

# Global Teamwork

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### Editing Policy

Starting with the current fiscal year, Komatsu Ltd. issues its annual reports only on the website below. PDF files are available for printing.

**Annual Report 2011 (Fiscal year ended March 31, 2011)**

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

For information concerning Komatsu's CSR and environmental activities, visit the website below.

**CSR**

<http://www.komatsu.co.jp/CompanyInfo/csr/>

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### Cautionary Statement

This Annual Report contains forward-looking statements that reflect management's 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 Annual Report, and Komatsu 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 the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated costs or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new information technology tools; uncertainties as to the results of the Company'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.



Masahiro Sakane, Chairman of the Board

Kunio Noji, President and CEO

Before reporting our business results, we at the Komatsu Group hereby pray for the victims of the Great East Japan Earthquake and tsunami and extend our sincere condolences to the people and their families who have been adversely affected. We wish for the quick recovery and reconstruction of the disaster-stricken regions.

### **Effects of the Great East Japan Earthquake on Komatsu Group's Business Operations and Komatsu's Response to the Massive Disaster**

The Great East Japan Earthquake of March 11, 2011 and the subsequent tsunami brought about very extensive damages, especially in the Tohoku and northern Kanto regions of Japan. Immediately after this tragic disaster, we checked the safety of our Group employees and their families, worked to secure their safety, and made all-out efforts in transporting relief items to disaster-stricken employees and their families. We also focused our efforts to recover the operations of affected plants, suppliers and other business bases.

With respect to production, the buildings and facilities of some plants of the Komatsu Group were damaged but we quickly worked to repair them. For our suppliers, many employees from the Production and Procurement divisions rushed to their facilities and worked together with their employees on the quick repair of their equipment. As a result of these efforts, all our affected plants resumed production by the end of March; however, we are still experiencing uncertain procurement conditions for some electronic parts of construction equipment as well as for our electric power supply.

Our sales and service operations were seriously affected by the tsunami. At some bases located along the Pacific coast of the Tohoku region, their buildings, facilities and construction equipment were washed away. While it will take some time for us to recover those full-scale operations, soon after the devastation brought by the tsunami, we restarted our maintenance and repair service for construction equipment, which is indispensable for the restoration and reconstruction of the affected regions, by deploying manpower from other Komatsu bases nearby.

As our biggest effort within our best capacity to offer equipment and materials needed in the affected regions, we have decided on a ¥800 million worth assistance action plan centering on free-of-charge lending of our own construction equipment, forklift trucks, temporary housing and power generators. We have delivered them per the requests of local governments.

It is projected that reconstruction work will last for a long time. We recognize the importance of producing construction equipment, an indispensable tool of restoration and reconstruction, promptly delivering the equipment to the needed areas, and continuing our maintenance and repair operations to ensure trouble-free use of equipment. Also, through our business operations, we are going to work resolutely for the early recovery and reconstruction of the disaster-stricken regions.

## Business Results

During the fiscal year, ended March 31, 2011, demand for construction and mining equipment remained at a high level in Strategic Markets\*<sup>1</sup>, especially in China, Asia and Latin America, while demand recovered and increased from the previous fiscal year in the Traditional Markets\*<sup>1</sup> of Japan, North America and Europe. Demand for industrial machinery also turned toward recovery, reflecting an increased volume of production of cars in Strategic Markets\*<sup>1</sup> and growth of the solar cell industry in China and Asia.

With respect to our business results for the fiscal year under review, we were able to record a substantial gain in both sales and profits by capitalizing on expanding demand in all regions. While the Japanese currency appreciated sharply against the U.S. dollar, Euro and Renminbi from the previous fiscal year and we incurred a loss resulting from the damages by the Great East Japan Earthquake and the subsequent tsunami, we managed to register a sizable gain of 7.4 percentage points in operating income ratio to 12.1%. We believe this improvement is a direct result of expanding the volume of sales and continuing structural reform efforts, such as the realization of selling prices and the reduction of production costs.

\*1: Komatsu Group's Markets

Traditional Markets: Japan, North America and Europe

Strategic Markets: China, Latin America, Asia, Oceania, Africa, Middle East and CIS\*<sup>2</sup>

\*2: The Commonwealth of Independent States was founded with former Soviet republics, except for the Baltic States, in 1991.

### Consolidated Business Results for the Year

Billions of yen  
(except for operating income ratio)

U.S. GAAP	Results for the year	Change (2011/2010)
Net sales	1,843.1	Up 28.7%
Operating income	222.9	Up 232.6%
Operating income ratio	12.1%	+7.4 points
Income before income taxes and equity in earnings of affiliated companies	219.8	Up 238.3%
Net income attributable to Komatsu Ltd.	150.7	Up 349.2%

## Mid-Range Management Strategies, Goals and Tasks Ahead

Our production and procurement remain vulnerable to being affected by such conditions as the electric power supply, suppliers' recovery of operations, aftershocks and the crippled nuclear plant in Fukushima Prefecture. We will continue our all-out efforts to stabilize production and procurement as we monitor the conditions very carefully.

Concerning the restoration of the regions devastated by the Great East Japan Earthquake, we created the Tohoku Operation Department in Sendai City, Miyagi Prefecture. The Department will ensure dynamic decision-making operations in the affected regions, provide for the smooth transportation of construction equipment, forklift trucks, temporary housing materials, and spare parts for equipment, and reinforce our service operations.

As we look at our global group-wide business environment, Strategic Markets are steadily expanding in the construction and mining equipment business. We are projecting that the economic growth of countries in Strategic Markets will play the role of driving the demand for equipment. In the industrial machinery and others business, we are also anticipating that demand will continue to grow, as the volume of automobile production is increasing, especially in Strategic Markets.

We at the Komatsu Group draw our strengths especially from ICT\*<sup>3</sup> applications, in-house development and production capabilities of key components, global sales and service networks, and flexible procurement and manufacturing operations. In the new mid-range

\*3: Information & Communication Technology

management plan, "Global Teamwork for Tomorrow," with the goals set for the fiscal year ending March 31, 2013, we are working to further refine our strengths by focusing our efforts on the following activities of importance and will steadfastly generate results.

**[Activities of Importance]**

- 1) Promotion of ICT applications to products and parts
- 2) Further advancement of environmental friendliness and safety
- 3) Expansion of sales and service operations in Strategic Markets
- 4) Promotion of continuous Kaizen (improvement) by strengthening workplace capability

We will also continue our efforts to disseminate and anchor The KOMATSU Way, as all employees of Komatsu engage in Kaizen (improvement) activities in their own work. In addition, we will focus our efforts on our brand management activities designed to further enrich the relationship with our customers for mutual growth with them and foster the growth of employees who are needed for our global business expansion.

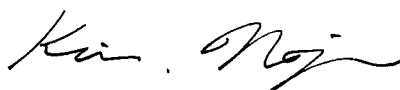
Based on the belief that "our corporate value is the total sum of trust given to us by society and all our stakeholders," we at Komatsu are further strengthening our corporate governance to ensure sound and transparent management, while improving management efficiency. Being committed to promoting thorough compliance, we will also ensure that all employees share The KOMATSU Way. In addition to improving our business performance, we will facilitate both the development of corporate strength and the achievement of social responsibility in a well balanced manner.

On behalf of the members of the Board, we would like to extend our sincere appreciation to our valued shareholders, customers and business partners around the world for their support.

July 2011



Masahiro Sakane  
Chairman of the Board



Kunio Noji  
President and CEO



# FACE TO FACE

- Q1** Effects of the Great East Japan Earthquake and our recovery efforts
- Q2** Business results for the fiscal year ended March 31, 2011
- Q3** The future market environment of construction and mining equipment
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- Q7** The current state and efforts on our industrial machinery business
- Q8** Our stance on redistribution of profits to shareholders



Kunio Noji,  
President and CEO

## Q1

**I understand that Komatsu has attracted keen attention for its early recovery of the operations of Komatsu's plants, sales and service bases which were damaged by the Great East Japan Earthquake and tsunami. Could you elaborate on that?**

Certainly. We at the Komatsu Group believe that it is our mission to promptly produce and deliver construction equipment, forklift trucks, temporary housing units and other equipment and materials which are needed for reconstruction of the disaster-stricken regions, while continuing to service equipment working there. Based on this belief, our divisions and subsidiaries made their best efforts to recover our damaged operations in close cooperation. At the same time, we supported their on-the-target and speedy efforts, while thoroughly disclosing and updating all our efforts, both internally and externally.

With respect to production, we incurred some damages on buildings and facilities at the Koriyama, Oyama, Ibaraki and Tochigi plants. Soon after the outbreak of this massive disaster, all related divisions cooperated closely and implemented repairs and other measures. As a result, all plants resumed production by the end of March, and are in normal production today.

For our suppliers, our Procurement Division worked closely with all our plants and delivered daily necessities while helping them resume their production. For those seriously damaged, about 50 employees and maintenance crews of the Komatsu Group inspected and repaired damaged facilities and machinery jointly with them soon after this natural disaster. We have maintenance crews to ensure the normal operating conditions of our machinery, and they played a very effective role in our recovery of production.

As we are anticipating a shortage of power supplied by the Tokyo Electric Power Co. and Tohoku Electric Power Co. in the coming summer season, the Komatsu Group is planning to cut down its power consumption by about 30% from the peak amount we consumed last summer, while maintaining the normal level of production volume by using in-house power generation systems and enforcing thorough energy saving measures.

With respect to our sales and service operations, some bases along the Pacific coast were washed away together with construction equipment by the tsunami. It will take some time for us to build new facilities, so we started using our bases nearby soon after these losses, servicing construction equipment needed for reconstruction of the disaster-stricken regions. In April we created the Tohoku Operation Department in Sendai City in order to quickly and accurately identify what kind of assistance we can provide in the regions and to put it into action.

Concerning the adverse effects of this disaster on our business results for the fiscal year ended March 31, 2011, we recorded write-offs of 3.3 billion yen for damaged machinery and facilities, relief assistance of 800 million yen and a capacity utilization loss of 500 million yen due to disrupted production. We also incurred an opportunity loss worth 9.2 billion yen in sales and 2.4 billion yen in operating income, as adversely affected mainly by delayed delivery of equipment caused by damaged ports and disrupted production. All together, 7 billion yen in operating income was eroded by this disaster. With respect to business results for the current fiscal year ending March 31, 2012, we see no substantial effects as we have recovered normal production.

● ● ● Assistance to the Disaster-Stricken Regions

Contents of assistance		Total amount of donations
<ul style="list-style-type: none"> <li>Free-of-charge lending of construction equipment, forklift trucks, temporary housing, power generators and other products that the Komatsu Group owns.</li> <li>Donation of prefabricated structures for use as temporary clinic and care centers.</li> <li>Cash donations</li> </ul>	Announced on March 14 and 18, 2011	Equivalent to ¥800 million
<ul style="list-style-type: none"> <li>Offering scholarships to disaster-stricken students of National Technical Colleges (continuous assistance for 10 years)</li> </ul>	Announced on April 15, 2011	¥200 million
<ul style="list-style-type: none"> <li>Rio Tinto and Komatsu to jointly offer scholarships to disaster-stricken students of Tohoku University (continuous assistance for 10 years)</li> </ul>	Announced on June 7, 2011	¥400 million

## Q2

## How do you evaluate the business results for the fiscal year ended March 31, 2011?

For the fiscal year ended March 31, 2011, the first year of the new mid-range management plan “Global Teamwork for Tomorrow,” the Japanese currency appreciated sharply against the U.S. dollar, Euro and Renminbi, and we incurred losses related to the earthquake and tsunami disaster. Despite these headwinds, we achieved an impressive gain in both sales and profits from the previous fiscal year. We also improved our profitability, reflecting an operating income ratio of 12.1%, up 7.4 points from the previous fiscal year, and ROE of 17.2%, up 13.1 points. We started on a high note of achieving the goals of the new mid-range management plan. After having worked especially on structural reforms, fixed cost reduction, continuous price realization and production cost reduction, I believe we have built a lean and strong corporate muscle capable of flexibly meeting the changes in our business environment.

In the construction, mining and utility equipment business, we zoomed in on expanded demand in Strategic Markets, especially in China, Asia and Latin America, as well as recovered demand in Traditional Markets. So we advanced both sales and profits. In the industrial machinery and others business, we also improved both sales and profits, largely due to expanded sales of wire saws which are used to slice silicon ingots for solar cells. Furthermore, orders for presses have upturned for recovery, reflecting the growth in capital investment by the automobile manufacturing industry, particularly in China, India and Brazil.

We also made good progress in our four activities of importance in the mid-range management plan. As for major accomplishments in the fiscal year under review, we launched sales of the HB205 and HB215LC, model-change versions of the PC200-8 hybrid hydraulic excavator, in Japan. In China we constructed the new plant of Komatsu (Changzhou) Construction Machinery Corp. and opened the Komatsu (China) Techno Center equipped with machine demonstration and training facilities as well as the used equipment sales function. We are positioning this new Techno Center as a strategic base to appeal product competitiveness, strengthen product support capabilities and expand used equipment business.

For the fiscal year ending March 31, 2012, we are determined to carry out our activities of importance diligently and thereby further reinforce our strengths in order to achieve the targets of the mid-range management plan.

## [Activities of Importance]

- 1) Promotion of ICT applications to products and parts
- 2) Further advancement of environmental friendliness and safety
- 3) Expansion of sales and service operations in Strategic Markets
- 4) Promotion of continuous Kaizen (improvement) by strengthening workplace capability



Assembly line for medium-sized equipment in the new plant of Komatsu (Changzhou) Construction Machinery Corp.

## ● ● ● Consolidated Business Results for the Year

Billions of yen  
(except for operating income ratio and ROE)

U.S. GAAP	Results for the Year 1USD = 85yen 1EUR = 113yen 1RMB = 12.7yen	Change (2011/2010)
Net sales	1,843.1	Up 28.7%
Construction, Mining and Utility Equipment	1,618.0	Up 27.3%
Industrial Machinery and Others	238.3	Up 33.5%
Elimination	(13.3)	—
Segment profit	234.9	Up 191.1%
Construction, Mining and Utility Equipment	220.8	Up 165.9%
Industrial Machinery and Others	20.9	Up 599.3%
Corporate and elimination	(6.8)	—
Operating income	222.9	Up 232.6%
Operating income ratio	12.1%	+7.4 points
Net income attributable to Komatsu Ltd.	150.7	Up 349.2%
ROE	17.2%	+13.1 points
Net debt-to-equity ratio [Excluding retail finance companies]	0.50 [0.24]	(0.10) points [(0.12) points]



## Q3

## Could you share your views on the future market environment of construction and mining equipment?

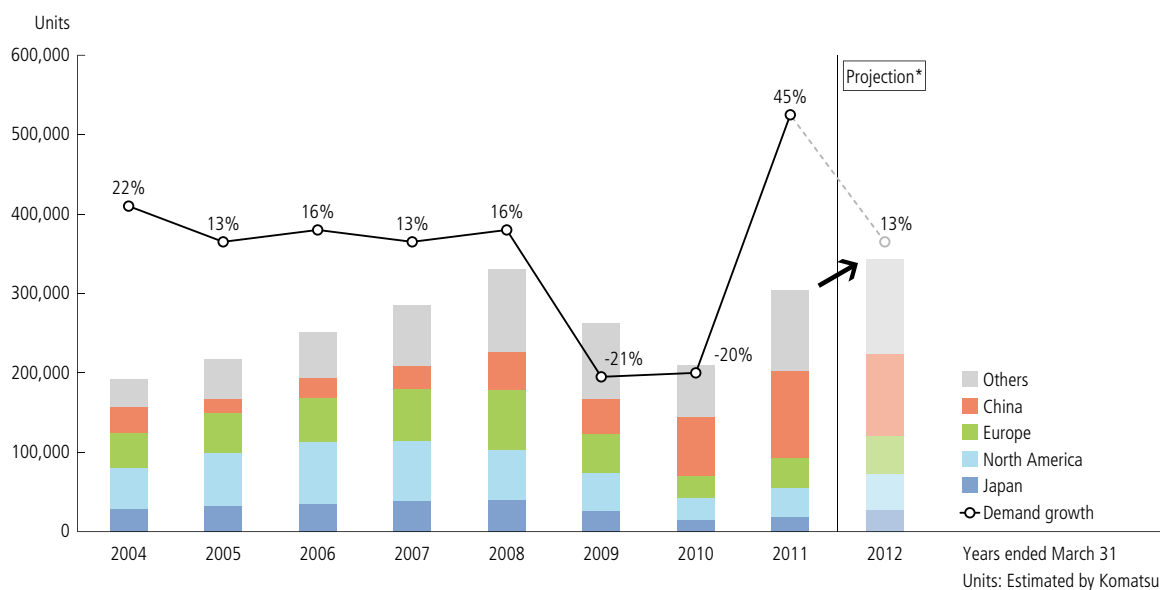
Global demand for the seven major products of construction and mining equipment plunged sharply soon after the financial crisis triggered in the United States in September 2008, but since the second half period of 2009, it has upturned for growth in Strategic Markets, especially in China, Southeast Asia and Latin America, supported by buoyant infrastructure development and thriving demand for commodities. Later, demand in the Traditional Markets of Japan, North America and Europe began to take on a recovery note. As a result, global demand climbed by about 45% in the fiscal year ended March 31, 2011 from the previous year, recovering close to the previous peak level registered in fiscal year ended March 31, 2008. As for demand in the current fiscal year, ending March 31, 2012, we are estimating that the rate of growth will slow down from the fiscal year under review, but demand should continue to increase.

With respect to Traditional Markets, North American demand is remaining strong in mining and energy sectors against the backdrop of surging demand for commodities. Although U.S. housing starts are not fully recovered yet, replacement demand from rental companies is growing. In Europe, demand is growing steadily in the major markets of Germany, the United Kingdom and France, and signs of recovery are emerging in eastern and northern Europe. Concerning Japanese demand, as we announced on April 27, 2011, we did not include any demand from reconstruction of the disaster-stricken regions because it was uncertain, but we are receiving more orders from rental companies.

With respect to Strategic Markets, Chinese demand has continued to thrive, but demand is slowing down due largely to declined private-sector real estate development resulting from the government's credit squeeze measures, as well as the belated start of infrastructure development projects. Although we need to closely monitor future market conditions, we are projecting that demand will continue to grow in the mid to long-range outlook.

In other Strategic markets, demand is remaining strong in general. Particularly in resource-rich countries like Indonesia and Latin American countries, demand for mining equipment is increasing steadily against the backdrop of booming resource development. Unless demand for commodities declines, we expect that demand for mining equipment will remain strong.

● ● ● Demand for Construction and Mining Equipment by Region [Seven major products on a unit basis]



Seven major products (Excl. mini equipment)

- |                                      |                            |
|--------------------------------------|----------------------------|
| 1) Crawler-type hydraulic excavators | 5) Dump trucks             |
| 2) Wheel-type hydraulic excavators   | 6) Articulated dump trucks |
| 3) Bulldozers                        | 7) Motor graders           |
| 4) Wheel loaders                     |                            |

\* Announced on July 28, 2011

## Q4

## What is your projection of business results for the current fiscal year ending March 31, 2012?

For the fiscal year ending March 31, 2012, we are looking forward to net sales of 2,150 billion yen, up 16.6% from the previous fiscal year, operating income of 305 billion yen, an increase of 36.8%, an operating income ratio of 14.2%, an improvement of 2.1 points, and net income attributable to Komatsu Ltd. of 200 billion yen, up 32.7%, and we are maintaining these figures, based on our currency exchange assumptions of 82 yen per U.S. dollar, 116 yen per Euro and 12.7 yen per Renminbi. (Announced on April 27, 2011)

In the construction, mining and utility equipment business, demand recovery is gaining momentum in the Traditional Markets of North America and Europe, while demand is strong in Strategic Markets excluding China. Furthermore, we are expecting that demand for mining equipment will remain strong in resource-rich countries, as production of commodities is brisk. We are working to capture such growth momentums of the market and expand sales of parts and service in addition to new equipment, as we continue our efforts to improve selling prices and thoroughly reduce production costs. As a result, we are expecting that sales will increase by 15.6% to 1,870 billion yen, segment profit by 30.9% to 289 billion yen, and segment profit ratio by 1.9 points to 15.5%.

In the industrial machinery and others business, the market for presses and machine tools is upturning for recovery in addition to the dynamically expanding market for wire saws. Furthermore, backlog orders for our presses and machine tools are steadily increasing. As a result, we are projecting that sales will improve by 21.7% to 290 billion yen, segment profit by 43.1% to 30 billion yen, and segment profit ratio by 1.5 points to over 10%.



● ● ● Projection of Consolidated Business Results for the Fiscal Year ending March 31, 2012

(Announced on April 27, 2011)

Billions of yen  
(except for operating income ratio and ROE)

U.S. GAAP	Projection 1USD = 82yen 1EUR = 116yen 1RMB = 12.7yen	Change (2012/2011)
Net sales	2,150	Up 16.6%
Construction, Mining and Utility Equipment	1,870	Up 15.6%
Industrial Machinery and Others	290	Up 21.7%
Elimination	(10)	—
Segment profit	310	Up 31.9%
Construction, Mining and Utility Equipment	289	Up 30.9%
Industrial Machinery and Others	30	Up 43.1%
Corporate and elimination	(9)	—
Operating income	305	Up 36.8%
Operating income ratio	14.2%	+2.1 points
Net income attributable to Komatsu Ltd.	200	Up 32.7%
ROE	20.0%	+2.8 points
Net debt-to-equity ratio [Excluding retail finance companies]	0.48 [0.22]	(0.02) points [(0.02) points]

## Q5

**How about ICT\* applications to products and parts, which is one of the activities of importance of the mid-range management plan? Could you tell us about your efforts?**

We have led the industry in ICT applications and commercialized the KOMTRAX (Komatsu Machine Tracking System) for construction equipment and the Autonomous Haulage System for mining trucks.

We began installing the KOMTRAX as a standard feature of some models of our construction equipment in 2001 and have since introduced such models in more regions of the world. As of May 31 this year, over 220,000 KOMTRAX-installed units were in operation in about 70 countries. As we continue to introduce them in more countries into the future, we are also making further use of a variety of KOMTRAX-originated data, mainly to improve the productivity of our customers and distributors, develop our sales and production plans and project market demand. We have been installing the KOMTRAX in our presses and forklift trucks as well.

We offer the KOMTRAX Plus to customers who own both construction and mining equipment. This system monitors vehicle health and operating conditions. By helping customers manage the operations of construction and mining equipment in one system, we have further enhanced their merits.

In addition, we have developed the KOMTRAX Parts designed to monitor the conditions of parts and obtain information concerning replacements. We are now testing the system for commercialization. By notifying customers of the need for parts replacement, at an appropriate timing, we are helping them further improve the machine's operating efficiency and we can expect to expand sales of our genuine parts.

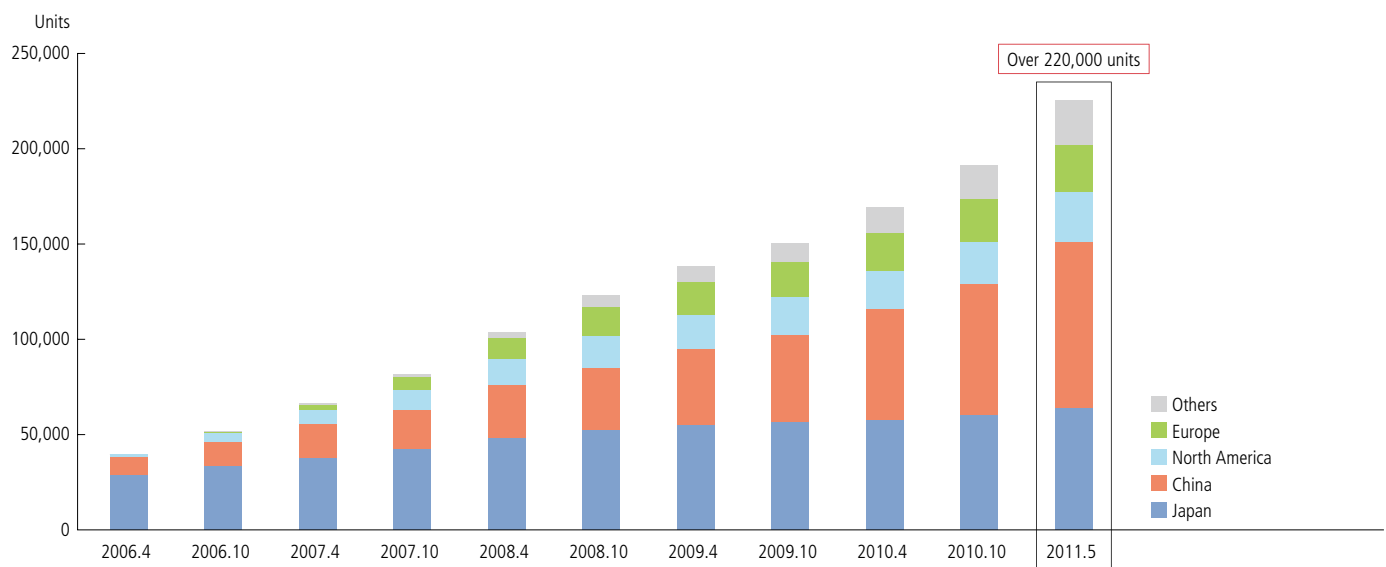
In 2008 we led the world by commercializing the Autonomous Haulage System, and 21 driverless trucks are in operation at two mines in Chile and Australia. We are upgrading the system by incorporating know-how accumulated at the jobsites and are working to introduce it to more mines.

Today, we see the need is growing at construction jobsites to automate the controls of working gears or assist the operator in operating the machine. By capitalizing on our ICT know-how, we have been developing products and services for ICT-intensive construction. At the Komatsu (China) Techno Center, which opened in January this year, we are demonstrating our ICT-intensive model. We are also planning to start handling such models at North American distributors in the near future.

In addition to construction and mining equipment, we are going to aggressively apply ICT benefits to forklift trucks and industrial machinery in order to offer higher value-added products and services designed to enhance customers' productivity.

\* Information & Communication Technology

#### ● ● ● KOMTRAX-installed Units by Region



## Q6

**Komatsu has aggressively worked to develop environment-friendly products, as represented by worldwide launchings of hybrid hydraulic excavators and the biodiesel fuel project. Could you tell us about your efforts?**

We identified environmental conservation as one of the top priority management tasks in the early 1990s and have since developed environment-friendly products. Under the ongoing mid-range management plan, we are continuing efforts to develop products that will feature reduced environmental impact and improved fuel economy as one of the activities of importance.

In May 2008, we led the world by commercializing our first PC200-8 hybrid hydraulic excavator. As of March 31, 2011, we had sold over 900 units\*<sup>1</sup> of hybrid hydraulic excavators on a cumulative basis. In Japan, hybrid models account for about 20% of our sales of 20-ton class hydraulic excavators. In December 2010, we launched the HB205 and HB215LC hybrid hydraulic excavators, model-change versions of the PC200-8 Hybrid, on the Japanese market, and we are introducing these new models around the world, starting in the current fiscal year, ending March 31, 2012.

In response to the new emission regulations in Japan, the United States and Europe, effective in stages starting in 2011, we have begun introducing the regulations\*<sup>2</sup>-compliant models during the current fiscal year. For the next stage regulations\*<sup>3</sup> to be effective in 2014 and onward, we are continuing our efforts to develop products and prepare for smooth launchings.

In relation to our mining equipment, we embarked on the biodiesel fuel (BDF) project in Indonesia, completed the construction of a refinery plant in March this year, and have started the production of BDF from *Jatropha*.\*<sup>4</sup> We are now testing BDF with our HD785 dump trucks with an eye to engaging in operation at the scale of 100 units in 2012 and later.

With respect to our forklift trucks, we have launched pilot sales of new models equipped with the hydrostatic transmission (HST) designed to improve fuel economy. We are now testing them in collaboration with customers. Concerning our industrial machinery, we are allocating our resources exclusively to develop Servo presses which feature excellent productivity, reduced noise, compact size and more energy efficiency compared to mechanical presses. We are directing our efforts to develop industrial machinery with DANTOTSU advantages in environmental impact and product competitiveness.

\*1: Combined sales of PC200-8, HB205 and HB215LC models in Japan and China.

\*2: Japan's emission regulations to be effective in 2011, Tier 4 Interim in the United States and Stage IIIB in Europe.

\*3: Japan's emission regulations to be effective in 2014, Tier 4 Final in the United States and Stage IV in Europe.

\*4: *Jatropha* is considered as one of the promising plants for BDF, as oil is extracted from its non-edible seeds. The plant grows on arid and non-fertile land.



HB215LC hybrid hydraulic excavator exhibited at CONEXPO-CON/AGG, a construction equipment trade show, held in Las Vegas, U.S.A. in March 2011



Test run of an HD785 dump truck with BDF

## Q7

**Komatsu is enjoying steady growth in orders for presses and machine tools. Could you describe the current state as well as future projection and efforts?**

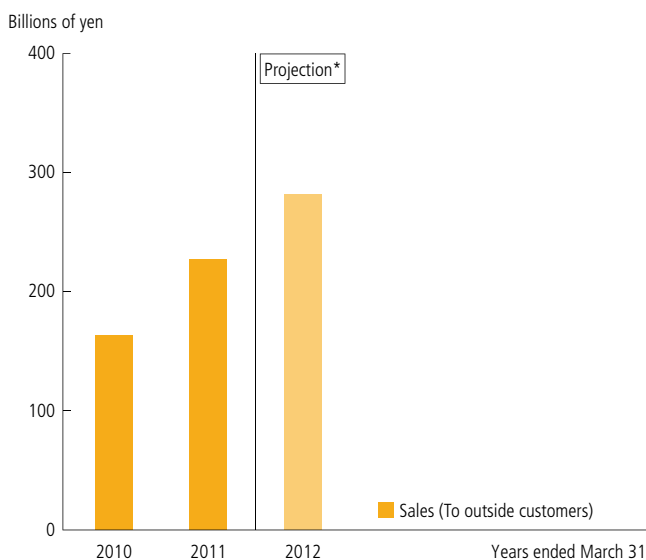
For the fiscal year ended March 31, 2011, we recorded a big gain in sales of wire saws, which are used to slice silicon ingots, the material for solar cells, thanks to brisk capital investment in Asia centering on China against the backdrop of thriving growth of the solar cell market. Orders for large presses and other machinery have also upturned for growth, as capital investment by the automobile manufacturing industry has recovered, especially in China, India and Brazil.

To further reinforce our industrial machinery business strength under such an environment, Komatsu NTC Ltd. and Komatsu Machinery Corporation merged on April 1, 2011. This merger follows the restructuring of our press business in April 2010. Both Komatsu NTC and Komatsu Machinery supply machine tools to the automobile manufacturing industry as well as semiconductor manufacturing equipment; therefore we are now better positioned to expand our product range and develop and manufacture more compact and next-generation products to meet changing market needs by converging both companies' technologies and know-how.

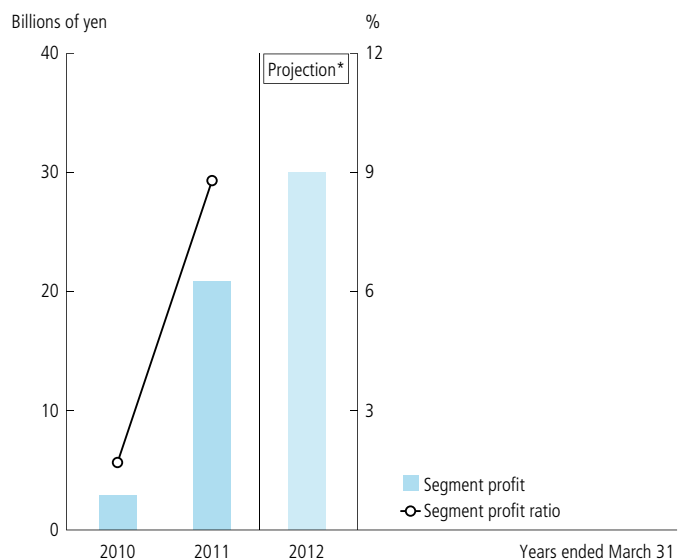
With respect to wire saws, we will focus our efforts on developing and introducing high-productivity equipment, and capitalize on mid to long-term demand growth in solar cells.

Komatsu Industries Corporation, which manufactures presses and sheet-metal machines, is doubling its efforts to develop new Servo presses. They are also strengthening their sales and service operations in future-promising Strategic Markets, such as China, India and Brazil, in order to win more orders there.

● ● ● Industrial Machinery and Others: Sales (To Outside Customers), Segment Profit and Ratio



\* Announced on April 27, 2011



Note: Segment profit ratio is calculated using sales by operating segment before elimination of internal sales.



Wire saw made by Komatsu NTC Ltd.



## Q8

Please share your thoughts on redistribution of profits to shareholders.



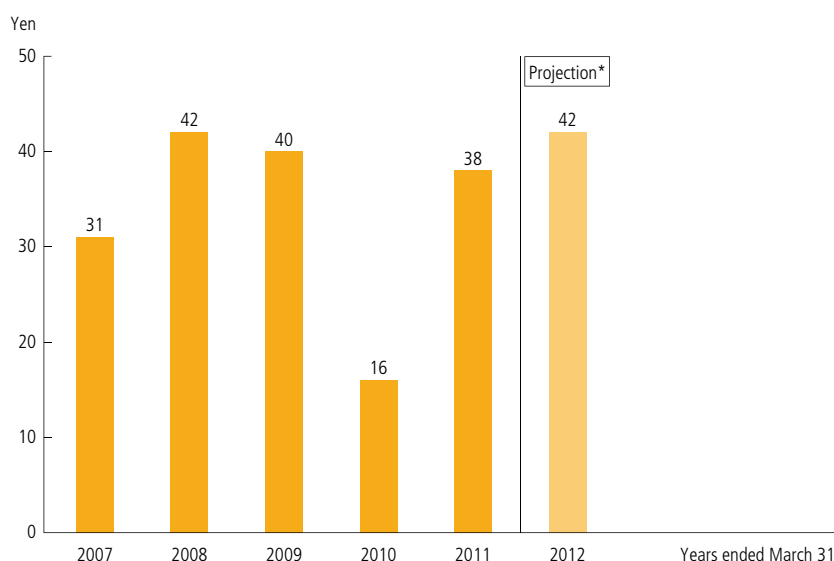
We are committed to building a sound financial position and flexible and agile corporate strengths to increase our corporate value. In the ongoing mid-range management plan, which will be completed in the fiscal year, ending March 31, 2013, we have set the targets of 15% or more for operating income ratio, 20% or more for ROE, and 0.4 or lower for net debt-to-equity ratio. For the current fiscal year, ending March 31, 2012, we are projecting the attainment of 14.2% for operating income ratio, 20% for ROE and 0.48 for net debt-to-equity ratio. We are resolutely determined to make clear distinctions between investment needed for continued growth and costs to curtail growth of fixed costs and thereby improve profits. We are going to distribute profits gained in this manner by keeping a good balance among redistribution of profits to shareholders, enhancement of our financial position and reinvestment for our future growth. In this way, we will continuously improve our corporate value.

With respect to cash dividends to our shareholders, we emphasize continuous and stable payments after reviewing our consolidated net income\* for the year as a criterion. We have the policy of a consolidated payout ratio of 20% or higher, that is, the amount of annual cash dividends paid to our shareholders as a percentage of net income\*, and we will not decrease dividends, as long as the consolidated payout ratio does not surpass 40%. This is expressed as one of the target figures of the ongoing mid-range management plan. Adversely affected by the financial crisis which was triggered in the United States in September 2008, global demand for our products plummeted, and we recorded a sharp year-on-year drop in net income\* for the fiscal years ended March 31, 2009 and 2010. Based on the policy I have just mentioned, however, we paid the largest possible annual cash dividends from profits before extraordinary expenses related to structural reforms.

For the fiscal year ended March 31, 2011, we have set annual cash dividends at 38 yen per share which represents an increase of 22 yen from the previous fiscal year. For the current fiscal year ending March 31, 2012, we are planning to pay 42 yen per share with an increase of 4 yen from the fiscal year under review. We would like to maintain continuous and stable dividend payments through our business growth into the future.

\* "Net income" is equivalent to "Net income attributable to Komatsu Ltd." per the FASB Accounting Standards Codification (ASC) 810.

#### ● ● ● Annual Cash Dividends per Share



\* Announced on April 27, 2011

Note: Cash dividends shown above are the amounts based on the resolution of the ordinary general meeting of shareholders for the corresponding fiscal year.

## Feature Story: Passing on Manpower and Technologies to the Future

● ● ● In 2011 Komatsu Ltd. celebrated its 90th anniversary. When Meitaro Takeuchi (1860 – 1928) founded the Company in 1921, he upheld the four principles of 1) business expansion into overseas markets, 2) quality first, 3) technology innovation and 4) human resource development. These guiding principles have been passed down to today's Komatsu Group during 90 years of growth. Today, the Komatsu Group has grown to become a global company, operating 54\* manufacturing plants in 14 countries and generating over 80% of total sales outside of Japan.

This growth has been and will continue to be supported by each and every employee of the Komatsu Group, as well as by technologies and engineering skills which have been handed over on the shop floor. In this feature section, we would like to introduce our human resource development efforts and the people who are transferring their development and manufacturing expertise to the next generation in the two indispensable areas of metal castings and engines. Metal castings have substantiated Komatsu's Quality and Reliability since the early days of its foundation, while engines have powered our construction and mining equipment.

\* Including 10 plants of the industrial machinery and others business, five of which are located in the premises of plants of the construction, mining and utility equipment business



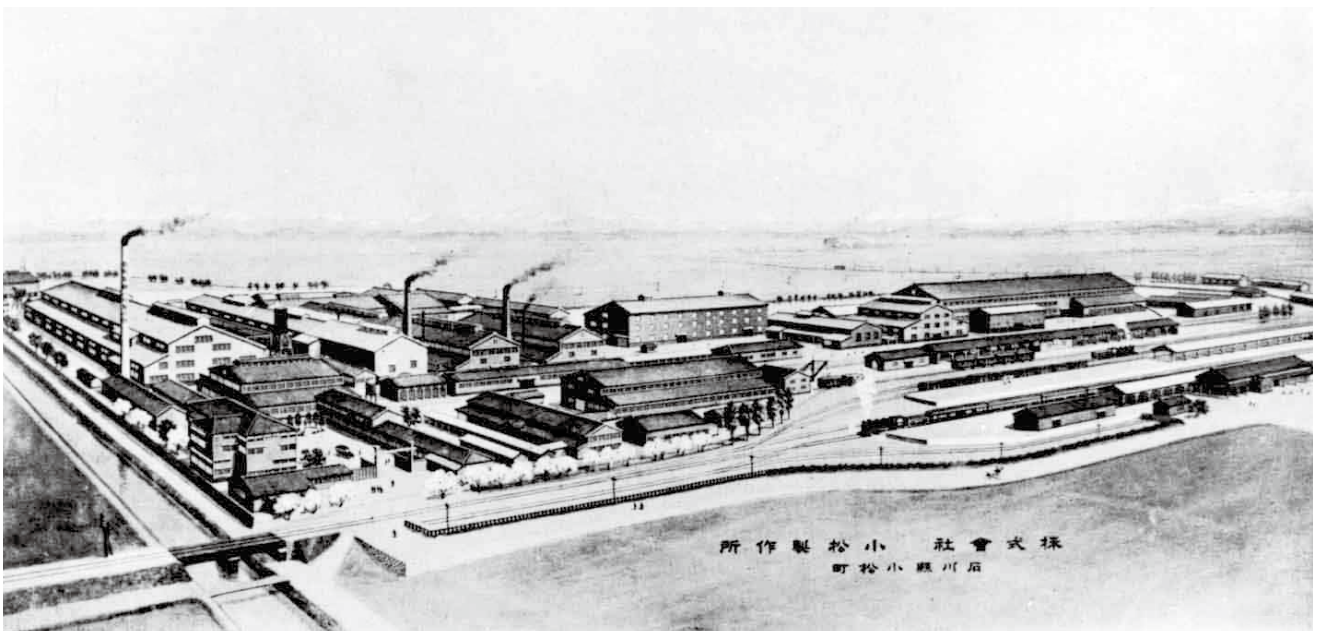
### Founding Principles

Business expansion into overseas markets

Quality first

Technology innovation

Human resource development



Top left: Meitaro Takeuchi (1860-1928), Founder of Komatsu Ltd.

Top center: 930E super-large dump truck exhibited in the Komatsu Green Park opened in May 2011 on the former Komatsu Plant site

Top right: The Kids Pavilion based on the architectural design of the original head office and a bronze statue of Meitaro Takeuchi

Bottom: Head office plant (Komatsu Plant) in 1930

# Global management and human resource development as pursued by Komatsu



## Masakatsu Hioki

Senior Executive Officer  
Supervising Compliance, Legal Affairs, Human Resources,  
Education and Safety & Health Care  
Komatsu Ltd.

### First, please explain in concrete terms what is meant by developing human resources.

Komatsu's overseas production went into full swing from the mid 1980's. In the process, the number of national employees increased, resulting in a growing globalization of our workforce. Many of these national employees are still working for us, and are part of Komatsu's "backbone."

At Komatsu, we encourage national employees to build on experience working for the company and open the road for them to advance to top management in their respective region. This is what we call "localization of management." Komatsu also devotes efforts to the development of professionals in many fields such as production, sales and product support. Our way of developing human resources is to thoroughly groom those employees who will assume a role in business locations, whether in Japan or overseas.

### What exactly do you mean by making management localized?

Our top management around the world would be people who have worked with Komatsu for a long time, have made their career there, and have a deep understanding of Komatsu's way of management and set of values. Offering this kind of employee,

who enjoys recognition by those around him or her, the chance to move into top management will also act as a motivation for employees in all regions.

It is better to have local nationals in top management, if we are to earn the trust of the local community and of all stakeholders and establish good relations.

I believe that the "localization of management" is the most desirable form of management for both Komatsu's employees and the local community.

### What role do you expect resident staff to play?

In our case, a Japanese expat working abroad is a local representative with a limited term of service. A Japanese staff member is expected to act as a "bridge resource," that is, to bridge the gap between Japan and the host country. This kind of "bridge resource" does not have to be a superhero. What is important is to know one's specialty well and to have the kind of strong will and commitment to get one's message across. Foreign languages, especially English, tend to be thought of as very important, but as long as you have mastered your area of specialization, the language will come to you naturally later.

### What do you do about developing human resources to support Monozukuri (manufacturing competitiveness) in foreign countries?

Plants playing a crucial role of implanting Monozukuri are undertaking initiatives to improve technical skills on the shop floor.

Our technical competitions, originally limited to Japan, became globalized full-scale as "All-Komatsu Technology Olympics" in 2004 by including overseas manufacturing subsidiaries. Staging this kind of technical competition will act as a great motivation catalyst for employees entrusted with Monozukuri, making them work harder on the shop floor to improve their technical skills.

In the past, the Product Support Division used to send Japanese expats to train service engineers of our overseas distributors. Against the background of a growing number of our equipment being delivered to customers around the world, however, dispatching Japanese expats to local distributors to train people is not efficient enough to keep up with expanding sales.

We were faced with the question of how many qualified service engineers we could train worldwide. In response, we have come up with different approaches to human-resource training for product support in different countries.

The Komatsu Human Resource Development Center in the Philippines, for example, offers mechanics training courses for university graduates, and in China, an effort is underway to provide service training courses in cooperation with Shandong Jiaotong University. Developing human resources in our Strategic Markets will not only strengthen our service capabilities for end-customers, but will also address the issue of contributing to the local communities.



All-Komatsu Technology Olympics

### Is it correct to say that you believe that by developing human resources you can contribute to the local community?

Komatsu's overseas business depends on the support we get from the local community. Providing people the opportunity to receive training at Komatsu facilities or to work at our local companies does not only represent a contribution to the local community, but also translates into the development of human resources available to Komatsu. Even if an individual trained by Komatsu decides to join another company, we do not consider this a loss because it will still benefit the person's community.

Komatsu thinks that faithfully dedicating ourselves to our core business is what CSR activities are all about. I believe we are able to fulfill our corporate social responsibility by pursuing our business activities, and that includes human resource development and contributing to the local community.

### Please elaborate on The KOMATSU Way.

The KOMATSU Way refers to the values, attitudes and patterns of behavior that support our operations. The KOMATSU Way was built up by our forerunners at Komatsu, and we

want to maintain it globally and through our next generations. We want to share this Komatsu spirit with employees all over the world.

In the top management chapter of The KOMATSU Way, top management is required to explain business results and the status quo of the company to employees at least twice a year. This applies to not only the presidents of Japanese operations but also the presidents of Group companies overseas. Because top management itself has taken the leadership in practicing The KOMATSU Way, this principle has also permeated every workplace of the Komatsu Group.



Global Management Seminar for top and senior management of overseas subsidiaries

The KOMATSU Way should not be forced on anyone. Instead, employees are encouraged to digest and understand it, and practice whatever they think is reasonable. This is based on the premise that the individuality of employees must be respected.

Sharing The KOMATSU Way will help employees experience a sense of belonging and encourage them to stay with the same company all their working life. The KOMATSU Way also yields a variety of positive effects overseas. For example, the number of employees who have worked for Komatsu for a long time is increasing and we are seeing more national employees who should shoulder management tasks in the future.

I believe that an important element essential to retaining employees at Komatsu for a long time and to develop their career there is to make them feel that having joined Komatsu was a positive move and worthwhile for them. This is what I call a "company worthy of spending one's prime lifetime with."

There are three elements that make up this feeling. The first is the creation of a safe and comfortable work environment, where people are held in high esteem; the second is to provide people with a fair opportunity to take up new challenges; and the third is to compensate people properly for their efforts. Having these three elements neatly in place is important for employees, I think.



# Global management with firm footing in Japan and human resource development

• • • Dr. Yoshino has developed the human resource development programs for top and middle management employees of our overseas subsidiaries and advised the participants. In this interview, we asked him to review the programs and offer future suggestions concerning our global human resource development efforts.



**Dr. Michael Y. Yoshino**

Herman C. Krannert Professor, Emeritus  
Harvard Business School

## What are the challenges facing Komatsu today?

Traditionally, Japanese companies have based their approach to management on the homogeneous nature of Japanese culture, characterized by a strong work ethic, cooperative spirit, and group loyalty. They must now respond to increasing globalization by learning to harness the energy and commitment of employees from diverse language groups and cultures. In other words, Japanese managers are attempting to transition their approach to management from one that has drawn strengths from a homogeneous set of values to one that is based on diversity. This will not be an easy transition. It will require a major paradigm shift, particularly in the company's approach to human resources management. Indeed, the future success of Japanese companies depends in large measure on how quickly and effectively they can make this transition. With more than 80% of its revenues coming from abroad, Komatsu is no exception.

## What has been your relationship with Komatsu?

My professional association with Komatsu dates back to 1996, but it was in 2006 that I was invited to design and participate in a program for non-Japanese senior executives, many of whom were heading up the company's major international affiliates. Although I had assisted in developing a similar program for major US and European companies, this was my very first time to do so for a Japanese company. Mr. Masahiro Sakane, the CEO at that time, personally initiated and led the program, which became known as Global Management Seminar.

## Will you describe the program's objectives and content?

The program sought to achieve a two-fold objective. One was to enhance participants' understanding of the Komatsu Group's heritage, values and future direction, and the other was to encourage an open dialogue between senior leaders in the company's far flung operations and Tokyo-based corporate senior management. Some of the participants had been with the company for decades, while others had recently joined. To help ensure the open dialogue and informal discussion, participants were limited to a dozen or so. Although the specific program content changed over time, without fail, the CEO opened the program with a two-hour presentation and discussion on Komatsu Group's heritage, values and future direction. This was followed by a similar session led by corporate executives responsible for key functions and businesses. The group then divided into teams, each of which identified and recommended a plan of action to address the most salient challenge it faced. Not surprisingly, most of these challenges involved some aspects of human resources management. Many of the recommendations were followed up and implemented.



### Can you tell us about your involvement in The KOMATSU Way?



KOMATSU Way Leadership Development Program held in China in November 2010

The KOMATSU Way was announced shortly after the program was launched. It soon became the program's center piece. Mr. Sakane introduced The KOMATSU Way not as a "fait accompli," but rather as a first attempt to articulate a set of values that had been nurtured in Japan over many decades. He asked if these values, as stated, were comprehensible, relevant, and appealing to the participants, and to those in their charge. Many of their suggestions were then incorporated. They were also invited to propose ways to embed The KOMATSU Way in their respective operations.

The articulation of The KOMATSU Way was particularly timely, because the Komatsu Group's operations, especially those in Strategic Markets\*<sup>1</sup>, were expanding rapidly and many new employees were being recruited. The KOMATSU Way continues to not only provide employees worldwide, markedly those who have recently joined, a clear sense of identity with the Komatsu Group, but also to bind and integrate its extensive global operations, which are becoming increasingly interdependent.

In 2009, Komatsu expanded the program for senior managers and held the program in China and Indonesia, two of the Strategic Markets as defined by Komatsu. It came to be known as the KOMATSU Way Leadership Development Program. I was pleased to discover a number of outstanding examples of successful implementation of The KOMATSU Way in these operations, and was struck by the high caliber and strong motivation of the participants, some of whom had long tenure with the company.

### What is your overall assessment of Komatsu's effort for globalization?

I am reminded once again of the importance of the CEO's leadership in undertaking a major initiative such as globalization. Mr. Sakane personally led the globalization initiatives including embedding The KOMATSU Way. Mr. Kunio Noji, his successor, has even accelerated the drive. It is well known throughout the Komatsu Group that he never misses an opportunity to reinforce The KOMATSU Way. I am equally impressed by Komatsu's ability to steadfastly focus on what it believes to be important. Their experience also demonstrates the important role that human resource management plays in the effort toward globalization, because as in any major transformation, this process, too, is all about people.

### What actions should Komatsu take now in order to accelerate the globalization drive?

Over the past several years, Komatsu has made great strides on the path to becoming a Japan-based global company. Indeed, it is in the vanguard among leading Japanese companies. Yet much remains to be done. I urge that two specific HR initiatives, which are well under way, be accelerated. One is to nurture Japanese managers to be more global in their outlook and management skills. The other is to redouble effort to generate ever greater opportunities for promising employees, wherever they are located, so that they will be empowered to realize their full potential within the Komatsu Group. I am confident that with their determination and focus, these challenges will be met.

\*1: Komatsu Group's Markets

Traditional Markets: Japan, North America and Europe

Strategic Markets: China, Latin America, Asia, Oceania, Africa, Middle East and CIS\*<sup>2</sup>

\*2: The Commonwealth of Independent States was founded with former Soviet republics, except for the Baltic States, in 1991.

## “Iron casting is an ancient, but new technology.”

• • • Our history of metal casting goes back to 1921 when Komatsu was founded. Casting technology has consistently supported the Quality and Reliability of our construction and mining equipment, behind the scenes, through technology innovation. To pass on this “old yet new” technology, known to have existed from around 4000 B.C., to the future, each and everyone of us is working to transfer our technological know-how and technical skills accumulated over the years to next-generation employees.



**Shoji Iwakuro**

Executive Managing Director,  
General Manager,  
Manufacturing Division,  
Komatsu Castex Ltd.



**Masashi Osada**

Director,  
General Manager,  
Technical Department,  
Komatsu Castex Ltd.



**Takamichi Hara**

Senior Chief Engineer,  
Technical Development Team,  
Manufacturing Engineering Group,  
Technical Department,  
Komatsu Castex Ltd.

### 1+1=2 isn't always so in the world of metal casting.

**Osada:** We humans are believed to have been using casting technology for more than 6,000 years, but nothing has changed in its principle. That is to pour molten metal into a mold. Because of that, you might think metal casting technology has already matured. On the contrary, it's a very deep and complicated world in fact. Metal casting is comprised of a wide variety of technologies and technical skills, handling different types of metals, such as iron and graphite, making molds with sand, clay, organic adhesives and so forth, patterns or replicas of the exterior of the casting, and simulating the in-channel flow and solidification of molten metal, just to name a few. By controlling all these elements, factors and conditions, we can produce high-quality

castings, stably, in mass production. Therefore, our engineers are expected to have knowledge and experience in not only their own areas of expertise but also extensive knowledge in other related fields.

**Hara:** Iron is the metal closest to our daily life. We can make things in any shape we want, and when heat treatment is applied, it will change its properties. It's a protean material. I was attracted by these characteristics of iron. I studied iron in college, and I have been working exclusively in metal casting for 30 years since I joined Komatsu. As I am specialized in materials, I check the contents of iron, their percentages and the like, in advance. Nevertheless, you never know what will happen in some cases. That's why I feel many new possibilities are still left in metal casting technology. In metal casting, 1+1=2 isn't always so. That's the difficulty, as well as charm, of the metal casting world.

### We had a solid determination of “It's for us and nobody else can do it.”

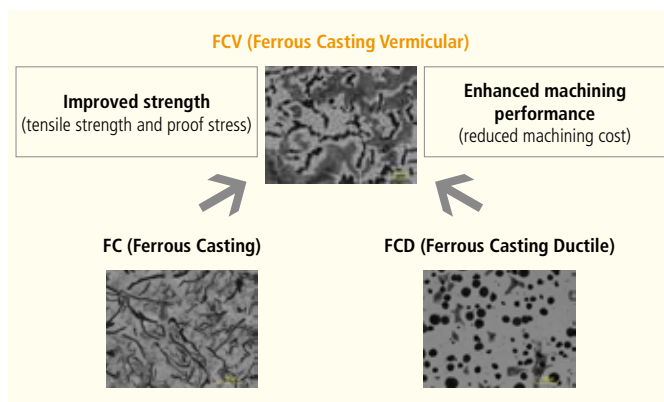
**Iwakuro:** Since 1959, this metal casting plant here in Himi City, Toyama Prefecture, had been one of the divisions of Komatsu's Awazu Plant until 1978, when we became independent as the Himi Plant. (Komatsu Ltd. established Komatsu Castex Ltd. in October 1997 by spinning off the steel casting division including the Himi Plant.) Coincidentally, Mr. Hara joined Komatsu in that year. There were many young people, like Mr. Hara and Mr. Osada and myself, then, and we had the privilege of working on major-scale projects with a wonderful degree of freedom. There was an air in the plant that we would build up our plant as the core metal casting base of the Komatsu Group.

Metal castings used in construction and mining equipment are expected to have durability and strength as well as good mechanical properties to keep machining costs low. Cast iron is generally divided into two kinds, ferrous casting (FC) and ferrous casting ductile (FCD) according to the shapes of graphite contained. FC is good for machining but poor in strength. By comparison, FCD is

better than FC in strength but is more difficult to machine, increasing machining costs. Then we decided to develop a new cast iron which would offer good characteristics of the two. In 1982, about 10 young employees, including Mr. Hara and myself, got together and started this project. We generated ideas to study the possibility and achieve this goal by considering all stages from development and pilot production to commercial production.

However, the development of new cast iron turned out to be a very challenging task for all of us without any significant experience in metal casting. As the targeted cast iron is positioned in between FC and FCD in properties, we continued trials and errors in assessing the percentage of contained elements, designing the production process, determining the evaluation methods and many other aspects before achieving commercial production of a stable quality. There were times when we wasted 8 tons of iron in each test. Naturally, we felt the pressure snowballing on us, but we conducted exhaustive investigations of possible causes of the problems in every stage by sustaining the solid determination of "It's for us and nobody else can do it." After one year in 1983, we succeeded in Japan's first commercial production of ferrous casting vermicular (FCV), which features the properties in between FC and FCD. Today, FCV is an indispensable material of the hydraulic control valves of Komatsu-brand construction and mining equipment, supporting commitment to Komatsu's Quality and Reliability at the heart of the machines.

#### • • • Advantages of Ferrous Casting Vermicular (FCV)



Hydraulic control valve

#### First demonstrate the work ourselves, and let them try it.

**Osada:** As we have a relatively smaller population of middle-aged employees in our organization, we are working to offer younger employees challenging tasks, including mechanization and automation of some processes, in order to speed up their growth. When instructing these younger employees, I make sure that they thoroughly think about the objectives and significance of their work in terms of the entire process of production. In other words, I am working to tell them to not only focus on their own technological know-how but also expand their interest to other related areas by placing the importance of having communication and teamwork with technical people working on the shop floor.

**Hara:** I am a bit concerned about the limited number of opportunities for young employees to tackle challenging projects like the commercialization of FCV. As I am going to retire in the near future, I am working hard to pass on all that I have gained to as many employees as possible. Most recently, I have gotten a project started by young people to change the percentage of a rare earth element contained in FCV and FCD, and I have been supporting their efforts. In this project, they are checking the conditions of the material and the formation of contained elements and conducting tests with our commercial production line. I think these efforts are providing them with a valuable experience, including the difficulty of ensuring stable quality in commercial production.

**Iwakuro:** There is no comparison between our time back then and today in terms of available simulation technology. Nevertheless, we are still learning many unexpected things in metal casting, for example, the difference between the simulated and actual results. In this light, I believe OJT is very important in our business.

Today, we are supporting eight metal casting plants in five foreign countries as the Mother metal casting plant of the Komatsu Group. In 1995, when Komatsu Changlin Foundry Corp. (today's Komatsu (Changzhou) Foundry Corp.) was ready to start up production, almost all employees had no previous experience in metal casting. So, in addition to having them study our work process standards, we sent Mr. Hara there as instructor because there were many processes in metal casting. On the shop floor, he demonstrated each step of the work process himself first and let them try it to observe their work. In this way, he has transferred his technical skills and expertise to them.

In the world of metal casting, it takes lots of our time and efforts to help new employees master their work, but, at the same time, they will have to learn by mind and body, so to speak. Therefore, our mission is to pass on our technological expertise and technical skills to the next generation through OJT efforts.

# “The value of engineers is found only in their challenging efforts.”

● ● ● Komatsu’s development of engines goes back to the early 1930s with gasoline engines. Komatsu began the development of diesel engines in 1940, and later tied up with Cummins Engine Company, Inc., a leading engine manufacturer of the United States. Under this arrangement, Komatsu has engaged in research, development and production of diesel engines within the Komatsu Group. To ensure high performance, fuel economy, durability, environmental friendliness and other never-ending targets, our engine engineers take up new challenges one after another.



**Tooru Okazaki**

Senior Technical Advisor  
Industrial Power Alliance, Ltd.\*

\* Industrial Power Alliance is a 50-50 joint ownership company for research and development of diesel engines established by Cummins Engine and Komatsu in 1998.

## Pursuit for high power output and fuel economy

I studied internal combustion in college and since I joined Komatsu in 1974, I have been involved mainly in developing the injection system, the core diesel engine technology for construction and mining equipment. Engines for construction and mining equipment are expected to provide high power output, fuel efficiency and durability. To achieve both power and fuel efficiency at the same time, we need a technology to inject highly pressurized fuel into compressed air at a rate that has good timing for efficient combustion. Therefore, we had the major task of developing high-pressure injection and electronic controls.

In the 1980s, I was involved in the development of our original accumulator injection system, which later became the base for today’s popular common rail fuel injection system, and our KP21 inline injection pump equipped with the functions of high-

pressure injection and electronically controlled variable injection timing. In 1988, Komatsu began commercial production of the KP21 and mounted it on the HD785 mining dump truck.

## Meeting emission control regulations

The year 1990 marked a big turning point for our engine development programs. As the most important target of development, we shifted our attention toward diesel engines for less environmental impact to meet Tier 1 emission standards. These were to take effect in 1996 in the United States, Europe and Japan, and were concerned with the emissions of nitrogen oxides (NOx) and particulate matters (PM). We began making full-scale development efforts in 1990.

This regulation is phased to become more stringent every five years. In Tier 3 standards, which became effective in 2006, we had to reduce the emissions of NOx and PM to less than half from Tier 1 standards. In Tier 4 standards, consisting of interim and final stages in 2011 and 2014, respectively, their emissions need to be reduced dynamically to about one tenth in 2014 from Tier 3 standards. To meet such stringent requirements, we have developed the newly designed variable geometry turbo (VGT) system for construction equipment engines by incorporating Komatsu-original hydraulic technology as well as the newly designed diesel particulate filter (DPF) with a special oxidation catalyst.

It is not an easy task to clear all these requirements. However, I am convinced that by taking up challenges, engineers will grow and achieve technological innovations.

## There is one and only one truth.

A long time ago, I heard this valuable phrase from my supervisor, which I have always kept in mind when working. “There is one



and only one truth. If there is a difference between the actual test findings and theory or principle, it is a mistake to categorically conclude that in reality things don't go according to the theory or principle."

At development worksites we sometimes encounter this situation where test results don't substantiate the concerned theory or principle which is supposed to be correct. We sometimes think that these actual results cannot always agree with the concerned theory or principle. But we should always consider the possibility that we might have made a mistake in the test method or that our ideas could be wrong. For engineers, it is critically important to have the ability to explain the test results by using the theory or principle. While I have continued to honor this phrase as my guiding principle, I advise young engineers to always take this approach to their daily work.

### Think simple.

"Think simple." This is one more thing I always advise young engineers. When I was young, there were no PCs or the Internet, which young people now have been so used to, even during their college days. Today they can easily obtain a diverse range of information on the web, and it is also so easy to produce graphs from data. I believe that specifically because they have too much information, it is difficult for them to see what their real issues are. Having plenty of information or simple production of graphs from data alone will not make issues "visual." To arrange their

issues, it is important for them to first decide the axis for thinking, develop their train of logic in the mind and think simply.

Fortunately, The KOMATSU Way offers practical guidelines for them, such as "Study Genba (actual worksites), Genbutsu (real things) and Genjitsu (real situation)" and "Think first before using PCs." The KOMATSU Way also offers many hints for them to think simple.

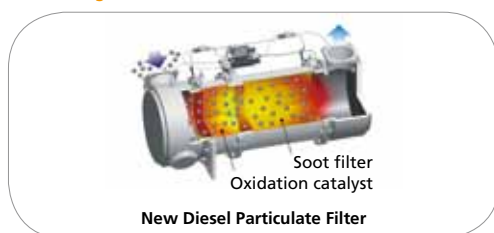
### Our role is to encourage and support them from behind.

Engineers won't grow unless they take up new challenges of development. Their value lies in the action of challenge, and technology innovation follows. Therefore, it is my role to create an environment where our young engineers can develop their professional career. It is also important that we must give them the whole work, and never partial work. By using their brain and body, so to speak, they can only grow.

While I have no doubt that they are smart, I don't hear them telling us something like "I want to do this and that" so I feel that they don't have a strong desire to challenge new things. We, as their supervisors, may be partially responsible for their attitudes. If we tell them not to do this or that for our concerns over their making mistakes, they are inclined to think only about risks and thus may be intimidated. In order for them to take up the challenge of new things, I bear in mind that I should just encourage and support them from behind without unnecessary words of interference.

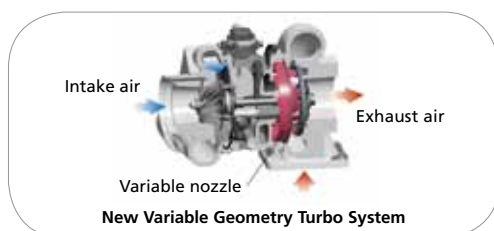
## ● ● ● Development of Engine Technologies to Meet New Emission Standards in Japan, the United States and Europe

### Outstanding Reduction of PM and Noise

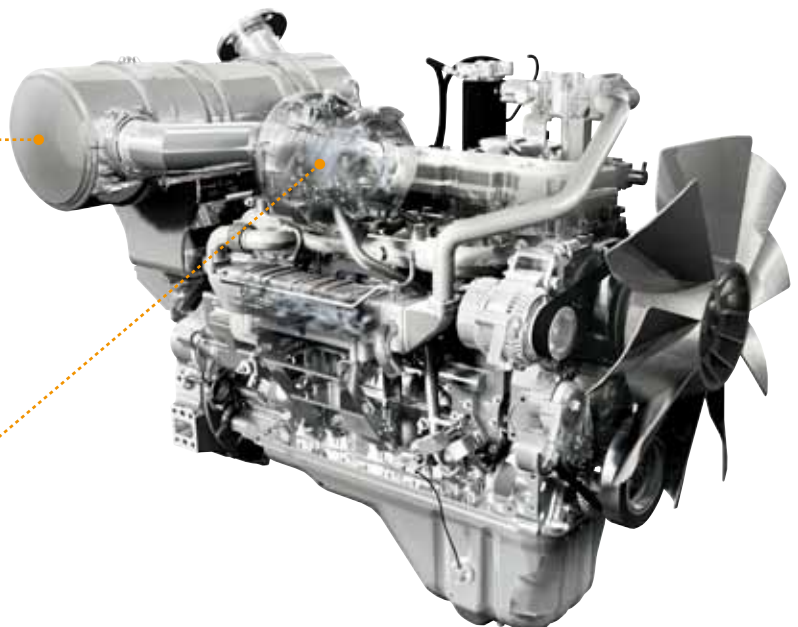


The new filter burns and removes PM deposited inside by combining a special catalyst and fuel injection, thus purifying exhaust gas.

### Achievement of Both Purification of Exhaust Gas and Fuel Economy



We have developed a new turbo charger which features our proprietary hydraulic technology for variable controls of air-flow and volume and supplies air optimally according to load conditions, thus achieving both purification of exhaust gas and fuel economy.



New diesel engine in compliance with next emission regulations in Japan, the United States and Europe

These images were created by computer graphics.



# Training field engineers in the Philippines for worldwide duty

- • • Three years have passed since the Komatsu Human Resource Development Center (KHRDC) was established in Manila, the Philippines in 2008. The center was set up mainly to train field engineers to take on duties at mines around the world. Fifty-two Filipino trainees are working hard every day at mastering The KOMATSU Way and acquiring technology and knowledge at KHRDC.



## Urgency of training specialists for duty at mining sites

Highly skilled field engineers capable of providing superior product support are indispensable to maintain stable operation of large mining equipment at busy mining sites.

Komatsu has been aware of this necessity for quite some time, and established a special training program for product support specialists in Japan, placing emphasis on training Japanese field engineers. The Komatsu Human Resource Development Center in the Philippines was set up in 2008 to reinforce these efforts and expand them on a global scale.

Every year the Center in the Philippines accepts 20 Filipino university graduates who majored in mechanical engineering. Trainees spend four years acquiring knowledge in The KOMATSU Way, which embodies Komatsu's policies and values.

The Center was established in the Philippines because Filipinos have had a long record of making major contributions to the growth of Komatsu's business overseas, through their good knowledge of English, their ability to cope with different cultures, and their superior ability for teamwork.

## Entering the global stage after four years of training

The Human Resource Development Center trains field engineers using a four-year curriculum.

After four years of training, the trainees are ready to step onto the global stage and take on their duties at Komatsu Group companies around the world. According to Komatsu's educa-

tional policy, the training content qualifies them for assignments not only as field engineers but also as application engineers, IT service engineers, and operator trainers.

### Training Curriculum

- 3 **Stage 3 (3 years)**  
To produce field engineers with the highest level of technical knowledge of construction equipment, trainees are first sent to Japan for one month of training, and then to mining sites in other countries for practical training.
- 2 **Stage 2 (6 months)**  
Acquire advanced practical knowledge/technology at the training center or at mining sites within the Philippines.
- 1 **Stage 1 (6 months)**  
Acquire basic knowledge/technology in the structural makeup, functions, etc. of construction and mining equipment.

## Serving as an OJT site for university students

Separate from the training program, the Center also accepts university students for on-the-job training (OJT). With many state-run universities in the Philippines requiring students to earn credits by participating in OJT in industry, 20 students were accepted in 2011 to go through three weeks of practical training at the well-equipped Human Resource Development Center. Komatsu will continue contributing to society by responding to such needs.

## VOICE

**Aspiring to become a field engineer  
appreciated by customers around the world****Ever Dave Vinatero Buyan**Trainee, Global Field Engineer,  
KHRDC

I am one of the first batch of Global Field Engineer trainees to enter KHRDC. During our 1st stage of training, I had learned many helpful ideas, and acquired data, information, facts and a wealth of knowledge from trainers from Japan, Singapore and the Philippines. Through classroom lectures and practical training, as well as OJT at mine sites while working with the mechanics at local distributors, I was able to broaden my perspectives and understanding of construction and mining equipment.

Currently, I am working as a product support engineer in Chile. I was first posted at the Komatsu Reman (Re-manufacturing) Center, where I learned a lot about the "Reman" business while working at different departments, such as disassembly, assembly, hydraulics, electronics, and quality assurance.

On my next assignment, at the Radomiro Tomic Mine located next to the Chuquicamata Copper Mine, I learned how to repair and maintain 930E electric dump trucks and how to prepare overhaul schedules for keeping machines in top condition.

I am now working at a new project named Pascua Lama, the first bi-national mining project in the world. Approximately 60 Komatsu mining equipment units, including the 930E, are in operation at this mine. For the moment, we are assembling equipment and are working to maintain the quality of assembly process in order to make sure the performance of the machines during the actual operation is good even under extreme conditions of this site, with an altitude of 5,200m where temperatures can reach minus 40 degrees Celsius.

To be a renowned global field engineer, whose work is recognized not only by Komatsu, but also by customers around the world, is a dream I have been working hard to fulfill. I want to become a world class field service engineer who can speak at least 5 different languages. And if given a chance, I want to become a top executive someday where I can share my knowledge and ideas.

This project (KHRDC) initiated by Komatsu Ltd. is a very good start for young engineers like myself, who are just starting to make our way into this world. I am expecting continued support from the company to keep us motivated to work hard and become excellent field engineers. I commend KHRDC for a job well done in training young engineers and in preparing them for the future. I hope that Komatsu will continue to accept and look for ideas to improve the training process.

**Global partnership for  
human resource development****Edgardo O. Aguilar**Dean, College of Engineering,  
Bicol University, Engineer

Environmental conservation efforts are one of Komatsu's highest priority management tasks, and Komatsu endeavors to contribute to the sustainable growth of society by integrating advanced technologies into environmental conservation efforts in all its business activities. Bicol University (BU) aims to be a Green University in the coming decade. It looks up to Komatsu as an example of a company with a people and environment friendly plant, creating a safe work environment that enables peace of mind not only to people but also to its stakeholders.

BU and Komatsu Human Resource Development Center (KHRDC) share the same vision for producing global engineers.

BU expects its graduates to be: (a) Technically competent, with a passion for technology; with a global perspective and driven by the need for quality in the practice of its profession; (b) Creative and innovative in advancing the state-of-the-art in their fields of expertise; (c) Results oriented and equipped with the know how to make and communicate decisions while working as a team member for multi-cultural and multi-national audiences; (d) Ethical, principle centered, and socially responsible

The graduates of BU who are now with Komatsu as field engineers can go beyond the basic foundations to be able to adapt and experience an environment of the industry which is a very rewarding experience.

A partnership with KHRDC offers BU to improve the quality and international comparability of its engineering programs, with a vision for producing excellent engineers by 2020. The partnership will also provide evidence of compliance by BU to its ISO9001:2008 mandate of continually striving for excellence in instruction, research and extension by meeting the highest level of clientele satisfaction and adhering to quality standards.

Given the highly qualified trainees from BU and other universities in its Training Institute, KHRDC will be able to produce excellent field engineers to meet the highest level of customer satisfaction as it continues its expansion in emerging markets and build more lasting relationship with its customers.

BU looks forward to a mutually beneficial relationship in educating for peace and international understanding while trying to adapt to and mitigate the effects of climate change, as BU and Komatsu strive to contribute to the development of various economies and peoples.

## Construction, Mining and Utility Equipment

For the fiscal year ended March 31, 2011, Komatsu expanded consolidated net sales of construction, mining and utility equipment by 27.4% to ¥1,615.6 billion from the previous fiscal year by steadfastly capitalizing on global demand recovery. During the fiscal year under review, Komatsu continued to focus its efforts especially to expand production capacity and reinforce product support operations by anticipating the mid to long-range growth of Strategic Markets. Reviews by region are described below.

**Japan** While public works began to decline in the second half period of the fiscal year under review, private-sector capital investment remained strong. As a result, demand headed for recovery centering on the rental equipment segment and sales increased from the previous fiscal year.

**North America** While the U.S. housing starts remained sluggish, overall demand for equipment upturned for recovery, supported by strong demand in the rental equipment and mining industries. Sales advanced from the previous fiscal year.

**Europe** Demand for construction equipment headed for recovery mainly in the major markets, such as Germany, the United Kingdom and France. As demand recovered in these countries, Komatsu worked to strengthen its product support capability and expand sales of parts by teaming up with its distributors. Sales improved from the previous fiscal year.

**Latin America** Demand for equipment remained strong in the mining, civil engineering, agriculture and forestry sectors in Brazil, the largest Latin American market. In Chile where demand for mining equipment grew sharply, Komatsu strengthened its sales and product support capabilities for the mining industry. Sales increased from the previous fiscal year.

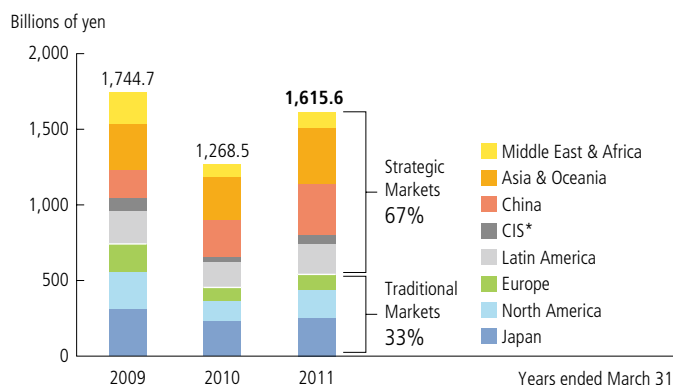
**CIS\*** Demand for equipment increased sharply, centering on use for coal and gold mining as well as energy development. Sales grew from the previous year.

**China** Demand for construction and mining equipment continued to grow, reflecting thriving demand in the mining industry, coupled with the advancement of infrastructure development and urbanization, especially in inner China. By capitalizing on demand, which followed the Chinese New Year in February this year, Komatsu registered record-high sales.

**Asia & Oceania** In Indonesia, the largest market of Southeast Asia, demand for mining equipment continued to expand, while demand for construction equipment remained strong in the civil engineering, agriculture and forestry sectors. Demand was also strong in India, Thailand, Malaysia and some other countries. In Australia, some mining companies experienced adverse effects of the flood in shipment of their commodities in the second half period, but overall demand for mining equipment remained firm. Supported by a sharp increase of sales in Asia, sales in Asia & Oceania advanced from the previous fiscal year.

**Middle East & Africa** While political and social conditions have continued to be unstable, demand for equipment remained firm, particularly in the mining sector. Sales increased from the previous fiscal year.

## Sales by Region (To Outside Customers)



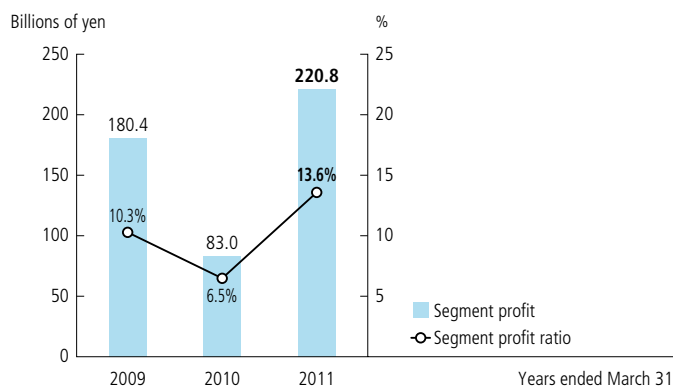
## Sales by Region for the Fiscal Year ended March 31, 2011

Region		Sales	Change (2011/2010)
Traditional Markets	Japan	251.5	Up 10.1%
	North America	184.5	Up 36.2%
	Europe	104.4	Up 15.7%
Strategic Markets	Latin America	202.2	Up 18.5%
	CIS*	59.5	Up 87.6%
	China	334.2	Up 36.7%
	Asia & Oceania	374.5	Up 32.9%
	Middle East & Africa	104.4	Up 22.2%

Note: Sales are rounded down to the hundred-million yen.

\* The Commonwealth of Independent States was founded with former Soviet republics, except for the Baltic States, in 1991.

## Segment Profit and Ratio



Note: Segment profit ratio is calculated using sales by operating segment before elimination of internal sales.

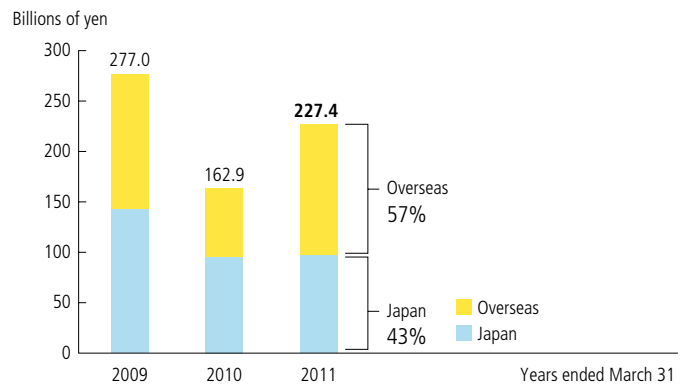
## Industrial Machinery and Others

In the industrial machinery and others business, Komatsu boosted sales of wire saws for use in slicing silicon ingots, as capital investment remained brisk in Asia, centering on China, for the solar cell market. For the fiscal year ended March 31, 2011, mainly supported by the excellent sales of wire saws, sales expanded by 39.5% from the previous fiscal year, to ¥227.4 billion. Orders received for presses and other machinery upturned for growth, as the automobile manufacturing industry began capital investment in China, India, Brazil and some other countries.

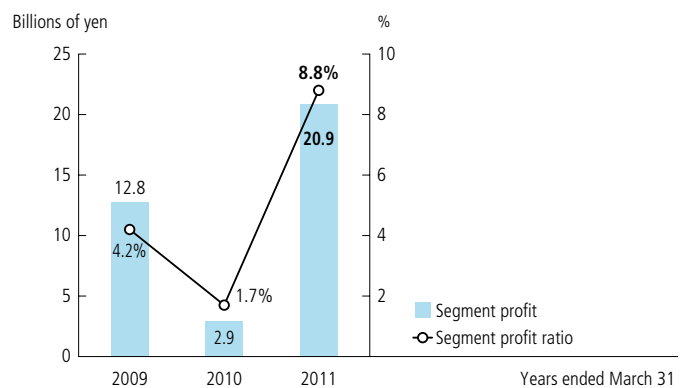
To further reinforce its industrial machinery business strength under such an environment, Komatsu NTC Ltd. and Komatsu Machinery Corporation merged and Komatsu Ltd. absorbed Komatsu Engineering Corp on April 1 this year. These mergers follow the restructuring of our press business in April last year. With respect to Komatsu NTC and Komatsu Machinery, both supply machine tools to the automobile manufacturing industry as well as semiconductor manufacturing equipment; therefore Komatsu is now better positioned to expand its product range and develop and manufacture more compact and next-generation products to meet changing market needs by converging both companies' technologies and know-how. By absorbing Komatsu Engineering, Komatsu Ltd. is well prepared to utilize the wealth of their engineering expertise to further enhance its manufacturing engineering as well as development and design know-how.

In response to the expanding solar cell market, Komatsu NTC built a new plant to increase production capacity of wire saws.

## Net Sales (To Outside Customers)



## Segment Profit and Ratio



Note: Segment profit ratio is calculated using sales by operating segment before elimination of internal sales.



Large press line (total length: approx. 80 meters and total height: approx. 10 meters) delivered to the Cassino Plant of FIAT AUTO S.p.A.



Komatsu NTC received the Technology and Development Award, "Superior" Quality Performance Award and "Superior" Value Improvement Award from Toyota Motor Corporation at the 2011 Toyota Global Suppliers Convention.

## Basic Stance

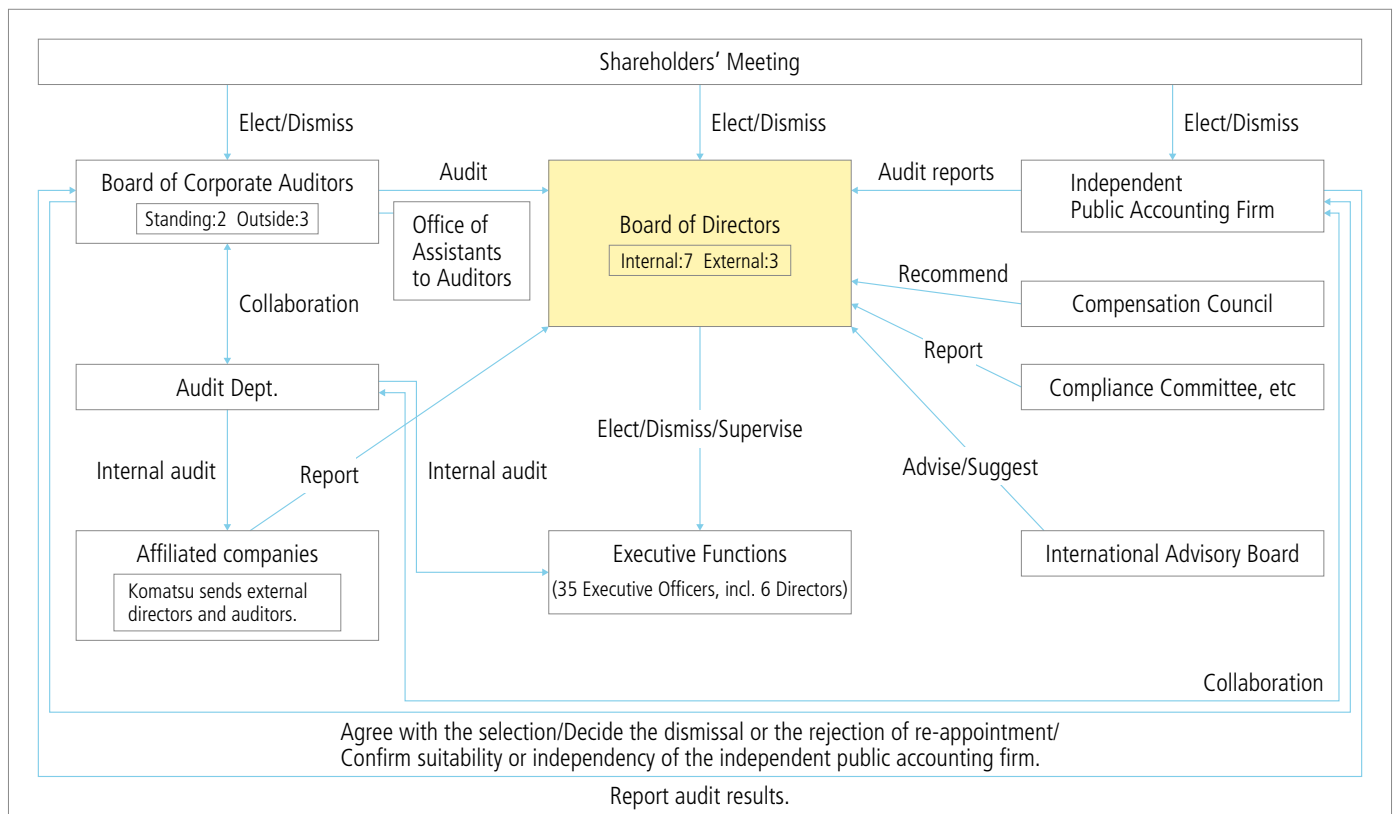
We, at Komatsu Ltd., believe our corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate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

To further improve the transparency of management for our shareholders and investors, we disclose information in a fair and timely manner and actively engage in investor relations' activities by holding meetings with shareholders and investors.

## Establishment and Improvement of Corporate Governance

In 1999 Komatsu Ltd. introduced the Executive Officer System and has been working to separate management decision making and supervisory functions from executive functions. At the same time, the Company has maintained the Board of Directors with a small number of members and appointed outside directors and auditors. To improve the effectiveness of discussions in Board meetings, we have promoted reforms in the operational aspect of Board meetings to ensure thorough discussions of important management agendas and quick decision-making. We have also established the International Advisory Board (IAB) as a means to supplement executive functions.

### Corporate Governance of Komatsu



Note: Figures in the diagram are as of June 22, 2011



## Organizational Profile

### Board of Directors

Komatsu Ltd. holds Board of Directors' meetings every month. The Board of Directors reviews and resolves important management matters, makes decisions on management policies of the Komatsu Group, and strictly controls and supervises the execution of management duties by all executive management personnel including the representative directors. Of the 10 directors on the Board, there are three outside directors to ensure transparent and sound management.

#### ● ● ● Outside Directors (As of June 22, 2011)

Name	Title	Main Areas of Contributions
Kensuke Hotta	Chairman and Representative Director of Greenhill & Co. Japan Ltd. Chairman and Representative Director of Hotta Partners Inc.	Having served as Representative Director of The Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation) and as Representative Director of Morgan Stanley Japan Securities Co., Ltd. (now Morgan Stanley MUFG Securities Co., Ltd.), Mr. Kensuke Hotta speaks at the Board of Directors on the subject of overall management based on his profound experience in the business world.
Noriaki Kano	Professor Emeritus at Tokyo University of Science	Having served as President of the Japanese Society for Quality Control, Dr. Noriaki Kano speaks at the Board of Directors especially on the subject of quality control and production from his standpoint as a specialist of quality control.
Kouichi Ikeda	Corporate Advisor of Asahi Breweries, Ltd.	Having served as Representative Director of Asahi Breweries, Ltd., Mr. Kouichi Ikeda speaks at the Board of Directors especially on the subject of operation strategy based on his profound experience in the business world.

### Board of Corporate Auditors

The Board of Corporate Auditors makes decisions concerning audit policies, duty assignments and other relevant matters. Each corporate auditor attends Board of Directors' meetings and other important meetings, and audits the execution of duties by directors. The Board of Corporate Auditors meets every month, hears the conditions of execution of duties from the directors, and conducts appropriate audits. We have also established the Office of Assistants to Auditors to exclusively assist auditors. Of the five corporate auditors, we have consistently ensured that the number of outside corporate auditors represents at least half of the Board of Corporate Auditors.

#### ● ● ● Outside Corporate Auditors (As of June 22, 2011)

Name	Title	Main Areas of Contributions
Makoto Okitsu	Advisor of Teijin Limited	Having served as Representative Director of Teijin Limited and as Representative Director of Nabtesco Corporation, Mr. Makoto Okitsu speaks on the subject of overall management and corporate governance etc. at the Board of Corporate Auditors and the Board of Directors based on his profound experience in the business world.
Hiroyuki Kamano	Partner (Attorney at law) of Kamano Sogo Law Offices	From his professional standpoint based on his profound experience in cross-boarder transactions as a lawyer, Mr. Hiroyuki Kamano speaks on the subject of risk management and corporate governance etc. at the Board of Corporate Auditors and the Board of Directors.
Kunihiro Matsuo	Attorney at law	From his professional standpoint based on his profound experience in the legal profession, Mr. Kunihiro Matsuo speaks on the subject of the risk management and the compliance system of Komatsu and other issues at the Board of Corporate Auditors and the Board of Directors.

## Compliance

We have established the Compliance Committee as the group to oversee compliance, and it regularly reports its reviews and activities to the Board of Directors. We have also established a framework to ensure thorough compliance with business rules by all directors, executive officers and employees of the Komatsu Group. Related specific measures include the provision of KOMATSU'S CODE OF WORLDWIDE BUSINESS CONDUCT (revised 7 times since its establishment in 1998) which stipulates the business rules to be strictly followed by all directors, executive officers and employees, appointment of the executive officer in charge of compliance, and establishment of the Compliance Department. Through these measures, we are working to supervise, educate and train all members of the Komatsu Group.

We have also established the internal reporting system for employees to consult with or report questionable actions in light of the laws and business rules. This internal reporting system guarantees that no employees will be penalized by using the system.

(As of March 31, 2011)

**Outline**

Name .....	Komatsu Ltd.
Head Office .....	2-3-6 Akasaka, Minato-ku, Tokyo 107-8414, Japan
Date of Establishment .....	May 13, 1921
Common Stock Outstanding .....	Consolidated: ¥67,870 million (US\$818 million) based on U.S. GAAP Non-consolidated: ¥70,120 million (US\$845 million)
Number of Employees .....	Consolidated: 41,059 Non-consolidated: 8,210

Note: The translation of Japanese yen amounts into US dollar amounts is included solely for convenience and has been made for the fiscal year ended March 31, 2011 at the rate of ¥83 to US\$1, the approximate rate of exchange at March 31, 2011.

**Shareholder Information**

Shares of Common Stock Issued and Outstanding .....	998,744,060 shares
Number of Shareholders .....	219,643
Number of Shares per Trading Unit .....	100
Securities Code .....	6301 (Japan)
Stock Listings .....	Tokyo and Osaka
Transfer Agent for Common Stock/ Management Institution for Special Account .....	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Depositories (ADRs) .....	The Bank of New York Mellon 101 Barclay Street, New York, NY 10286, U.S.A. Non-U.S. Callers: +1-(201)-680-6825 U.S. Callers: 1-888-269-2377 (888-BNY-ADRS) URL: <a href="http://www.adrbnymellon.com">http://www.adrbnymellon.com</a> Ticker Symbol: KMTUY

## Major Shareholders (Top Ten)

(As of March 31, 2011)

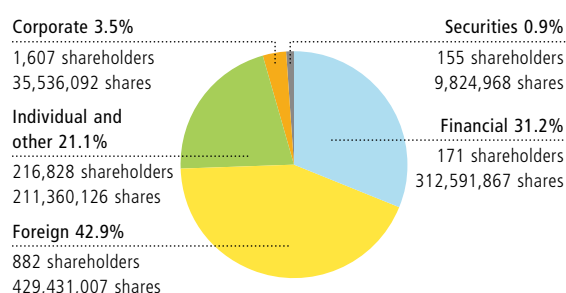
Name of shareholders	Number of shares held (in thousands)	Equity ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	48,073	4.9
JPMorgan Chase Bank 380055	41,614	4.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,978	4.2
Taiyo Life Insurance Company	38,000	3.9
State Street Bank and Trust Company	33,290	3.4
Nippon Life Insurance Company	33,283	3.4
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	21,937	2.2
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	19,294	1.9
Sumitomo Mitsui Banking Corporation	17,835	1.8
State Street Bank and Trust Company 505223	17,582	1.8

Notes: 1. Equity ratio is calculated by subtracting treasury stock.

2. Although the Company holds 30,289 thousand shares of treasury stock, it is excluded from the major shareholders list above.

## Percentage of Shareholders

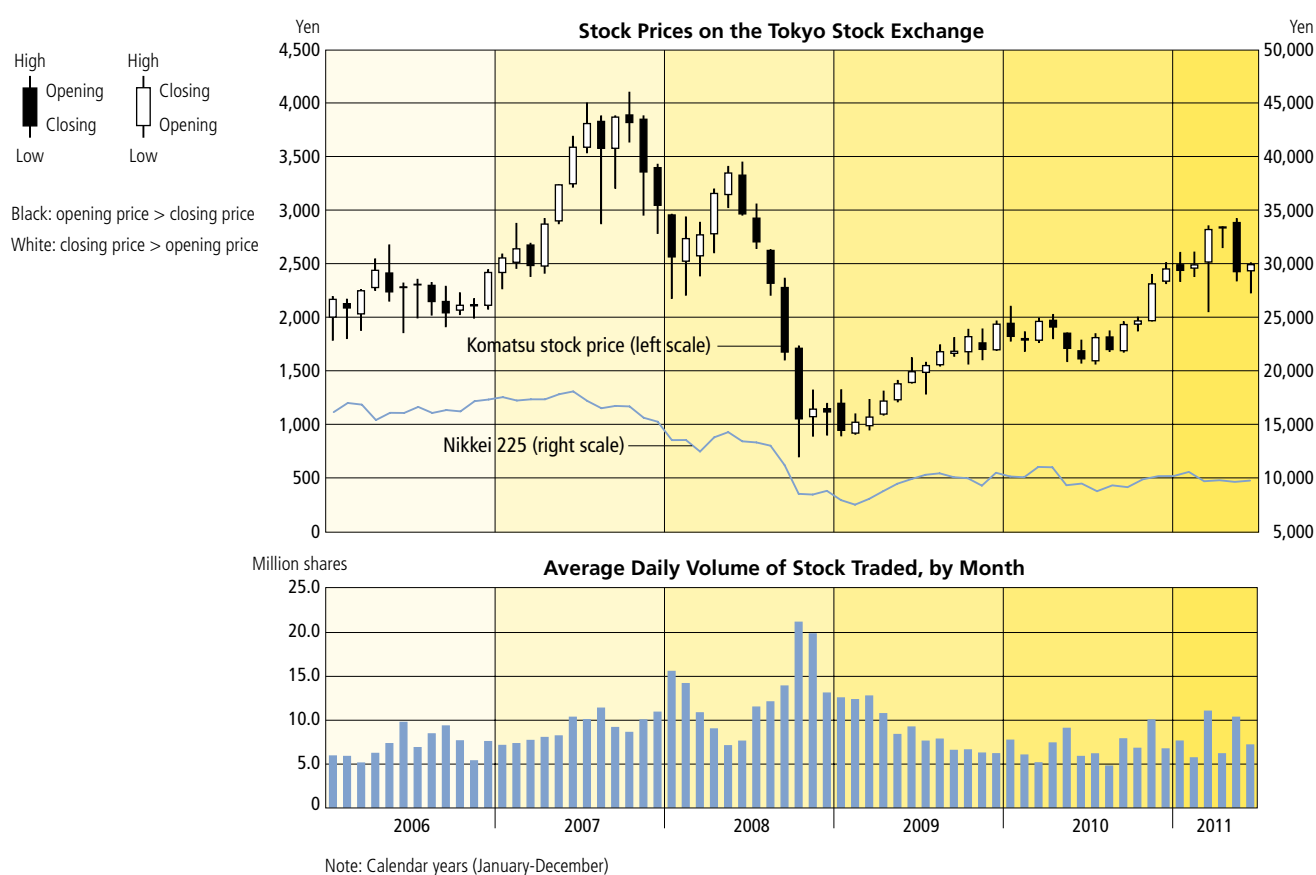
(As of March 31, 2011)



Note: Percentage figures are shown after dropping the last two places of decimals.

## Tokyo Stock Price Range

(As of June 30, 2011)



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## Financial Section

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Consolidated Statements of Equity	46
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For notes to consolidated financial statements and other information,  
please see FORM 20-F filed on U.S. SEC.

## Results of Operations

### (1) Effects of the Great East Japan Earthquake on Komatsu Group's Business Operations and Responses

During the fiscal year, ended March 31, 2011, i.e., from April 1, 2010 to March 31, 2011, the Great East Japan Earthquake and the subsequent tsunami brought about very extensive damages, especially in the Tohoku and northern Kanto regions of Japan. Immediately after this tragic disaster, the Komatsu Group checked the safety of its employees and their families, worked to secure their safety, and made extensive efforts in transporting relief items to disaster-stricken employees and their families. The Komatsu Group also focused its efforts to recover operations of affected plants, suppliers and other business bases.

With respect to production, the buildings and facilities of some plants of the Komatsu Group were damaged but we quickly worked to repair them. Certain many employees from the Production and Procurement divisions went to our suppliers' and worked together with suppliers' employees on quick repair of their facilities. As a result of these efforts, all our affected plants resumed production by the end of March. We are still experiencing uncertain procurement conditions for some electronic parts of construction equipment as well as electric power supply.

Our sales and service operations were seriously affected by the tsunami. At some facilities located along the Pacific Ocean side of the Tohoku region, their buildings, facilities and construction equipment were washed away or destroyed. While it will take some time for us to recover those full-scale operations, soon after the devastation brought by the tsunami we restarted our maintenance and repair service for construction equipment, which is indispensable for the restoration and reconstruction of the affected regions by our other bases nearby.

As an effort within our best capacity to offer equipment and materials needed in the affected regions, we have decided on a ¥800 million worth assistance action plan centering on free-of-charge lending of our own construction equipment, forklift trucks, temporary housing and power generators. We have delivered them per the requests of local governments.

It is projected that reconstruction work will last for a long time. We recognize the importance of producing construc-

tion equipment, an indispensable tool of restoration and reconstruction, promptly delivering them to the needed areas, and continuing our maintenance and repair operation to ensure trouble-free use of equipment, while continuing to work to normalize our operations.

### (2) General

Komatsu Ltd. ("Company") and its consolidated subsidiaries (together "Komatsu") embarked on the Global Teamwork for Tomorrow mid-range management plan for three years starting in the current fiscal year, which emphasize (1) promotion of ICT (Information and Communication Technologies) applications to products and parts, (2) further advancement of environmental friendliness and safety in machine performance, (3) expansion of sales and service operations in Strategic Markets, and (4) promotion of continuous Kaizen (improvement) by strengthening workplace capability.

In the first year of the ongoing mid range plan, demand for construction and mining equipment remained at a high level in Strategic Markets, especially in China, Asia and Latin America, while demand recovered and increased from the previous fiscal year in the Traditional Markets of Japan, North America and Europe. Demand for industrial machinery also turned toward recovery, reflecting an increased volume of production of cars in Strategic Markets and growth of the solar cell industry in China and Asia.

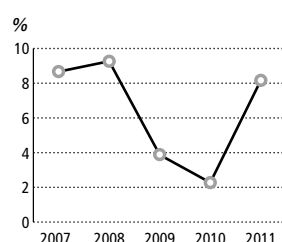
#### [Markets as Positioned by the Komatsu]

Traditional Markets: Japan, North America and Europe

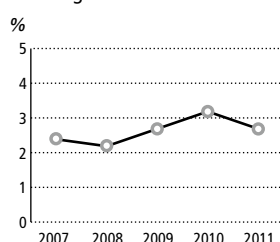
Strategic Markets: China, Latin America, Asia, Oceania, Africa, Middle East and CIS

During the current fiscal year, Komatsu had consolidated net sales of ¥1,843,127 million (US\$22,206 million, at US\$1=¥83), up 28.7% from the previous fiscal year. While the Japanese currency appreciated sharply against the U.S. dollar, Euro and Renminbi from the previous fiscal year and we incurred a loss resulting from the damages by the Great East Japan Earthquake and the subsequent tsunami, we made sizable gains by expanding the volume of sales and continuing structural reform

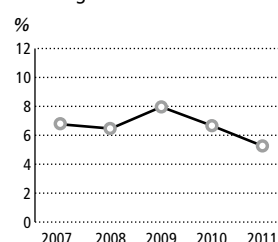
Net Income Attributable to  
Komatsu Ltd. on Net Sales



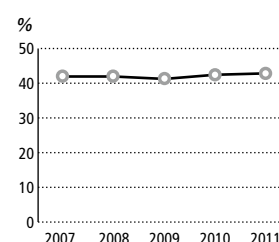
R&D Expenses as a  
Percentage of Net Sales



Capital Investment as a  
Percentage of Net Sales



Shareholders' Equity Ratio





efforts, such as increased selling prices and the improvement of production costs. Specifically, operating income reached ¥222,929 million (US\$2,686 million), registering an increase of 232.6% from the previous fiscal year, and operating income ratio advanced to 12.1%, an improvement of 7.4 percentage points. Income before income taxes and equity in earnings of affiliated companies increased by 238.3% to ¥219,809 million (US\$2,648 million). Net income attributable to Komatsu Ltd. totaled ¥150,752 million (US\$1,816 million), recording an improvement of 349.2%.

	Results for the Year	Increase
Net sales	1,843,127 million yen	28.7%
Operating income	222,929 million yen	232.6%
Income before income taxes and equity in earnings of affiliated companies	219,809 million yen	238.3%
Net income attributable to Komatsu Ltd.	150,752 million yen	349.2%

### (3) Impact of Foreign Exchange Rate

In comparison to the previous year, Japanese yen strengthened against the U.S. dollar, the Euro and the Renminbi during the current year. Such currency fluctuations impacted segment profit in the Construction, Mining and Utility Equipment segment for the year adversely by approximately ¥37.0 billion from the previous year.

The impact of currency fluctuations is determined as the sum of the amounts obtained by multiplying foreign currency transactions of each entity by the change in the applicable exchange rate. However, the effects of change of selling price due to currency fluctuations were not taken into account.

### (4) Net Sales

(In this section, the amounts of sales represent sales to the customer in each region.)

Consolidated net sales increased 28.7% over the previous year, to ¥1,843,127 million (US\$22,206 million) from ¥1,431,564 million. Sales in Japan increased 7.8% over the previous year, to ¥349,184 million (US\$4,207 million) from ¥323,813 million. Sales in overseas countries increased 34.9% over the previous year, to ¥1,493,943 million (US\$17,999 million) from ¥1,107,751 million.

### Construction, Mining and Utility Equipment

Komatsu expanded consolidated net sales to external customers of construction, mining and utility equipment by 27.4% to ¥1,615,689 million (US\$19,466 million) by steadfastly capitalizing on global demand recovery.

During the current fiscal year, Komatsu continued to focus its efforts especially to expand production capacity and reinforce product support operation by anticipating the mid to long-range growth of Strategic Markets. To accelerate sales of hybrid hydraulic excavators, which offer improved fuel consumption and CO<sub>2</sub> emissions volume, Komatsu tooled up the production of the new HB205 and HB215LC hybrid hydraulic excavators after changing the forerunner model, introduced them in the Japanese market and decided to launch them in major markets around the world. With respect to the utility equipment business, consisting of forklift trucks and mini construction equipment, the Company decided to merge Komatsu Utility Co., Ltd. in order to speed up the pace of strengthening its business in overseas markets, further improve their product competitiveness and product development capability, and reinforce human resource development.

### <Japan>

While public works began to decline in the second half period of the current fiscal year, private-sector capital investment remained strong. Against this backdrop, demand for construction equipment headed for recovery centering on the rental equipment segment, and sales in Japan increased by 10.1% from the previous fiscal year to ¥251,597 million (US\$3,031 million). In December 2010, Komatsu launched sales of the new HB205 and HB215LC hybrid hydraulic excavators in Japan before overseas markets, received great responses from their customers and enjoyed good sales.

### <Americas>

In North America, while the U.S. housing starts remained sluggish, overall demand for equipment turned for recovery, supported by strong demand in the rental equipment and mining industries. In this market environment, Komatsu continued to promote a zero inventory of distributors campaign and worked to improve their financial strength. Komatsu also advanced preparation for the market introduction of products compliant to new emission control regulations.

In Latin America, demand for equipment remained strong in mining, civil engineering, agricultural and forestry sectors in Brazil, the largest Latin American market. In Chile where demand for mining equipment grew sharply, Komatsu strengthened its sales and product support capabilities for the mining industry. As a result, sales in Americas increased by 26.3% from the previous fiscal year to ¥386,758 million (US\$4,660 million).

### <Europe & CIS>

Demand for construction equipment began to recover mainly in major markets such as Germany, the United Kingdom and

France. While demand recovered in these markets, Komatsu worked to strengthen its product support capability and expand sales of parts by teaming up with its distributors.

In CIS, demand for large equipment grew, centering on use for coal and gold mining as well as energy development. To seize on the mid to long-range demand for mining equipment, Komatsu strengthened its production and product support capabilities by commencing production at Komatsu Manufacturing Rus, LLC. in June of last year and opening the Kuzbass Support Center in Siberia. As a result, sales in Europe & CIS increased by 34.4% from the previous fiscal year to ¥164,007 million (US\$1,976 million).

#### <China>

Demand for construction and mining equipment remained strong, reflecting thriving demand in the mining industry coupled with advancement of infrastructure development and urbanization, especially in inner China. Particularly by steadfastly capitalizing on demand, which followed the Chinese New Year in February this year, Komatsu registered record-high sales in China which increased by 36.7% from the previous fiscal year to ¥334,270 million (US\$4,027 million).

In tandem with this market expansion, Komatsu worked to expand its production, sales and product support capabilities, especially by establishing Komatsu China Mining Limited to engage in sales and product support for major mining companies, constructing the new plant of Komatsu (Changzhou) Construction Machinery Corp., opening the KC Techno Center, and training service engineers in a special training course at Shandong Jiaotong University.

#### <Asia & Oceania>

In Indonesia, the largest market of Southeast Asia, demand for mining equipment continued to expand, while demand for construction equipment remained strong in the civil engineering, agriculture and forestry sectors. Demand was also strong in India, Thailand, Malaysia and some other countries.

In Australia, some mining companies experienced adverse effects of the flood in shipment of their commodities in the second half period, but overall demand for mining equipment remained firm. Under such market conditions, sales accelerated in Asia, sales in Asia & Oceania increased by 32.9% from the previous fiscal year to ¥374,577 million (US\$4,513 million).

In Southeast Asia, Komatsu made concerted efforts to introduce KOMTRAX (Komatsu Machine Tracking System)-installed standard construction equipment to more regions. In Australia, Komatsu continued to reinforce sales and product support operations, including the reorganization of Komatsu Australia Pty Ltd in August of last year to further strengthen its capabilities as a distributor.

#### <Middle East & Africa>

While political and social conditions have continued to be unstable in some countries, demand for equipment remained firm,

particularly in the mining sector. As a result, sales in Middle East & Africa increased by 22.2% from the previous fiscal year to ¥104,480 million (US\$1,259 million). Komatsu is expecting market expansion in the future due to the development of new mines and the recovery of infrastructure development. In Africa, Komatsu continued its efforts to strengthen its product support capability by adding a new training center to foster the growth of service engineers of distributors.

#### Industrial Machinery and Others

In the industrial machinery and others business, Komatsu boosted sales of wire saws for use in slicing silicon ingots, as capital investment remained brisk in Asia, centering on China, for the solar cell market. As a result, sales to external customers expanded by 39.5% from the previous fiscal year, to ¥227,438 million (US\$2,740 million). Orders received for large presses and other machinery upturned for growth, as the automobile manufacturing industry began capital investment in China, India, Brazil and some other countries.

To further enhance the competitive strength of its industrial machinery business under such market conditions, following the reorganization of press business in April of last year, the Company decided to merge Komatsu NTC Ltd. and Komatsu Machinery Corporation into a single entity and to absorb Komatsu Engineering Corp. Concerning the merger of Komatsu NTC and Komatsu Machinery, as both companies mainly engage in machine tools for the automobile manufacturing industry as well as semiconductor manufacturing equipment, Komatsu is going to focus its efforts to converge their technologies and know-how to develop and produce new products for broader lineups as well as those designed to meet next-generation technological applications. With respect to the absorption of Komatsu Engineering, as it has a leading-expertise in systems engineering, the Company is going to apply that expertise to its manufacturing engineering, development and design operations.

Furthermore, Komatsu NTC Ltd. has built a new plant in order to expand its production capacity of wire saws against the backdrop of expanding its share of the solar cell market.

#### (5) Cost of Sales, Selling, General and Administrative Expenses

Cost of sales increased by 22.0% from the previous year to ¥1,343,464 million (US\$16,186 million) in the current year. Its ratio to sales was 72.9% down by 4.0 percentage points from the previous year mainly due to the continuing realization of selling prices and the improvement of production costs. Selling, general and administrative expenses (SG&A) increased by 6.2% from the previous year to ¥264,691 million (US\$3,189 million). This increase was primarily due to the increased shipping and handling costs related to the increase in sales. Research and development (R&D) expenses, which are included in cost of sales and SG&A, increased by 5.5% from the previous year to ¥49,005 million (US\$590 million).

**(6) Impairment Loss on Long-lived Assets**

Impairment loss on long-lived assets held for use in the current year of ¥5,142 million (US\$62 million), which included impairment loss of idle software and damaged loss due to the Great East Japan Earthquake and the subsequent tsunami, increased by ¥1,810 million as compared to ¥3,332 million in the previous year.

**(7) Other Operating Income (Expense)**

Gain on sale of property in the current year of ¥2,432 million (US\$29 million) increased by ¥1,396 million as compared to ¥1,036 million in the previous year. Loss on disposal or sale of fixed assets in the current year of ¥1,553 million (US\$19 million) decreased by ¥1,354 million as compared to ¥2,907 million in the previous year. As a result, other operating income (expense) was ¥6,901 million (US\$83 million) of expense in the current year down by ¥3,451 million as compared to ¥10,352 million of expense in the previous year.

**(8) Operating Income**

Due to the reasons discussed above, operating income in the current year of ¥222,929 million (US\$2,686 million) increased by ¥155,894 million as compared to ¥67,035 million in the previous year.

**(9) Other Income (Expenses)**

Interest and dividend income in the current year of ¥4,493 million (US\$54 million) decreased by ¥1,665 million as compared to ¥6,158 million in the previous year. Interest expense in the current year of ¥6,475 million (US\$78 million) decreased by ¥2,027 million as compared to ¥8,502 million in the previous year.

**(10) 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 in the current year of ¥219,809 million (US\$2,648 million) increased by ¥154,830 million as compared to ¥64,979 million in the previous year.

**(11) Income Taxes**

Income taxes in the current year of ¥64,706 million (US\$780 million) increased by ¥39,342 million as compared to ¥25,364 million in the previous year. The actual effective tax rate in the current year decreased by 9.6% to 29.4% as compared to 39.0% in the previous year. This decrease is primarily due to a decrease in the valuation allowance of consolidated subsidiaries. The difference between the Japanese statutory tax rate of 40.8% and the actual effective tax rate of 29.4% was mainly caused by income of foreign subsidiaries taxed at a rate lower than the Japanese statutory tax rate and the decrease in the valuation allowance of consolidated subsidiaries.

**(12) Equity in Earnings of Affiliated Companies**

Equity in earnings of affiliated companies in the current year of ¥2,724 million (US\$33 million) increased from ¥1,588 million in the previous year. This increase was mainly due to the increased profit recorded by Komatsu Cummins Engine Co., Ltd., Gigaphoton Inc. and other affiliates.

**(13) Net Income**

Net income in the current year of ¥157,827 million (US\$1,902 million) increased by ¥116,624 million as compared to ¥41,203 million in the previous year.

**(14) Net Income Attributable to Noncontrolling Interests**

Net income attributable to noncontrolling interests in the current year of ¥7,075 million (US\$85 million) loss decreased by ¥569 million as compared to a ¥7,644 million loss in the previous year. This decrease was mainly due to decreased earnings recorded by Komatsu Marketing Support Australia Pty Ltd and other subsidiaries with noncontrolling interest.

**(15) Net Income Attributable to Komatsu Ltd.**

Net income attributable to Komatsu Ltd in the current year increased by 349.2% to ¥150,752 million (US\$1,816 million) as compared to ¥33,559 million in the previous year. Accordingly, basic net income attributable to Komatsu Ltd on a per share basis rose to ¥155.77 in the current year as compared to ¥34.67 in the previous year. Diluted net income attributable to Komatsu Ltd on a per share basis rose to ¥155.66 in the current year as compared to ¥34.65 in the previous year.

**(16) Segment Result**

(Segment profit is determined by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment)

Segment profit in the construction, mining and utility equipment segment increased by ¥137,769 million from the previous year to ¥220,830 million (US\$2,661 million). This increase was primarily due to expanding the volume of sales and continuing structural reform efforts, such as the realization of selling prices and the improvement of production costs, while the Japanese currency appreciated sharply against the U.S. dollar, Euro and Renminbi from the previous fiscal year.

With regards to the industrial machinery and others segment, the segment profit increased by ¥17,967 million from the previous year to ¥20,965 million (US\$253 million) mainly due to the increase in wire saw sales of Komatsu NTC Ltd.

Consequently, overall consolidated segment profit increased by ¥154,253 million from the previous year to ¥234,972 million (US\$2,831 million).

Consolidated segment profit is not a consolidated income statement measurement under generally accepted accounting principles in the United States of America. This information is disclosed in order to provide financial statement users with useful information.

## Liquidity and Capital Resources

### (1) Funding and Liquidity Management

Komatsu's principal capital resources policy is to maintain sufficient capital resources to be able to respond promptly 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, our foreign subsidiaries participate in a global cash pooling arrangement with a single financial institution, which is used to fund short-term liquidity needs. This arrangement 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 based upon our aggregate cash deposits within such financial institution. Our consolidated balance sheet as of March 31, 2011 reflects cash net of withdrawals of ¥39,729 million (US\$479 million).

Komatsu's short-term funding needs have been met mainly by cash flows from its operating activities, as well as by bank loans and the issuance of commercial paper. As of March 31, 2011, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥42,660 million (US\$514 million) with financial institutions to secure liquidity. As of March 31, 2011, ¥17,562 million (US\$212 million) was available to be used under such credit line agreements. In addition, the Company has a ¥120,000 million (US\$1,446 million) commercial paper program, ¥120,000 million (US\$1,446 million) of which was unused as of March 31, 2011.

To fulfill Komatsu's medium- to long-term funding needs, the Company has established a bond program and Euro Medium Term Note ("EMTN") program. The company has established a bond program for a period of two years under which it can issue up to ¥100,000 million (US\$1,205million) of variable-term bonds in November 2010. The Company had not issued any bonds under the current bond program by March 31, 2011 and ¥100,000 million (US\$1,205million) was unused as of March 31, 2011. The principal amount of bonds outstanding under the past bond programs was ¥90,000 million (US\$1,084million) as of March 31, 2011. The Company, Komatsu Finance America Inc., Komatsu Europe Coordination Center N.V. and Komatsu Capital Europe S.A. have established a US\$1,200 million EMTN program under which 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. As of March 31, 2011,

the principal amount of notes outstanding under the EMTN program was ¥55,167 million (US\$665 million).

Komatsu's short-term debt as of March 31, 2011, which primarily consisted of short-term bank loans increased by ¥6,870 million to ¥130,308 million (US\$1,570 million) from March 31, 2010. Such short-term debt was used for working capital purposes.

Komatsu's long-term debt, including debt that was scheduled to mature as of March 31, 2012, decreased by ¥49,181 million to ¥413,760 million (US\$4,985 million) in the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010. As of March 31, 2011, Komatsu's long-term debt consisted of (1) ¥220,067 million in loans from banks, insurance companies and other financial institutions, and so on, (2) ¥55,167 million in EMTN, (3) ¥90,000 million in unsecured bonds and (4) ¥48,526 million in capital lease obligations. Such long-term debt was used primarily for capital expenditures and long-term working capital needs.

As a result, Komatsu's interest-bearing debt as of March 31, 2011, including its capital lease obligations, decreased by ¥42,311 million to ¥544,068 million (US\$6,555 million) as compared to that of March 31, 2010. Net interest-bearing debt after deducting cash and deposits also decreased by ¥43,708 million to ¥459,110 million (US\$5,531 million) in the fiscal year ended March 31, 2011. As a result, Komatsu's net debt-to-equity ratio as of March 31, 2011 was 0.50, compared to 0.60 as of March 31, 2010.

As of March 31, 2011, current assets increased by ¥204,251 million to ¥1,244,372 million (US\$14,992 million), while current liability increased by ¥158,242 million to ¥799,988 million (US\$9,638 million). As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2011, was 155.5%, which reflected an decrease of 6.6 percentage points from the fiscal year ended March 31, 2010.

Based on the cash flow from its operating activities, the available sources of funds and the current ratio, Komatsu believes that it has sufficient means to satisfy its liquidity needs and future obligations.

The Company obtains credit ratings from three rating agencies; Standard and Poor's Ratings Services ("S&P"), Moody's Investors Services, Inc. ("Moody's") and Rating and Investment Information, Inc. ("R&I"). As of March 31, 2011, the Company's long-term debt ratings were: S&P: A; Moody's: A2; and R&I: AA- (long-term), a-1+ (short-term).

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

**(2) Cash Flows**

Net cash provided by operating activities for the fiscal year ended March 31, 2011 amounted to ¥150,402 million (US\$1,812 million), a decrease of ¥31,759 million from the fiscal year ended March 31, 2010, mainly due to expanded working capital.

Net cash used in investing activities for the fiscal year ended March 31, 2011 increased by ¥15,542 million from the fiscal year ended March 31, 2010 to ¥88,509 million (US\$1,066 million), mainly due to investments made to expand production capacity in Japan and overseas.

Net cash used in financing activities for the fiscal year ended March 31, 2011 amounted to ¥56,365 million (US\$679 million) mainly due to decreased repayments on debt.

As a result, cash and cash equivalents as of March 31, 2011 increased by ¥1,795 million to ¥84,224 million (US\$1,015 million).

**(3) Capital Investment**

In the construction, mining and utility equipment business, Komatsu invested for expanding its production capacity and addition the types of products in Strategic Markets, such as China and Asia, which expected to grow in the medium and long terms in order to establish flexible manufacturing operation. In the industrial machinery and others business, Komatsu NTC Ltd. has built a new plant in order to expand its production capacity of wire saws against the backdrop of expanding its share of the solar cell market.

As a result, Komatsu's capital investment, on a consolidated basis, for the fiscal year ended March 31, 2011 were ¥97,738 million (US\$1,178 million), a increase of ¥1,547 million from the previous fiscal year.



## Business Risks

Komatsu is engaged in business on a global scale with development, production, sales and other bases established around the world. Komatsu has identified the following as its primary risks based on information currently available.

### (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 the economic and market conditions, which differ from region to region.

In economically-advanced regions 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 markets, where Komatsu has expanded its business in recent years, Komatsu has been making capital investments in line with such increase in business. Particularly in China, Komatsu has been making aggressive investments to expand the production capacity of its subsidiaries and reinforce its sales and service operations. If a temporary disorder or stagnation were to occur in the Chinese economy, Komatsu's business results would be adversely affected. In addition, in the other newly-developing markets, Komatsu is constantly paying careful attention to the changes in demand for its products. However, these economies are impacted by a number of unstable factors, such as commodity prices and considerable reliance on exports to economically-advanced countries, and thus, changes in these factors could adversely affect Komatsu's business results.

Furthermore, when economic and/or market conditions change more drastically than forecasted by Komatsu, it 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 economic and market conditions and 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, for example, locating its production bases globally and positioning such bases closer to the respective markets in which the products manufactured by such bases are sold. 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 projected fluctuation range, Komatsu's results of operations may be adversely affected.

### (3) Fluctuations in financial markets

While Komatsu is currently working on improving the efficiency of its assets by reducing its interest-bearing debt, its aggregate short- and long-term interest-bearing debt was approximately ¥540 billion as of March 31, 2011. Although Komatsu has strived to reduce the effect of interest rate fluctuations by promoting the procurement of funds at fixed interest rates, an increase in interest rates may increase Komatsu's interest expenses with respect to its interest-bearing debt subject to floating interest rates, thereby adversely affecting Komatsu's results of operations. In addition, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of Komatsu's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect Komatsu's results of operations and financial condition.

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

Komatsu is subject to governmental regulations and approval procedures in the countries in which it operates. If the government of a given country were to introduce new laws and regulations relating to, for example, custom duties, quotas, currency restrictions and taxation, Komatsu may be required to bear increased expenses in order to comply with such regulations. 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. Such unexpected expenses could have an unfavorable impact on Komatsu's 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. However, if the existing environmental regulations were to change in the future, Komatsu may be required to bear increased costs and to make further capital investments to comply with such new standards. Incurrence of such additional environmental compliance costs may adversely affect Komatsu's results of operations.

**(6) Product and quality liability**

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

**(7) Alliances and collaborative relationships**

Komatsu has entered into various alliances and collaborative relationships with distributors, suppliers and other companies in its industry to reinforce its international competitiveness. Through such arrangements, Komatsu is working to improve its product development, production, sales and service capabilities. While Komatsu expects its alliances and collaborative relationships to be successful, 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 prices, mainly in the price of steel materials. Price increases in commodities may increase the cost of materials and therefore 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 the manufacture of its products, thereby lowering Komatsu's production efficiency. In an effort to reduce any adverse effect to its business as a result of an increase in the cost of materials, Komatsu strives to reduce other costs and pass on any increase in the cost of materials to its customers through price adjustments of its products. Komatsu strives to minimize the effects of possible procurement or manufacturing issues by

securing new suppliers or promoting closer collaboration among its related business divisions. However, if the increase in commodity 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 safeguard such confidential information from unauthorized access, tampering, destruction, leakage, losses and other damages, Komatsu employs appropriate safety measures, including implementing technological safety measures and strengthening its information management capabilities. If a leak of confidential information concerning customers and individuals were to occur, 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 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 and floods, epidemics, wars, terrorist acts, accidents, such as radioactive contamination, fires and explosions, unforeseeable criticism or interference by third parties or computer virus infections in regions in which Komatsu operates were to occur, 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 damaged, confusion in logistics and supply networks shortage in the supply of electric power, gas and other utilities, telecommunication problems and/or problems of suppliers' 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 fund-raising environment resulting from confusion of the financial markets or other adverse developments were to take place, Komatsu's business results may be adversely affected.

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen (except per share amounts)	
	2011	2010
<b>For the fiscal period</b>		
Net sales	¥1,843,127	¥1,431,564
Cost of sales	1,343,464	1,101,559
Income from continuing operations before income taxes and equity in earnings of affiliated companies	219,809	64,979
Net income attributable to Komatsu Ltd.	150,752	33,559
As percentage of sales	8.2%	2.3%
Capital investment	97,738	96,191
<b>At fiscal period-end</b>		
Total assets	¥2,149,137	¥1,959,055
Working capital	444,384	398,375
Property, plant and equipment	508,387	525,100
Long-term debt—less current maturities	291,152	356,985
Komatsu Ltd. shareholders' equity	923,843	833,975
As percentage of total assets	43.0%	42.6%
<b>Per share data</b>		
Net income attributable to Komatsu Ltd. per share:		
Basic	¥155.77	¥ 34.67
Dilute	155.66	34.65
Cash dividends per share	26.00	26.00
Komatsu Ltd. shareholders' equity per share	954.48	861.51

	Yen per U.S. dollar	
	2011	2010
<b>Other information</b>		
Exchange rate into U.S. dollars (per the Federal Reserve Bank of New York):		
At fiscal period-end	¥83	¥93
Average for the fiscal period	85	92
Range for the fiscal period:		
High	94	99
Low	80	86

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31

Millions of yen  
(except per share amounts)

2009	2008	2007
¥2,021,743	¥2,243,023	¥1,893,343
1,510,408	1,590,963	1,356,511
128,782	322,210	236,491
78,797	208,793	164,638
3.9%	9.3%	8.7%
162,512	145,730	129,680

¥1,969,059	¥2,105,146	¥1,843,982
370,952	412,145	358,565
525,462	491,146	388,393
292,106	235,277	174,340
814,941	887,126	776,717
41.4%	42.1%	42.1%

¥ 79.95	¥209.87	¥165.70
79.89	209.59	165.40
44.00	38.00	23.00
842.04	891.49	781.57

Yen per U.S. dollar

2009	2008	2007
¥ 99	¥100	¥118
101	114	117
109	123	121
90	100	112

Komatsu Ltd. and Consolidated Subsidiaries  
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	¥ 84,224	¥ 82,429	\$ 1,014,747
Time deposits	734	1,132	8,844
Trade notes and accounts receivable	532,757	447,693	6,418,759
Inventories	473,876	396,416	5,709,349
Deferred income taxes and other current assets	152,781	112,451	1,840,735
<b>Total current assets</b>	<b>1,244,372</b>	<b>1,040,121</b>	<b>14,992,434</b>
<b>Long-term trade receivables</b>	<b>183,270</b>	<b>150,972</b>	<b>2,208,072</b>
<b>Investments</b>			
Investments in and advances to affiliated companies	25,115	24,002	302,590
Investment securities	60,855	60,467	733,193
Other	3,124	2,399	37,639
<b>Total investments</b>	<b>89,094</b>	<b>86,868</b>	<b>1,073,422</b>
<b>Property, plant and equipment—less accumulated depreciation</b>	<b>508,387</b>	<b>525,100</b>	<b>6,125,144</b>
<b>Goodwill</b>	<b>29,321</b>	<b>29,570</b>	<b>353,265</b>
<b>Other intangible assets</b>	<b>53,971</b>	<b>61,729</b>	<b>650,253</b>
<b>Deferred income taxes and other assets</b>	<b>40,722</b>	<b>64,695</b>	<b>490,627</b>
	<b>¥2,149,137</b>	<b>¥1,959,055</b>	<b>\$25,893,217</b>



Komatsu Ltd. and Consolidated Subsidiaries  
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Short-term debt	¥ 130,308	¥ 123,438	\$ 1,569,976
Current maturities of long-term debt	122,608	105,956	1,477,205
Trade notes, bills and accounts payable	308,975	207,024	3,722,591
Income taxes payable	38,829	22,004	467,819
Deferred income taxes and other current liabilities	199,268	183,324	2,400,819
<b>Total current liabilities</b>	<b>799,988</b>	<b>641,746</b>	<b>9,638,410</b>
<b>Long-term liabilities</b>			
Long-term debt	291,152	356,985	3,507,855
Liability for pension and retirement benefits	48,027	46,354	578,639
Deferred income taxes and other liabilities	37,290	37,171	449,277
<b>Total long-term liabilities</b>	<b>376,469</b>	<b>440,510</b>	<b>4,535,771</b>
<b>Total liabilities</b>	<b>1,176,457</b>	<b>1,082,256</b>	<b>14,174,181</b>
<b>Commitments and contingent liabilities</b>			
<b>Equity</b>			
<b>Komatsu Ltd. shareholders' equity</b>			
Common stock:			
Authorized 3,955,000,000 shares in 2011 and 2010			
Issued 998,744,060 shares in 2011 and 2010			
Outstanding 967,902,641 shares in 2011 and 968,039,976 shares in 2010	67,870	67,870	817,711
Capital surplus	140,523	140,421	1,693,048
Retained earnings:			
Appropriated for legal reserve	34,494	31,983	415,590
Unappropriated	847,153	724,090	10,206,663
Accumulated other comprehensive loss	(131,059)	(95,634)	(1,579,024)
Treasury stock at cost, 30,841,419 shares in 2011 and 30,704,084 shares in 2010	(35,138)	(34,755)	(423,349)
<b>Total Komatsu Ltd. shareholders' equity</b>	<b>923,843</b>	<b>833,975</b>	<b>11,130,639</b>
<b>Noncontrolling interests</b>	<b>48,837</b>	<b>42,824</b>	<b>588,397</b>
<b>Total equity</b>	<b>972,680</b>	<b>876,799</b>	<b>11,719,036</b>
	<b>¥2,149,137</b>	<b>¥1,959,055</b>	<b>\$25,893,217</b>

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Net sales	<b>¥1,843,127</b>	¥1,431,564	¥2,021,743	<b>\$22,206,349</b>
Cost of sales	<b>1,343,464</b>	1,101,559	1,510,408	<b>16,186,313</b>
Selling, general and administrative expenses	<b>264,691</b>	249,286	322,677	<b>3,189,048</b>
Impairment loss on long-lived assets	<b>5,142</b>	3,332	16,414	<b>61,952</b>
Impairment loss on goodwill	<b>—</b>	—	2,003	<b>—</b>
Other operating expenses, net	<b>(6,901)</b>	(10,352)	(18,293)	<b>(83,145)</b>
<b>Operating income</b>	<b>222,929</b>	67,035	151,948	<b>2,685,891</b>
<b>Other expenses, net</b>	<b>(3,120)</b>	(2,056)	(23,166)	<b>(37,590)</b>
Interest and dividend income	<b>4,493</b>	6,158	8,621	<b>54,133</b>
Interest expense	<b>(6,475)</b>	(8,502)	(14,576)	<b>(78,012)</b>
Other, net	<b>(1,138)</b>	288	(17,211)	<b>(13,711)</b>
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>219,809</b>	64,979	128,782	<b>2,648,301</b>
<b>Income taxes</b>				
Current	<b>57,923</b>	32,722	60,511	<b>697,867</b>
Deferred	<b>6,783</b>	(7,358)	(18,218)	<b>81,723</b>
Total	<b>64,706</b>	25,364	42,293	<b>779,590</b>
<b>Income before equity in earnings of affiliated companies</b>	<b>155,103</b>	39,615	86,489	<b>1,868,711</b>
<b>Equity in earnings of affiliated companies</b>	<b>2,724</b>	1,588	396	<b>32,819</b>
<b>Net income</b>	<b>157,827</b>	41,203	86,885	<b>1,901,530</b>
<b>Less net income attributable to noncontrolling interests</b>	<b>(7,075)</b>	(7,644)	(8,088)	<b>(85,241)</b>
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 150,752</b>	¥ 33,559	¥ 78,797	<b>\$ 1,816,289</b>
<b>Per share data:</b>	Yen			U.S. cents
<b>Net income attributable to Komatsu Ltd.:</b>				
Basic	<b>¥ 155.77</b>	¥ 34.67	¥ 79.95	<b>¢ 187.67</b>
Diluted	<b>155.66</b>	34.65	79.89	<b>187.54</b>
<b>Cash dividends per share</b>	<b>26.00</b>	26.00	44.00	<b>31.33</b>

# Consolidated Statements of Equity

Annual Report 2011

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2011, 2010 and 2009

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive loss	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Unappropriated					
Balance at March 31, 2008	¥67,870	¥138,170	¥26,714	¥685,986	¥(28,779)	¥(2,835)	¥887,126	¥30,239	¥917,365
Cash dividends				(43,803)			(43,803)	(3,939)	(47,742)
Transfer to retained earnings appropriated for legal reserve			1,758	(1,758)			—	—	—
Other changes							—	3,335	3,335
Comprehensive income (loss)									
Net income				78,797			78,797	8,088	86,885
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					(49,695)		(49,695)	(4,333)	(54,028)
Net unrealized holding losses on securities available for sale					(16,090)		(16,090)	4	(16,086)
Pension liability adjustments					(10,027)		(10,027)	(1)	(10,028)
Net unrealized holding losses on derivative instruments					(1,153)		(1,153)	—	(1,153)
Comprehensive income							1,832	3,758	5,590
Issuance and exercise of stock acquisition rights		352					352		352
Purchase of treasury stock						(33,090)	(33,090)		(33,090)
Sales of treasury stock		1,570				954	2,524		2,524
Balance at March 31, 2009	¥67,870	¥140,092	¥28,472	¥719,222	¥(105,744)	¥(34,971)	¥814,941	¥33,393	¥848,334
Cash dividends				(25,180)			(25,180)	(3,368)	(28,548)
Transfer to retained earnings appropriated for legal reserve			3,511	(3,511)			—	—	—
Other changes							—	2,531	2,531
Comprehensive income (loss)									
Net income				33,559			33,559	7,644	41,203
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					(904)		(904)	1,897	993
Net unrealized holding gains on securities available for sale					5,480		5,480	—	5,480
Pension liability adjustments					4,920		4,920	2	4,922
Net unrealized holding gains on derivative instruments					614		614	725	1,339
Comprehensive income							43,669	10,268	53,937
Issuance and exercise of stock acquisition rights		413					413		413
Purchase of treasury stock						(40)	(40)		(40)
Sales of treasury stock		(84)				256	172		172
Balance at March 31, 2010	¥67,870	¥140,421	¥31,983	¥724,090	¥(95,634)	¥(34,755)	¥833,975	¥42,824	¥876,799
Cash dividends				(25,178)			(25,178)	(994)	(26,172)
Transfer to retained earnings appropriated for legal reserve			2,511	(2,511)			—	—	—
Other changes		(51)			7		(44)	2,168	2,124
Comprehensive income (loss)									
Net income				150,752			150,752	7,075	157,827
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					(37,237)		(37,237)	(2,292)	(39,529)
Net unrealized holding gains on securities available for sale					1,978		1,978	—	1,978
Pension liability adjustments					(91)		(91)	—	(91)
Net unrealized holding gains on derivative instruments					(82)		(82)	56	(26)
Comprehensive income							115,320	4,839	120,159
Issuance and exercise of stock acquisition rights		109					109		109
Purchase of treasury stock						(583)	(583)		(583)
Sales of treasury stock		44				200	244		244
Balance at March 31, 2011	¥67,870	¥140,523	¥34,494	¥847,153	¥(131,059)	¥(35,138)	¥923,843	¥48,837	¥972,680

	Thousands of U.S. dollars								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive loss	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Unappropriated					
Balance at March 31, 2010	\$817,711	\$1,691,819	\$385,337	\$8,723,976	\$(1,152,217)	\$(418,735)	\$10,047,891	\$515,952	\$10,563,843
Cash dividends				(303,349)			(303,349)	(11,976)	(315,325)
Transfer to retained earnings appropriated for legal reserve			30,253	(30,253)			—	—	—
Other changes		(614)			84		(530)	26,120	25,590
Comprehensive income (loss)									
Net income				1,816,289			1,816,289	85,241	1,901,530
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					(448,639)		(448,639)	(27,615)	(476,254)
Net unrealized holding gains on securities available for sale					23,831		23,831	—	23,831
Pension liability adjustments					(1,095)		(1,095)	—	(1,095)
Net unrealized holding gains on derivative instruments					(988)		(988)	675	(313)
Comprehensive income							1,389,398	58,301	1,447,699
Issuance and exercise of stock acquisition rights		1,313					1,313		1,313
Purchase of treasury stock						(7,024)	(7,024)		(7,024)
Sales of treasury stock		530				2,410	2,940		2,940
Balance at March 31, 2011	\$817,711	\$1,693,048	\$415,590	\$10,206,663	\$(1,579,024)	\$(423,349)	\$11,130,639	\$588,397	\$11,719,036

# Consolidated Statements of Cash Flows

Annual Report 2011

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
<b>Operating activities</b>				
Net income	¥ 157,827	¥ 41,203	¥ 86,885	\$ 1,901,530
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	89,467	91,319	98,354	1,077,916
Deferred income taxes	6,783	(7,358)	(18,218)	81,723
Net loss (gain) from sale of investment securities and subsidiaries	54	(679)	3,543	650
Net gain on sale of property	(2,807)	(373)	(269)	(33,819)
Loss on disposal of fixed assets	1,928	2,244	5,561	23,229
Impairment loss on long-lived assets	5,142	3,332	16,414	61,952
Impairment loss on goodwill	—	—	2,003	—
Pension and retirement benefits, net	(3,795)	(55)	3,378	(45,723)
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	(147,477)	(71,459)	103,355	(1,776,831)
Decrease (increase) in inventories	(97,790)	117,707	(22,307)	(1,178,193)
Increase (decrease) in trade payables	101,595	(8,354)	(148,655)	1,224,036
Increase (decrease) in income taxes payable	17,876	11,311	(40,507)	215,373
Other, net	21,599	3,323	(10,762)	260,229
Net cash provided by operating activities	150,402	182,161	78,775	1,812,072
<b>Investing activities</b>				
Capital expenditures	(100,820)	(92,401)	(145,670)	(1,214,699)
Proceeds from sale of property	9,605	11,212	6,414	115,723
Proceeds from sale of available for sale investment securities	2,132	1,005	703	25,687
Purchases of available for sale investment securities	(1,379)	(4,826)	(6,785)	(16,614)
Proceeds from sale of subsidiaries, net of cash disposed	—	661	—	—
Acquisition of subsidiaries and equity investees, net of cash acquired	976	1,107	(223)	11,759
Collection of loan receivables	1,926	11,559	7,736	23,205
Disbursement of loan receivables	(1,236)	(667)	(6,381)	(14,892)
Decrease (increase) in time deposits, net	287	(617)	(1,162)	3,458
Net cash used in investing activities	(88,509)	(72,967)	(145,368)	(1,066,373)
<b>Financing activities</b>				
Proceeds from long-term debt	72,681	155,641	129,327	875,675
Repayments on long-term debt	(89,941)	(73,052)	(88,058)	(1,083,627)
Increase (decrease) in short-term debt, net	11,592	(139,067)	127,589	139,663
Repayments of capital lease obligations	(28,637)	(31,240)	(30,770)	(345,024)
Sale (purchase) of treasury stock, net	175	132	(32,685)	2,108
Dividends paid	(25,178)	(25,180)	(43,803)	(303,349)
Other, net	2,943	(3,597)	(4,381)	35,458
Net cash provided by (used in) financing activities	(56,365)	(116,363)	57,219	(679,096)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(3,733)	(965)	(2,073)	(44,976)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,795	(8,134)	(11,447)	21,627
<b>Cash and cash equivalents, beginning of year</b>	82,429	90,563	102,010	993,120
<b>Cash and cash equivalents, end of year</b>	¥ 84,224	¥ 82,429	¥ 90,563	\$ 1,014,747

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31

**Operating segments:**

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
<b>Net sales:</b>				
Construction, Mining and Utility Equipment— External customers	¥1,615,689	¥1,268,575	¥1,744,733	\$19,466,132
Intersegment	2,392	2,690	4,653	28,819
Total	1,618,081	1,271,265	1,749,386	19,494,951
Industrial Machinery and Others— External customers	227,438	162,989	277,010	2,740,217
Intersegment	10,916	15,619	26,389	131,518
Total	238,354	178,608	303,399	2,871,735
Elimination	(13,308)	(18,309)	(31,042)	(160,337)
Consolidated	¥1,843,127	¥1,431,564	¥2,021,743	\$22,206,349
<b>Segment profit:</b>				
Construction, Mining and Utility Equipment	¥ 220,830	¥ 83,061	¥ 180,455	\$ 2,660,603
Industrial Machinery and Others	20,965	2,998	12,891	252,590
Total segment profit	241,795	86,059	193,346	2,913,193
Corporate expenses and elimination	(6,823)	(5,340)	(4,688)	(82,205)
Total	234,972	80,719	188,658	2,830,988
<b>Segment assets:</b>				
Construction, Mining and Utility Equipment	¥1,859,004	¥1,682,542	¥1,639,720	\$22,397,638
Industrial Machinery and Others	270,736	207,551	254,200	3,261,880
Corporate assets and elimination	19,397	68,962	75,139	233,699
Consolidated	¥2,149,137	¥1,959,055	¥1,969,059	\$25,893,217
<b>Depreciation and amortization:</b>				
Construction, Mining and Utility Equipment	¥ 80,780	¥ 82,508	¥ 87,260	\$ 973,253
Industrial Machinery and Others	7,662	7,707	9,981	92,313
Consolidated	¥ 88,442	¥ 90,215	¥ 97,241	\$ 1,065,566
<b>Capital investment:</b>				
Construction, Mining and Utility Equipment	¥ 92,049	¥ 92,979	¥ 152,803	\$ 1,109,024
Industrial Machinery and Others	5,689	3,212	9,709	68,542
Consolidated	¥ 97,738	¥ 96,191	¥ 162,512	\$ 1,177,566

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

- a) Construction, Mining and Utility Equipment  
Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, recycling equipment, industrial vehicles, other equipment, engines and components, casting products and logistics
- b) Industrial Machinery and Others  
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.



Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31

### Geographic information:

Net sales to external customers recognized by sales destination

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
<b>Net sales to external customers:</b>				
Japan	¥ 349,184	¥ 323,813	¥ 452,172	\$ 4,207,036
The Americas	397,427	323,984	503,450	4,788,277
Europe and CIS	165,418	127,377	284,029	1,992,988
China	428,208	270,870	236,226	5,159,133
Asia (excluding Japan, China) and Oceania	398,366	299,864	335,574	4,799,590
Middle East and Africa	104,524	85,656	210,292	1,259,325
Consolidated net sales	¥1,843,127	¥1,431,564	¥2,021,743	\$22,206,349

(As of March 31, 2011)

Company	Subscribed capital in millions (except for* in thousands)	Participation (%)
<b>Komatsu Ltd.</b>	<b>¥67,870</b>	<b>—</b>

## Consolidated Subsidiaries

Komatsu Construction Equipment Sales and Service Japan Ltd.	¥950	100.0
Komatsu Utility Co., Ltd.	¥13,033	100.0
Komatsu Forklift Japan Ltd.	¥500	(100.0) 100.0
Komatsu Rental Ltd.	¥1,034	79.0
Komatsu Castex Japan Ltd.	¥6,979	100.0
Komatsu Used Equipment Corp.	¥290	(11.3) 100.0
Komatsu Diesel Co., Ltd.	¥50	100.0
Komatsu Cabtec Co., Ltd.	¥300	100.0
Komatsu Logistics Corp.	¥1,080	100.0
Komatsu Business Support Ltd.	¥1,770	(11.8) 100.0
Komatsu Industries Corporation	¥990	100.0
Komatsu NTC Ltd.	¥6,014	100.0
Komatsu House Ltd.	¥1,436	(1.8) 100.0
Komatsu General Services Ltd.	¥160	100.0
Komatsu Engineering Corp.	¥140	100.0
Komatsu America Corp. (KAC)	US\$1,027	100.0
Komatsu Finance America Inc. (KFA)	US\$140	(100.0) 100.0
Komatsu do Brasil Ltda. (KDB)	BRL73	(100.0) 100.0
Komatsu Brasil International Ltda. (KBI)	BRL27	(100.0) 100.0
Komatsu Holding South America Ltda. (KHSA)	US\$100*	(100.0) 100.0
Komatsu Cummins Chile Ltda. (KCC)	US\$34	(81.8) 81.8
Komatsu Cummins Chile Arrienda S.A. (KCCA)	US\$43	(100.0) 100.0
Komatsu Equipment Company (KEC)	US\$1	(100.0) 100.0
Modular Mining Systems, Inc. (MMS)	US\$16*	(100.0) 100.0
Hensley Industries, Inc.	US\$2*	(100.0) 100.0
Komatsu Financial Limited Partnership (KFLP)	—	(100.0) 100.0
Komatsu Europe International N.V. (KEISA)	Euro50	100.0
Komatsu Europe Coordination Center N.V. (KECC)	Euro141	(100.0) 100.0
Komatsu Capital Europe S.A. (KCE)	Euro1	(100.0) 100.0
Komatsu UK Ltd. (KUK)	£23	(100.0) 100.0
Komatsu Hanomag GmbH (KOHAG)	Euro19	(49.3) 100.0
Komatsu Mining Germany GmbH (KMG)	Euro5	(100.0) 100.0
Komatsu France S.A.S. (KFSA)	Euro5	(100.0) 100.0
Komatsu Utility Europe S.p.A. (KUE)	Euro6	(100.0) 100.0
Komatsu Italia S.p.A. (KIT)	Euro4	(100.0) 100.0
Komatsu Forest AB (KFAB)	SKR397	100.0
Komatsu CIS, LLC (KCIS)	RUB5,301	100.0
Komatsu Manufacturing Rus, LLC (KMR)	RUB3,840	(93.5) 93.6
Komatsu Financial Europe N.V. (KFE)	Euro40	(100.0) 100.0
Komatsu Asia & Pacific Pte Ltd. (KAP)	S\$28	100.0
PT Komatsu Indonesia (KI)	RP192,780	94.9
PT Komatsu Undercarriage Indonesia (KUI)	US\$8	(100.0) 100.0
PT Komatsu Marketing & Support Indonesia (KMSI)	US\$5	(100.0) 100.0

Company	Subscribed capital in millions (except for* in thousands)	Participation (%)
Bangkok Komatsu Co., Ltd. (BKC)	BHT620	(74.8) 74.8
Komatsu India Private Limited (KIPL)	Rp4,645	(100.0) 100.0
Komatsu Marketing Support Australia Pty. Ltd. (KMSA)	A\$21	(40.0) 60.0
Komatsu Australia Pty. Ltd. (KAL)	A\$30	(100.0) 100.0
Komatsu Australia Corporate Finance Pty. Ltd. (KACF)	A\$49	(60.0) 60.0
Komatsu (China) Ltd. (KC)	US\$135	100.0
Komatsu (Changzhou) Construction Machinery Corp. (KCCM)	US\$41	(10.0) 85.0
Komatsu Shantui Construction Machinery Co., Ltd. (KSC)	US\$21	(30.0) 60.0
Komatsu (Shanghai) Ltd. (KSL)	US\$7	(9.8) 100.0
Komatsu Financial Leasing China Ltd. (KFLC)	RMB980	(100.0) 100.0
Komatsu Undercarriage China Corp. (KUCC)	¥4,800	(75.0) 75.0
Komatsu (Shandong) Construction Machinery Corp. (KSD)	RMB92	(100.0) 100.0
Komatsu Southern Africa (Pty) Ltd. (KSAf)	ZAR1*	80.0
Komatsu Middle East FZE (KME)	AED2	100.0

Company	Subscribed capital in millions	Participation (%)
<b>Affiliated Companies Accounted for by the Equity Method</b>		
Komatsu Saitama Ltd.	¥635	(40.0) 40.0
Sanuki Lease Ltd.	¥765	(35.0) 35.0
Komatsu Cummins Engine Co., Ltd. (KCEC)	¥1,400	50.0
Qualica Inc.	¥1,234	20.0
Gigaphoton, Inc.	¥5,000	50.0
Cummins Komatsu Engine Company (CKEC)	—	(50.0) 50.0
L&T-Komatsu Limited (LTK)	Rp1,200	(50.0) 50.0
PT Komatsu Astra Finance (KAF)	US\$34	(50.0) 50.0

- Notes: 1. In addition to the above list, there are 87 consolidated subsidiaries.  
2. Similarly, there are 31 additional affiliated companies accounted for by the equity method.  
3. Participation represents the percentage of voting stock concerning consolidated subsidiaries. The figures contained in parentheses represent the percentage of indirect ownership by other Komatsu Group companies and are included in the overall participation percentage.  
4. Komatsu Financial Limited Partnership is a limited partnership in compliance with the regulations of the U.S. state of Delaware. Net assets equivalent of common stock in the company totals US\$359 million. Investment was made through our subsidiary Komatsu America Corp.  
5. Cummins Komatsu Engine Company is a general partnership in compliance with the regulations of the U.S. state of Indiana. Our cumulative investment in the company totals US\$2 million through our subsidiary Komatsu America Corp.