (expenses), net: Other, net
	347	Total before tax
	(110)	Income taxes
	237	Net of tax
Total reclassification for the year	¥ (1,715)	Net of tax

*1 These amounts are included in the computation of net periodic pension cost. (Note 12)

Tax effects allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		
	2018		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the year	¥ (22,752)	¥ (9)	¥ (22,761)
Less: reclassification adjustment for gains included in net income	(66)	—	(66)
Net foreign currency translation adjustments	(22,818)	(9)	(22,827)
Net unrealized holding gains (losses) on securities available for sale			
Unrealized holding gains arising during the year	4,570	(1,496)	3,074
Less: reclassification adjustment for gains included in net income	(49,248)	16,741	(32,507)
Net unrealized holding losses	(44,678)	15,245	(29,433)
Pension liability adjustments			
Pension liability adjustments arising during the year	(1,150)	192	(958)
Less: reclassification adjustment for losses included in net income	2,025	(653)	1,372
Net pension liability adjustments	875	(461)	414
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding gains arising during the year	9,231	(2,454)	6,777
Less: reclassification adjustment for gains included in net income	(6,258)	1,879	(4,379)
Net unrealized holding gains	2,973	(575)	2,398
Other comprehensive income (loss)	¥ (63,648)	¥ 14,200	¥ (49,448)

	Millions of yen		
	2017		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the year	¥ (16,591)	¥ 68	¥ (16,523)
Less: reclassification adjustment for losses included in net income	21	—	21
Net foreign currency translation adjustments	(16,570)	68	(16,502)
Net unrealized holding gains (losses) on securities available for sale			
Unrealized holding gains arising during the year	15,986	(5,022)	10,964
Less: reclassification adjustment for gains included in net income	(207)	104	(103)
Net unrealized holding gains	15,779	(4,918)	10,861
Pension liability adjustments			
Pension liability adjustments arising during the year	4,109	(1,235)	2,874
Less: reclassification adjustment for losses included in net income	3,060	(1,026)	2,034
Net pension liability adjustments	7,169	(2,261)	4,908
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding gains arising during the year	187	(73)	114
Less: reclassification adjustment for gains included in net income	(347)	110	(237)
Net unrealized holding losses	(160)	37	(123)
Other comprehensive income (loss)	¥ 6,218	¥ (7,074)	¥ (856)

15. Income Taxes

The sources of income before income taxes and equity in earnings of affiliated companies and the sources of income taxes for the fiscal years ended March 31, 2018 and 2017, were as follows:

	Millions of yen	
	2018	2017
Income before income taxes and equity in earnings of affiliated companies:		
Japan	¥ 134,241	¥ 71,861
Foreign	157,566	94,608
	<u>¥ 291,807</u>	<u>¥ 166,469</u>
Income taxes:		
Current –		
Japan	¥ 52,864	¥ 24,925
Foreign	34,175	27,066
	<u>¥ 87,039</u>	<u>¥ 51,991</u>
Deferred –		
Japan	¥ (158)	¥ (2,189)
Foreign	(494)	603
	<u>¥ (652)</u>	<u>¥ (1,586)</u>
Total	<u>¥ 86,387</u>	<u>¥ 50,405</u>

Total income taxes recognized for the fiscal years ended March 31, 2018 and 2017 were applicable to the following:

	Millions of yen	
	2018	2017
Income before income taxes and equity in earnings of affiliated companies	¥ 86,387	¥ 50,405
Other comprehensive income(loss):		
Foreign currency translation adjustments	9	(68)
Net unrealized holding gains(losses) on securities available for sale	(15,245)	4,918
Pension liability adjustments	461	2,261
Net unrealized holding gains(losses) on derivative instruments	575	(37)
Total income taxes	<u>¥ 72,187</u>	<u>¥ 57,479</u>

Temporary differences and tax loss carryforwards which gave rise to deferred tax assets and liabilities at March 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	2017
Deferred tax assets:		
Allowances provided, not yet recognized for tax	¥ 9,280	¥ 6,616
Accrued expenses	36,692	37,342
Investment securities	1,417	1,954
Pension and retirement benefits	16,261	12,851
Property, plant and equipment	1,799	3,890
Inventories	12,055	13,398
Net operating loss carryforwards	32,631	18,949
Research and development expenses	1,522	1,565
Tax credit carryforwards	11,591	131
Other	13,904	7,187
Total gross deferred tax assets	137,152	103,883
Less: valuation allowance	(31,244)	(16,621)
Total deferred tax assets	¥ 105,908	¥ 87,262
Deferred tax liabilities:		
Unrealized holding gains on securities available for sale	¥ 338	¥ 12,712
Property, plant and equipment	29,542	12,314
Intangible assets	33,131	8,770
Undistributed earnings of foreign subsidiaries and affiliated companies accounted for by the equity method	11,662	6,706
Other	2,063	885
Total deferred tax liabilities	¥ 76,736	¥ 41,387
Total deferred tax assets	¥ 29,172	¥ 45,875

Net deferred tax assets and liabilities as of March 31, 2018 and 2017 are reflected on the consolidated balance sheets under the following captions:

	Millions of yen	
	2018	2017
Deferred income taxes and other current assets	¥ –	¥ 56,276
Deferred income taxes and other assets	56,126	8,747
Deferred income taxes and other current liabilities	–	(421)
Deferred income taxes and other liabilities	(26,954)	(18,727)
	¥ 29,172	¥ 45,875

The valuation allowance was ¥20,893 million as of March 31, 2016. The net changes in the total valuation allowance for the fiscal years ended March 31, 2018 and 2017 were an increase of ¥14,623 million and a decrease of ¥4,272 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, 2018 and 2017, 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, 2018, Komatsu had tax credit carryforwards of approximately ¥11,591 million, which expire within the years ending March 31, 2025.

The Company and its Japanese subsidiaries are subject to a National Corporate tax rate of approximately 23%, an inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 5%, which in the aggregate resulted in a Japanese statutory tax rate of approximately 31.5% for the fiscal years ended March 31, 2018 and 2017. 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, 2018 and 2017, are summarized as follows:

	2018	2017
Japanese statutory tax rate	31.5%	31.5%
Increase (decrease) in tax rates resulting from:		
Change in valuation allowance	(2.2)	(1.9)
Expenses not deductible for tax purposes	2.0	1.7
Income of foreign subsidiaries taxed at lower than Japanese normal rate	(1.9)	(2.0)
Tax credit for research and development expenses	(1.3)	(2.3)
Effect of enacted changes in U.S. tax act	(1.6)	-
Other, net	3.1	3.3
Effective tax rate	29.6%	30.3%

Foreign subsidiaries are subject to income taxes of the countries in which they operate. At March 31, 2018 and 2017, undistributed earnings of foreign subsidiaries amount to ¥876,221 million and ¥794,734 million, respectively. The Company has a policy to distribute a certain portion of undistributed earnings of foreign subsidiaries. As of March 31, 2018 and 2017, Komatsu recognized deferred tax liabilities of ¥5,703 million and ¥968 million, respectively, associated with those earnings. As of March 31, 2018 and 2017, Komatsu did not recognize deferred tax liabilities of ¥43,470 million and ¥42,101 million, respectively, for such portion of undistributed earnings of foreign subsidiaries that the Company intends to reinvest indefinitely.

At March 31, 2018, certain subsidiaries had net operating loss carryforwards aggregating approximately ¥72,211 million, which may be used as a deduction in determining taxable income in future periods. The period available to offset future taxable income varies in each tax jurisdiction as follows:

<u>At March 31, 2018</u>	<u>Millions of yen</u>
Within 5 years	¥ 30,840
6 to 20 years	2,417
Indefinite periods	38,954
Total	¥ 72,211

For other net operating loss carryforwards than the aforementioned amount, at March 31, 2018, some U.S. subsidiaries had net operating loss carryforwards associated with state tax aggregating approximately ¥222,124 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 ¥13,089 million.

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. At March 31, 2018 and 2017, unrecognized tax benefits amount to ¥12,064 million and ¥7,682 million, respectively. The full amounts of these unrecognized tax benefits, if recognized, would reduce the effective tax rate respectively. For the fiscal year ended March 31, 2018, Komatsu did not have material reversal of unrecognized tax benefits. For the fiscal years ended March 31, 2018 and 2017, interest and penalties related to unrecognized tax benefits were not material. Based on the information available as of March 31, 2018, 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, 2010 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.

The Tax Cuts and Jobs Act (the “Act”) was enacted on December 22, 2017 in the United States. The measurement of income tax accounting effects of the Act under ASC 740, “Income Taxes” is not completed as of the issue date of the consolidated financial statements. Therefore, Komatsu adopted SAB 118 and ASU 2018-05 recorded provisional amounts based on the information available as of the issue date of the consolidated financial statements for income tax accounting effects of the Act. The amounts of income tax accounting effects of each item for the fiscal year ended March 31, 2018 are as follows:

	Millions of yen	
	Location on the Consolidated Statements of Income	2018
Remeasurement of deferred tax assets and liabilities due to income tax rate change	Income taxes Deferred	¥ (11,193)
Repatriation tax on previously untaxed earnings and profits of foreign companies	Income taxes Current	7,080
Increase of valuation allowance for foreign tax credit carry forwards	Income taxes Deferred	736
Reversal of deferred tax liabilities for undistributed earnings of subsidiaries	Income taxes Deferred	(1,425)
	Income taxes Current	7,080
	Deferred	(11,882)
Total	Total	¥ (4,802)

* The amounts are provisional, except for “Reversal of deferred tax liabilities for undistributed earnings of subsidiaries”.
The above provisional amounts were adjusted during the three months ended March 31, 2018.

Komatsu does not expect material changes to the above amounts initially recorded. However, Komatsu will continue to measure income tax accounting effects of the Act and record adjustments, as needed, based on changes to the information.

16. Rent Expenses

Komatsu leases office space and equipment and employee housing, etc. under cancelable and non-cancelable lease agreements. Rent expenses under cancelable and non-cancelable operating leases amounted to ¥20,663 million and ¥14,458 million, respectively, for the fiscal years ended March 31, 2018 and 2017. Certain leases have renewal options at reduced rates and provisions requiring us to pay maintenance, property taxes and insurance.

At March 31, 2018, the future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

Fiscal year ending March 31	Millions of yen		
	Capital leases	Operating lease commitments	Total
2019	¥ 746	¥ 7,228	¥ 7,974
2020	250	5,095	5,345
2021	229	3,695	3,924
2022	196	2,693	2,889
2023	82	1,902	1,984
Thereafter	196	1,869	2,065
Total minimum lease payments	¥ 1,699	¥ 22,482	¥ 24,181
Less: amounts representing interest		(47)	
Present value of net minimum capital lease payments	¥ 1,652		

At March 31, 2017, the future minimum lease payments under non-cancelable operating leases and capital leases were as follows:

Fiscal year ending March 31	Millions of yen		
	Capital leases	Operating lease commitments	Total
2018	¥ 765	¥ 3,316	¥ 4,081
2019	155	1,957	2,112
2020	160	1,269	1,429
2021	142	793	935
2022	119	413	532
Thereafter	1	616	617
Total minimum lease payments	¥ 1,342	¥ 8,364	¥ 9,706
Less: amounts representing interest		(73)	
Present value of net minimum capital lease payments	¥ 1,269		

17. Net Income Attributable to Komatsu Ltd. per Share

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

	Millions of yen	
	2018	2017
Net income attributable to Komatsu Ltd.	¥ 196,410	¥ 113,381
	Number of shares	
	2018	2017
Weighted average common shares outstanding, less treasury stock	943,167,127	942,793,249
Dilutive effect of:		
Stock options	1,266,360	1,260,080
Weighted average diluted common shares outstanding	944,433,487	944,053,329
	Yen	
	2018	2017
Net income attributable to Komatsu Ltd. per share:		
Basic	208.25	120.26
Diluted	207.97	120.10

18. Commitments and Contingent Liabilities

At March 31, 2018 and 2017, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥97 million and ¥59 million, respectively.

Komatsu provides guarantees to third parties of loans of the employees, affiliated companies, customers and other companies. The guarantees of loans relating to the employees are mainly made for their housing loans. The guarantees of loans relating to the affiliated companies, customers and other companies are made to enhance the credit of those companies. For each guarantee provided, Komatsu would have to perform under a guarantee if the borrower defaults on a payment within the contract terms. The contract terms are from 10 years to 30 years in the case of employees with housing loans, and from 1 year to 8 years in the case of loans relating to the affiliated companies, customers and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default at March 31, 2018 and 2017 were ¥15,034 million and ¥13,862 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at March 31, 2018 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, 2018 was ¥13,694 million.

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, 2018 and 2017 aggregated approximately ¥19,700 million and approximately ¥15,100 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, 2018 and 2017 are summarized as follows:

	Millions of yen	
	2018	2017
Balance at beginning of year	¥ 30,584	¥ 28,804
Addition	32,645	23,416
Utilization	(23,146)	(21,383)
Other	4,540	(253)
Balance at end of year	¥ 44,623	¥ 30,584

19. Derivative Financial Instruments

Risk Management Policy

Komatsu is exposed to market risk primarily from changes in foreign currency exchange and interest rates with respect to debt obligations, international operations and foreign currency denominated credits and debts. In order to manage these risks that arise in the normal course of business, Komatsu enters into various derivative transactions for hedging pursuant to its policies and procedures (Notes 20 and 21). Komatsu does not enter into derivative financial transactions for trading or speculative purposes.

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

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

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

Cash Flow Hedges

Komatsu uses derivative financial instruments designated as cash flow hedges to manage Komatsu's foreign exchange risks associated with forecasted transactions and Komatsu's interest risks associated with debt obligations. For transactions denominated in foreign currencies, Komatsu typically hedges forecasted and firm commitment exposures to the variability in cash flow basically up to one year. For the variable rate debt obligations, Komatsu enters into interest rate swap contracts to manage the changes in cash flows. Komatsu records the changes in fair value of derivative instruments designated as cash flow hedges in accumulated other comprehensive income (loss). These amounts are reclassified into earnings through other income (expenses), net when the hedged items impact earnings. Approximately ¥2,116 million of existing losses included in accumulated other comprehensive income (loss) at March 31, 2018 will be reclassified into earnings within twelve months from that date. No cash flow hedges were discontinued during the fiscal year ended March 31, 2018 as a result of anticipated transactions that are no longer probable of occurring.

Undesignated Derivative Instruments

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

Notional Principal Amounts of Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at March 31, 2018 and 2017 are as follows:

	Millions of yen	
	2018	2017
Forwards contracts:		
Sale of foreign currencies	¥ 188,433	¥ 114,433
Purchase of foreign currencies	152,208	90,493
Interest rate swaps and cross-currency swap agreements	93,736	77,588

Fair value of derivative instruments at March 31, 2018 and 2017 on the consolidated balance sheets are as follows:

	Millions of yen			
	2018			
	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	Deferred income taxes and other current assets	¥ 3,375	Deferred income taxes and other current liabilities	¥ 752
	Deferred income taxes and other assets	3,618	Deferred income taxes and other liabilities	147
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	24	Deferred income taxes and other current liabilities	68
Total		¥ 7,017		¥ 967
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 1,300	Deferred income taxes and other current liabilities	¥ 2,883
	Deferred income taxes and other assets	64	Deferred income taxes and other liabilities	32
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	12	Deferred income taxes and other current liabilities	278
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	8
Total		¥ 1,376		¥ 3,201
Total Derivative Instruments		¥ 8,393		¥ 4,168

Millions of yen

2017				
Derivative instruments designated as hedging instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 2,133	Deferred income taxes and other current liabilities	¥ 241
	Deferred income taxes and other assets	17	Deferred income taxes and other liabilities	411
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	8	Deferred income taxes and other current liabilities	129
Total		¥ 2,158		¥ 781
Undesignated derivative instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 353	Deferred income taxes and other current liabilities	¥ 1,938
	Deferred income taxes and other assets	1	Deferred income taxes and other liabilities	—
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	67	Deferred income taxes and other current liabilities	956
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	—
Total		¥ 421		¥ 2,894
Total Derivative Instruments		¥ 2,579		¥ 3,675

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, 2018 and 2017 are as follows:

Derivative instruments designated as cash flow hedging relationships

	Millions of yen				
	2018				
	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	¥ 9,158	Other income (expenses), net: Other, net	¥ 6,447	Other income (expenses), net: Other, net	¥ (189)
Interest rate swaps and cross-currency swap agreements	73	—	—	—	—
Total	¥ 9,231		¥ 6,447		¥ (189)

	Millions of yen				
	2017				
	Effective portion		Ineffective portion and amount excluded from effectiveness testing		
Amount of gains (losses) recognized in OCI on derivatives	Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	
Forwards contracts	¥ (1)	Other income (expenses), net: Other, net	¥ 288	Other income (expenses), net: Other, net	¥ 59
Interest rate swaps and cross-currency swap agreements	188	—	—	—	—
Total	¥ 187		¥ 288		¥ 59

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

Millions of yen		
2018		
	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	¥ (1,103)
Interest rate swaps and cross-currency swap agreements	Cost of sales	(116)
	Other income (expenses), net: Other, net	26
Total		¥ (1,193)

Millions of yen		
2017		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net	¥ (3,481)
Interest rate swaps and cross-currency swap agreements	Cost of sales	(117)
	Other income (expenses), net: Other, net	103
Total		¥ (3,495)

20. Fair Values of Financial Instruments

(1) Cash and cash equivalents, Time deposits, Trade notes and accounts receivable, Short-term debt, Trade notes, bills and accounts payable

The carrying amount approximates fair value because of the short maturity of these instruments.

(2) Investment securities, marketable equity securities

The fair values of investment securities available for sale for which it is practicable to estimate fair value are based on quoted market prices and are recognized on the accompanying consolidated balance sheets.

(3) Long-term trade receivables (Note 4)

The fair values of long-term trade receivables are based on the present value of future cash flows through maturity, discounted using estimated current interest rates. The fair values computed on such a basis approximate the carrying amounts.

(4) Long-term debt, including current portion (Note 21)

The fair values of each of the long-term debt are based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the current borrowing rate for similar debt of comparable maturity and is classified in Level 2 in the fair value hierarchy.

(5) Derivatives (Notes 19 and 21)

The fair values of derivative financial instruments, consisting principally of foreign exchange contracts and interest rate swap agreements, are estimated by obtaining quotes from brokers and are recognized on the accompanying consolidated balance sheets.

The carrying amounts and the estimated fair values of the financial instruments, including financial instruments not qualifying as hedge, as of March 31, 2018 and 2017, are summarized as follows:

	Millions of yen			
	2018		2017	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Cash and cash equivalents	¥ 144,397	¥ 144,397	¥ 119,901	¥ 119,901
Time deposits	2,460	2,460	2,289	2,289
Trade notes and accounts receivable, net	792,714	792,714	619,265	619,265
Long-term trade receivables, net	362,367	362,367	313,946	313,946
Investment securities, marketable equity securities	1,528	1,528	59,067	59,067
Short-term debt	259,093	259,093	128,452	128,452
Trade notes, bills and accounts payable	303,556	303,556	240,113	240,113
Long-term debt, including current portion	551,504	551,188	280,250	280,228
Derivatives:				
Forwards contracts				
Assets	8,357	8,357	2,504	2,504
Liabilities	3,814	3,814	2,590	2,590
Interest rate swaps and cross-currency swap agreements				
Assets	36	36	75	75
Liabilities	354	354	1,085	1,085

Limitations

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

21. Fair Value Measurements

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

- Level 1** – Quoted prices in active markets for identical assets or liabilities
- Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3** – Unobservable inputs for the assets or liabilities

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

The fair value hierarchy levels of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2018 and 2017 are as follows:

At March 31, 2018	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale				
Manufacturing industry	¥ 970	¥ —	¥ —	¥ 970
Financial service industry	—	—	—	—
Other	558	—	—	558
Derivatives				
Forward contracts	—	8,357	—	8,357
Interest rate swaps and cross-currency swap agreements	—	36	—	36
Total	¥ 1,528	¥ 8,393	¥ —	¥ 9,921
Liabilities				
Derivatives				
Forward contracts	¥ —	¥ 3,814	¥ —	¥ 3,814
Interest rate swaps and cross-currency swap agreements	—	354	—	354
Other	—	—	242	242
Total	¥ —	¥ 4,168	¥ 242	¥ 4,410
At March 31, 2017				
Assets				
Investment securities available for sale				
Manufacturing industry	¥ 30,791	¥ —	¥ —	¥ 30,791
Financial service industry	23,251	—	—	23,251
Other	5,025	—	—	5,025
Derivatives				
Forward contracts	—	2,504	—	2,504
Interest rate swaps and cross-currency swap agreements	—	75	—	75
Total	¥ 59,067	¥ 2,579	¥ —	¥ 61,646
Liabilities				
Derivatives				
Forward contracts	¥ —	¥ 2,590	¥ —	¥ 2,590
Interest rate swaps and cross-currency swap agreements	—	1,085	—	1,085
Other	—	7,509	248	7,757
Total	¥ —	¥ 11,184	¥ 248	¥ 11,432

Investment securities available for sale

Marketable equity securities are classified in Level 1 in the fair value hierarchy. Marketable equity securities are measured using a market approach based on the quoted market prices in active markets.

Derivatives (Notes 19 and 20)

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

Other

Other primarily represents loans which are measured at fair value under the Fair Value Option of ASC 825, "Financial Instruments". The fair value of loans is based on a valuation model based on market yield curve data and credit spread data and is classified in Level 2 in the fair value hierarchy. The credit spread data was obtained through use of credit default swaps for each counterparty.

The following table summarizes information about changes of Level 3 for the fiscal years ended March 31, 2018 and 2017:

	Millions of yen	
	2018	2017
Balance, beginning of year	¥ (248)	¥ (301)
Total gains or losses (realized / unrealized)	6	53
Included in earnings	(0)	49
Included in other comprehensive income (loss)	6	4
Balance, end of year	¥ (242)	¥ (248)

The amount of unrealized gains on classified in Level 3 liabilities recognized in earnings for the fiscal years ended March 31, 2018 and 2017 related to liabilities still held at March 31, 2018 and 2017 were losses of ¥0 million and gains of ¥49 million, respectively. These losses or gains were reported in other income (expense), net in the consolidated statements of income.

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

For the fiscal year ended March 31, 2018, main assets and liabilities that were measured at fair value on non-recurring basis are as follows. For the fiscal year ended March 31, 2017, there were no material assets and liabilities that were measured at fair value on a non-recurring basis.

At March 31, 2018	Millions of yen			
	Total loss	Level 1	Level 2	Level 3
Assets				
Other intangible assets not subject to amortization	¥ 4,415	¥ —	¥ —	¥ 3,125
Goodwill	13,396	—	—	—

Other intangible assets not subject to amortization

As of March 31, 2018, Komatsu measured certain other intangible assets not subject to amortization at fair value calculated by the relief-from-royalty approach using unobservable inputs and classified these assets in Level 3. As a result, the carrying amount of certain other intangible assets not subject to amortization of ¥7,540 million was impaired to the fair value of ¥3,125 million, and ¥4,415 million was recorded as impairment loss on long-lived assets in the consolidated statements of income.

Goodwill

As of March 31, 2018, Komatsu calculated the fair value of a certain reporting unit including goodwill based on the discounted cash flow method using unobservable inputs, and classified it in Level 3. Consequently, since the fair value of the certain reporting unit was lower than the carrying amount, the full carrying amount of goodwill of the reporting unit was impaired, and ¥13,396 million was recorded as impairment loss on goodwill in the consolidated statements of income.

22. Business Segment and Geographic Information

Komatsu has three operating segments: 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Those operating segments which have separate financial information are available for allocating resources and assessing its performance by management.

The accounting policies employed for the preparation of segment information are identical to those employed for the preparation of the consolidated financial statements of the Company.

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, 2018 and 2017, and for the fiscal years then ended:

Operating segments:

	Millions of yen	
	2018	2017
Net sales:		
Construction, Mining and Utility Equipment –		
External customers	¥ 2,267,332	¥ 1,566,340
Intersegment	13,635	10,232
Total	2,280,967	1,576,572
Retail Finance –		
External customers	49,647	46,715
Intersegment	10,662	2,378
Total	60,309	49,093
Industrial Machinery and Others –		
External customers	184,128	189,934
Intersegment	1,286	1,093
Total	185,414	191,027
Elimination	(25,583)	(13,703)
Consolidated	¥ 2,501,107	¥ 1,802,989
Segment profit:		
Construction, Mining and Utility Equipment	¥ 275,971	¥ 161,686
Retail Finance	12,963	4,453
Industrial Machinery and Others	14,459	12,464
Total segment profit	303,393	178,603
Corporate expenses and elimination	(416)	(2,024)
Total	302,977	176,579
Impairment loss on long-lived assets	6,629	1,743
Impairment loss on goodwill	13,413	—
Other operating income (expenses), net	(11,354)	(739)
Operating income	271,581	174,097
Interest and dividend income	5,255	3,462
Interest expense	(18,372)	(8,212)
Gain on sales of investment securities, net	49,083	178
Other, net	(15,740)	(3,056)
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 291,807	¥ 166,469

	Millions of yen	
	2018	2017
Segment assets:		
Construction, Mining and Utility Equipment	¥ 2,434,291	¥ 1,745,068
Retail Finance	728,518	671,551
Industrial Machinery and Others	209,476	211,827
Corporate assets and elimination	253	28,036
Consolidated	<u>¥ 3,372,538</u>	<u>¥ 2,656,482</u>
Depreciation and amortization:		
Construction, Mining and Utility Equipment	¥ 100,773	¥ 73,806
Retail Finance	25,433	23,233
Industrial Machinery and Others	6,236	6,180
Consolidated	<u>¥ 132,442</u>	<u>¥ 103,219</u>
Capital investment:		
Construction, Mining and Utility Equipment	¥ 86,250	¥ 81,720
Retail Finance	54,661	54,783
Industrial Machinery and Others	4,757	5,503
Consolidated	<u>¥ 145,668</u>	<u>¥ 142,006</u>

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

a) Construction, Mining and Utility Equipment operating segment:

Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, 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 others

Transfers between segments are made at estimated arm's length prices.

Segment assets are those assets used in the operations of each segment. Unallocated corporate assets consist primarily of cash and cash equivalents and marketable investment securities maintained for general corporate purposes.

Amortization for the fiscal years ended March 31, 2018 and 2017, does not include amortization of long-term prepaid expenses of ¥1,468 million and ¥1,076 million.

Impairment loss on long-lived assets recorded in each segment asset for the fiscal years ended March 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	2017
Construction, Mining and Utility Equipment	¥ 1,433	¥ 536
Retail Finance	—	—
Industrial Machinery and Others	5,196	1,207
Total	<u>¥ 6,629</u>	<u>¥ 1,743</u>

Geographic information:

Net sales determined by customer location for the fiscal years ended March 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	2017
Japan	¥ 396,061	¥ 393,488
The Americas	926,198	602,818
Europe and CIS	303,584	220,622
China	193,481	127,446
Asia (excluding Japan and China) and Oceania	517,196	350,804
Middle East and Africa	164,587	107,811
Consolidated net sales	¥ 2,501,107	¥ 1,802,989

Net sales to U.S.A. in the Americas for the fiscal years ended March 31, 2018 and 2017 were ¥455,508 million and ¥318,123 million, respectively.

Net sales determined by geographic origin for the fiscal years ended March 31, 2018 and 2017, and property, plant and equipment determined based on physical location at March 31, 2018 and 2017, are as follows:

	Millions of yen	
	2018	2017
Net sales:		
Japan	¥ 617,203	¥ 579,339
The Americas	839,181	578,339
Europe and CIS	318,409	231,691
China	176,430	103,743
Others	549,884	309,877
Total	¥ 2,501,107	¥ 1,802,989
Property, plant and equipment:		
Japan	¥ 360,010	¥ 372,074
The Americas	220,780	177,342
Europe and CIS	41,392	28,232
Others	118,346	101,379
Total	¥ 740,528	¥ 679,027

There were no sales to a single major external customer for the fiscal years ended March 31, 2018 and 2017.

Property, plant and equipment located in U.S.A. in the Americas at March 31, 2018 and 2017 were ¥151,530 million and ¥121,393 million, respectively.

23. Supplementary Information to Balance Sheets

At March 31, 2018 and 2017, deferred income taxes and other current assets were comprised of the following:

	Millions of yen	
	2018	2017
Prepaid expenses	¥ 9,826	¥ 6,081
Short-term loans receivable:		
Affiliated companies	999	191
Other	8	11
Total	¥ 1,007	¥ 202
Deferred income taxes	—	56,276
Other	116,899	81,610
Total	¥ 127,732	¥ 144,169

At March 31, 2018 and 2017, deferred income taxes and other current liabilities were comprised of the following:

	Millions of yen	
	2018	2017
Accrued expenses	¥ 113,192	¥ 103,329
Deferred income taxes	—	421
Other	176,473	113,340
Total	¥ 289,665	¥ 217,090

Valuation and qualifying accounts deducted from assets to which they apply for the fiscal years ended March 31, 2018 and 2017 were comprised of the following:

	Millions of yen	
	2018	2017
Allowance for doubtful receivables		
Balance at beginning of year	¥ 22,326	¥ 17,589
Additions		
Charged to costs and expenses	5,129	11,703
Charged to other accounts	1,020	—
Deductions	(4,818)	(6,966)
Balance at end of year	¥ 23,657	¥ 22,326

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

	Millions of yen	
	2018	2017
Valuation allowance for deferred tax assets		
Balance at beginning of year	¥ 16,621	¥ 20,893
Additions		
Charged to costs and expenses	9,225	1,185
Charged to other accounts	17,610	51
Deductions	(12,212)	(5,508)
Balance at end of year	¥ 31,244	¥ 16,621

Additions of charged to other accounts for the fiscal year ended March 31, 2018 were principally changes in the new consolidation of Joy Global Inc. (currently, Komatsu Mining Corp.) which was acquired in April 2017.

Deductions for the fiscal year ended March 31, 2018 were principally changes in the expected realization of deferred tax assets and realization or expiration of net operating loss carryforwards.

Deductions for the fiscal year ended March 31, 2017 were principally changes in the expected realization of deferred tax assets.

24. Supplementary Information to Statements of Income

The following information shows research and development expenses and advertising costs, for the fiscal years ended March 31, 2018 and 2017. 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	
	2018	2017
Research and development expenses	¥ 73,625	¥ 70,507
Advertising costs	2,823	2,425

Shipping and handling costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2018 and 2017, were as follows:

	Millions of yen	
	2018	2017
Shipping and handling costs	¥ 49,798	¥ 38,412

For the fiscal years ended March 31, 2018 and 2017, Komatsu recognized an impairment loss of ¥2,214 million and ¥1,743 million related to property, plant and equipment and intangible assets subject to amortization at the Company and certain subsidiaries, as profitability of the assets was expected to be low in the future and Komatsu estimated the carrying amounts would not be recovered by the future cash flows.

For the fiscal year ended March 31, 2018, for other intangible assets not subject to amortization that belong to the Industrial Machinery and Others operating segment, Komatsu recognized an impairment loss of ¥4,415 million due to a decrease in profitability resulting from deterioration of the environment surrounding the relevant business and other factors.

Other operating income (expenses), net for the fiscal years ended March 31, 2018 and 2017, were comprised of the following:

	Millions of yen	
	2018	2017
Gain on sale of property	¥ 830	¥ 1,800
Loss on disposal or sale of fixed assets	(3,607)	(3,396)
Other	(8,577)	857
Total	¥ (11,354)	¥ (739)

Other income (expenses), net for the fiscal years ended March 31, 2018 and 2017, were comprised of the following:

	Millions of yen	
	2018	2017
Interest income		
Installment receivables	¥ 554	¥ 234
Other	3,574	1,616
Dividends	1,127	1,612
Interest expense	(18,372)	(8,212)
Impairment loss and net gain from sale of investment securities	48,793	151
Exchange gain (loss), net	(9,044)	(2,801)
Other	(6,406)	(228)
Total	¥ 20,226	¥ (7,628)

25. Material Subsequent Events

Not applicable.

Komatsu evaluated subsequent events through June 18, 2018, the issue date of its consolidated financial statements.

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

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

The main differences between consolidated financial statements prepared in accordance with U.S. GAAP and those prepared in accordance with the Accounting Standards for Consolidated Financial Statements and the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements of Japan (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 statement in accordance with U.S. GAAP, the scope of consolidation is determined on the shareholding basis on which the determination is based on voting rights and on a consolidation basis of variable interest entities.

(2) Accounting policies

a. Deferred income on installment sales

Although deferral of income on installment sales is permitted in 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 properties, is presented as extraordinary income or loss. However, since there is no concept of extraordinary items in U.S. GAAP, extraordinary income or loss is not presented in the Company's consolidated financial statements.

c. Investment and rental properties

In 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, 2017	Six months ended September 30, 2017	Nine months ended December 31, 2017	Fiscal year ended March 31, 2018
Net sales	¥ 561,211	¥ 1,158,958	¥ 1,805,801	¥ 2,501,107
Income before income taxes and equity in earnings of affiliated companies	48,094	144,117	215,340	291,807
Net income attributable to Komatsu Ltd.	36,395	101,755	155,064	196,410
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	38.59	107.90	164.41	208.25
Diluted	38.54	107.75	164.19	207.97

	Yen			
	Three months ended June 30, 2017	Three months ended September 30, 2017	Three months ended December 31, 2017	Three months ended March 31, 2018
Net income attributable to Komatsu Ltd. per share				
Basic	38.59	69.30	56.52	43.83
Diluted	38.54	69.21	56.44	43.77

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

(Years ended March 31, 2018 and 2017)

	Millions of yen	
	2018	2017
Assets		
Current assets:		
Cash and deposits	227,016	148,066
Notes receivable-trade	1,104	1,244
Accounts receivable-trade	190,861	163,060
Merchandise and finished goods	33,634	37,421
Work in process	41,404	30,395
Raw materials and supplies	2,986	2,816
Prepaid expenses	3,275	3,407
Deferred tax assets	12,212	8,973
Short-term loans receivable	57,218	56,467
Accounts receivable-other	19,461	15,887
Other current assets	1,968	1,969
Allowance for doubtful accounts	(375)	(376)
Total current assets	590,770	469,336
Non-current assets:		
Property, plant and equipment:		
Buildings	86,582	84,269
Structures	15,303	14,590
Machinery and equipment	35,765	40,058
Vehicles	671	754
Tools, furniture and fixtures	9,376	9,408
Rental equipment	52,548	61,101
Land	43,943	43,190
Construction in progress	3,690	5,919
Total property, plant and equipment	247,880	259,292
Intangible assets:		
Software	15,182	12,611
Other intangible assets	285	579
Total intangible assets	15,467	13,190
Investments and other assets:		
Investment securities	1,316	55,330
Stocks of subsidiaries and affiliates	380,415	290,227
Investments in capital of subsidiaries and affiliates	41,449	41,576
Long-term loans receivable	16,559	16,379
Long-term prepaid expenses	1,995	2,075
Deferred tax assets	8,897	-
Other investments	6,387	7,255
Allowance for doubtful accounts	(1,482)	(1,519)
Allowance for investment loss	(4,132)	(2,748)
Total investments and other assets	451,407	408,576
Total non-current assets	714,755	681,060
Total assets	1,305,526	1,150,396

Millions of yen

	2018	2017
Liabilities		
Current liabilities:		
Notes payable-trade	501	32
Accounts payable-trade	115,300	107,640
Short-term loans payable	30,500	32,270
Commercial papers	68,000	19,000
Current portion of bonds	–	30,000
Accounts payable-other	7,779	7,911
Accrued expenses	25,230	21,010
Income taxes payable	37,541	11,912
Advances received	828	546
Deposits received	25,565	25,466
Provision for bonuses	9,079	8,343
Provision for directors' bonuses	213	145
Provision for product warranties	8,806	6,897
Other current liabilities	5,696	3,454
Total current liabilities	335,041	274,629
Non-current liabilities:		
Bonds payable	70,000	20,000
Long-term loans payable	35,498	37,500
Deferred tax liabilities	–	4,338
Provision for product warranties	4,489	1,557
Provision for retirement benefits	38,923	37,067
Other long-term liabilities	8,410	7,063
Total non-current liabilities	157,321	107,526
Total liabilities	492,363	382,156
Net Assets		
Shareholders' equity:		
Capital stock	70,120	70,120
Capital surplus:		
Legal capital surplus	140,140	140,140
Other capital surplus	200	141
Total capital surplus	140,340	140,281
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:		
Reserve for special depreciation	271	368
Reserve for advanced depreciation of non-current assets	11,737	12,084
General reserve	210,359	210,359
Retained earnings brought forward	408,907	334,680
Total retained earnings	649,312	575,528
Treasury stock	(50,052)	(50,457)
Total shareholders' equity	809,720	735,472
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	–	30,119
Deferred gains or losses on hedges	992	301
Total valuation and translation adjustments	992	30,421
Stock acquisition rights	2,449	2,345
Total net assets	813,162	768,240
Total liabilities and net assets	1,305,526	1,150,396

Non-Consolidated Statement of Income

(Years ended March 31, 2018 and 2017)

	Millions of yen	
	2018	2017
Net sales	868,403	685,938
Cost of sales	624,762	516,070
Gross profit	243,640	169,868
Selling, general and administrative expenses		
Haulage expenses	29,397	22,804
Salaries and allowances	44,744	44,037
Provision for bonuses	4,484	4,127
Provision for directors' bonuses	213	145
Retirement benefit expenses	3,988	4,284
Depreciation	9,577	9,552
Research and development expenses	50,839	52,716
Other	(11,413)	(10,820)
Total selling, general and administrative expenses	131,830	126,845
Operating income	111,809	43,023
Non-operating income		
Interest and dividends income	40,732	38,778
Other	1,335	1,596
Total non-operating income	42,067	40,374
Non-operating expenses		
Interest expenses	1,239	1,112
Transfer pricing taxation adjustment	*2 6,630	-
Other	9,083	5,537
Total non-operating expenses	16,953	6,650
Ordinary income	136,924	76,747
Extraordinary income		
Gain on sales of land	44	451
Gain on sales of investment securities	*3 46,096	142
Gain on sales of stocks of subsidiaries and affiliates	-	*4 4,333
Total extraordinary income	46,140	4,927
Extraordinary losses		
Impairment loss	284	133
Loss on valuation of investment securities	145	-
Loss on liquidation of subsidiaries and affiliates	*5 11,613	-
Total extraordinary losses	12,043	133
Income before income taxes	171,022	81,541
Income taxes - current	40,993	15,577
Income taxes - deferred	(5,090)	(1,356)
Total income taxes	35,902	14,220
Net income	135,119	67,320

Non-Consolidated Statement of Changes in Net Assets
(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings				Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			Retained earnings brought forward	
					Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve			
Balance at the beginning of current period	70,120	140,140	141	140,281	18,036	368	12,084	210,359	334,680	575,528
Changes of items during the period										
Reversal of reserve for special depreciation						(96)			96	-
Reversal of reserve for advanced depreciation of non-current assets							(346)		346	-
Dividends from surplus									(61,335)	(61,335)
Net income									135,119	135,119
Purchase of treasury stock										
Disposal of treasury stock			59	59						
Net changes of items other than shareholders' equity										
Total changes of items during the period	-	-	59	59	-	(96)	(346)	-	74,226	73,783
Balance at the end of current period	70,120	140,140	200	140,340	18,036	271	11,737	210,359	408,907	649,312

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(50,457)	735,472	30,119	301	30,421	2,345	768,240
Changes of items during the period							
Reversal of reserve for special depreciation		–					–
Reversal of reserve for advanced depreciation of non-current assets		–					–
Dividends from surplus		(61,335)					(61,335)
Net income		135,119					135,119
Purchase of treasury stock	(39)	(39)					(39)
Disposal of treasury stock	444	504					504
Net changes of items other than shareholders' equity			(30,119)	690	(29,429)	103	(29,325)
Total changes of items during the period	404	74,248	(30,119)	690	(29,429)	103	44,922
Balance at the end of current period	(50,052)	809,720	–	992	992	2,449	813,162

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

(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	28	140,168	18,036	466	12,487	210,359	321,569	562,919
Changes of items during the period										
Reversal of reserve for special depreciation						(98)			98	–
Reversal of reserve for advanced depreciation of non-current assets							(403)		403	–
Dividends from surplus									(54,711)	(54,711)
Net income									67,320	67,320
Purchase of treasury stock										
Disposal of treasury stock			112	112						
Net changes of items other than shareholders' equity										
Total changes of items during the period	–	–	112	112	–	(98)	(403)	–	13,110	12,609
Balance at the end of current period	70,120	140,140	141	140,281	18,036	368	12,084	210,359	334,680	575,528

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(51,008)	722,200	19,538	244	19,783	2,540	744,523
Changes of items during the period							
Reversal of reserve for special depreciation		–					–
Reversal of reserve for advanced depreciation of non-current assets		–					–
Dividends from surplus		(54,711)					(54,711)
Net income		67,320					67,320
Purchase of treasury stock	(21)	(21)					(21)
Disposal of treasury stock	572	684					684
Net changes of items other than shareholders' equity			10,581	57	10,638	(194)	10,443
Total changes of items during the period	550	13,272	10,581	57	10,638	(194)	23,716
Balance at the end of current period	(50,457)	735,472	30,119	301	30,421	2,345	786,240

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.

Unapplied Accounting Standards, etc.

Accounting standard for revenue recognition, etc.

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 on March 30, 2018, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30 on March 30, 2018, 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.

Notes to Non-Consolidated Balance Sheet
(Years ended March 31, 2018 and 2017)

1. Receivables from, and debts payable to subsidiaries and affiliates

	Millions of yen	
	2018	2017
Short-term receivables from subsidiaries and affiliates	204,556	186,578
Short-term debts payable to subsidiaries and affiliates	76,019	74,639
Long-term receivables from subsidiaries and affiliates	17,207	17,135

2. Contingency liability

	Millions of yen	
	2018	2017
Balance of guarantees for bonds and debt for borrowings from financial institutions by subsidiaries and affiliates	125,186	32,626
Balance of guarantees for debt for borrowings from financial institutions by employees (home loans)	798	967
Balance of keep-well agreements for the bonds of subsidiaries and affiliates	115,283	61,348

Notes to Non-Consolidated Statement of Income
(Years ended March 31, 2018 and 2017)

1. Trading with subsidiaries and affiliates

	Millions of yen	
	2018	2017
Sales	690,135	531,497
Purchases	138,535	123,221
Trading other than operating transactions	54,111	44,807

*2. Transfer pricing taxation adjustment

Adjustments paid or to be paid to Komatsu America Corp. based on the agreement of the prior applications submitted for approval regarding transfer pricing.

*3. Gain on sales of investment securities

Gain on sale of stocks of Cummins Inc., etc.

*4. Gain on sales of stocks of subsidiaries and affiliates

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

*5. Loss on liquidation of subsidiaries and affiliates

Loss on sale of stocks, etc. due to transfer of vacation homes management business of Komatsu General Services Ltd.

Notes to Non-Consolidated Statement of Changes in Net AssetsThe 149th Fiscal Year (From April 1, 2017 to March 31, 2018)

(1) Type and number of shares issued

(Thousands of shares)

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

(2) Dividends

1) Payment amount of dividends

Resolution	Type of Shares	Total Dividends (Millions of yen)	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 20, 2017	Common stock	27,362	29	March 31, 2017	June 21, 2017
Meeting of the Board of Directors held on October 27, 2017	Common stock	33,972	36	September 30, 2017	November 30, 2017

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 19, 2018.

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 19, 2018	Common stock	45,301	Retained earnings	48	March 31, 2018	June 20, 2018

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

(1) Type and number of shares issued

(Thousands of shares)

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

(2) Dividends

1) Payment amount of dividends

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

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

The Company proposed the following dividends to be resolved at the Ordinary General Meeting of Shareholders to be held on June 20, 2017.

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

Securities

Shares of subsidiaries (carrying amount of ¥378,247 million and ¥288,059 million as of March 31, 2018 (149th fiscal year) and March 31, 2017 (148th fiscal year), respectively) and shares of affiliated companies (carrying amount of ¥2,168 million as of both March 31, 2018 (149th fiscal year) and March 31, 2017 (148th fiscal year)) are not presented because their market prices are not available and it is extremely difficult to determine their fair values.

Tax Effect Accounting

1. Major Reasons for the accrual of deferred tax assets and deferred tax liabilities (Years ended March 31, 2018 and 2017)

	Millions of yen	
	2018	2017
Deferred tax assets		
Provision for product warranties	4,054	2,595
Inventories	677	886
Accrued enterprise tax	1,860	499
Provision for bonuses	2,769	2,564
Provision for retirement benefits	10,929	10,102
Allowance for investment loss	1,260	838
Impairment loss	928	1,411
Investment securities and stocks of subsidiaries and affiliates	2,875	5,095
Excess over depreciation limit	1,642	1,732
Excess allowance for doubtful accounts	566	579
Others	6,485	5,548
Subtotal deferred tax assets	34,049	31,854
Less valuation allowance	(5,779)	(8,420)
Total deferred tax assets	28,270	23,434
Deferred tax liabilities		
Reserve for advanced depreciation of non-current assets	(5,244)	(5,405)
Valuation difference on available-for-sale securities	—	(11,685)
Others	(1,915)	(1,708)
Total deferred tax liabilities	(7,160)	(18,798)
Net deferred tax assets	21,110	4,635

2. Major components of difference between the statutory tax rate and the effective tax rate after tax effect accounting is applied

	2018	2017
Statutory tax rate	30.7%	30.7%
Adjustments		
Expenses not deductible permanently such as entertainment expenses	0.9	0.5
Income not taxable permanently such as dividend income	(6.8)	(13.7)
Foreign tax credit	(0.2)	(0.2)
Valuation allowance	(1.5)	0.0
Tax credit for experiment and research expenses	(1.7)	(4.0)
Income taxes for prior periods	—	3.5
Others	(0.4)	0.6
Effective tax rate after tax effect accounting is applied	21.0	17.4

Business Combinations

The note regarding the transfer of vacation homes management business of the Company's wholly-owned subsidiary Komatsu General Services Ltd. is identical to that in "3. Business Combination" in the notes to the consolidated financial statements, except for the description on the amount of loss.

The loss on the transfer of the vacation homes management business in the amount of ¥11,613 million was included in Extraordinary losses in non-consolidated statement of income for the fiscal year ended March 31, 2018.

Significant Subsequent Event

The 149th fiscal year (From April 1, 2017 to March 31, 2018)

The Company has guaranteed a commercial paper program (a maximum issue amount of USD 1,000 million) and a commitment line agreement (a maximum loan amount of USD 1,000 million) established by its wholly-owned subsidiary in the U.S., Komatsu Finance America Inc., based on a resolution of the Board of Directors held on April 12, 2018.

The outstanding balance under the program and agreement as of May 31, 2018 is USD 150 million.

Non-consolidated supplementary schedule for the 149th Fiscal Year (From April 1, 2017 to March 31, 2018)

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	84,269	7,655	372	4,970	86,582	111,658
	Structures	14,590	2,102	109	1,280	15,303	28,375
	Machinery and equipment	40,058	6,265	461	10,097	35,765	206,004
	Vehicles	754	238	8	313	671	2,681
	Tools, furniture and fixtures	9,408	4,410	287	4,153	9,376	64,331
	Rental equipment	61,101	9,669	8,125 [4]	10,095	52,548	25,510
	Land	43,190	1,038	286 [284]	—	43,943	—
	Construction in progress	5,919	17,790	20,019	—	3,690	—
	Total	259,292	49,171	29,672 [288]	30,911	247,880	438,560
Intangible assets	Software	12,611	6,788	116	4,100	15,182	—
	Other intangible assets	579	17	—	311	285	—
	Total	13,190	6,806	116	4,412	15,467	—

- Notes: 1. The figures in square brackets in the “Decrease During the Fiscal Year” column represent amounts of impairment loss included in the figures above.
2. The increase in rental equipment was mainly due to the increase in construction machinery and other equipment owned for the purpose of leasing to other companies. The increase in construction in progress was mainly due to the increase in rental equipment.

Detailed statement of reserves

(Millions of yen)

Item	Balance at Fiscal Year-beginning	Increase During the Fiscal Year	Decrease During the Fiscal Year	Balance at Fiscal Year-end
Allowance for doubtful accounts	1,896	2,194	2,233	1,857
Allowance for investment loss	2,748	1,847	463	4,132
Provision for bonuses	8,343	9,079	8,343	9,079
Provision for directors' bonuses	145	231	163	213
Provision for product warranties	8,454	13,295	8,454	13,295

(2) Primary assets and liabilities

As the consolidated financial statements are prepared, this information is omitted here.

(3) Others

There are no special items to report.

Item 6. Stock-Related Administration for the Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date of dividends	Interim dividends : September 30 Year-end dividends : March 31
Number of shares constituting one unit *	100 shares
Purchase and sales of shares less than one unit	
Handling office	(Special account) Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Transfer agent	(Special account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Forward office	-
Purchase and sales fee	Free of charge
Method of public notice	The method of public notice by the Company shall be electronic public notice, provided, however, that if, the use of the electronic public notice becomes impossible, due to an accident or any other unavoidable reason, the public notices of the Company shall be made by publication in The Nihon Keizai Shimbun published in Tokyo. URL for public notice is following 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, 2018 to the filing date of Annual Securities Report.

(1)	Annual Securities Report and documents attached, and Confirmation Letter	Business Term (148 th)	From April 1, 2016 To March 31, 2017	Filed with Director-General of the Kanto Local Finance Bureau on June 19, 2017
(2)	Internal Control Report and documents attached			Filed with Director-General of the Kanto Local Finance Bureau on June 19, 2017
(3)	Quarterly Report and Confirmation Letter	(149 th First Quarter)	From April 1, 2017 To June 30, 2017	Filed with Director-General of the Kanto Local Finance Bureau on August 10, 2017
		(149 th Second Quarter)	From July 1, 2017 To September 30, 2017	Filed with Director-General of the Kanto Local Finance Bureau on November 9, 2017
		(149 th Third Quarter)	From October 1, 2017 To December 31, 2017	Filed with Director-General of the Kanto Local Finance Bureau on February 13, 2018
(4)	Amendment to Quarterly Report and Confirmation Letter	(149 th First Quarter)	From April 1, 2017 To June 30, 2017	Filed with Director-General of the Kanto Local Finance Bureau on November 6, 2017
(5)	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, 2017
		Pursuant to Article 19, paragraph 2, item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.		Filed with Director-General of the Kanto Local Finance Bureau on September 15, 2017
(6)	Supplemental Document to Shelf Registration Statement and Documents Attached			Filed with Director-General of the Kanto Local Finance Bureau on July 14, 2017
(7)	Amended Shelf Registration Statement			Filed with Director-General of the Kanto Local Finance Bureau on April 6, 2017
				Filed with Director-General of the Kanto Local Finance Bureau on June 22, 2017
				Filed with Director-General of the Kanto Local Finance Bureau on September 15, 2017
				Filed with Director-General of the Kanto Local Finance Bureau on November 6, 2017

Part II Information on Guarantors, etc., for the Company

Not applicable.

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language]
Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

June 18, 2018

To The Board of Directors
of Komatsu Ltd.

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

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

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

Financial Statement Audit

We have audited the accompanying consolidated financial statements of Komatsu Ltd. and its consolidated subsidiaries provided in the "Financial Information" section in the Komatsu's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of equity and the consolidated statement of cash flows for the fiscal year then ended, and notes to the consolidated financial statements and supplementary schedules, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to Paragraph 3 of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Komatsu Ltd. and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America (Refer to Note 1 in the notes to consolidated financial statements.).

Internal Control Audit

We also have audited the internal control report of Komatsu Ltd. as at March 31, 2018, in accordance with Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

Management's Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect financial reporting misstatements.

Auditor's Responsibility

Our responsibility is to independently express an opinion on the internal control report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the internal control report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the assessment of internal control over financial reporting in the internal control report. The procedures selected depend on our judgment, including the assessment of significance of effect on the reliability of financial reporting. Also, an internal control audit includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management, and the overall internal control report presentation.

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

Opinion

In our opinion, the internal control report, in which Komatsu Ltd. states that internal control over financial reporting was effective as at March 31, 2018, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Other Matter

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

Notes to the Reader of Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting:

The Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting herein is the English translation of the Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting as required by the Financial Instruments and Exchange Act of Japan.

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

June 18, 2018

To The Board of Directors
of Komatsu Ltd.

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

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

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

We have audited the non-consolidated financial statements of Komatsu Ltd. provided in the "Financial Information" section in the Komatsu's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, significant accounting policies, the related notes, and the supplementary schedules of Komatsu Ltd. as at March 31, 2018 and for the 149th fiscal year from April 1, 2017 to March 31, 2018, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

Management's Responsibility for the Non-Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Komatsu Ltd. as at March 31, 2018, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

Cover

【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 18, 2018
【Company name】	Kabushiki Kaisha Komatsu Seisakusho
【Company name in English】	KOMATSU LTD.
【Title and name of representative】	Tetsuji Ohashi, President and Representative Director
【Title and name of chief financial officer】	Takeshi Horikoshi, 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. Tetsuji Ohashi, President and Representative Director, and Mr. Takeshi Horikoshi, 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, 2018 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, 2018.

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 18, 2018
【Company name】	Kabushiki Kaisha Komatsu Seisakusho
【Company name in English】	KOMATSU LTD.
【Title and name of representative】	Tetsuji Ohashi, President and Representative Director
【Title and name of chief financial officer】	Takeshi Horikoshi, 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 Tetsuji Ohashi, and Chief Financial Officer and Executive Officer Takeshi Horikoshi, have confirmed that the content of the Annual Securities Report of Komatsu Ltd. of the 149th fiscal year (from April 1, 2017 to March 31, 2018) was described properly based on the laws and regulations concerning the Financial Instruments and Exchanges Act and Related Regulations.

2. Special Notes

Not applicable.