

# Annual Report 2012

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## Financial Section

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### [Editing Policy]

· Starting with Annual Report 2011 (Fiscal year ended March 31, 2011), Komatsu Ltd. issues its annual reports only on the website below. PDF files are available for printing.

**Annual Report 2012 (Fiscal year ended March 31, 2012)** <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/>

### [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.



## To Our Stakeholders

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Masahiro Sakane, Chairman of the Board      Kunio Noji, President and CEO

It has been more than one year since the catastrophic destruction brought about by the Great East Japan Earthquake and tsunami on March 11, 2011. Before reporting our business results for the fiscal year ended March 31, 2012, let us first update our recovery assistance efforts in the disaster-stricken regions.

### Assistance efforts for restoration and reconstruction

In response to the massive destruction, the Komatsu Group established the Tohoku Operation Department in April of the same year in order to accurately provide specific assistance which has been needed in the damaged regions. Mainly under the leadership of the Department, we have continued our assistance, equivalent to ¥2.8 billion, including free-of-charge lending of construction equipment, forklift trucks, prefabricated structures for use as temporary shelters and other equipment, donation of prefabricated structures for use as clinics, nursery schools and other facilities, as well as scholarships for college students who have been adversely affected by this disaster.

About 670 Komatsu Group employees in 55 business bases in the seriously affected prefectures of Iwate, Fukushima and Miyagi have been delivering construction equipment promptly, which is indispensable for reconstruction of the disaster-stricken regions, by carefully monitoring the local needs. At the same time, they have also been concerting top-priority efforts in machine maintenance service so that construction equipment will keep working at all needed jobsites. Concerning the Fukushima Dai-ichi nuclear disaster, Komatsu-made radio-controlled construction equipment has been deployed on the power station site which has been exposed to a high degree of radioactivity. It is also projected that our ICT-intensive construction technologies (for automation of construction sites) will be used to remove radioactive soil. The Komatsu Group will continue to engage in group-wide assistance activities for reconstruction of the devastated regions.



## Business results

In the construction, mining and utility equipment business, during the fiscal year under review (from April 1, 2011 to March 31, 2012), while demand for construction equipment dropped drastically in China, that in other Strategic Markets and Traditional Markets increased, compensating for the sharp decline in China. In the mining equipment sector, demand for new equipment, parts and service all remained strong. Sales increased from the previous fiscal year, partly reflecting the fact that Komatsu was able to quickly recover production to the normal conditions from the adverse effects caused by the Great East Japan Earthquake and tsunami and accurately capture an increase in demand.

In the industrial machinery and others business, while sales of wire saws declined from the previous fiscal year, sales of presses, machine tools and other products increased, and during the fiscal year under review, Gigaphoton Inc. became a consolidated subsidiary. As a result, sales of the industrial machinery and others business grew from the previous fiscal year.

Consolidated net sales increased by 7.5% from the previous fiscal year, to ¥1,981.7 billion (USD24,168 million at USD1=¥82).

With respect to profits, while the Japanese yen appreciated against the U.S. dollar, Euro and Renminbi more than the previous fiscal year, Komatsu expanded the volume of sales while placing continuous efforts to improve selling prices and production costs, in particular. As a result, operating income reached ¥256.3 billion (USD3,126 million), registering an increase of 15.0% from the previous fiscal year, and secured an operating income ratio of 12.9%, up 0.8 percentage points from the previous fiscal year. Income before income taxes and equity in earnings of affiliated companies advanced by 13.6% to ¥249.6 billion (USD3,044 million). Net income attributable to Komatsu Ltd. also improved by 10.8% to ¥167.0 (USD2,037 million).

### Consolidated Business Results for the year

< U.S. GAAP >

Fiscal year ended March 31, 2012 (FY2011) Billions of yen (except for operating income ratio)

Results for the year Change (FY2011/FY2010)

Net sales	1,981.7	Up 7.5%
Operating income	256.3	Up 15.0%
Operating income ratio	12.9%	+0.8points
Income before income taxes and equity in earnings of affiliated companies	249.6	Up 13.6%
Net income attributable to Komatsu Ltd.	167.0	Up 10.8%

### Sales by operation (To outside customers)

Results for the year Change (FY2011/FY2010)

Construction, Mining and Utility Equipment	1,739.3	Up 7.7%
Industrial Machinery and Others	242.4	Up 6.6%

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



### — Markets as Positioned by Komatsu

<b>Traditional Markets</b>	Japan, North America, and Europe
<b>Strategic Markets</b>	China, Latin America, Asia & Oceania ,Middle East & Africa, and CIS

### Mid to Long-Range Management Plan and Issues Ahead

The fiscal year, ending March 31, 2013, is the final year of the "Global Teamwork for Tomorrow" mid-range management plan. We are focusing our efforts on the following four activities of importance. At the same time, we are also going to identify tasks for growth strategies into the future and incorporate them in the next mid-range management plan.

#### — Activities of Importance

- 1) Promotion of ICT 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 addition to anchoring and further refining The KOMATSU Way by continuing to engage in Kaizen activities, all employees of the Komatsu Group are also concerting brand management efforts designed to further enhance the relationship with customers and promote mutual growth of Komatsu and customers.

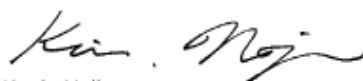
Based on the belief that "its corporate value is the total sum of trust given to Komatsu by society and all its stakeholders," Komatsu is further strengthening its corporate governance to ensure sound and transparent management, while improving management efficiency. Being committed to promoting thorough compliance, Komatsu will also ensure all employees share The KOMATSU Way. In addition to improving its business performance, Komatsu 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.

August 2012



Masahiro Sakane  
Chairman of the Board



Kunio Noji  
President and CEO



## Interview with President and CEO



Kunio Noji, President and CEO

**Q1** Please tell us about Komatsu's assistance efforts in the restoration and reconstruction of the regions devastated by the Great East Japan Earthquake and tsunami on March 11, 2011. [▶](#)

**Q2** Please review Komatsu's business results for FY2011. [▶](#)

**Q3** The Japanese yen has sharply appreciated again after the last appreciation in the wake of the Lehman Shock. In this adverse environment, Komatsu has sustained a high level of profitability. Please tell us how you have managed it. [▶](#)

**Q4** Please share your thoughts concerning future demand for construction equipment and business results for FY2012. [▶](#)

**Q5** I understand that the mining equipment business is on a high note. Please share your thoughts on that outlook. [▶](#)

**Q6** Please update us on Komatsu's efforts in ICT applications to products and parts, which you have aggressively been promoting. [▶](#)

**Q7** Emission gas controls for construction equipment have been strengthened in the United States, Europe and Japan since 2011. Please update Komatsu's conditions concerning the development and market introduction of new regulations-compliant models. [▶](#)

**Q8** FY2012 is the final year of the "Global Teamwork for Tomorrow" mid-range management plan. What kind of special efforts are you going to make during the year, as you look into future growth strategies? [▶](#)

**Q9** Please share your thoughts on the redistribution of profits to shareholders, investment for future growth, and reinforcement of Komatsu's financial position. [▶](#)



Q1

Please tell us about Komatsu's assistance efforts in the restoration and reconstruction of the regions devastated by the Great East Japan Earthquake and tsunami on March 11, 2011.

**Noji:** Under the leadership of the Tohoku Operation Department, which we established in Sendai City, Miyagi Prefecture in April 2011, we have continued to engage in assistance efforts worth about 2.8 billion yen in total (as of June 30, 2012), which include free-of-charge lending and donations of construction equipment, forklift trucks and prefabricated housing units for use as temporary shelters and other facilities, as well as scholarships for college students.

In Iwate, Fukushima and Miyagi prefectures, Komatsu has about 670 employees working at 55 bases. Working closely with local communities in the disaster-stricken regions, they have been delivering construction equipment promptly, which is indispensable for restoration and reconstruction works. They have been providing maintenance and technical service to keep our equipment in the best condition as their top priority.

We have set priority tasks according to progress, recovery and reconstruction and have responded to local needs by emphasizing speed first.

The first stage called for direct recovery assistance from destruction caused by the earthquake and tsunami. In addition to saving human lives and ensuring their safety, we placed top priority on prompt deliveries of construction equipment which was indispensable for the removal of mud, debris and other obstacles.

It was an equally important task for us to establish maintenance and repair operations in order to keep our equipment working. Following the establishment of the Tohoku Operation Department in April, to locally supervise assistance operations, we also established the Tohoku Service Center in October and strengthened its manpower to 150 employees.

The second stage called for reconstruction of local communities. We focused our efforts on the provision of prefabricated housing units for use as public facilities needed for daily living. Clinics, post offices, nursery schools and assembly places are not only indispensable for the daily living of residents, but they are also important as places for them to get together. In collaboration with Komatsu House Ltd. of the Komatsu Group, we built these facilities in a speedy manner, and through municipal governments, we lent most of them at no cost and some we donated.

The third stage involves assistance and support for full-scale reconstruction. In response to a variety of tasks for full-scale reconstruction, including relocation of coastal communities to higher places, radioactive decontamination and salt removal from land, we are continuing our assistance efforts designed to facilitate quick full recovery, including the speedy development and applications of effective, high-efficiency technologies. For example, we believe that we should be able to apply our **ICT-intensive bulldozer** as a technology to remove radioactive contamination, because our bulldozer can efficiently remove thin surfaces of soil. We also believe that we can apply our radio-controlled technology to construction equipment.



— **Komatsu's Assistance Efforts in the Disaster-stricken Regions  
(As of June 30, 2012)**

	Description
[1st stage] Direct assistance for damages made by the earthquake and tsunami	<ol style="list-style-type: none"> <li>1. Free-of-charge lending and donations               <ol style="list-style-type: none"> <li>1) Construction equipment: 278 units</li> <li>2) Forklift trucks: 74 units</li> <li>3) Generators: 84 units</li> </ol> </li> <li>2. Establishment of the Tohoku Operation Department (April 2011)               <ol style="list-style-type: none"> <li>1) Transferral of authorities concerning restoration and reconstruction efforts to this department to ensure quick decision-making.</li> <li>2) Playing the point-of-contact role of receiving requests from local governments and collecting local information</li> </ol> </li> <li>3. Establishment of the Tohoku Service Center (October 2011)               <ol style="list-style-type: none"> <li>1) Playing the point-of-contact role of machine-support, working in the destroyed regions</li> <li>2) Reinforcement of our service manpower to 150 mechanics.</li> </ol> </li> </ol>
[2nd stage] Reconstruction of local communities	<p>Provision of prefabricated housing units for use as public facilities needed for community reconstruction</p> <ol style="list-style-type: none"> <li>1) Free-of-charge lending of prefabricated housing units: 160 structures from 868 cubicles. Breakdown: Administrative: 258, post offices: 186, educational: 142, medical &amp; welfare: 71, facilities for volunteers: 36, police: 22, firefighting: 13 and others: 140 cubicles</li> <li>2) Donation of prefabricated houses: 7</li> </ol>
[3rd stage] Assistance and cooperation for full-scale reconstruction	<p>Development and applications of effective technologies for use in full-scale reconstruction projects, including relocation of coastal villages and removal of radioactive and/or salt contaminated soil</p> <ol style="list-style-type: none"> <li>1. Radio-controlled machine operations: Construction equipment to remove debris from the crippled nuclear power station. Amphibious bulldozer to remove debris along the seashore.</li> <li>2. Chemical reconnaissance vehicles: Surveyed the crippled nuclear plant site. (Komatsu delivered NBC* reconnaissance vehicles to Japan's Ministry of Defense in March 2012.)</li> <li>3. ICT-intensive bulldozer: Demonstrated the ICT-intensive construction method in the decontamination technology verification project (December 2011)</li> </ol>

\*NBC = Nuclear, Biological, and Chemical.



Provision of scholarships	<ol style="list-style-type: none"> <li>1. Total amount of 200 million yen for 10 years to students of the Institute of National Colleges of Technology, Japan.</li> <li>2. Total amount of 400 million yen jointly with Rio Tinto for 10 years to undergraduate and graduate students of Tohoku University. (200 million yen from Komatsu)</li> </ol>
Employment support	Komatsu opened the Miyagi Center of Komatsu Safety Training Center and has been paying half of the fees for participants taking the operator training course for construction equipment, forklift trucks and other special vehicles. (Cumulative sum of 1,572 persons as of April 30, 2012)

For more information, please refer to [our CSR & Environmental Report 2012](#)



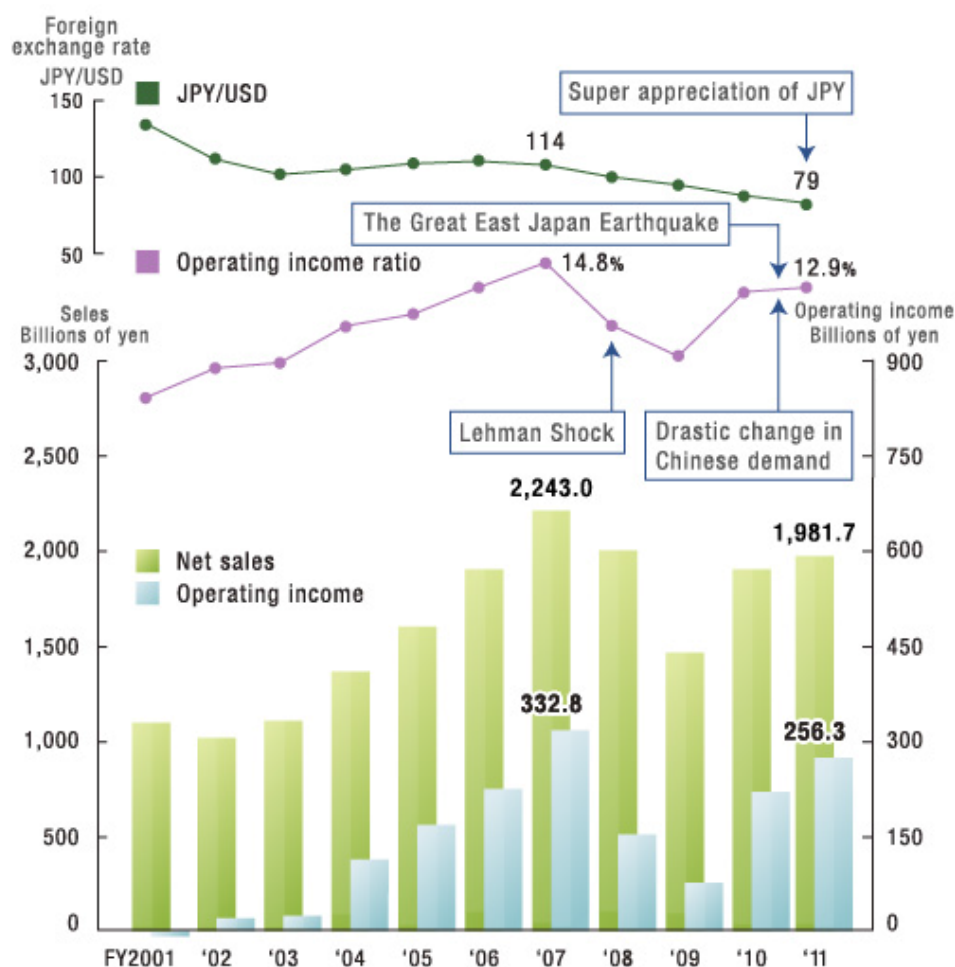
We demonstrated our D31PX ICT-intensive bulldozer during the field test of the Fukushima Prefecture-sponsored Decontamination Technology Verification Project in December 2011. Thanks to automatic control of its blade, the D31PX accomplishes accurate and quick removal of radioactively contaminated topsoil.



Q2

Please review Komatsu's business results for FY2011.

### Business Results, Foreign Exchange Rate and Operating Income Ratio



**Noji:** We were able to increase consolidated net sales by 7.5% from FY2010, to 1,981.7 billion yen for FY2011. In the construction, mining and utility equipment business, demand for mining equipment surged by 47% from FY2010, as commodity prices remained high, and we expanded sales of parts in proportion to an increase in our machine population.

In the construction equipment sector, Chinese demand dropped by 37% from FY2010. This drastic plunge in demand began in May last year as a result of the Chinese government's credit squeeze measure. In Japan, on the contrary, demand surged by 49% from FY2010, fueled by an increase in demand for rental equipment needed for restoration and reconstruction of the regions devastated by the Great East Japan Earthquake and tsunami. In addition, there had been almost no surplus of used equipment available on the market resulting from their exports from Japan for the last 10 years. In North America, demand remained strong in the rental, energy development and mining sectors in FY2011 and



advanced by 36% from FY2010. In Strategic Markets, except for China, demand increased in almost all regions in addition to strong demand for mining equipment in Indonesia and Australia. Under such an environment, we were able to increase sales because we quickly recovered our production to the normal conditions from the adverse effects of the Great East Japan Earthquake in March last year and thereby captured growing demand.

In the industrial machinery and others business, sales of wire saws began sliding in the second quarter of FY2011, as adversely affected by the Chinese government's credit squeeze measure, reduced subsidies for solar cells in Europe and a plunge of the solar cell price. However, sales of presses and machine tools increased as capital investment by automakers upturned for recovery. During the year under review, we included Gigaphoton Inc. as a consolidated subsidiary. As a result, FY2011 sales of this business segment increased from the previous fiscal year.

With respect to profits, while the Japanese yen appreciated sharply against the U.S. dollar, Euro and Renminbi, we focused efforts on increasing selling prices, reducing production costs, and increasing the percentage share of high-margin mining equipment and parts in total sales. As a result, operating income increased by 15.0% from FY2010, to 256.3 billion yen. Our operating income ratio also improved by 0.8 points to 12.9% for FY2011.

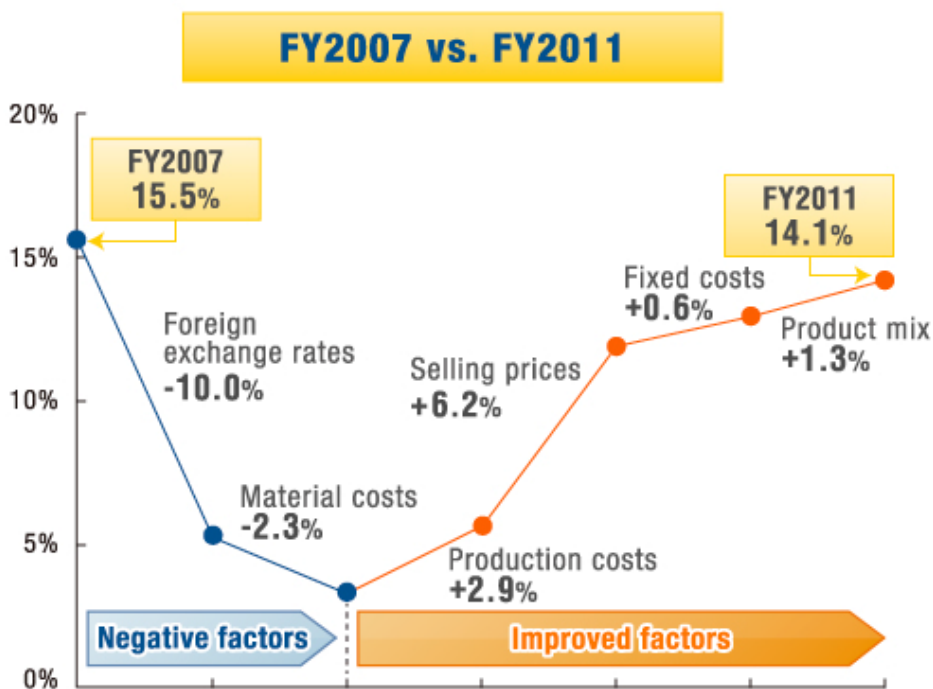


Q3

The Japanese yen has sharply appreciated again after the last appreciation in the wake of the Lehman Shock. In this adverse environment, Komatsu has sustained a high level of profitability. Please tell us how you have managed it.

**Noji:** To improve profitability, we have engaged in continuous efforts to cut down our fixed and production costs and realize our selling prices. In FY2011, in addition to benefiting from these efforts, we were able to increase the percentage share of high-margin mining equipment and parts in total sales, and thus we were able to improve our profitability.

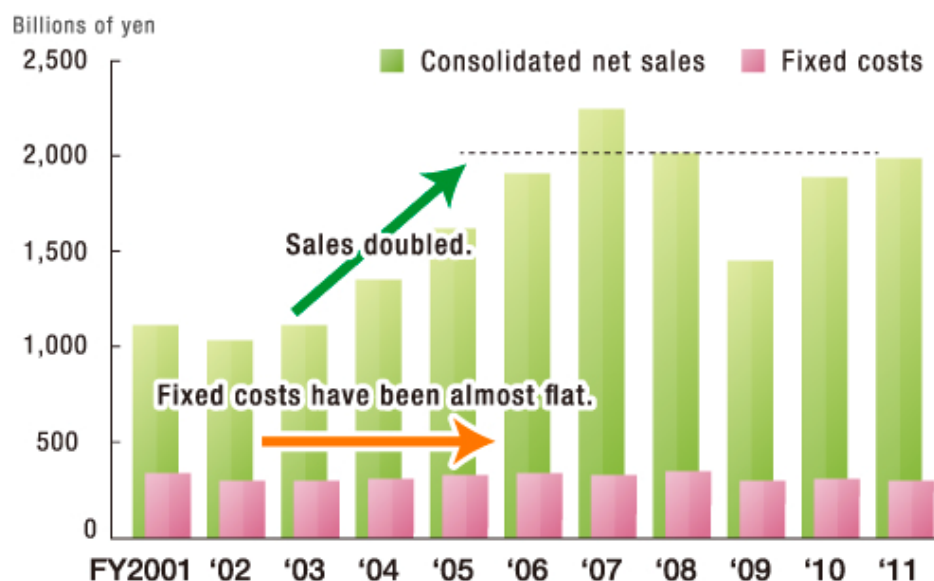
— **Construction , Mining & Utility Equipment : Causes of Difference in Segment Profit**



In the area of improving fixed costs, we embarked on structural reforms in 2009, restructuring our production from eight to three plants in North America, and eight to five plants in Japan. We also made more efforts to streamline group-wide operations by taking advantage of ICT and other means.



### — Sales and Fixed Costs



Together with this restructuring in Japan, we also engaged in the 30% Productivity Improvement Activity, in which we discontinued and integrated assembly lines and replaced old facilities with new high-efficiency ones. This project called for production transfer and improvement of efficiency at the same time, a very challenging task, but we completed it in one year. Coupled with these continuous improvement efforts, we were able to improve our productivity in value per employee by over 30% in FY2011 compared to FY2008. In the mid-range production cost improvement initiative, which we launched in 2010, we have made very good progress by expanding local procurement of raw materials, especially in China and Asia and promoting automation, including the use of industrial robots.

With respect to price realization efforts, we have securely anchored a periodic price increase practice worldwide and launched high value-added products which feature excellence in total lifecycle costs. In August 2011, we embarked on sales of new hydraulic excavators in North America, which are compliant to the Tier4 Interim emission regulations. Together with their sales, we introduced the Komatsu CARE program, which extends the warranty period for powertrains and includes the complimentary maintenance service. Even though they are over 10% more expensive than conventional models, our customers have given us high scores. In North America, more than 70% of our total sales in units of new equipment have been replaced with Tier4-compliant models. We have also launched sales of new regulations-compliant models in Europe. In Japan we began sales of 15 new models of hydraulic excavators and bulldozers, in July this year.

To improve corporate profitability, I believe we can do so when each and every employee demonstrates his or her own workplace capability, that is, the power to continue improving, and builds on the results.



Q4

Please share your thoughts concerning future demand for construction equipment and business results for FY2012.

**Noji:** For FY2012 business results, we are projecting consolidated net sales to decline by 0.6% from FY2011, to 1,970 billion yen, operating income of 262 billion yen, an increase of 2.2%, an operating income ratio of 13.3%, up 0.4 points, and net income attributable to Komatsu Ltd. of 157 billion yen, down 6.0%. These figures are based on our assumption of 79 yen per the U.S. dollar, 99 yen per Euro and 12.6 yen per Renminbi.

Billions of yen except for ratios and changes

Announced on July 31, 2012		Change
Consolidated net sales	1,970	-0.6%
Construction, Mining & Utility Equipment	1,770	+1.5%
Industrial Machinery & Others	210	-16.4%
Elimination	-10	
Segment profits	265	+2.4%
Construction, Mining & Utility Equipment	264	+7.2%
Industrial Machinery & Others	6	-64.2%
Elimination	-5	
Operating income	262	+2.2%
Operating income ratio	13.3%	+0.4 pts
Net income	157	-6.0%

**Note:** On July 31, 2012, Komatsu Ltd. has revised the projections for business results for FY2012, which the Company announced on April 26, 2012.

With respect to global demand for seven major products in FY2012, we are projecting a decline of 3% to 8% from FY2011.

In Japan, the number of exports of used hydraulic excavators had outnumbered demand for new equipment since FY2000, but this trend turned upside down in FY2011. We believe this 10-year long, surplus stock of used equipment on the market was adjusted by their exports. Coupled with growing demand for equipment in continuing reconstruction of the regions destroyed by the Great East Japan Earthquake and tsunami, we are anticipating that Japanese demand will steadily increase for some years to come.

In North America, demand is recovering in the housing sector, and that for rental equipment is brisk. In South America, while demand for construction equipment is softening in Brazil, the largest market in the region, we are anticipating that demand for mining equipment will remain strong centering on Chile and Brazil. In this light, we are projecting demand to increase from FY2011 in the Americas.



In Europe, although demand remains firm in the major markets of Germany, France and the United Kingdom as well as northern Europe, demand is sluggish in southern and eastern Europe. Therefore, we are estimating overall flat growth or a slight decline from FY2011.

With respect to China, demand has remained sluggish since May 2011, as affected by the Chinese government's credit squeeze measure, and we haven't seen any clear signs of firm recovery. Although there are signs of credit easing, such as decreasing the cash reserve and interest rates, they are not resulting in an increase of new construction projects. In this light, we are projecting annual demand to decline by 20% to 30% from FY2011.

With respect to Asia, we are anticipating that demand for medium-sized and mining equipment for use in coal mines will slow down in Indonesia, the largest Southeast Asian market, as adversely affected by falling prices of thermal coal. Accordingly, we are projecting a decline in demand from FY2011.

Concerning mining equipment, both orders and inquiries remain brisk except for coal mines in Indonesia, and we are expecting demand to increase in FY2012 from FY2011.

With respect to the industrial machinery business, we are anticipating steady orders for presses and machine tools, supported by active capital investment by the automobile manufacturing industry, especially in emerging economies. Meanwhile, we are projecting that recovery of demand for wire saws will take longer time than initially expected.

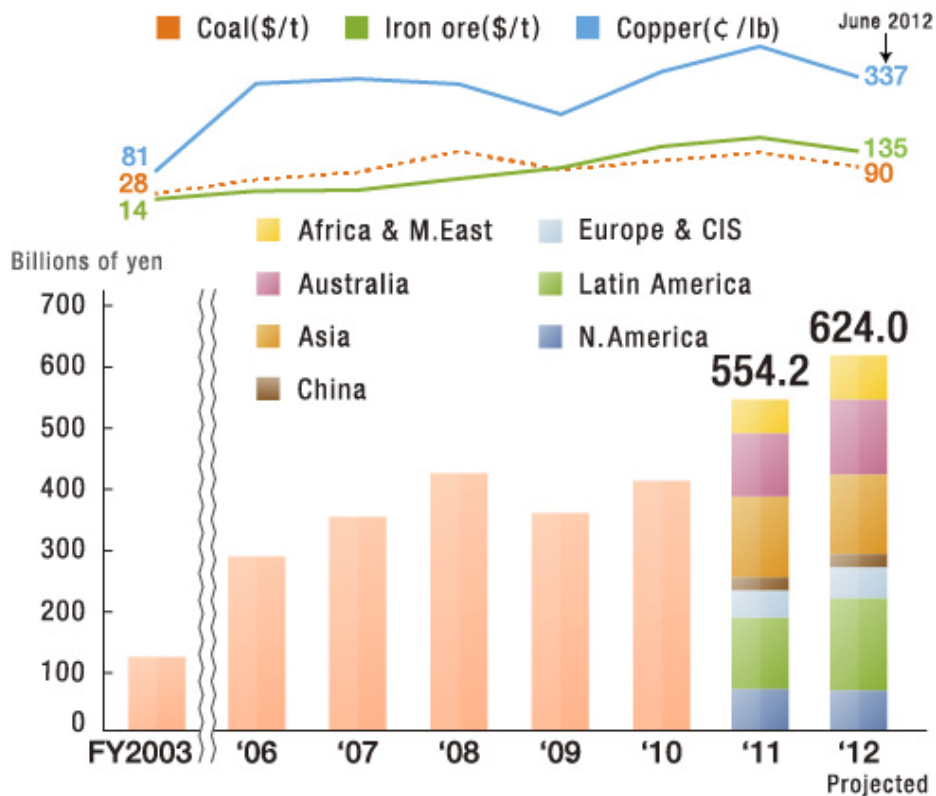
For more information concerning an outlook of the mining equipment business, [go to the next interview](#).



Q5

I understand that the mining equipment business is on a high note. Please share your thoughts on that outlook.

— **Commodity Prices and Sales of Mining Equipment**  
(Including sales of parts and service)



These graphs are based on our projection of business results for FY2012 announced on July 31, 2012.

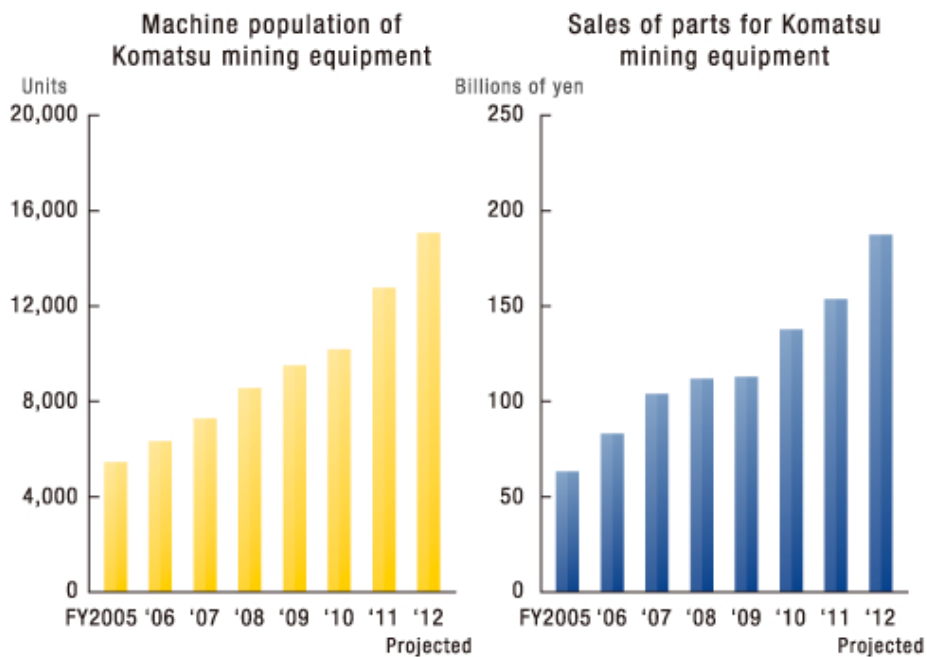
**Noji:** In FY2011, demand for new mining equipment was strong, as coal, iron, copper, and other commodity prices remained constantly high. Our sales of mining equipment, including parts and service, expanded by 33% from FY2010, centering on excellent sales in Southeast Asia, Australia and Latin America.

At present, prices of commodities are softening and that of thermal coal is dropping. Therefore, it is possible that we will experience a slowdown in demand for equipment for use in coal mines in FY2012. However, overall demand for mining equipment should remain strong.

In tandem with expanded sales volume of mining equipment, our machine population, that is, equipment working in customers' mines, has grown. Therefore, a lot of mining equipment should be overhauled during FY2012, and we are expecting to boost sales of parts. All together, we are looking forward to increasing sales of equipment, parts and service by 13% to 624 billion yen for FY2012.



### Machine Population and Sales of Parts for Komatsu Mining Equipment



These graphs are based on our projection of business results for FY2012 announced on July 31, 2012.

To meet growing demand for mining equipment, we are expanding our production capacity for parts and reinforcing our global Reman supply and service operations. In the Reman business, in which we remanufacture key components at a quality on par with new ones, we have centralized Reman operation for engines, transmissions, and hydraulic cylinders of mining equipment at two plants in Indonesia, and for wheel motors of super-large electric dump trucks at one plant in Chile, so that we can enhance Reman QCD, that is, quality, costs and delivery.

In response to a substantial increase in machine population centering on emerging countries, we opened the Komatsu HRDC (Philippines) in 2008 to train service engineers of high-level technical expertise. Today, 51 students are receiving OJT programs around the world.



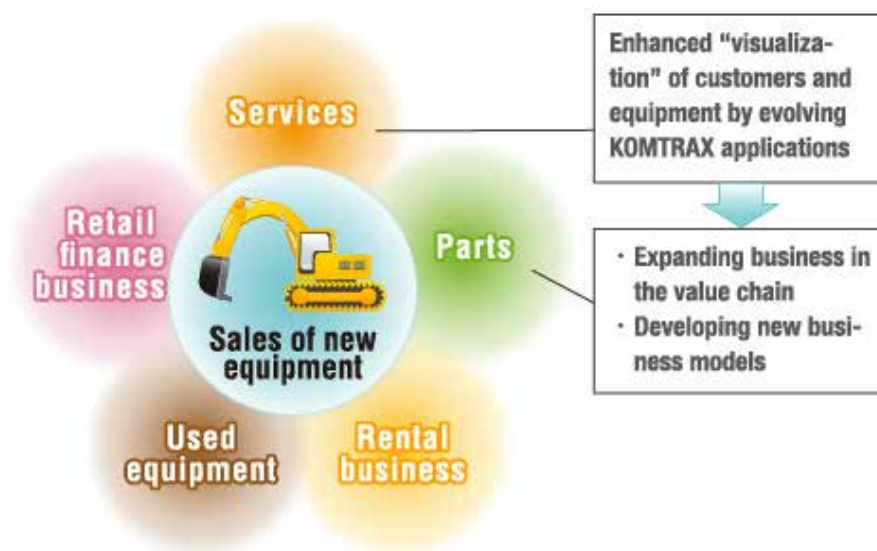
Q6

Please update us on Komatsu's efforts in ICT applications to products and parts, which you have aggressively been promoting.

**Noji:** We have worked to commercialize ICT-based products and systems by upholding ICT applications to products and parts as one of the activities of importance in the ongoing mid-range management plan.

As of June 30, 2012, there were over 270,000 units of KOMTRAX (Komatsu Machine Tracking System)-installed construction equipment in more than 70 countries. By analyzing and utilizing real-time information from machine jobsites, concerning vehicle location, operating conditions, alerts and so forth, we have become able to make the after-sales value chain "visible". We are now developing new business models.

#### — Evolving KOMTRAX Applications and the Value Chain



For example, we have introduced the Komatsu CARE maintenance program for new emission controls-compliant models. By capitalizing on KOMTRAX information concerning GPS-based machine locations, we are engaging in customer-tailored periodical maintenance, including cleaning or replacement of the diesel particulate filters. This is a new business model to further enhance the Quality and Reliability of our machines and operations.

In July this year, we launched new hydrostatic transmission (HST)-assisted FH40,45 and 50 forklift trucks in Japan by installing the KOMTRAX as the standard feature in an effort to expand KOMTRAX applications.



In the mining equipment sector, we are working to expand applications of the KOMTRAX Plus vehicle management system in order to improve not only precision of preventive maintenance but also customers' fuel consumption and productivity, thereby meeting more effectively to customer needs. ([Vital Signs Project](#))

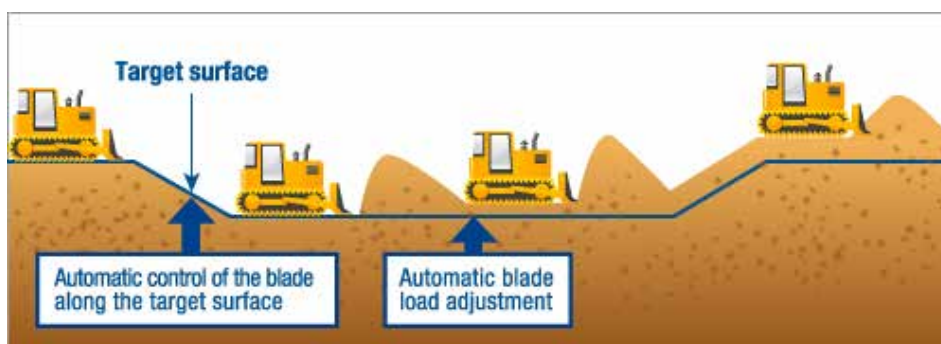
In the forestry machine sector, we are developing a new fleet management system for forestry machines, as they are very well suited for ICT applications when deployed to repeat standardized work on large-scale forestry plantations.

In the ICT-intensive construction sector, where we are working to make construction more efficient with higher precision, we have made good progress in field tests of our ICT-intensive bulldozers and hydraulic excavators in North America since 2011. As ICT-intensive equipment is automatically controlled according to design drawing data programmed in the machines prior to work, skilled machine operators and other workers for staking and post-construction survey will no longer be needed in typical cases and the precision of construction will also be improved.

We are also studying an application of this technology to remove radioactive contaminated topsoil in the Great East Japan Earthquake-stricken regions. During the decontamination verification test in Fukushima Prefecture, our ICT-intensive bulldozer has achieved a high level of excavation precision by 10 mm. We have proven that it is more capable of reducing the amount of residual contaminated soil than the conventional method and is effective in the work of removing topsoil.

We can also expect to increase selling prices of ICT-intensive bulldozers and hydraulic excavators proportionately with improved productivity. We are continuing our development efforts for their commercialization in next fiscal year.

#### — ICT Intensive Construction (Image)



ICT-intensive bulldozer automatically controls its blade according to the construction drawing data by using high-precision 3D GPS information. It also automatically adjusts the volume of dozed ground, thus preventing overload.

With respect to the Autonomous Haulage System (AHS), we signed a Memorandum of Understanding with Rio Tinto in November last year, concerning the deployment of over 150 AHS driverless dump trucks in iron ore mines in Australia. To strengthen our support capabilities for AHS operation, we opened the [AHS Support Centre](#) in Perth, Australia in



December last year, where we formed a global team consisting of specialists from Komatsu America Corp. which produces AHS dump trucks, Komatsu Australia Pty. Ltd. for service, and Modular Mining Systems Inc. of the United States, which develops and operates mine management systems in addition to Komatsu Ltd. of Japan.

To broaden the model range of AHS dump trucks, we have launched the development of the AHS with HD785 mechanical dump trucks, as a large number of them are being deployed in mines in Asia.



Q7

Emission gas controls for construction equipment have been strengthened in the United States, Europe and Japan since 2011. Please update Komatsu's conditions concerning the development and market introduction of new regulations-compliant models.

**Noji:** We have defined and promoted responses to environmental conservation as one of top-priority tasks of management and included them in the activities of importance in the ongoing mid-range management plan.

With respect to construction equipment, the United States led the world in the enforcement of Tier4 Interim regulations in 2011, and Japan and Europe will follow suit in 2012. Starting in 2014, Tier4 Final regulations will be in effect, requiring the reduction in emissions of NOx and particulate matters to one tenth of the current levels.

With respect to Tier4 Interim-compliant models, we have already developed ones which feature 10% reduction in fuel consumption compared to our existing models of the same class. This achievement is directly attributable to the fact that we have in-house development and manufacturing capabilities for key components. We embarked on their sales in North America last year, and over 70% of our new units sold there already account for Tier4 Interim-compliant models.

In Japan, we began on the successive market launchings of 30 models of the hydraulic excavator, wheel loader and dump truck in July this year. Together with their launches, we are also introducing the Komatsu CARE service program in order to promote and anchor new models.

Concerning hybrid hydraulic excavators, we embarked on global sales in April last year and have sold about 1,500 units including the first hybrid models. In China, 24% of our customers, who bought new hydraulic excavators of the 20-ton class in April this year, chose hybrid models. Achieving both ecology and economy in performance, our hybrid construction equipment has begun to receive good market responses overseas as well. We are working to broaden the model range, while stepping up efforts in the development of Tier4 Final-compliant models.



We have launched the PC350 hydraulic excavator (left), a new emission regulations-compliant model, in Japan, following North America and Europe. We have developed its engine (right) in-house.



With respect to forklift trucks, we launched sales of the FH40, 45 and 50 models in July this year, which feature our construction equipment components, that is, their engines, hydrostatic transmissions and closed-center load sensing system. As these components minimize the loss of transmitting power, new models have improved fuel consumption by 30% at maximum high-load operation tests compared to our existing models of the same class.



Hydrostatic transmission-assisted FH50 forklift truck

In response to the requirements of the times, we are taking on the environmental challenges to reduce the environmental impact of our machines in operation by broadening the model range of eco-friendly products and making other specific proposals.



Q8

**FY2012 is the final year of the "Global Teamwork for Tomorrow" mid-range management plan. What kind of special efforts are you going to make during the year, as you look into future growth strategies?**

**Noji:** In the "Global Teamwork for Tomorrow" mid-range management plan, we have defined the following four activities of importance, worked on them and made good progress.

1. Promotion of ICT applications to products and parts (Q6)
2. Further advancement of environmental friendliness and safety in machine performance (Q7)
3. Expansion of sales and service operations in Strategic Markets
4. Promotion of continuous Kaizen (improvement) by strengthening workplace capability (Q3)

To ensure our growth into the future, we are reviewing three specific themes. The first theme calls for discovery of new business chances in the domains of existing products. We still have some domains of the construction equipment business, where we should be able to expand sales, for example, attachments, buckets, bucket teeth and vessels of dump trucks and hoses of hydraulic excavators. We are reviewing the current conditions and are going to discover new business opportunities, and develop and supply cost-competitive products.

Second, we are going to expand business in the entire value chain by taking advantage of the KOMTRAX. After customers buy our construction and mining equipment, their values are linked until their resale as used equipment, as represented by retail finance, spare parts, maintenance service and rental up through resale of used equipment. As we advance KOMTRAX innovations, we will become better positioned to make the value chain "visible" and discover potential business opportunities.

The third theme calls for R&D of construction of the future. By capitalizing on our support in customers' work in the forms of ICT-intensive construction and AHS operation for automation, we should be able to dynamically improve their productivity and therefore increase our selling prices in return. We are working to embark on sales of ICT-intensive bulldozers and hydraulic excavators next year. Although we are planning to increase their prices by 40 to 50% more than the conventional models of the same class, we have received high evaluations from customers who are conducting tests because of the high level of productivity they have proven, outperforming the price hikes.

In addition to reduced costs resulting from automation, our AHS enables us to contract fleet management, therefore building a win-win relationship with customers and establish a business model which continuously generates profits.

We are focusing R&D efforts on construction equipment of the future by including new functions and performance through ICT applications. With such equipment, we are going to create new business models, such as construction support and contracting.



Q9

Please share your thoughts on the redistribution of profits to shareholders, investment for future growth, and reinforcement of Komatsu's financial position.

**Noji:** We are working to build a sound financial position as well as flexible and agile corporate strengths in order to maximize our corporate value.

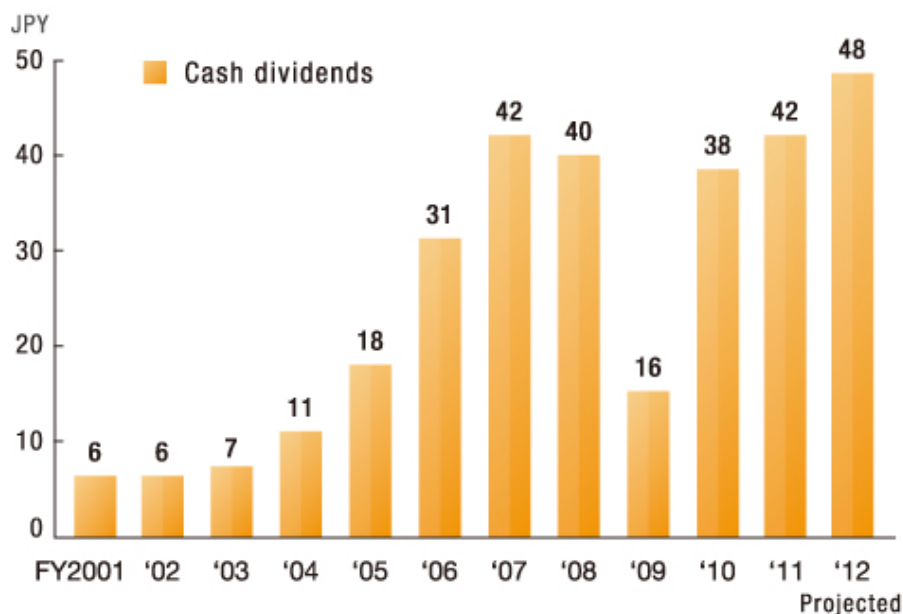
As we have weathered the Lehman Shock of 2009, the Great East Japan Earthquake and tsunami of 2011, drastic growth and decline of demand for construction equipment in China from 2010 into 2011, and the on-going super appreciation of the Japanese yen, marking almost 40% from 2007, we have been working to improve our operating income ratio by realizing selling prices and curtailing an increase in fixed costs by separating costs from growth. With respect to profits from improved profitability, we are redistributing them to our shareholders, using them to strengthen our financial position, reinvesting them for our future growth, and contributing them for social benefits, all in a well-balanced manner. In this way, we are working to continuously enhance our corporate value.

Concerning cash dividends for shareholders, we maintain the policy of redistribution of profits by considering consolidated business results and continuing stable dividends. Specifically, we have set the goal of a consolidated payout ratio\* of 20% or higher, and maintain the policy of not decreasing dividends, as long as the consolidated payout ratio does not surpass 40%. With respect to annual cash dividends for FY2011, we have set 42 yen per share, increasing the rate by 4 yen from the previous fiscal year. Concerning annual cash dividends per share for FY2012, we are planning to make a 6-yen increase to 48 yen,

\*The total of annual dividends paid as a percentage of consolidated net income attributable to Komatsu Ltd. in accordance with the FASB Accounting Standards Codification (ASC) 810.

We hope to continuously redistribute profits to our shareholders in the form of stable dividends by enhancing profitability through business growth into the future.

#### — Redistribution of Profits to Shareholders





**Feature Story**

# Building on the Partnership with Customers in Their Mines

Just like our manufacturing plants, safety also comes first in mines, and equally important is to improve productivity. For these tasks, we are servicing mining machines in such a way that they can keep working safely in a freezing or scorching climate. We have been promoting our brand management efforts which mandate us to become an indispensable partner of our customers. To this end, we are working closely with them at their jobsites, learning about their operation, sharing their visions with them, and working to identify their ultimate goals, which will help them realize their visions. To accomplish these goals, we propose measures with equipment-maker's insights, converge all our group-wide resources and strengths, and implement those measure together with our customers.

One such strength of ours is a workplace capability, which we define as the power to continue improving. We have amassed our workplace capability through TQM activities, particularly on the shop floor, since the 1960s. Our continuous improvement efforts begin with fact-finding to make everything "visible" and turn the PDCA (plan-do-check-act) cycle as we remain committed to taking on the challenge for the better. Through such diligent efforts, we are working to build on the win-win relationship with our customers.



**Feature Story** Building on the Partnership with Customers in Their Mines**Australia [ Iron Mine ]****Two approaches in Rio Tinto mines****Steady progress made in preventive maintenance of WA1200 super-large wheel loaders****Continuous improvement efforts on the Autonomous Haulage System (AHS) ►**

Mining giant Rio Tinto is Komatsu Australia Pty Ltd's largest customer in Australia, operating iron ore mines, coal mines-both surface and underground, as well as other metalliferous mine. In the Pilbara region of North Western Australia alone, Rio Tinto has 14 iron ore mines, producing over 200 million tons of ore per year-and it plans to increase this to 353 million tons by 2015. Currently, there are more than 200 pieces of Komatsu equipment working in these mines.

The Pilbara is known for its desert-like environment and hot, arid climate where it can reach 50 degrees Celsius in the summer. Desert sand can penetrate into everything, and quickly wear out equipment parts. In this tough environment, Komatsu machines are expected to keep running 24 hours a day, seven days a week. If we miss even the smallest indication of a malfunction during our machine maintenance procedures, it can develop into a serious mechanical failure and unplanned machine downtime. In order for Komatsu to maintain this strong relationship with this very important customer, it is essential that we constantly improve machine availability by preventing unscheduled downtime-therefore maximizing productivity.

In July 2010, Komatsu Australia Pty Ltd (KAL) established the Komatsu Reliability Engineering Team. This team, which integrates our Group-wide resources, developed and implemented a number of "action plans" to improve the reliability, productivity and availability of Komatsu WA1200 super-large wheel loaders operating in the Pilbara under a continuous improvement (CI) project.

**Developing action plans**

In Rio Tinto's Pilbara operations, Komatsu WA1200 wheel loaders work around the clock, seven days a week, 52 weeks a year, loading iron ore directly onto dump trucks or trains. If one of these wheel loaders stops operating, it directly affects mine production. Based on its analysis of failure data from Rio Tinto, the Komatsu Reliability Engineering Team identified that wheel loader bucket pins had the highest downtime, and targeted the Pannawonica mine site, about 1400 km north of Perth, because it had the highest frequency of pin failure. The team further isolated this bucket pin as the most common failure and thus focused the analysis of causes on this pin exclusively. It set targets to increase the average Mean Time Between Failure (MTBF) by 50%, and to decrease downtime frequency by 50%.





This WA1200 super-large wheel loader (left) is loading iron ore. Just one critical element on this loader is the pin connecting the bucket and boom (which acts like an arm of the human body). Abnormal wears of this pin was a target for our continuous improvement efforts at Rio Tinto's Pannawonica mine.

From mid-October 2010 to the end of November 2010, the team visited the mine site to look at causes and possible solutions, and developed action plans for improvement in the areas of machine inspection, parts operation, assembly, and machine operation. From December 2010 to the end of September 2011, in collaboration with Rio Tinto's on-site personnel, the team implemented countermeasures in all these areas.

Event	Intermediate Event	Basic Event	Frequency	Priority
Bucket Pin Failure	Bucket Pin Failure	Bucket Pin Failure	1.0E-05	1
		Bucket Pin Failure	1.0E-05	1
		Bucket Pin Failure	1.0E-05	1
		Bucket Pin Failure	1.0E-05	1
		Bucket Pin Failure	1.0E-05	1
		Bucket Pin Failure	1.0E-05	1
		Bucket Pin Failure	1.0E-05	1
		Bucket Pin Failure	1.0E-05	1
		Bucket Pin Failure	1.0E-05	1
		Bucket Pin Failure	1.0E-05	1

Using TQM (total quality management) principles and procedures, the team produced and analyzed many charts and graphs to come up with solutions.



Pannawonica mine site.



## Implementing action plans

Important elements of implementing the action plans included working closely with Rio Tinto's plant mechanics, and also working with operators to improve their loading techniques. To improve bucket pin assembly, for example, the team assisted the customer's mechanics with pin assembly, provided advice and instructions and developed a list of all parts so the mechanics could ensure they were ordering the correct parts. In their operational improvement efforts, the team trained a total of 24 operators in smoother steering operation and better loading techniques to avoid overloading of the bucket and resulting stresses on the bucket pin.



Mechanics assemble the pin and holes of the WA1200's bucket. This huge bucket has a capacity of 20 cubic meters and is about 6.5 meters wide in standard size.

The end result of this will be a reduction in machine downtime, although the trade off is slightly lower production rates (because higher bucket volumes shorten the cycle time, i.e., the time needed to fill up each dump truck). In October 2011, the team verified improvements and confirmed a 43.5% increase in MTBF and a 25% decrease in frequency, respectively, compared with May 2010 (before the team began its improvement efforts). KAL's Reliability Engineering Team and Rio Tinto's Asset Management Department have agreed to keep monitoring machine operation at the Pannawonica site and expand these continuous improvement efforts to other sites.



Operator instruction was also an important part of continuous improvement efforts.



## Working in the mine

Throughout this CI project, members of the team visited the mine site once per month on average, traveling approximately one and a half hours by air, followed by two hours by car, typically working on site for between two and five days. Due to the mine's location so far from any cities, there is no commercial accommodation facility. The only accommodation is a camp in the mine itself, which is exclusively for Rio Tinto workers and contractors. Therefore, team members had to check with Rio Tinto sometimes weeks in advance to ensure availability of beds.

A typical day began at around 4:30 am when team members went to the camp close to the mine for breakfast and then traveled to either the pit or the workshop where the machine was located in time for the day shift start at 6 am. This shift finished at 6 pm, with temperatures outside sometimes reaching up to 50 degrees Celsius in the summer months. While the work was very challenging, it gave our team members a better understanding of how hard this environment can be on our machines and for the people who work on them and operate them.

## Interview with Lee Shillam, Technical Services Manager, Komatsu Australia

Looking back on his experience in the CI project, Lee recalls: "It was not at all easy to try a new approach, especially in the beginning.

"All machines are owned and maintained by our customer and WA1200 wheel loaders are often part of the customer's primary dig fleet. Therefore, the customer needed some time to consider all possibilities, pros and cons alike, particularly as CI activities would often involve making assessments and changes in their maintenance practices. That's why it was extremely important for us to communicate thoroughly with our customer and show the benefits to their business so that we could demonstrate our commitment to delivering increased value to our customer.



WA1200 wheel loader,  
Pannawonica mine site.



"CI work requires a high level of teamwork between Komatsu Group people from different areas of specialization, for example, service engineers from mine sites, manufacturing engineers from Komatsu plants in Japan, KAL workshop staff and those from my own department of Technical Services. Needless to say, the real key to success is teamwork with the customer, from whom we must receive total trust as their partner.

"Working with Japanese expats in this project, I have observed that a lot of processes and procedures are engrained in everyday working practices in Japan. I am particularly interested in learning more about The KOMATSU Way, as I believe it offers a very powerful set of tools for KAL's business here. We have a lot to learn from our Japanese operations, such as fact finding and single-page summary techniques," says Lee.

## Pannawonica Township

Pannawonica is a remote township in Western Australia's Pilbara Region. Situated 1430 km north of Perth, this township was built to exclusively accommodate its miners and contractors in 1972, when the Pannawonica mine opened with two iron-ore deposits. Today, approximately 700 people live in Pannawonica, and 449 people are employed at the mine, excluding contractors. The average age of Pannawonica residents is 32.



Pannawonica Township.



## Autonomous Haulage System (AHS): Sharing the vision with Rio Tinto

### Rio Tinto's Mine of the Future™ project and the AHS Support Centre

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The 930E-AT painted in pink symbolizes Rio Tinto's support for the Breast Cancer Awareness Campaign and the Promotion of Women in Mining.

Our Autonomous Haulage System (AHS) is the world's first system to operate driverless dump trucks in mines and is one of our most valuable corporate assets. In maximizing safety and minimizing mining production costs, it has been deployed to help Rio Tinto realize its vision of automation and remote mining operations, and forms an important part of the company's Mine of the Future™ program. For our customer's vision, we brought together our global resources and technological expertise to commercialize our AHS at Rio Tinto's West Angelas iron ore mine in Australia's North West.

During three years of trial operation with a fleet of five 930E driverless mining trucks (payload: 290 metric tons), we continued to make diligent, continuous improvement efforts. This trial operation proved that Komatsu AHS trucks meet the customer's requirements based around safety, productivity and machine availability: they recorded zero accidents, hauled 59.4 million tons of iron ore and had an average availability of 90%. Each truck worked for an average of 14.8 hours and hauled 11,000 tons every day for three years.

## Demonstrating global teamwork

Despite these outstanding successes in our first commercial application of this technology, this world-first accomplishment did not come easily. To ensure we achieved our objectives, three years ago, we formed two global project teams:

- An on-site team in charge of maintaining the fleet and fleet management system.
- A product support team to support the on-site team in technical areas with development and production expertise.

Both teams were staffed by employees from four Komatsu Group companies located in three countries. In addition to service engineers from Komatsu Australia Pty Ltd (KAL), who are mainly involved with the



on-site team, other members came from Komatsu America Corp (KAC), which manufactures dump trucks in the United States; Modular Mining Systems, Inc. (MMS), our US subsidiary, which develops mine management systems in the US; and Komatsu Ltd (KLTD) of Japan, which coordinates the overall AHS systems and project.

These two Komatsu teams worked closely with Rio Tinto employees, including those responsible for hardware and software operations. Together, we worked to integrate Rio Tinto's on-site operations with the requirements of our AHS itself as well as the AHS trucks, adapting and improving key aspects of both Rio Tinto's mining operations and AHS to come up with a solution that delivered what the customer required. This program included 25 areas of improvement, five to the AHS trucks themselves, and 20 for the AHS system as a whole. Of these 25 areas of improvement, nine were safety-specific and 16 were to improve productivity.



In December 2011, Komatsu established a reorganised and enlarged global team in a new AHS Support Centre in Perth, Western Australia. This team is responsible for the deployment of more than 150 AHS dump trucks to Rio Tinto between now and the end of 2015.

## Continuously delivering improved results

AHS has played an important role for us in fine-tuning our PDCA product development cycle in a trial phase. For example, as the mine ground at West Angelas becomes extremely slippery during the wet season, we needed to develop solutions to keep the AHS trucks running safely, no matter what the weather and ground conditions. To reproduce the careful driving of experienced operators in slippery conditions and improve haulage efficiency, we added to the fleet control system a function to limit speed for any given distance between two locations. In addition we developed and installed a slip control system for the AHS trucks. Although it was a challenging task to recreate the combination of human experience and intuition by means of computer technology, we have successfully developed a very effective method of operating the trucks safely in slippery underfoot conditions.

Another challenge was analyzing error codes from the trucks' obstacle sensors, which were resulting in the trucks stopping for obstacles which in fact did not exist. We collected and analyzed data from many AHS trucks' sensors and were able to identify the cause of the errors. By improving the control program, we achieved an estimated increase of 7000 tons in monthly production across the five trucks.



One advantage of this technology is that, using AHS, far more data can be "visualized," making it easy to carry out trials and measure the results. It is also easier to quickly implement new protocols across an entire fleet of equipment. As a result, we believe our AHS technology offers Komatsu significant potential to improve our Kaizen (improvement) processes.

Following this successful trial operation, achieved through teamwork between our own project teams and the customer's personnel at West Angelas, on November 1, 2011, Komatsu Ltd signed a historic Memorandum of Understanding (MOU) with Rio Tinto. Under this MOU, we are now working to deploy at least 150 AHS trucks into Rio Tinto's Pilbara operations in Western Australia by the end of 2015.

## Autonomous Support Centre in Perth



Soon after the MOU was signed, Komatsu established an Autonomous Support Centre in Perth in December 2011 to supervise this large-scale project and build up our AHS fleet management and support capabilities. As of July 2012, more than 20 representatives from KLTD, KAC, MMS and KAL were part of a global project team at the AHS Support Centre, with plans to expand the operation as the AHS fleet size grows.

Rio Tinto is aggressively promoting its Mine of the Future™ program, which aims to revolutionize its mining operations for greater efficiency, reduced production costs, improved health, safety and environmental performance, and more attractive working conditions. It also includes a plan to remotely control mining operations from Perth, more than 1000 kilometers from the mine sites. As our customer moves forward toward its vision, we remain committed to becoming its indispensable partner through our continuous improvement efforts.

To continue the successful deployment of over 150 AHS dump trucks as our first step forward in Rio Tinto's Mine of the Future™ program, we are working constantly to deepen our relationship with Rio Tinto, advance our global teamwork and improve productivity and machine availability.



**Feature Story** Building on the Partnership with Customers in Their Mines**Chile [ Copper Mine ]****Vital Signs Project****Reinforcing product support by taking advantage of ICT**

Minera Los Pelambres (MLP) mine is located about 240 kilometers northeast of Santiago in Chile. It is an open-pit copper mine sized 2.5 kilometers x 2.2 kilometers at the surface, which is situated at an altitude of over 3,600 meters above sea level. The world's sixth largest copper mine, this mine produced 411,800 tons in 2011.

Komatsu Chile S.A. (KCH), a distributor of the Komatsu Group, sells and services mining equipment for use in this mine. KCH also leases and services a fleet of all 43 units of the 930E super-large dump truck (payload: 290 metric tons) under a full-maintenance contract. As a very important partner of MLP, KCH is comprehensively responsible for dump trucks, which are absolutely critical to mining operations.

To help the customer achieve the goal of optimizing the performance of mining equipment, KCH has been promoting our brand management approaches to enhancing machine availability and maximizing machine performance of dump trucks by deploying ICT. This is the Vital Signs project.

**Proactive maintenance through vital signs**

The term, vital signs, originally comes from medicine, implying pulse, blood pressure and other signs to diagnose human health conditions. Our mining equipment is equipped with a variety of sensors which transmit sensed information and alerts comparable to vital signs of the human body. We believe that we should be able to utilize them more effectively, engage in proactive maintenance and thereby improve machine availability.

Under the Vital Signs Project, KCH is keeping a database of the causes, urgency and importance of information or vital signs transmitted from mining equipment, as well as necessary countermeasures thereof. By using this database, KCH is working to provide more timely and accurate product support, and thereby further enhance machine availability.





Minera Los Pelambres mine is a massive, deep-pit copper mine. You can see our 930E dump trucks (payload: 290 metric tons) on the right near the bottom.

In addition to using information from the KOMTRAX Plus\*, our original vehicle monitoring system, KCH is also utilizing information from the MineCare\* maintenance management system developed by Modular Mining Systems, Inc. (MMS), our U.S. subsidiary specializing in mine management software.

\* Both KOMTRAX Plus and MineCare are capable of collecting information from the sensors installed in mining equipment and allowing for data use outside of the system.

In the course of developing the Vital Signs database, KCH has not only matched the vital signs of equipment to existing responses but also reviewed and improved service methods, enabling service engineers to engage in their work more efficiently. The Vital Signs Project required the participation of around 20 people from different areas of KCH. They carried out the Project under the leadership of the Centralized Reliability Team staffed with condition monitoring engineers, the Product Support Group with product and ITC engineers, and the Mine-Site Team with planners, reliability engineers, technicians and specialists.



Inside the service station of Los Pelambres mine, a maintenance staff member in the orange vest is working on a 930E super-large dump truck. Thanks to the Vital Signs Project, KCH has improved efficiency of 930Es.



Having developed the database and become able to take full advantage of KOMTRAX Plus and other information, KCH has made huge strides in machine maintenance at MLP. In the past, when maintenance crews received alerts, they looked for hints at the mine site, asking many mechanics and planners on jobsites as well as in the meetings. Today, the Vital Signs database helps them identify the most critical vital-sign data and to develop customized reports with simple but reliable recommendations.

Another big challenge was to break the inertia of doing things the same way the customer's employees did for years. We tackled this problem by encouraging participation and giving "visibility" at all levels of the organization through JoiFUL\* meetings.

\*JoiFUL (Joint Follow-Up Log): Periodical meetings of the Komatsu Group and customer to follow up on the progress of tasks decided in the previous meetings. Typically, there are three levels of JoiFUL meetings, 1) top management, 2) middle management and 3) jobsite.

With respect to the MineCare trial, they took on the main challenge of interfacing with KOMTRAX Plus and defining the communication standards by teaming up with product support engineers and ICT specialists from MMS in Arizona, USA. In addition to learning about the MineCare, they have confirmed a potential use of it on the Vital Signs platform.

The Project took about six months for KCH to integrate planning, reliability and operational areas of maintenance. More specifically, KCH has improved preventive maintenance through a better use of backlogs and pre-maintenance reports. It has also developed proactive maintenance by analyzing new failure modes and by eliminating or mitigating their impact, while enhancing its diagnostic performance and shortening its response time. These improvements have been well received by the customer. To further deepen its relationship with the customer, KCH is now moving into a new phase of its continuous improvement efforts for more prognoses, such as the development of multi-variable models designed to predict failure.





**Feature Story** Building on the Partnership with Customers in Their Mines**China [ Coal Mine ]****Diligent CI efforts****Improving productivity by about 17%**

We have been engaged in continuous improvement efforts for a leading mining company of China which owns three open-pit mines where our customer produced 129 million tons of raw coal in 2011. The customer operates over 200 units of Komatsu machines, including 930E super-large dump trucks (payload: 290 metric tons). In open-pit coal mines, miners need to repeat the removing of the overburden to expose the coal seam in multiple layers. Therefore, the removal and hauling of the overburden add to mining costs. In underground mines, especially in slope mines, miners go straight to the coal seam and use special cutting machines and conveyors to mine the coal. Partly due to the difference in mining methods, the customer's production costs were 30% higher in their open-pit mines.

To maximize our customer's profits, we had many discussions with the customer from our brand management viewpoints, and determined that we would need two approaches of 1) machine availability and 2) work efficiency. In collaboration with our customer, Komatsu Ltd. (KLTD), Komatsu (China) Ltd (KC), Komatsu (China) Mining Ltd. (KCML), and Komatsu America Corp. (KAC) formed two CI teams, the maintenance team to reassess the customer's machine maintenance and thus improve productivity, and the productivity team to review the customer's use of machines from original equipment maker's viewpoints, maximize machine use, and thus improve productivity. To help the customer achieve the target of improving productivity, the productivity team worked on the operations of a rope shovel made by a local maker, which exceeded the typical service framework of the construction equipment industry.

**Analyses of potential causes and development of countermeasures**

In the first stage of the CI project, the productivity team focused its efforts on fact finding, concerning shovel and truck operations, after studying the data from the payload meters of dump trucks, which measure and record the weight of cargo. For the shovels, they analyzed 17,149 loadings and identified four key performance indicators to improve loading efficiency. Similarly, for the 930E dump trucks, they analyzed 9,712 hauls. Through these fact-finding efforts, they set the four key performance indicators (KPI) of loading time (unit: seconds), loading passes (unit: number of loadings), payload (unit: tons) and payload deviation by the same operators (weight: tons) to improve the overall production efficiency of the mine by training shovel operators.





In this coal mine in China, we have been promoting CI activities.



In the open-pit mine, a large shovel (right) loads coal onto a dump truck (center) to haul.

## Unique activity: Achieving good results in three months

By considering the scale of problems and potential improvement results, they decided to focus their efforts first to improve the volume of loadings by shovels, as the payload of 930E dump trucks was naturally determined by the number of loadings. They introduced score-card management to 20 shovel operators by designating the target figure for each KPI. In addition to collecting the data and reporting the monthly scores to the customer, KCML made awards to the top three shovel operators in 2010 and 2011.





The team worked to ensure optimal loading passes and loading time for 930E dump trucks (payload: 290 metric tons)

These awards have successfully inspired shovel operators to improve their efficiency. Compared to June 2010 before the score-card program was introduced, their loading performance improved by 17% in September through November 2010.

Le Yang, service engineer, KCML, who works as resident engineer at the customer's site, recalls, "I was in charge of the score-card program at the mine for one year. Although I felt that my job was very small in scale, it produced an important result, and I was happy to see the improvement."

## Information sharing

In addition to many technical information exchange meetings, KCML has held regular CI meetings with the customer every two months, totaling more than 20 meetings, to the present. These regular meetings are attended by the general manager, deputy general managers and chief engineers of the mines as well as the customer's senior officer of service. Through these meetings, the customer has come to realize that Komatsu is taking a very dedicated stance on improving the customer's operating costs through CI efforts. Mr. Liju Zhang, dump truck fleet manager of the customer, endorses the value of these meetings by saying, "While I didn't know anything about CI in the beginning, I began to learn about it in these meetings."



Regular CI meetings, such as this one, are attended by executives of the mine.

## Looking into new opportunities for improvement

In 2011, the productivity team entered the trial-based second stage of the CI project at the first mine by focusing on the improvement of time efficiency and fuel consumptions of 930E dump trucks, while KCML started first stage CI efforts in the second mine. In the second stage, they mounted a variety of measurement devices, such



as GPS and the Gyro system, on one 930E dump truck. They collected all critical data, and the Research Division of KLTD analyzed and simulated the data. Mr. Jianhua Wu, dump truck fleet manager of the customer, expresses his expectation for the second stage by saying, "My top-priority target is to reduce our operating costs. I want to take full advantage of the measured data of the dump truck to cut down fuel costs." Mr. Zhang adds, "I would also like to improve truck productivity by reducing waiting time."

Haibo Wang, sales and application engineer, KCML, summarizes the CI project thus far, "In this CI project, we have had great support, especially from Japanese expats and the Beijing Office, as well as dedicated work from our service station in the customer's mine. We have been proposing a number of ideas to improve the maximization of our machine performance, and they have been very vital to build on the win-win relationship between KCML and the customer."

## KCML's service station

The facilities of this service station for 930E dump trucks are provided by the customer for KCML's service engineers. To ensure the accuracy of payload meters, they maintain the weighing sensor and clock in addition to downloading and uploading payload meter data. Yang adds, "Having worked here for almost three years, I am most impressed by Komatsu Group's teamwork and solidarity. Our CI project is a crystallization of teamwork, and I am proud of being a team member."



Inside the service station in the mine

We are well prepared to take on the next challenge by sharing the vision with our customer. To accomplish the vision, we are working to become an indispensable partner of our customer by continuing improvement efforts.

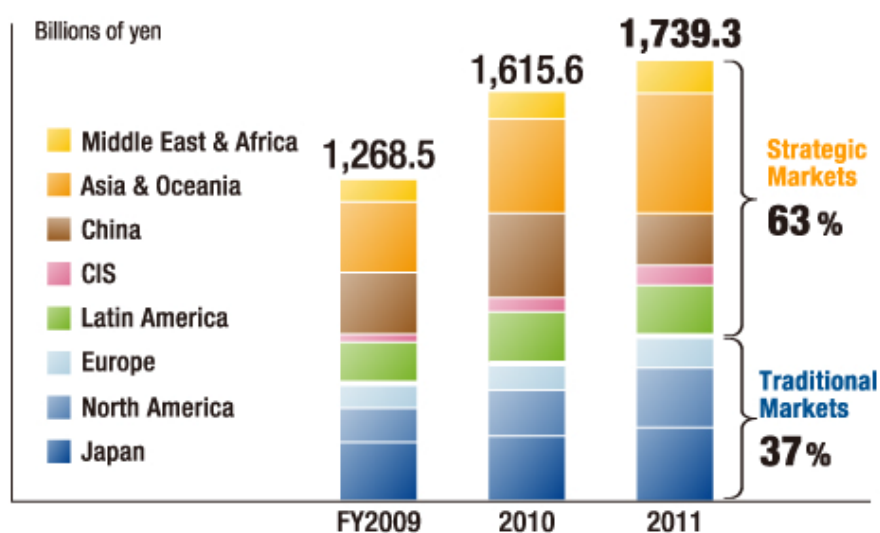


## Review of Operations

Industrial Machinery and Others 

### Construction, Mining and Utility Equipment

#### — Sale by Region (To Outside Customers)



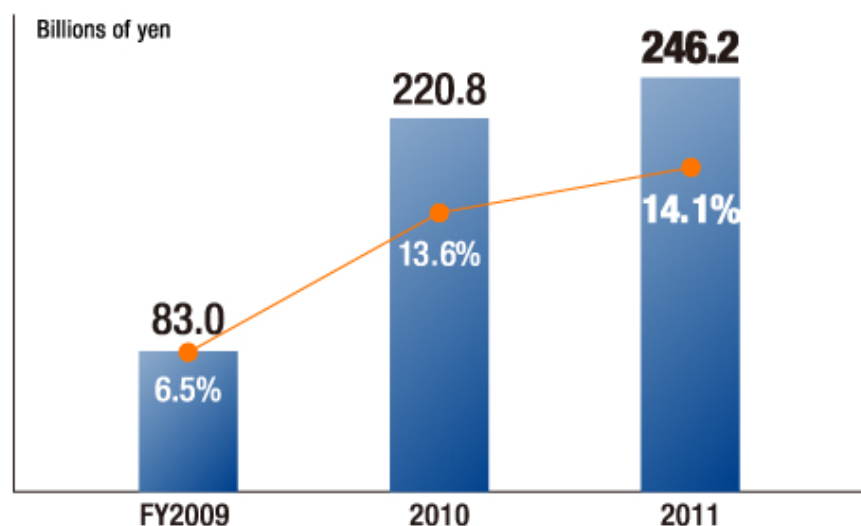
Note: Sales are rounded down to the hundred-million yen.

#### — Sales by Region for FY2011

Sales by Region for FY2011		Billions of yen
Strategic Markets	Japan	286.3 (Up 13.8 from FY2010)
	North America	237.8 (Up 28.9 from FY2010)
	Europe	120.6 (Up 15.5 from FY2010)
Traditional Markets	Latin America	205.2 (Up 1.5 from FY2010)
	CIS	79.7 (Up 34.0 from FY2010)
	China	201.3 (Down 39.8 from FY2010)
	Asia & Oceania	481.2 (Up 28.5 from FY2010)
	Middle East & Africa	126.9 (Up 21.5 from FY2010)



### Segment Profit and Ratio



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

While demand for construction equipment sharply dropped in China as adversely affected by the government's credit squeeze measure, demand expanded in other Strategic markets and the Traditional Markets of Japan, North America and Europe from the previous fiscal year. With respect to mining equipment, demand for new equipment remained brisk against the backdrop of skyrocketing prices of commodities. By capitalizing on an increase in machine population and implementing sales promotion initiatives, Komatsu also boosted parts sales and service revenues. As a result, sales of construction, mining and utility equipment to outside customers increased by 7.7% from the previous fiscal year, to ¥1,739.3 billion (USD21,212 million).

Komatsu concerted continuous efforts to improve selling prices by drawing on its integrated capability with products, service, marketing and production. Komatsu also continued to improve production costs, as represented by the 30% Productivity Improvement Activity which we have been promoting for Japanese plants since the Lehman Shock. Through these measures, Komatsu further strengthened its high-profitability corporate foundation, capable of flexibly responding to foreign exchange and market demand fluctuations. With respect to products, Komatsu worked to launch new HB205 and 215LC hybrid hydraulic excavators outside of Japan, while working to expand sales of new emission standards-compliant models in North America and Europe.



Japan	Demand for construction equipment increased steadily, reflecting the following two factors. First, the number of used equipment in surplus exported from Japan, which had outnumbered demand for new equipment since around 2000, has declined to a stable figure. Second, demand for new equipment increased, particularly from rental companies for use in reconstruction of the earthquake and tsunami-devastated regions. As a result, sales improved from the previous fiscal year.
North America	In North America, where recovery of demand in the housing sector was still lacking in momentum, demand for equipment remained strong in the rental, energy development, and mining industries. By capturing this growth in demand, Komatsu worked to step up sales of new emission standards-compliant models, which were launched during the first quarter period, as well as hybrid hydraulic excavators. As a result, North American sales increased from the previous fiscal year.
Europe	While concerns over economic slowdown continued against the backdrop of fiscal problems, Komatsu worked to expand sales of parts and launch new emission standards-compliant models and hybrid hydraulic excavators, as demand remained steady in the major markets of Germany and France. As a result, European sales improved from the previous fiscal year.
Latin America	While demand remained flat from the previous fiscal year in Brazil, the largest market for construction equipment in the region, that for mining equipment was brisk, centering on Chile, against the backdrop of surging prices of commodities. As a result, sales in Latin America increased from the previous fiscal year.
CIS	Demand was firm, centering on equipment in the mining sector, such as coal, gold and other mines as well as the energy sector, such as oil and natural gas. During the year under review, Komatsu Manufacturing Rus LLC. began production of the HD785 dump truck mainly for mining application, following the initial production of hydraulic excavators. As a result, sales CIS increased from the previous fiscal year.
China	As the government's credit squeeze measure remained in place, the start of new construction projects was delayed by lack of funds, and demand dropped sharply, especially in the civil engineering industry. As a result, sales declined from the previous fiscal year. In spite of these current conditions, Komatsu expanded production capacities of Komatsu (Changzhou) Construction Machinery Corp. and Komatsu (Shandong) Construction Machinery Corp. by anticipating mid to long-range market growth.



**Asia & Oceania**

In Indonesia, the largest market of Southeast Asia, demand continued to expand for mining equipment, while that for construction equipment remained strong in the civil engineering, agriculture and forestry sectors as well. Demand for construction equipment also increased steadily in India, Malaysia and other countries in Asia. In Australia, demand was brisk, centering on mining equipment. Against this backdrop, sales in Asia & Oceania advanced from the previous fiscal year.

**Middle East & Africa**

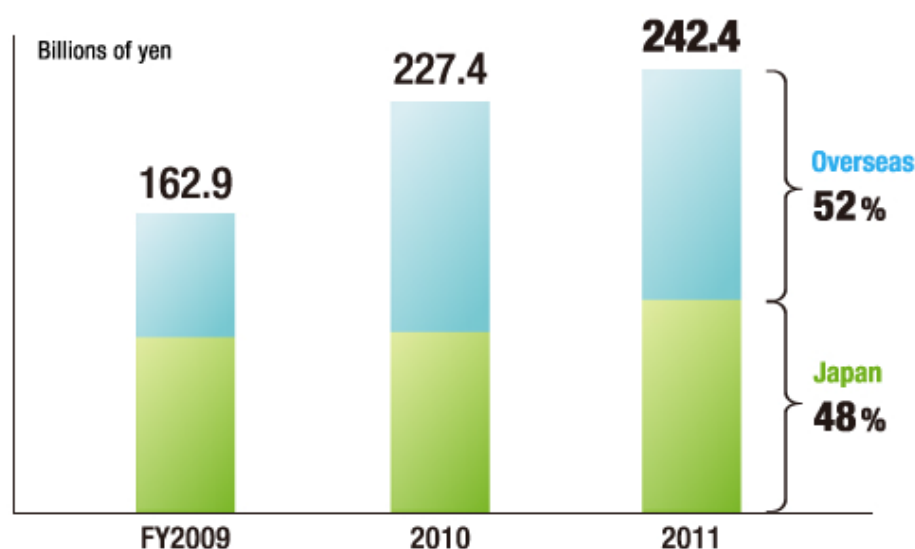
While unstable political and social conditions continued in some countries, demand advanced, especially for use in mines in Africa. Even under such an environment, sales in the Middle East & Africa improved from the previous fiscal year.

## Review of Operations

 Construction, Mining and Utility Equipment

### Industrial Machinery and Others

#### Net Sales (To Outside Customers)



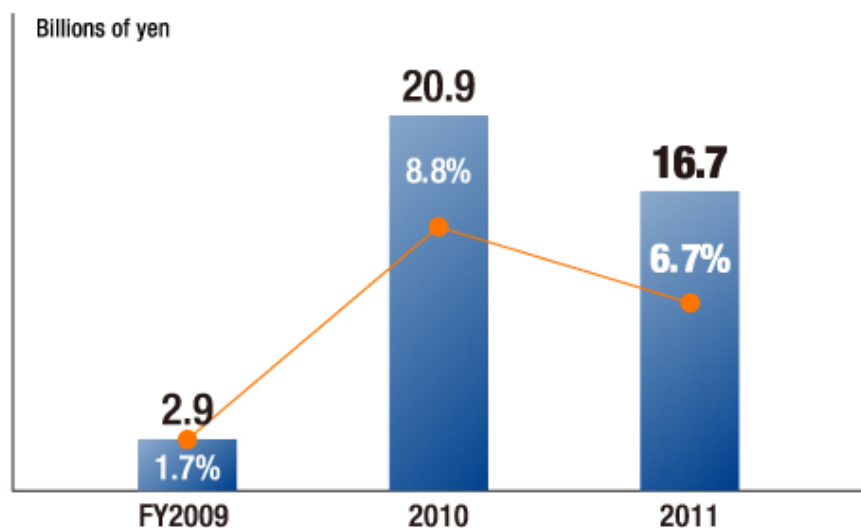
Sales of wire saws downturned in the second quarter of the fiscal year under review, as adversely affected by the Chinese government's credit squeeze measure, by reduced subsidies related to solar energy use in Europe and by the lowered price of solar cells. As a result, sales of wire saws for the fiscal year dropped sharply from the previous fiscal year. Meanwhile, as capital investment by the automobile manufacturing industry upturned for recovery, sales of presses and machine tools increased from the previous fiscal year. In addition, Gigaphoton Inc. became a consolidated subsidiary in May last year. As a result, sales of the industrial machinery and others business to outside customers increased by 6.6% from the previous fiscal year, to ¥242.4 billion (USD2,956 million).

Concerning damages caused by flooding in Thailand, Komatsu reinforced service capability,



including engineers dispatched from Japan, and began repair assistance for customers' machines in the wake of receding floodwaters in December last year.

#### Segment Profit and Ratio



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



## Corporate Governance

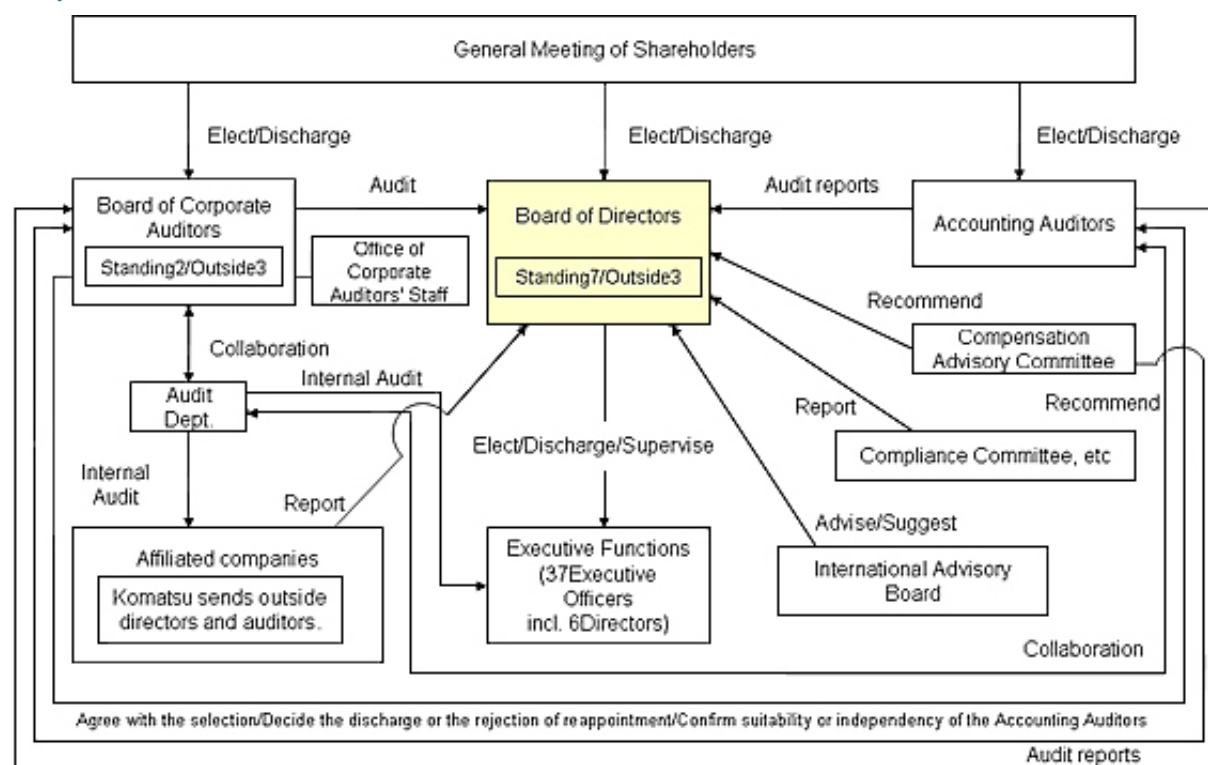
### Basic Stance

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 20, 2012

### Organizational Profile

#### Board of Directors



## 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 20,2012)

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 management overall 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 Group Holdings, Ltd.	Having served as Representative Director of Asahi Breweries, Ltd. (now Asahi Group Holdings, 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.



### Outside Directors

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 Corporate Auditors' Staff 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.

#### Board of Corporate Auditors (As of June 20,2012)

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 management overall 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 8 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.



## Corporate Information

2012/3/31

### Outline

<b>Name</b>	Komatsu Ltd.
<b>Head Office</b>	2-3-6 Akasaka, Minato-ku, Tokyo 107-8414, Japan
<b>Date of Establishment</b>	May 13, 1921
<b>Common Stock Outstanding</b>	Consolidated: ¥67,870 million (US\$828 million) based on U.S. GAAP Non-consolidated: ¥70,120 million (US\$855 million)
<b>Number of Employees</b>	Consolidated: 44,206 Non-consolidated: 9,541

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, 2012 at the rate of ¥82 to US\$1, the approximate rate of exchange at March 31, 2012.

### ■ Directors, Auditors and Officers

### Shareholder Information

<b>Shares of Common Stock Issued and Outstanding</b>	983,130,260 shares
<b>Number of Shareholders</b>	244,754
<b>Number of Shares per Trading Unit</b>	100
<b>Securities Code</b>	6301 (Japan)
<b>Stock Listings</b>	Tokyo and Osaka
<b>Transfer Agent for Common Stock/ Management Institution for Special Account</b>	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
<b>Depositories (ADRs)</b>	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



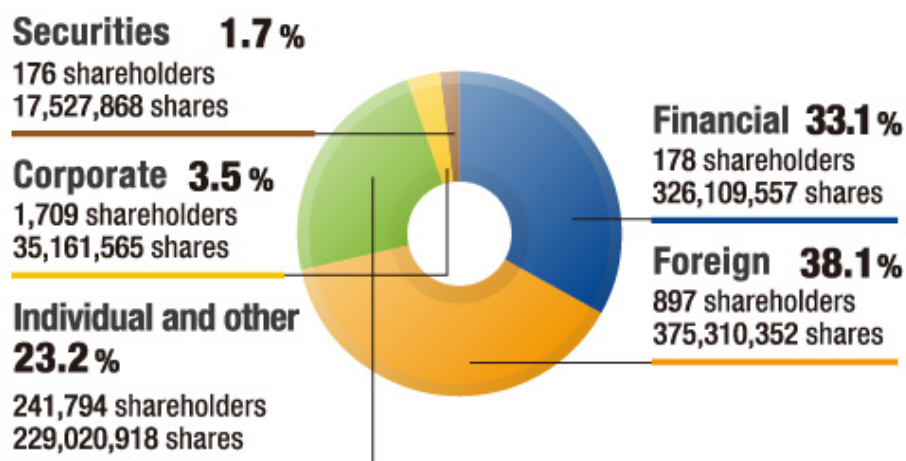
### Major Shareholders (Top Ten) (As of March 31, 2012)

Name of Shareholders	Number of Shares Held (thousand shares)	Equity Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	51,214	5.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,285	4.5
Taiyo Life Insurance Company	38,000	3.9
Nippon Life Insurance Company	33,283	3.4
JPMorgan Chase Bank 380055	32,478	3.4
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	24,489	2.5
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	24,177	2.5
State Street Bank and Trust Company	24,047	2.5
Sumitomo Mitsui Banking Corporation	17,835	1.8
Mellon Bank, N.A. as Agent for its Client Mellon Omibus US Pension	12,982	1.3

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

2. Although the Company holds 30,330 thousand shares of treasury stock, it is excluded from the major shareholders list above.

### Breakdown of Shareholders (As of March 31, 2012)





Tokyo Stock Price Range (As of June 30, 2012)





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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) Assistance efforts for restoration and reconstruction of the regions devastated by the Great East Japan Earthquake and tsunami

In response to the massive destruction caused by the Great East Japan Earthquake and tsunami on March 11, 2011, the Komatsu Group established the Tohoku Operation Department in April of the same year in order to accurately provide specific assistance which has been needed in the damaged regions. Mainly under the leadership of the Department, we have continued our assistance, equivalent to ¥2 billion, including free-of-charge lending of construction equipment, forklift trucks, prefabricated structures for use as temporary shelters and other equipment, donation of prefabricated structures for use as clinics, nursery schools and other facilities, as well as scholarships for college students who have been adversely affected by this disaster. About 670 Komatsu Group employees in 55 business bases in Iwate, Fukushima and Miyagi prefectures have been delivering construction equipment promptly, which is indispensable for reconstruction of the disaster-stricken regions, by carefully monitoring the local needs. At the same time, they have also been concerting top-priority efforts in machine maintenance service so that construction equipment will keep working at all needed jobsites. Concerning the Fukushima Dai-Ichi nuclear disaster, Komatsu-made radio-controlled construction equipment has been deployed on the power station site which has been exposed to a high degree of radioactivity. It is also projected that our ICT-intensive construction technologies (for automation of construction sites) will be used to remove radioactive soil. The Komatsu Group will continue to engage in group-wide assistance activities for reconstruction of the devastated regions.

### (2) General

Under the "Global Teamwork for Tomorrow" mid-range management plan for three years, to be completed in the fiscal year ending March 31, 2013, Komatsu Ltd. ("Company") and its consolidated subsidiaries (together "Komatsu") are focusing efforts on 1) promotion of ICT (Information and Communication Technology) 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.

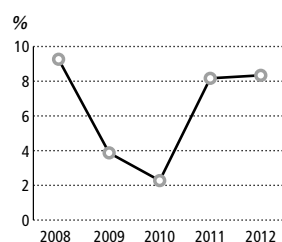
In the construction, mining and utility equipment business, during the fiscal year ended March 31, 2012, while demand for construction equipment dropped drastically in China, that in other Strategic markets and Traditional Markets increased, compensating for the sharp decline in China. In the mining equipment sector, demand for new equipment, parts and service all remained strong. Sales increased from the previous fiscal year, partly reflecting the fact that Komatsu was able to quickly recover production to the normal conditions from the adverse effects brought about by the Great East Japan Earthquake and tsunami and accurately capture an increase in demand. In the industrial machinery and others business, while sales of wire saws declined from the previous fiscal year, sales of presses, machine tools and other products increased, and during the fiscal year ended March 31, 2012, Gigaphoton Inc. became a consolidated subsidiary. As a result, sales of the industrial machinery and others business grew from the previous fiscal year. Consolidated sales increased by 7.5% from the previous fiscal year, to ¥1,981,763 million (US\$24,168 million at US\$1=¥82). With respect to profits, while the Japanese yen appreciated against the U.S. dollar, Euro and Renminbi more than the previous fiscal year, Komatsu expanded the volume of sales, while placing continuous efforts to improve selling prices and production costs, in particular. As a result, operating income reached ¥256,343 million (US\$3,126 million), registering an increase of 15.0% from the previous fiscal year, and operating income ratio of 12.9%, up 0.8 percentage points from the previous fiscal year. Income before income taxes and equity in earnings of affiliated companies advanced by 13.6% to ¥249,609 million (US\$3,044 million). Net income attributable to Komatsu Ltd. also improved by 10.8% to ¥167,041 million (US\$2,037 million).

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

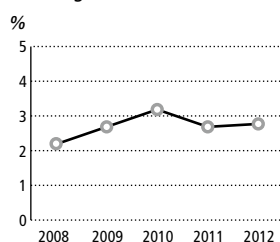
Traditional Markets: Japan, North America and Europe

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

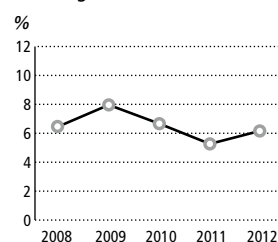
Net Income Attributable to Komatsu Ltd. on Net Sales



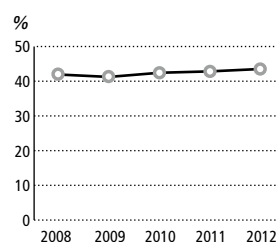
R&D Expenses as a Percentage of Net Sales



Capital Investment as a Percentage of Net Sales



Shareholders' Equity Ratio





	Results for the Year	Increase
Net sales	1,981,763 million yen	7.5%
Operating income	256,343 million yen	15.0%
Income before income taxes and equity in earnings of affiliated companies	249,609 million yen	13.6%
Net income attributable to Komatsu Ltd.	167,041 million yen	10.8%

### (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 ¥34,200 million 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 net sales determined by customer locations.)

Consolidated net sales increased 7.5% over the previous year, to ¥1,981,763 million (US\$24,168 million) from ¥1,843,127 million. Sales in Japan increased 15.3% over the previous year, to ¥402,505 million (US\$4,909 million) from ¥349,184 million. Sales in overseas countries increased 5.7% over the previous year, to ¥1,579,258 million (US\$19,259 million) from ¥1,493,943 million.

### Construction, Mining and Utility Equipment

While demand for construction equipment sharply dropped in China as adversely affected by the government's credit squeeze measure, demand expanded in other Strategic markets and the Traditional Markets of Japan, North America and Europe from the previous fiscal year. With respect to mining equipment, demand for new equipment remained brisk against the backdrop of skyrocketing prices of commodities. Komatsu also boosted parts sales and service revenues. As a result, sales of construction, mining and utility equipment increased by 7.7% from the previous fiscal year, to ¥1,739,348 million (US\$21,212 million).

Komatsu concerted continuous efforts to improve selling prices by capitalizing on its integrated capability with products, service, marketing and production. Komatsu also continued to improve production costs, as represented by the 30% productivity improvement campaign which we have been promoting

for Japanese plants since the Lehman Shock. Through these measures, Komatsu further strengthened its high-profitability corporate foundation, capable of flexibly responding to foreign exchange and market demand fluctuations. With respect to products, Komatsu worked to launch new HB205 and 215LC hybrid hydraulic excavators outside of Japan, while working to expand sales of new emission standards-compliant models in North America and Europe.

### <Japan>

Demand for construction equipment increased by 13.8% to ¥286,342 million (US\$3,492 million) as compared to the previous year, reflecting the following two factors. First, the number of used equipment in surplus exported from Japan, which had outnumbered demand for new equipment since around 2000, has declined to a stable figure. Second, demand for new equipment increased, particularly from rental companies for use in reconstruction of the earthquake and tsunami-devastated regions. As a result, sales improved from the previous fiscal year. In addition to quickly restarting operations of Komatsu Group's branches which were destroyed, Komatsu opened the Tohoku Service Center of the Tohoku Operation Department and the Miyagi center of Komatsu Safety Training Center Ltd. Through these measures, Komatsu worked to reinforce sales and service operations which should backup reconstruction projects in the disaster-stricken Tohoku region.

### <Americas>

In North America, where recovery of demand in the housing sector was still lacking in momentum, demand for equipment remained strong in the rental, energy development, and mining industries. By capturing this growth in demand, Komatsu worked to step up sales of new emission standards-compliant models, which were launched during the first quarter period, as well as hybrid hydraulic excavators. At the same time, Komatsu continued to successfully promote the Zero Inventory Campaign for distributors, designed to improve distributors' strength and reinforce their customer support operation. In Latin America, demand for mining equipment was brisk, centering on Chile, against the backdrop of surging prices of commodities. As a result, sales in the Americas increased from the previous fiscal year.

As the result, net sales in the Americas increased by 14.6% to ¥443,044 million (US\$5,403 million) as compared to the previous year.

### <Europe & CIS>

While concerns over economic slowdown continued against the backdrop of fiscal problems, Komatsu worked to expand sales



of parts and launch new emission standards-compliant models and hybrid hydraulic excavators, as demand remained steady in the major markets of Germany and France. In CIS, demand was firm, centering on equipment in the mining sector, such as coal, gold and other mines as well as the energy sector, such as oil and natural gas. As a result, sales in Europe & CIS increased from the previous fiscal year. At Komatsu Manufacturing Rus LLC., Komatsu began production of the HD785 dump truck mainly for mining application, following the initial production of hydraulic excavators.

As the result, net sales in Europe and CIS increased by 22.2% to ¥200,404 million (US\$2,444 million) as compared to the previous year.

#### <China>

As the government's credit squeeze measure remained in place, the start of new construction projects was delayed by lack of funds, and demand dropped sharply, especially in the civil engineering industry. As a result, sales decreased by 39.8% to ¥201,312 million (US\$2,455 million) from the previous fiscal year. In spite of these current conditions, Komatsu expanded production capacities of Komatsu (Changzhou) Construction Machinery Corp. and Komatsu (Shandong) Construction Machinery Corp. by anticipating mid to long-range market growth.

#### <Asia & Oceania>

In Indonesia, the largest market of Southeast Asia, demand continued to expand for mining equipment, while that for construction equipment remained strong in the civil engineering, agriculture and forestry sectors as well. Demand for construction equipment also increased steadily in India, Malaysia and other countries in Asia. In Australia, demand was brisk, centering on mining equipment. Against this backdrop, sales in Asia & Oceania increased by 28.5% to ¥481,277 million (US\$5,869 million) from the previous fiscal year. Concerning flooding in Thailand last year, facilities of some suppliers were damaged: however, Komatsu capitalized on its strength of global procurement, obtained alternative parts from other regions of the world, and thus became able to recover production to the normal conditions quickly. In November last year, Komatsu and Rio Tinto signed a Memorandum of Understanding to operate over 150 driverless dump trucks in iron ore mines in Australia by the end of 2015. In December last year, Komatsu established the support center in Perth. Two partners are teaming up to succeed in this project.

#### <Middle East & Africa>

While unstable political and social conditions continued in some countries, demand advanced, especially for use in mines in Africa. Under such an environment, sales in the Middle East & Africa increased by 21.5% to ¥126,969 million (US\$1,548 million) from the previous fiscal year. To meet continuous market expansion with equipment for use in mine and infra-

structure development, Komatsu embarked on KOMTRAX (Komatsu Machine Tracking System) -installed standard construction equipment in South Africa. By anticipating future market growth in Africa, Komatsu worked to strengthen sales and product support operations with an eye to anchoring the Komatsu brand in a short period of time. Specific measures included improvement of training centers and programs.

#### Industrial Machinery and Others

Sales of wire saws downturned in the second quarter of the fiscal year ended March 31, 2012, as adversely affected by the Chinese government's credit squeeze measure, by reduced subsidies related to solar energy use in Europe and by the lowered price of solar cells. As a result, sales of wire saws for the fiscal year dropped sharply from the previous fiscal year. Meanwhile, as capital investment by the automobile manufacturing industry upturned for recovery, sales of presses and machine tools increased from the previous fiscal year. In addition, Gigaphoton Inc. became a consolidated subsidiary in May last year. As a result, sales of the industrial machinery and others business increased by 6.6% from the previous fiscal year, to ¥242,415 million (US\$2,956 million).

Concerning damages caused by flooding in Thailand, Komatsu reinforced service capability, including engineers dispatched from Japan, and began repair assistance for customers' machines in the wake of receding floodwaters in December last year.

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

Cost of sales increased by 7.2% from the previous year to ¥1,440,765 million (US\$17,570 million) in the current year. Its ratio to sales was 72.7% down by 0.2 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 6.7% from the previous year to ¥282,335 million (US\$3,443 million). Research and development (R&D) expenses, which are included in cost of sales and SG&A, increased by 11.9% from the previous year to ¥54,843 million (US\$669 million).

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

Impairment loss on long-lived assets decreased by ¥2,036 million to ¥3,106 million (US\$38 million) as compared to ¥5,142 million for the previous year, which primarily included impairment losses on property, plant and equipment.

#### (7) Other Operating Income (Expense)

Other operating income was ¥786 million (US\$10 million) as compared to other operating expenses of ¥6,901 million for the previous year. This was due primarily to (1) the decrease in expenses for structural reforms with respect to its production and sales operations, such as reorganization and relocation expenses, and (2) the decrease in expenses resulting from the



damage caused by the Great East Japan Earthquake and subsequent tsunami.

#### **(8) Operating Income**

Due to the reasons discussed above, operating income in the current year of ¥256,343 million (US\$3,126 million) increased by ¥33,414 million as compared to ¥222,929 million in the previous year.

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

Interest and dividend income in the current year of ¥3,776 million (US\$46 million) decreased by ¥717 million as compared to ¥4,493 million in the previous year. Interest expense in the current year of ¥7,784 million (US\$95 million) increased by ¥1,309 million as compared to ¥6,475 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 ¥249,609 million (US\$3,044 million) increased by ¥29,800 million as compared to ¥219,809 million in the previous year.

#### **(11) Income Taxes**

Income taxes in the current year of ¥74,470 million (US\$908 million) increased by ¥9,764 million as compared to ¥64,706 million in the previous year. The actual effective tax rate in the current year increased by 0.4% to 29.8% as compared to 29.4% in the previous year. The difference between the Japanese statutory tax rate of 40.8% and the actual effective tax rate of 29.8% 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 ¥1,609 million (US\$19 million) decreased from ¥2,724 million in the previous year. This decrease was mainly due to that Gigaphoton Inc. changed its status from an affiliated company to a subsidiary.

#### **(13) Net Income**

Net income in the current year of ¥176,748 million (US\$2,155 million) increased by ¥18,921 million as compared to ¥157,827 million in the previous year.

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

Net income attributable to noncontrolling interests in the current year of ¥9,707 million (US\$118 million) loss increased by ¥2,632 million as compared to a ¥7,075 million loss in the previous year. This increase was mainly due to increased 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 10.8% to ¥167,041 million (US\$2,037 million) as compared to ¥150,752 million in the previous year. Accordingly, basic net income attributable to Komatsu Ltd on a per share basis rose to ¥173.47 in the current year as compared to ¥155.77 in the previous year. Diluted net income attributable to Komatsu Ltd on a per share basis rose to ¥173.32 in the current year as compared to ¥155.66 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 ¥25,461 million from the previous year to ¥246,291 million (US\$3,004 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 decreased by ¥4,186 million from the previous year to ¥16,779 million (US\$205 million) mainly due to the decrease in wire saw sales of Komatsu NTC Ltd.

Consequently, overall consolidated segment profit increased by ¥23,691 million from the previous year to ¥258,663 million (US\$3,154 million)



## 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, Komatsu's overseas subsidiaries participate in a global cash pooling arrangement with a single financial institution, which is used to fund their liquidity needs. Participating overseas subsidiaries are allowed to withdraw cash from this financial institution based upon the aggregate cash deposits made to such financial institution. This arrangement contains specific provisions for the right to offset positive and negative cash balances on a global basis. Komatsu's consolidated Balance Sheet as of March 31, 2012 reflects cash net of withdrawals of ¥28,823 million (US\$352 million) in this global cash pooling arrangement.

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, 2012, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥58,395 million (US\$ 712 million) with financial institutions to secure liquidity. As of March 31, 2012, ¥12,544 million (US\$ 153 million) was available to be used under such credit line agreements, which contain customary covenants. Komatsu is not subject to any covenants limiting its ability to incur additional indebtedness. In addition, the Company has a ¥120,000 million (US\$ 1,463 million) commercial paper program, ¥75,000 million (US\$ 915 million) of which was unused as of March 31, 2012.

To fulfill Komatsu's medium- to long-term funding needs, the Company has established a bond program as well as a Euro Medium Term Note ("EMTN") program. As discussed below, in addition to the Company, some of its subsidiaries may also issue EMTNs under the EMTN program. In November 2010, the Company's bond program was renewed such that it could issue up to ¥100,000 million (US\$ 1,219 million) of variable-term bonds within a two-year period. Under this renewed program, the Company has issued ¥30,000 million (US\$ 366 million) of bonds as of March 31, 2012 and ¥70,000 million (US\$ 854 million) remains unused. As of March 31, 2012, the Company also has ¥120,000 million (US\$ 1,463 million) aggregate principal amount of bonds outstanding, which was issued under the bond program prior to its 2010 renewal. As for EMTNs, the Company, Komatsu Finance America Inc. and Komatsu Capital

Europe S.A. have established a US\$1.2 billion EMTN program. Any of these three issuer entities can issue notes in various currencies under the EMTN program. The principal amount of notes outstanding as of March 31, 2012 under the EMTN program was ¥56,098 million (US\$ 684 million).

Komatsu's short-term debt as of March 31, 2012, which primarily consisted of commercial paper increased by ¥85,516 million to ¥215,824 million (US\$ 2,632 million) from March 31, 2011. Such short-term debt was used as working capital.

Komatsu's long-term debt, including the debt with maturity dates on or before March 31, 2013, increased by ¥18,216 million to ¥431,976 million (US\$ 5,268 million) in the fiscal year ended March 31, 2012 as compared to the fiscal year ended March 31, 2011. As of March 31, 2012, Komatsu's long-term debt, excluding market value adjustment, consisted of (1) ¥243,342 million in loans from banks, insurance companies and other financial institutions, (2) ¥120,000 million in unsecured bonds, (3) ¥56,098 million in EMTNs and (4) ¥12,536 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, 2012, including its capital lease obligations, increased by ¥103,732 million to ¥647,800 million (US\$ 7,900 million) as compared to March 31, 2011. Net interest-bearing debt after deducting cash and deposits also increased by ¥104,704 million to ¥563,814 million (US\$ 6,876 million) in the fiscal year ended March 31, 2012. As a result, Komatsu's net debt-to-equity ratio as of March 31, 2012 was 0.56, compared to 0.50 as of March 31, 2011.

As of March 31, 2012, current assets increased by ¥156,000 million to ¥1,400,372 million (US\$17,078 million), while current liability increased by ¥63,722 million to ¥863,710 million (US\$10,533 million). As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2012, was 162.1%, which reflected an increase of 6.6 percentage points from the previous year.

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

As of March 31, 2012, Komatsu's total cash and cash equivalents was ¥83,079 million (US\$1,013 million). Out of total cash and cash equivalents, ¥58,911 million (US\$718 million) was held outside of Japan in various overseas subsidiaries as of March 31, 2012. Under current tax laws and regulations, if cash and cash equivalents associated with the overseas subsidiaries' undistributed earnings were to be repatriated in the form of dividends or deemed distributions to Komatsu, Komatsu would be subject to additional Japanese income taxes and foreign withholding taxes



in certain countries. However, Komatsu considers almost half of these funds to be indefinitely invested in its overseas operations and does not intend to repatriate them as of March 31, 2012.

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, 2012, 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 amounted to ¥105,608 million (US\$1,288 million), a decrease of ¥44,794 million from ¥150,402 million for the previous fiscal year, mainly due to increased inventories in response to greater demand for mining equipment.

Net cash used in investing activities totaled ¥124,539 million (US\$1,519 million), an increase of ¥36,030 million from the previous fiscal year, mainly due to the purchase of fixed assets as well as shares of subsidiaries and equity investees.

While cash was used in redistribution of profits to share holders, such as dividend payments and repurchasing its own

shares for retirement, net cash provided by financing activities amounted to ¥18,781 million (US\$229 million) due to long-term debt financing and an increase in short-term debt, compared to net cash of ¥56,365 million used for the previous fiscal year.

In addition, after adding the effects of foreign exchange fluctuations, cash and cash equivalents, as of March 31, 2012, totaled ¥83,079 million (US\$1,013 million), a decrease of ¥1,145 million from the previous fiscal year-end.

## (3) Capital Investment

In the construction, mining and utility equipment business, Komatsu invested for expanding its production capacity in response to increased demand for its equipment, and to strengthen its sales and service operations in the Strategic Markets. In the Industrial Machinery and Others operating segment, Komatsu made capital investments to increase its capacity to produce presses and machine tools in response to increased capital investments by the automobile manufacturing industry.

As a result, Komatsu's capital investment, on a consolidated basis, for the fiscal year ended March 31, 2012 was ¥122,038 million (US\$1,488 million), a increase of ¥24,300 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 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 the increase in its business, while 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, Komatsu may also experience, among other things, fewer orders of its products, an increase in cancellation of orders by customers and a delay in the collection of receivables.

These changes in the 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 to improve the efficiency of its assets by reducing its interest-bearing debt, its aggregate short- and long-term interest-bearing debt was approximately ¥650 billion as of March 31, 2012. Although Komatsu has strived to reduce the effect of interest rate fluctuations, using various measures, including procuring funds at fixed interest rates, an increase in interest rates may increase Komatsu's interest expenses and thereby adversely affect Komatsu's results of operations. In addition, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of Komatsu's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect Komatsu's results of operations and financial condition.

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

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

### (5) Environmental laws and regulations

Komatsu's products and business operations are required to meet increasingly stringent environmental laws and regulations in the numerous countries in which Komatsu operates. To this end, Komatsu expends a significant share of its management re-



sources, such as research and development expenses, to comply with environmental and other related regulations. If Komatsu is required to incur additional expenses and make additional capital investments due to revised environmental regulations adopted in the future, or if its development, production, sales and service operations are adversely affected by such revised regulations, Komatsu may experience an unfavorable impact on its business results.

#### **(6) Product and quality liability**

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

#### **(7) Alliances 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 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, tsunamis 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 were to occur in the regions in which Komatsu operates, Komatsu may incur extensive damage to one or more of its facilities that then could not become fully operational within a short period of time. Even if Komatsu's operations were not directly harmed by such events, confusion in logistic and supply networks, shortages in the supply of electric power, gas and other utilities, telecommunication problems and/or problems of supplier's production may continue for a long period of time. Accordingly, if delays or disruption in the procurement of materials and parts, or the production and sales of Komatsu's products and services, or deterioration of the capital-raising environment or other adverse developments were to take place as a result of such events, Komatsu's business results may be adversely affected.



## Five-Year Summary

Annual Report 2012  
Financial Section

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen (except per share amounts)	
	2012	2011
<b>For the fiscal period</b>		
Net sales	¥1,981,763	¥1,843,127
Cost of sales	1,440,765	1,343,464
Income from continuing operations before income taxes and equity in earnings of affiliated companies	249,609	219,809
Net income attributable to Komatsu Ltd.	167,041	150,752
As percentage of sales	8.4%	8.2%
Capital investment	122,038	97,738
<b>At fiscal period-end</b>		
Total assets	¥2,320,529	¥2,149,137
Working capital	536,662	444,384
Property, plant and equipment	529,656	508,387
Long-term debt—less current maturities	312,519	291,152
Komatsu Ltd. shareholders' equity	1,009,696	923,843
As percentage of total assets	43.5%	43.0%
<b>Per share data</b>		
Net income attributable to Komatsu Ltd. per share:		
Basic	¥173.47	¥155.77
Dilute	173.32	155.66
Cash dividends per share	41.00	26.00
Komatsu Ltd. shareholders' equity per share	1,060.31	954.48
<b>Other information</b>		
Exchange rate into U.S. dollars (per the Federal Reserve Bank of New York):		
At fiscal period-end	¥82	¥83



## Five-Year Summary

Annual Report 2012  
Financial Section

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31

Millions of yen  
(except per share amounts)

2010	2009	2008
¥1,431,564	¥2,021,743	¥2,243,023
1,101,559	1,510,408	1,590,963
64,979	128,782	322,210
33,559	78,797	208,793
2.3%	3.9%	9.3%
96,191	162,512	145,730

¥1,959,055	¥1,969,059	¥2,105,146
398,375	370,952	412,145
525,100	525,462	491,146
356,985	292,106	235,277
833,975	814,941	887,126
42.6%	41.4%	42.1%

¥34.67	¥79.95	¥209.87
34.65	79.89	209.59
26.00	44.00	38.00
861.51	842.04	891.49

Yen per U.S. dollar

2010	2009	2008
¥93	¥99	¥100



# Consolidated Balance Sheets

Annual Report 2012  
Financial Section

Komatsu Ltd. and Consolidated Subsidiaries  
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	¥ 83,079	¥ 84,224	\$ 1,013,159
Time deposits	907	734	11,060
Trade notes and accounts receivable	559,749	532,757	6,826,207
Inventories	612,359	473,876	7,467,792
Deferred income taxes and other current assets	144,278	152,781	1,759,488
<b>Total current assets</b>	<b>1,400,372</b>	<b>1,244,372</b>	<b>17,077,706</b>
<b>Long-term trade receivables</b>	<b>184,294</b>	<b>183,270</b>	<b>2,247,488</b>
<b>Investments</b>			
Investments in and advances to affiliated companies	20,565	25,115	250,793
Investment securities	54,192	60,855	660,878
Other	2,582	3,124	31,488
<b>Total investments</b>	<b>77,339</b>	<b>89,094</b>	<b>943,159</b>
<b>Property, plant and equipment</b> —less accumulated depreciation and amortization	<b>529,656</b>	<b>508,387</b>	<b>6,459,220</b>
<b>Goodwill</b>	<b>31,229</b>	<b>29,321</b>	<b>380,841</b>
<b>Other intangible assets</b> —less accumulated amortization	<b>57,953</b>	<b>53,971</b>	<b>706,744</b>
<b>Deferred income taxes and other assets</b>	<b>39,686</b>	<b>40,722</b>	<b>483,976</b>
	<b>¥2,320,529</b>	<b>¥2,149,137</b>	<b>\$28,299,134</b>



# Consolidated Balance Sheets

Annual Report 2012  
Financial Section

Komatsu Ltd. and Consolidated Subsidiaries  
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Short-term debt	¥ 215,824	¥ 130,308	\$ 2,632,000
Current maturities of long-term debt	119,457	122,608	1,456,793
Trade notes, bills and accounts payable	273,460	308,975	3,334,878
Income taxes payable	23,195	38,829	282,866
Deferred income taxes and other current liabilities	231,774	199,268	2,826,512
<b>Total current liabilities</b>	<b>863,710</b>	<b>799,988</b>	<b>10,533,049</b>
<b>Long-term liabilities</b>			
Long-term debt	312,519	291,152	3,811,207
Liability for pension and retirement benefits	50,685	48,027	618,110
Deferred income taxes and other liabilities	36,158	37,290	440,951
<b>Total long-term liabilities</b>	<b>399,362</b>	<b>376,469</b>	<b>4,870,268</b>
<b>Total liabilities</b>	<b>1,263,072</b>	<b>1,176,457</b>	<b>15,403,317</b>
<b>Commitments and contingent liabilities</b>			
<b>Equity</b>			
<b>Komatsu Ltd. shareholders' equity</b>			
Common stock:			
Authorized 3,955,000,000 shares			
Issued 983,130,260 shares in 2012 and 998,744,060 shares in 2011			
Outstanding 952,261,022 shares in 2012 and 967,902,641 shares in 2011	67,870	67,870	827,683
Capital surplus	138,384	140,523	1,687,610
Retained earnings:			
Appropriated for legal reserve	37,954	34,494	462,854
Unappropriated	951,395	847,153	11,602,377
Accumulated other comprehensive loss	(142,389)	(131,059)	(1,736,451)
Treasury stock at cost, 30,869,238 shares in 2012 and 30,841,419 shares in 2011	(43,518)	(35,138)	(530,707)
<b>Total Komatsu Ltd. shareholders' equity</b>	<b>1,009,696</b>	<b>923,843</b>	<b>12,313,366</b>
<b>Noncontrolling interests</b>	<b>47,761</b>	<b>48,837</b>	<b>582,451</b>
<b>Total equity</b>	<b>1,057,457</b>	<b>972,680</b>	<b>12,895,817</b>
	<b>¥2,320,529</b>	<b>¥2,149,137</b>	<b>\$28,299,134</b>



# Consolidated Statements of Income

Annual Report 2012  
Financial Section

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Net sales	<b>¥1,981,763</b>	¥1,843,127	¥1,431,564	<b>\$24,167,841</b>
Cost of sales	<b>1,440,765</b>	1,343,464	1,101,559	<b>17,570,304</b>
Selling, general and administrative expenses	<b>282,335</b>	264,691	249,286	<b>3,443,110</b>
Impairment loss on long-lived assets	<b>3,106</b>	5,142	3,332	<b>37,878</b>
Other operating income (expenses), net	<b>786</b>	(6,901)	(10,352)	<b>9,585</b>
<b>Operating income</b>	<b>256,343</b>	222,929	67,035	<b>3,126,134</b>
<b>Other expenses, net</b>	<b>(6,734)</b>	(3,120)	(2,056)	<b>(82,122)</b>
Interest and dividend income	<b>3,776</b>	4,493	6,158	<b>46,049</b>
Interest expense	<b>(7,784)</b>	(6,475)	(8,502)	<b>(94,927)</b>
Other, net	<b>(2,726)</b>	(1,138)	288	<b>(33,244)</b>
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>249,609</b>	219,809	64,979	<b>3,044,012</b>
<b>Income taxes</b>				
Current	<b>66,420</b>	57,923	32,722	<b>810,000</b>
Deferred	<b>8,050</b>	6,783	(7,358)	<b>98,171</b>
Total	<b>74,470</b>	64,706	25,364	<b>908,171</b>
<b>Income before equity in earnings of affiliated companies</b>	<b>175,139</b>	155,103	39,615	<b>2,135,841</b>
<b>Equity in earnings of affiliated companies</b>	<b>1,609</b>	2,724	1,588	<b>19,622</b>
<b>Net income</b>	<b>176,748</b>	157,827	41,203	<b>2,155,463</b>
<b>Less net income attributable to noncontrolling interests</b>	<b>(9,707)</b>	(7,075)	(7,644)	<b>(118,378)</b>
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 167,041</b>	¥ 150,752	¥ 33,559	<b>\$ 2,037,085</b>
				Yen
<b>Per share data:</b>				U.S. cents
<b>Net income attributable to Komatsu Ltd.:</b>				
Basic	<b>¥ 173.47</b>	¥ 155.77	¥ 34.67	<b>¢ 211.55</b>
Diluted	<b>173.32</b>	155.66	34.65	<b>211.36</b>
<b>Cash dividends per share</b>	<b>41.00</b>	26.00	26.00	<b>50.00</b>



# Consolidated Statements of Equity

Annual Report 2012  
Financial Section

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2012, 2011 and 2010

	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, 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 (losses) 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
<b>Balance at March 31, 2011</b>	<b>¥67,870</b>	<b>¥140,523</b>	<b>¥34,494</b>	<b>¥847,153</b>	<b>¥(131,059)</b>	<b>¥(35,138)</b>	<b>¥ 923,843</b>	<b>¥48,837</b>	<b>¥ 972,680</b>
Cash dividends				(39,701)			(39,701)	(6,447)	(46,148)
Transfer to retained earnings appropriated for legal reserve			3,460	(3,460)			—	—	—
Other changes		(245)				34	(211)	(4,024)	(4,235)
Comprehensive income (loss)									
Net income				167,041			167,041	9,707	176,748
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					(8,759)		(8,759)	(193)	(8,952)
Net unrealized holding gains on securities available for sale					725		725		725
Pension liability adjustments					(1,930)		(1,930)	(13)	(1,943)
Net unrealized holding gains (losses) on derivative instruments					(1,400)		(1,400)	(106)	(1,506)
Comprehensive income							155,677	9,395	165,072
Issuance and exercise of stock acquisition rights		699					699		699
Purchase of treasury stock						(31,118)	(31,118)		(31,118)
Sales of treasury stock		(13)				520	507		507
Retirement of treasury stock		(2,580)		(19,638)		22,218	—		—
<b>Balance at March 31, 2012</b>	<b>¥67,870</b>	<b>¥138,384</b>	<b>¥37,954</b>	<b>¥951,395</b>	<b>¥(142,389)</b>	<b>¥(43,518)</b>	<b>¥1,009,696</b>	<b>¥47,761</b>	<b>¥1,057,457</b>

	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, 2011	\$827,683	\$1,713,695	\$420,659	\$10,331,134	\$(1,598,280)	\$(428,512)	\$11,266,379	\$595,573	\$11,861,952
Cash dividends				(484,159)			(484,159)	(78,622)	(562,781)
Transfer to retained earnings appropriated for legal reserve			42,195	(42,195)			—	—	—
Other changes		(2,987)				415	(2,572)	(49,073)	(51,645)
Comprehensive income (loss)									
Net income				2,037,085			2,037,085	118,378	2,155,463
Other comprehensive income (loss), for the period, net of tax									
Foreign currency translation adjustments					(106,817)		(106,817)	(2,354)	(109,171)
Net unrealized holding gains on securities available for sale					8,841		8,841		8,841
Pension liability adjustments					(23,537)		(23,537)	(158)	(23,695)
Net unrealized holding gains (losses) on derivative instruments					(17,073)		(17,073)	(1,293)	(18,366)
Comprehensive income							1,898,499	114,573	2,013,072
Issuance and exercise of stock acquisition rights		8,524					8,524		8,524
Purchase of treasury stock						(379,488)	(379,488)		(379,488)
Sales of treasury stock		(159)				6,342	6,183		6,183
Retirement of treasury stock		(31,463)		(239,488)		270,951	—		—
<b>Balance at March 31, 2012</b>	<b>\$827,683</b>	<b>\$1,687,610</b>	<b>\$462,854</b>	<b>\$11,602,377</b>	<b>\$(1,736,451)</b>	<b>\$(530,707)</b>	<b>\$12,313,366</b>	<b>\$582,451</b>	<b>\$12,895,817</b>



# Consolidated Statements of Cash Flows

Annual Report 2012  
Financial Section

Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
<b>Operating activities</b>				
Net income	¥ 176,748	¥ 157,827	¥ 41,203	\$ 2,155,463
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	90,106	89,467	91,319	1,098,854
Deferred income taxes	8,050	6,783	(7,358)	98,171
Net loss (gain) from sale of investment securities and subsidiaries	2,516	54	(679)	30,683
Net gain on sale of property	(915)	(2,807)	(373)	(11,159)
Loss on disposal of fixed assets	2,108	1,928	2,244	25,707
Impairment loss on long-lived assets	3,106	5,142	3,332	37,878
Pension and retirement benefits, net	1,536	(3,795)	(55)	18,732
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	(21,862)	(147,477)	(71,459)	(266,610)
Decrease (increase) in inventories	(137,354)	(97,790)	117,707	(1,675,049)
Increase (decrease) in trade payables	(38,207)	101,595	(8,354)	(465,939)
Increase (decrease) in income taxes payable	(15,185)	17,876	11,311	(185,183)
Other, net	34,961	21,599	3,323	426,354
Net cash provided by operating activities	105,608	150,402	182,161	1,287,902
<b>Investing activities</b>				
Capital expenditures	(126,090)	(100,820)	(92,401)	(1,537,683)
Proceeds from sale of property	8,364	9,605	11,212	102,000
Proceeds from sale of available for sale investment securities	1,757	2,132	1,005	21,427
Purchases of available for sale investment securities	(1,457)	(1,379)	(4,826)	(17,768)
Proceeds from sale of subsidiaries, net of cash disposed	—	—	661	—
Acquisition of subsidiaries and equity investees, net of cash acquired	(8,649)	976	1,107	(105,476)
Collection of loan receivables	2,101	1,926	11,559	25,622
Disbursement of loan receivables	(440)	(1,236)	(667)	(5,366)
Decrease (increase) in time deposits, net	(125)	287	(617)	(1,524)
Net cash used in investing activities	(124,539)	(88,509)	(72,967)	(1,518,768)
<b>Financing activities</b>				
Proceeds from long-term debt	149,844	72,681	155,641	1,827,366
Repayments on long-term debt	(89,332)	(89,941)	(73,052)	(1,089,415)
Increase (decrease) in short-term debt, net	86,412	11,592	(139,067)	1,053,805
Repayments of capital lease obligations	(45,271)	(28,637)	(31,240)	(552,085)
Sale (purchase) of treasury stock, net	(30,680)	175	132	(374,146)
Dividends paid	(39,701)	(25,178)	(25,180)	(484,159)
Other, net	(12,491)	2,943	(3,597)	(152,329)
Net cash provided by (used in) financing activities	18,781	(56,365)	(116,363)	229,037
<b>Effect of exchange rate change on cash and cash equivalents</b>	(995)	(3,733)	(965)	(12,134)
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,145)	1,795	(8,134)	(13,963)
<b>Cash and cash equivalents, beginning of year</b>	84,224	82,429	90,563	1,027,122
<b>Cash and cash equivalents, end of year</b>	¥ 83,079	¥ 84,224	¥ 82,429	\$ 1,013,159



Komatsu Ltd. and Consolidated Subsidiaries  
Years ended March 31

**Operating segments:**

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
<b>Net sales:</b>				
Construction, Mining and Utility Equipment— External customers	¥1,739,348	¥1,615,689	¥1,268,575	\$21,211,561
Intersegment	4,925	2,392	2,690	60,061
Total	1,744,273	1,618,081	1,271,265	21,271,622
Industrial Machinery and Others— External customers	242,415	227,438	162,989	2,956,281
Intersegment	8,724	10,916	15,619	106,390
Total	251,139	238,354	178,608	3,062,671
Elimination	(13,649)	(13,308)	(18,309)	(166,452)
Consolidated	¥1,981,763	¥1,843,127	¥1,431,564	\$24,167,841
<b>Segment profit:</b>				
Construction, Mining and Utility Equipment	¥ 246,291	¥ 220,830	¥ 83,061	\$ 3,003,549
Industrial Machinery and Others	16,779	20,965	2,998	204,622
Total segment profit	263,070	241,795	86,059	3,208,171
Corporate expenses and elimination	(4,407)	(6,823)	(5,340)	(53,744)
Total	258,663	234,972	80,719	3,154,427
<b>Segment assets:</b>				
Construction, Mining and Utility Equipment	¥1,965,406	¥1,859,004	¥1,682,542	\$23,968,366
Industrial Machinery and Others	278,232	270,736	207,551	3,393,073
Corporate assets and elimination	76,891	19,397	68,962	937,695
Consolidated	¥2,320,529	¥2,149,137	¥1,959,055	\$28,299,134
<b>Depreciation and amortization:</b>				
Construction, Mining and Utility Equipment	¥ 80,521	¥ 80,780	¥ 82,508	\$ 981,964
Industrial Machinery and Others	8,494	7,662	7,707	103,585
Consolidated	¥ 89,015	¥ 88,442	¥ 90,215	\$ 1,085,549
<b>Capital investment:</b>				
Construction, Mining and Utility Equipment	¥ 115,518	¥ 92,049	¥ 92,979	\$ 1,408,756
Industrial Machinery and Others	6,520	5,689	3,212	79,512
Consolidated	¥ 122,038	¥ 97,738	¥ 96,191	\$ 1,488,268

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 determined by customer location

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
<b>Net sales to external customers:</b>				
Japan	¥ 402,505	¥ 349,184	¥ 323,813	\$ 4,908,598
The Americas	460,814	397,427	323,984	5,619,683
Europe and CIS	207,848	165,418	127,377	2,534,732
China	270,017	428,208	270,870	3,292,890
Asia (excluding Japan and China) and Oceania	513,575	398,366	299,864	6,263,109
Middle East and Africa	127,004	104,524	85,656	1,548,829
Consolidated net sales	¥1,981,763	¥1,843,127	¥1,431,564	\$24,167,841



(As of March 31, 2012)

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 Forklift Japan Ltd.	¥500	100.0
Komatsu Rental Ltd.	¥100	100.0
Komatsu Used Equipment Corp.	¥290 (4.5)	100.0
Komatsu Castex Ltd.	¥6,979	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	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
Gigaphoton Inc.	¥5,000	100.0
Komatsu America Corp. (KAC)	US\$1,071	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)	RUB4,273 (94.2)	94.2
Komatsu Financial Europe N.V. (KFE)	Euro40 (100.0)	100.0
Komatsu (China) Ltd. (KC)	US\$135	100.0
Komatsu (Shanghai) Ltd. (KSL)	US\$7 (9.8)	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 Undercarriage China Corp. (KUCC)	¥4,800 (75.0)	75.0
Komatsu (Shandong) Construction Machinery Corp. (KSD)	RMB401 (100.0)	100.0
Komatsu Financial Leasing China Ltd. (KFLC)	RMB1,330 (100.0)	100.0

Company	Subscribed capital in millions (except for* in thousands)	Participation (%)
PT Komatsu Indonesia (KI)	RP192,780	94.9
PT Komatsu Marketing & Support Indonesia (KMSI)	US\$5 (100.0)	100.0
PT Komatsu Undercarriage Indonesia (KUI)	US\$24 (84.3)	84.3
PT Komatsu Remanufacturing Asia (KRA)	RP2,894 (51.0)	51.0
Bangkok Komatsu Co.,Ltd. (BKC)	BHT620 (74.8)	74.8
Komatsu Asia & Pacific Pte Ltd. (KAP)	S\$28	100.0
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 Southern Africa (Pty) Ltd. (KSAf)	ZAR1*	80.0

Company	Subscribed capital in millions	Participation (%)
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## Affiliated Companies Accounted for by the Equity Method

Komatsu Saitama Ltd.	¥635 (40.0)	40.0
Sanuki Lease Ltd.	¥90 (35.0)	35.0
Komatsu Cummins Engine Co.,Ltd. (KCEC)	¥1,400	50.0
Qualica Inc.	¥1,234	20.0
Cummins Komatsu Engine Company (CKEC)	— (50.0)	50.0
L&T-Komatsu Limited (LTK)	Rp1,200 (50.0)	50.0
PT Komatsu Astra Finance	US\$54 (50.0)	50.0

- Notes: 1. In addition to the above list, there are 85 consolidated subsidiaries.  
2. Similarly, there are 30 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\$392 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.