

WORKING FOR SUSTAINABLE GROWTH

Starting the New Mid-range Management Plan



KOMATSU REPORT 2016

For the year ended March 31, 2016

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TO ALL OUR STAKEHOLDERS

Kunio Noji, Chairman of the Board (left) and Tetsuji Ohashi, President (right)

For Fiscal 2015 (April 1, 2015 to March 31, 2016), consolidated net sales declined by 6.3% from the previous fiscal year, to JPY1,854.9 billion, and operating income by 13.8% to JPY208.5 billion, as affected by a drastic fall in demand for mining equipment and for construction equipment in emerging countries.

As we anticipate a challenging business environment to continue, we have developed a new mid-range management plan for the next three years from FY2016 to FY2018.

The cornerstone of our management principles is to maximize our corporate value through commitment to Quality and Reliability. We will also ensure all employees share The KOMATSU Way. Further, we will continue to address environmental performance, corporate social responsibility and corporate governance, as we work to improve our business performance and move forward in developing corporate strengths while achieving social responsibility in a well-balanced manner.

On behalf of the Board, we would like to extend our sincere appreciation to our shareholders and other stakeholders for your continuing support.

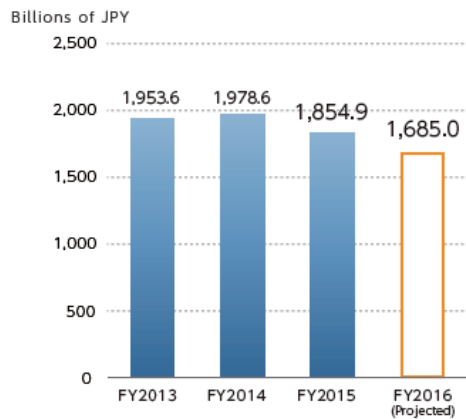
July 2016

Kunio Noji,
Chairman of the Board

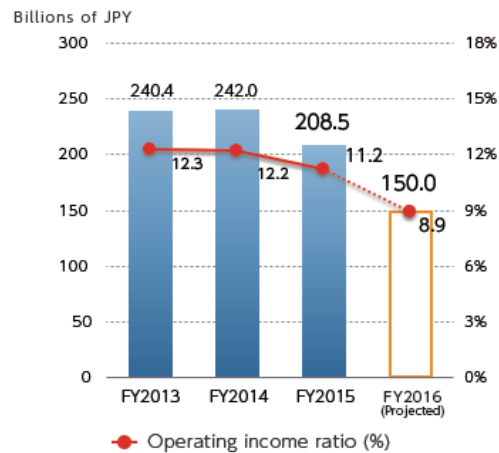
Tetsuji Ohashi,
President and CEO

Consolidated Results

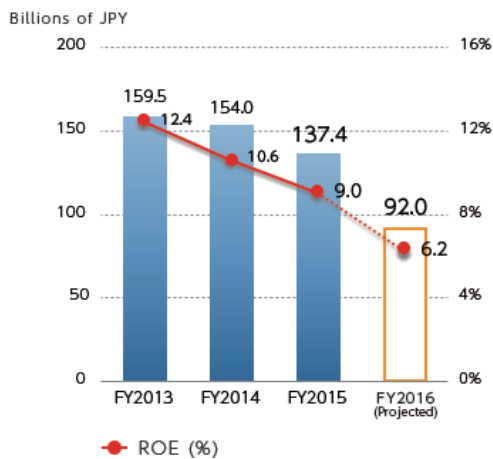
Net Sales



Operating Income and Ratio



Net income attributable to Komatsu Ltd. and ROE

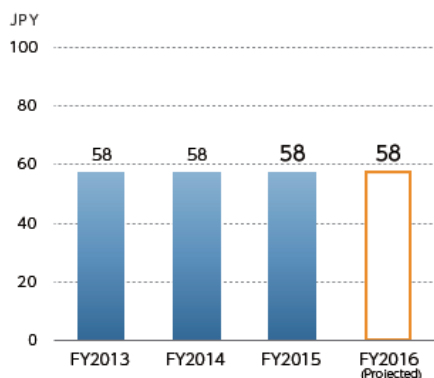


Foreign Exchange Rates

	FY2014	FY2015	FY2016 (Projected)
USD1	JPY109.7	JPY120.8	JPY105.0
EUR1	JPY139.6	JPY132.4	JPY119.0
RMB1	JPY 17.7	JPY 19.0	JPY 16.2

Cash Dividend

Annual cash dividends per share*



Dividend Policy

In the new mid-range management plan, which began in April 2016, we have revised the policy of redistribution of profits as follows.

We set the goal of a consolidated payout ratio of 40% or higher and no decrease of dividends, as long as the consolidated payout ratio does not surpass 60%.

↑ Up 10 points

Previously: a consolidated payout ratio of 30% or higher and no decrease of dividends, as long as the consolidated payout ratio does not surpass 50%.

*Based on the resolutions of the annual shareholders' meeting



FY2015 PERFORMANCE

Highlights of Business Results for FY2015

(April 1, 2015 – March 31, 2016)

For the fiscal year under review, which was the final year of the “Together We Innovate GEMBA Worldwide” mid-range management plan, consolidated net sales totaled JPY1,854.9 billion, and operating income, JPY208.5 billion. Operating income ratio was 11.2%. Net income attributable to Komatsu Ltd. amounted to JPY137.4 billion.

	FY2015	Change from FY2014
Consolidated net sales	JPY 1,854.9 bn	-6.3%
Operating income	JPY 208.5 bn	-13.8%
Operating income ratio	11.2%	-1.0 pt.
Net income attributable to Komatsu Ltd.	JPY 137.4 bn	-10.8%
ROE	9.0%	-1.6 pts.

[Construction, Mining & Utility Equipment]

Sales of the construction, mining and utility equipment business amounted to JPY 1,641.0 billion, down 6.9% from the previous fiscal year. Segment profit declined by 19.0% to JPY 184.1 billion.

While continuing to face a challenging business environment, characterized by a drastic drop in demand for mining equipment and sluggish demand for construction equipment in emerging countries, Komatsu promoted SMARTCONSTRUCTION, a solutions business designed to realize “construction jobsites of the future”, mainly in Japan. With respect to intelligent Machine Control construction equipment, Komatsu launched it in Australia, following Japan, North America and Europe. Komatsu also broadened its model range during the year. As for products designed to comply with new emission standards, Komatsu has developed a total of 33 models and worked to expand their sales.

In the after-market business, Komatsu steadfastly captured demand, thereby achieving the record-high sales of spare parts for the year under review, renewing the previous record-high figure a year ago.

To reinforce operations in Asia, Komatsu opened a new assembly plant for hydraulic excavators in India and a new base for the remanufacturing of components and production of generators in Myanmar. In Mexico, an important market for its business, Komatsu acquired a local distributor in order to handle both construction and mining equipment businesses.

[Industrial Machinery & Others]

Sales decreased by 0.6% from FY2014, to JPY220.1 billion, and operating profit declined by 19.2%, to JPY19.3 billion. While GIGAPHOTON INC. expanded sales, supported by stable machine utilization of the semiconductor industry, sales of presses declined.

Under such an environment, Komatsu restructured its industrial machinery operations by consolidating the machine tools unit in the Toyama area and the sheet-metal and presses machines unit in the Ishikawa area.

During the year, GIGAPHOTON also developed and commercialized the leading-edge Excimer laser cutting machine model, designed to dynamically reduce the consumption of electric power and neon gas, and worked to expand sales thereof.

Five-Year Summary

Komatsu Ltd. and Consolidated Subsidiaries

Millions of yen (except per share amounts)

	FY2015	FY2014	FY2013	FY2012	FY2011
For the fiscal period					
Net sales	¥1,854,964	¥1,978,676	¥1,953,657	¥1,884,991	¥1,981,763
Cost of sales	1,315,773	1,401,193	1,393,048	1,377,459	1,440,765
Operating income	208,577	242,062	240,495	211,602	256,343
Operating income ratio	11.2%	12.2%	12.3%	11.2%	12.9%
Income before income taxes and equity in earnings of affiliated companies	204,881	236,074	242,056	204,603	249,609
Net income attributable to Komatsu Ltd.	137,426	154,009	159,518	126,321	167,041
Capital investment	160,051	192,724	179,070	136,962	122,038
At fiscal period-end					
Total assets	¥2,614,654	¥2,798,407	¥2,651,556	¥2,517,857	¥2,320,529
Working capital	685,559	716,524	701,201	664,480	536,662
Property, plant and equipment	697,742	743,919	667,347	585,220	529,656
Long-term debt-less current maturities	212,636	279,270	311,067	343,814	312,519
Komatsu Ltd. shareholders' equity	1,517,414	1,528,966	1,376,391	1,193,194	1,009,696
As percentage of total assets	58.0%	54.6%	51.9%	47.4%	43.5%
Per share data					
Net income attributable to Komatsu Ltd. per share: Basic	¥ 145.80	¥ 162.07	¥ 167.36	¥ 132.64	¥ 173.47
:Diluted	145.61	161.86	167.18	132.51	173.32
Cash dividends per share*	58	58	53	45	41
Komatsu Ltd. shareholders' equity per share	1,609.69	1,622.48	1,443.97	1,252.33	1,060.31

* Cash dividends per share provided above are based on dividends paid each fiscal year.

[Download the excel file](#)


Excel data is available at

http://www.komatsu.com/CompanyInfo/ir/financial_highlights/

WORKING FOR SUSTAINABLE GROWTH

Starting the New Mid-range Management Plan

SUMMARY OF THE LAST THREE YEARS AND MID TO LONG-RANGE PROJECTION



Tetsuji Ohashi,
President and CEO

Interview with the President

■ VIDEO (1 minute and 5 seconds)



[Please refer to Online Komatsu Report.](#)

Review of the Previous Mid-range Management Plan

We promoted the “Together We Innovate GEMBA Worldwide” mid-range management plan for three years from April, 2013 to March, 2016.

During this period, demand for construction and mining equipment continued to decline drastically from our projection, as impacted by slowing economies of emerging countries, as well as sluggish commodity prices. In particular, demand for mining equipment nose-dived to about 30% of the FY2012 level.

Against this backdrop, we accelerated the speed of implementing structural reforms, such as cutting down production costs and curbing fixed costs, as we diligently carried out seeding for future growth, one of the core strategies of the mid-range management plan.

Management Tasks Ahead

When we assess our business environment today, we must first think about demand for construction and mining equipment as well as industrial machinery. We project that demand for construction and mining equipment, in particular, from which we generate 90% of total sales, will remain very challenging in FY2016 and beyond, for some time. “Against this backdrop, how are we going to ensure growth?” This is the first task we must address.

We believe the key to our growth, after all, lies in solutions to the problems of GEMBA (workplaces).

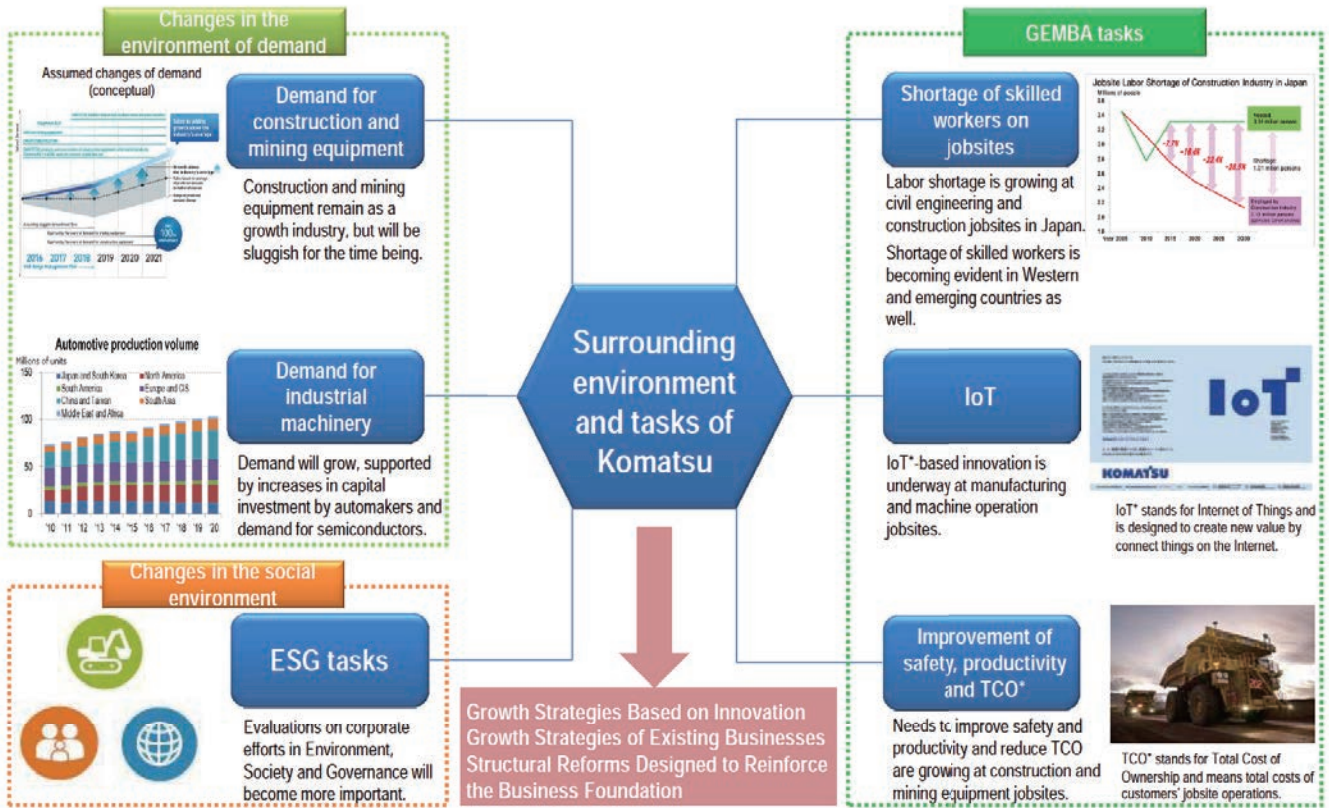
Tasks that customers face in their GEMBA differ depending on countries, regions or industries. However, we believe the following represents the major tasks of our customers, i.e., 1) to meet the shortage of skilled workers, 2) use of IoT (Internet of Things), 3) to improve the safety, productivity and environmental performance of their jobsite operations, and 4) to reduce the total cost of ownership of their machines.

Today we are also witnessing growing social expectations in relation to ESG (Environmental, Social and Governance) from companies.

We need to keep our full attention on these management tasks as we continue to conduct our business into the future.

Our Surrounding Environment and Tasks

• We will work for growth as we meet changes in our surrounding environment and tasks



START OF THE NEW MID-RANGE MANAGEMENT PLAN

Interview with the President

VIDEO (2 minutes and 46 seconds)



Please refer to Online Komatsu Report.

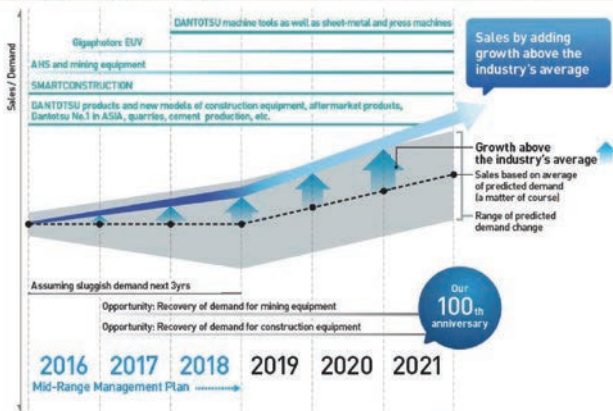


We project that demand for construction and mining equipment will remain in an adjustment phase for the time being, centering on emerging countries. In the long range, however, global population will grow and the urbanization rate will increase, especially in emerging countries, which will fuel more civil engineering and construction works and increase the required volume of minerals. Therefore, we believe we can expect a sustainable growth of demand for construction and mining equipment.

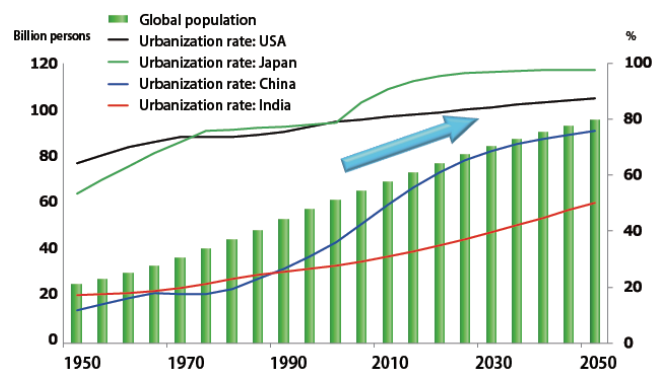
In the industrial machinery business, we anticipate that capital investment will increase in the automobile and semiconductor industries. Accordingly, demand should remain steady for a few years, albeit with some ups and downs.

Based on these assumptions, we embarked on the new "Together We Innovate GEMBA Worldwide: Growth Toward Our 100th Anniversary (2021) and Beyond" mid-range management plan in April 2016. As we look into our 100th anniversary in 2021, we are working to maintain our sustainable growth beyond 2021 at a rate above the industry's average.

Although we assume that demand will remain sluggish for the time being, we will achieve our growth above the industry's average by promoting growth based on innovation and of existing businesses.



Global Population and Urbanization Rates



OUTLINE OF THE NEW MID-RANGE MANAGEMENT PLAN

Interview with the President

VIDEO (3 minutes and 23 seconds)



[Please refer to Online Komatsu Report.](#)

Targets

Targets of the new mid-range management plan are described in the chart on the right.

In addition to profitability, efficiency, profit redistribution to shareholders and financial position, we have included a new key performance indicator.

We have also separated the retail finance business as a new operating segment in order to enhance management transparency in the new plan.

Please see [the linked sheet](#) for our projection of consolidated business results for FY2016, the first year of the new plan. See pages 2

Cash Dividend

In the last three years, we reduced our debt of all operations, except for the retail finance business, as planned. Concerning the future use of funds, we will further consider the redistribution of profits to shareholders, including stock buybacks, while keeping investment for growth at the center. Specifically, we have set the policy of a consolidated payout ratio of 40% or higher with no decrease of dividends, as long as the consolidated payout ratio does not surpass 60%.

For FY2016, we are planning annual dividends of JPY58 per share, the same amount as FY2015. As a result, the consolidated payout ratio should amount to 59.4%.

Targets

- Growth** — Aim at a growth rate above the industry’s average.
- Profitability** — Aim at an industry’s top-level operating income ratio.
- Efficiency** — Aim at 10%-level ROE.
- Shareholder return** — Keep a fair balance between investment for growth and shareholder return (Incl. stock buyback), while placing main priority on investment.
— Set the goal of a consolidated payout ratio of 40% or higher, and maintain the policy of not decreasing dividends as long as the ratio does not surpass 60%.
- Financial position** — Aim at industry’s top-level financial position.
- Retail finance business** — ROA: 2.0% or above
— 5.0 or under for net debt-to-equity ratio

Interview with the President

VIDEO (9 minutes and 45 seconds)



[Please refer to Online Komatsu Report.](#)

Strategies

We defined three core strategies of “growth based on innovation”, “growth of existing businesses” and “Structural reforms designed to reinforce our business foundation” and promoted corresponding efforts in the previous mid-range management plan. In the new mid-range management plan, we continue to focus on three core strategies of the previous plan. We will strive to accelerate growth by working to sow the seeds for future growth and taking further advantage of our group-wide strength of IoT, even while demand for construction and mining equipment remain sluggish.

Through our IoT, we will connect all GEMBA (workplaces), consisting of our customers, distributors and production, including suppliers, in order to improve the safety and productivity of all GEMBA, thereby working to become ever more indispensable to our customers.

Basic Strategies of Mid-range Management Plan

In response to our surrounding environment and tasks, we will work to achieve sustainable growth by focusing efforts and through open innovation, when applicable, in 1) Growth strategies based on innovation, 2) Growth strategies of existing businesses, and 3) Structural reforms designed to reinforce the business foundation, centering on DANTOTSU products, service and solutions.

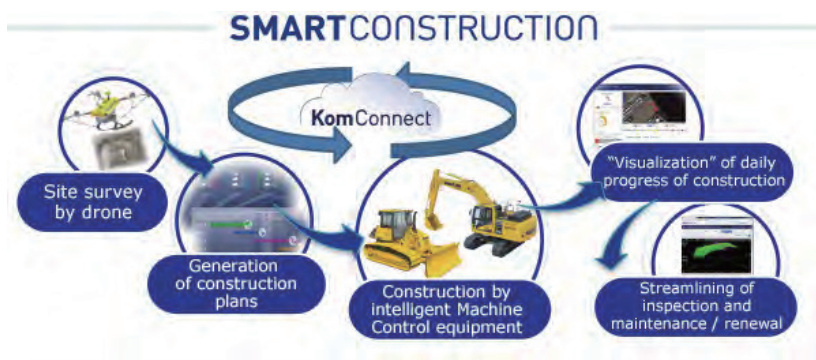
-  1. Growth Strategies Based on Innovation
-  2. Growth Strategies of Existing Businesses
-  3. Structural Reforms Designed to Reinforce the Business Foundation

GROWTH STRATEGIES BASED ON INNOVATION

To create innovation, we will continue to develop DANTOTSU products, DANTOTSU service and DANTOTSU solutions based on our proprietary competitive manufacturing aimed at Quality and Reliability. We will also actuate innovation, by proactively incorporating technologies, which we cannot obtain in the Komatsu Group, through industrial-academic and industrial-industrial collaborations.

In the construction, mining and utility equipment business, to substantially improve safety, environmental friendliness and productivity of customers' jobsite operations, we will develop and launch next-generation equipment which will achieve further automation and unmanned operation by means of cutting-edge ICT utilization. At the same time, we will also work to develop next-generation components and mount them on new products, including forklift trucks.

To thoroughly "visualize" machine and jobsite operations, which is indispensable for improvement of jobsite operations, we will not only further advance KOMTRAX versions but also develop and provide a platform where we can share all information about construction and mining jobsites.



GEMBA Report
Sunagogumi Co., Ltd.

- Mr. Kondo, Junior Managing Director
- Mr. Chiba, Manager
- Mr. Sato, Manager
- Mr. Hirogami, Deputy General Manager

See pages 12-15.

Our two DANTOTSU solutions, namely SMARTCONSTRUCTION for construction jobsites and Autonomous Haulage System (AHS) for mining jobsites, are designed to contribute to solving problems of customers' jobsite operations by taking advantage of "visualized" information. We will nurture the growth of these two solution models by further improving our service content and expanding the areas and scale of their deployment.

In February 2015, we embarked on SMARTCONSTRUCTION, a solutions business designed to bring about very safe and productive "construction jobsites of the future" by connecting all information on the jobsites via ICT. In October, we equipped our PC200i hydraulic excavator with a stereo camera which performs high-speed, high-precision photography of jobsites. Photographic data are captured into KomConnect in about 30 seconds, where they are analyzed as image data. Accordingly, contractors can accurately manage jobsite topology after work, which includes the areas where manual labor or non ICT-intensive machines were deployed. As the PC200i, equipped with the world's first site survey function, plays the role of a "control tower" of jobsite operations, enabling the understanding of the entire jobsite operations, we would like to realize safe and smart jobsite operations of the future.

In the industrial machinery and others business, we will promote in-house production of key components of machine tools as well as sheet-metal and press machines, while developing DANTOTSU products which will feature outstanding productivity. GIGAPHOTON INC. will work to commercialize cutting-edge Extreme Ultraviolet (EUV) light sources used for lithography tools in the near future.



PC200i with a stereo camera (inside the cab)

GROWTH STRATEGIES OF EXISTING BUSINESSES

In addition to developing, producing and selling new products in our existing businesses, we will expand our entire value chain, mainly consisting of the after-market business and the rental-to-used equipment business by strengthening business, including mergers and acquisitions. In FY2015, we acquired a distributor in Mexico, which I have mentioned earlier, as well as Lehnhoff Hartstahl GmbH, a leading manufacturer of attachments in Germany. We will continue to expand this value chain into the future.

GEMBA Reports

Reinforcing GEMBA Efforts in Asia

- Ahmad Fauzi Sucipto
Technical Advisor, Manila Service Support Center, Komatsu Ltd.
- Rudi Kurnianto
President Director
PT Komatsu Reman Indonesia (KRI)

See pages 16-20.

With respect to development of new products, while emphasizing the development of DANTOTSU products, we will work to develop latest emission regulation-compatible models for advanced countries, as well as local needs-tailored models for emerging countries. We will also work to develop application-specific models, such as dredging, demolition, industrial waste processing and agricultural engineering. In the forklift truck business, we will focus efforts to broaden the range of new FE series electric models and FH series of hydrostatic transmission-drive engine models.

In an effort to solidly establish the DANTOTSU No. 1 market position in Asia, we will establish a training center in Thailand and a development center in Indonesia, where we will make more effort to develop human resources of our distributors and develop local needs-tailored products, respectively.

We will also focus our efforts on the aggregate and cement industries, where we will be able to capitalize on our solutions know-how gained in the construction and mining industries. By helping customers solve their jobsite problems, we will enhance our position in these industries.

In the forest machine business, in addition to improving our product and attachment offerings, we will provide forestry jobsite solutions, which include the establishment and growth of forests in addition to felling.



Value of chain (conceptual) of construction equipment



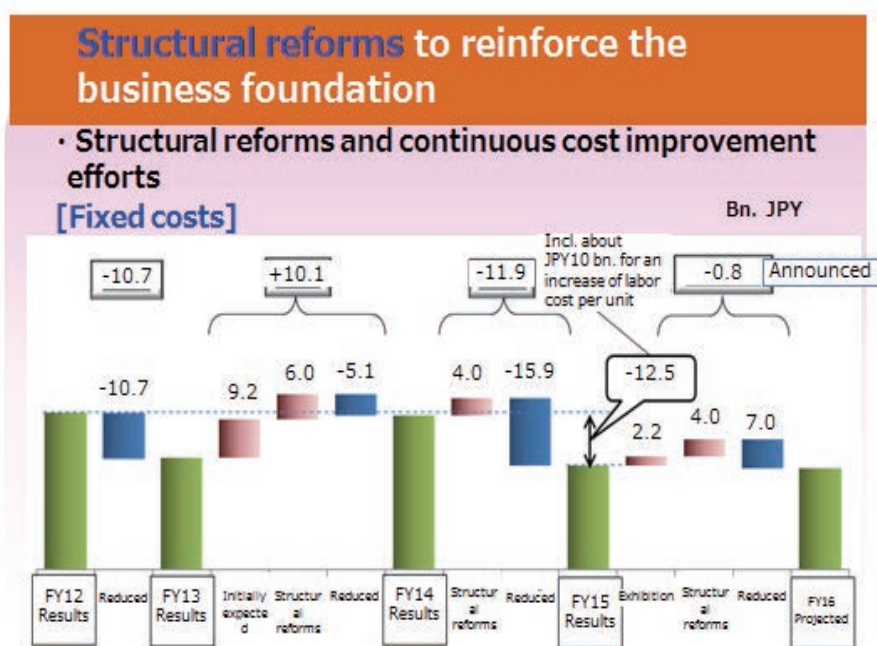
Our forest machine in operation in Brazil

STRUCTURAL REFORMS DESIGNED TO REINFORCE THE BUSINESS FOUNDATION

By defining structural reforms as a means to reinforce our business foundation, we have continuously worked to curb production costs and sustain fixed costs at appropriate levels. We consider these efforts our never-ending task.

While we need to invest for growth as needed, we also need to unfailingly cut down production costs at the same time. This is what we mean by separation of costs from growth. To this end, we are striving to maintain our fixed costs at appropriate levels.

In the structural reforms designed to reinforce our business foundation, we have not only carried out necessary reforms even when demand remained sluggish, but also made continuous efforts to improve costs in the last few years. We reduced fixed costs by JPY12.5 billion in three years from FY2013 to FY2015 by absorbing an increase of the basic salaries and including the effects of structural reforms. In FY2015 alone, we cut down fixed costs as planned and made an addition reduction, achieving a reduction of JPY11.9 billion from FY2014.



Concerning development, we should be able to lower costs by adopting new measurement and simulation technologies. All in all, we are concerting efforts to make our development lean and powerful. With respect to production as well, we are accelerating the speed of connecting our production jobsites, networking not only manufacturing plants of the Komatsu Group worldwide, but also our suppliers, in order to promote production reforms. We are also stepping up our efforts to link our plants directly to marketplace, end-customers and distributors in order to accelerate the speed of delivering our products and parts and further enhance the level of our inventories.



Mr. Kondo, Junior Managing Director

Please refer to Online Komatsu Report.

[Interview (45 seconds)]
Summary

Rather than construction equipment itself, a system like KomConnect is important to incite innovation of construction jobsite operations. That's why we would like to make joint efforts with Komatsu to improve jobsite operations in order to create a bright future of the construction industry. This is what I always feel about our work, and with this feeling we have done business with Komatsu over the years.

● Developing human resources through new technologies

As to the background of ICT-intensive jobsite operations, Mr. Kondo says, "Against the backdrop of a falling birthrate and an aging population in Japan, the number of employees in Japan's civil engineering industry has been declining, resulting in a lower number of veteran machine operators. Therefore, our important task is to secure employees and develop them."

Sunagogumi utilizes SMARTCONSTRUCTION to not only respond to tasks faced by the company, but also to use it as a tool for human resource development. "I would encourage our employees, especially young ones, to try and study KomConnect. Young people are not "allergic" to ICT and thus are quick to get used to the system. Some are well fit to start with the system which represents virtual reality, and then understand real jobsite operations. ICT-intensive construction will play the role of a human resource development by offering a variety of opportunities for a diverse range of human resources to demonstrate their skills and grow into ICT-construction specialists," says Mr. Kondo, expecting the civil engineering industry to become an industry where females enjoy working.

● On SMARTCONSTRUCTION jobsites



Sunagogumi is using two intelligent Machine Control PC200i-10 hydraulic excavators and intelligent Machine Control PX37PXi-23, each at a highway construction site (as of the interview in June 2016). Their combined length is 780 meters and the volume of soil to excavate is 38,600 cubic meters. The volume of soil to fill is 64,000 cubic meters. Sunagogumi is planning to deploy a vibratory roller (optional) at a part of the site.



Mr. Chiba, Manager

Please refer to Online Komatsu Report.

[Interview (1 minute and 30 seconds)]
Summary

With Komatsu and Komatsu Rental, I have been exchanging a wide range of opinions concerning KomConnect as well. I have often mentioned something like, if we could do such and such, it would be great for us. Our opinions are solely based on our perspective as a contractor, so I fully understand all of them will be adopted. However, if some of them can improve our jobsite operations, I would like to ask Komatsu to proactively consider them and respond more quickly.

By the date of our interview, jobsite supervisors had pointed out positive outcomes of SMARTCONSTRUCTION, including improved speed of decision-making, thanks to information sharing, and the convenience of 3D data.

“As one of its advantages, SMARTCONSTRUCTION calculates the volume of earth to work on by comparing the site survey and completion drawings. This system is very accurate and practical,” evaluates Mr. Hiroki Chiba, Manager of the Civil Engineering Department and Project Manager of the ICT-Intensive Construction Department. “In the conventional calculation method, we have experienced big surveying errors of complicated landscapes and sharp bends of highways.” He also adds, “We can download a variety of information from KomConnect, so I have become able to use 3-D drawing data when meeting with clients. When communicating with the SMARTCONSTRUCTION Support Center, KomConnect also merits users. Mr. Chiba evaluates, “When consulting with the Support Center, KomConnect is very useful, because both parties can see the same data on the cloud platform, while talking over the phone. Communication is very smooth.”

Mr. Kazuhiko Sato, Manager of the Civil Engineering Department, has adopted 3-D drawings of SMARTCONSTRUCTION to his work. He points out, “I definitely feel that my work instructions to workers have become more accurate on the jobsites by using 3-D drawings.”

With respect to automatic excavation performance of the intelligent Machine Control hydraulic excavator, Mr. Shinji Hirogami, Deputy General Manager of the Civil Engineering Division, says, “It is a game changer when operators with no previous experience of ditching can perform on a level comparable to veterans after training them on the PC200i for about half day.” He also hopes that SMARTCONSTRUCTION will eradicate the conventional “3Ds” image of civil engineering work, i.e., Dirty, Dangerous and Demanding.



Mr. Sato, Manager

Please refer to Online Komatsu Report.

[Interview (22 seconds)]
Summary

When planning day’s work or inspection, we have previously used conventional 2D drawings, resulting in my poor instructions sometimes. Today, thanks to 3D drawings, I feel that my instructions are much better understood by workers on the jobsites.



Mr. Hirogami, Deputy General Manager

[Please refer to Online Komatsu Report.](#)

[Interview (53 seconds)]

Summary

Civil engineering has recently been referred to as 3Ds, that is, dirty, dangerous and demanding. About being demanding, thanks to Machine Control models, our work has become a lot less demanding. With respect to being dangerous, our work has also become safer, because the number of support workers has declined. About being dirty, the most representative case may be the removing of dirt stuck in the undercarriage. If this work is improved, we may be able to change the image of civil engineering.

● In the making of a “future” together

Komatsu receives a variety of requests to improve SMARTCONSTRUCTION from Sunagogumi's jobsites. From the viewpoint of promoting ICT-intensive construction in the company, Mr. Chiba also feels the need to improve the “visualization” of jobsite operations. He points out, “While the position information of excavator bucket teeth or bulldozer blade edge is very effective, we are still far from understanding the entire progress of construction which includes work by non ICT-intensive machines. He advocates, “Jobsites of the future call for improvement of the entire processes of work from receiving orders to delivery. As of today, SMARTCONSTRUCTION can improve the productivity of work where machines are involved. That's a very small portion.” He also adds, “Improvement of KomConnect is indispensable for us to achieve the civil engineering jobsite of the future which we are projecting. I truly hope that Komatsu will incorporate jobsite opinions and ideas in a speedier manner in order to refine the system which will even surprise us.”

We have just begun taking steps toward the jobsite of the future concerning civil engineering and construction.

The power to improve SMARTCONSTRUCTION and make our dream come true lies in customers' jobsite operations.

Mr. Kondo concludes, “We feed back our jobsite opinions as a contractor, because, together with Komatsu, we want to improve the productivity of jobsite operations.”



REINFORCING GEMBA REPORT

Reinforcing GEMBA Efforts in Asia

(Growth Strategies of Existing Businesses)



Semirara mine in the Philippines

We, at Komatsu, believe that we can achieve sustainable growth by Komatsu Group employees from around the world, teaming up with partners, such as our distributors and suppliers and working to improve the safety and productivity of customers' jobsite operations together with them, thereby becoming customers' indispensable partner. We call this customer-centered effort brand management, and are introducing it to jobsite operations.

“Building on the relationship of trust with the customer through teamwork”

Ahmad Fauzi Sucipto
Technical Advisor
Manila Service Support Center
Service Division,
Construction & Mining Equipment Marketing Division
Komatsu Ltd.



Please refer to Online Komatsu Report.

[Interview (1 minute and 26 seconds)]
Summary

In the QC activity, we used one tool, Pareto chart analysis. Our final target is to make it our daily activity. QC becomes a mindset of people working at the company for improvement. For example, when they find something is broken, they analyze it QC-wise.

● Accumulating experiences in mining jobsites

Fauzi joined PT. United Tractors Tbk, our Indonesian distributor, in 2000. He worked as a trainer of service mechanics, specializing in the PC3000, and later as a service supervisor, focusing on the full-maintenance service contracts. In November 2009, he joined Komatsu and began his service as resident technical advisor at a mine of Semirara Mining Corporation in the Philippines.

"Product support is our business to ensure customer satisfaction, and the availability of both equipment and parts determines the level of customer satisfaction. In other words, it's determined by our ability to provide necessary parts whenever needed," says Fauzi.

● Getting deeply involved with the customer

Working with his colleague from Japan, he is responsible for preventing mechanical problems of machines and maximizing their utilization rate. His specific duties are extensive, including support for maintenance of machines, training of mechanics of both Maxima Machineries, our distributor, and the customer, trouble shooting by analyzing the operating conditions of machines based on KOMTRAX Plus data, and supporting Maxima's planning of parts replacement and inspection.

There are several meetings every Saturday for excavators and twice a month for support machines, where the customer, Maxima and Komatsu discuss all issues related to mining operations. He explains, "In the meetings, everything is shared. For example, we report client's operator performance in terms of fuel consumption of dump trucks. We also offer recommendations based on our analyses. The customer's trial use of our Dual Bushing Track is a good example to extend the life of tracks. We analyze the data, make proposals and develop plans for the next steps together."



“Strengthening Reman operation qualitatively and quantitatively”

Rudi Kurnianto
President Director
PT Komatsu Reman Indonesia (KRI)



Please refer to Online Komatsu Report.

[Interview (36 seconds)] Summary

Our machine is good. But for the people, if the people who take care of the machine are not good, it would look that Komatsu is not good. So what we did is we satisfied the customer by training the customer and also Maxima for improvement.

● Expanding Reman operation

“I am convinced that Komatsu's strength lies in KAIZEN based on quality control with implementation of the PDCA Cycle,” says Kurnianto. He joined PT Komatsu Indonesia, our first joint-venture manufacturer in Asia, in 1991. With twenty-two years of experience and expertise in Komatsu-style manufacturing, he was transferred to KRI as Marketing Director in 2013.

Reman stands for remanufacturing. It remanufactures used components, such as engines and hydraulic equipment, through a variety of processes to the level of quality comparable to new components. Reman components are used for periodic replacement. While their quality and performance are guaranteed on par with those of new components, their prices are lower than those of new ones, and Reman contributes to savings of resources through reuse and recycling. KRI supplies Reman components worldwide within the Komatsu Group.

● Introducing quality control activities

“KRI was established in 2007, the youngest of Komatsu Group companies in Indonesia. When he was transferred to KRI, he found an urgent need to anchor quality control methods in the company,” recalls Kurnianto. He and Hiroki Nakamura, a Japanese expat from KRI's Mother Plant (Oyama Plant), embarked on company-wide QC training to ensure all employees thoroughly understand the basics of QC activities for improvement. They formed QC circles and held conventions twice a year. After the basics were anchored in the company in 2014, they launched the “Aggressive and Proactive” campaign to step up their efforts in supporting distributors and their end-customers, by directly finding their needs and promoting KAIZEN.

In the last few years, mining companies, which are Reman customers, have curtailed capital investment, while keeping up production. It appears that this trend will linger a few more years. “For mining customers to sustain their productivity, the importance of Reman should further grow,” confirms Kurnianto.

KRI is working to supply high-quality Reman products flexibly, according to customer needs, in order for the Komatsu Group to enhance its position worldwide. KRI stands fully ready to accomplish its goal.



“Getting ready to step up production for expanding demand in India”

Hari Krishnan J.,
Senior Manager,
Planning & Coordination Department,
Komatsu India Pvt. Ltd. (KIPL)



● New manufacturing plant and production transfer

With over 17 years of experience in the automobile industry in the area of production planning control, Krishnan joined KIPL in 2006 as the first national employee in the Planning & Coordination Department. Since then he has been responsible for HANSEI (sales and production planning) as well as cost and inventory controls. He was also involved in the green field plant start-up of dump trucks, and most recently in the smooth transfer of the production of hydraulic excavators from LTCEL, a subsidiary of Larsen & Tourbro Limited (L&T), to KIPL's new plant which began operation in Chennai in May 2015.

This transfer project began in April 2013 and is scheduled to be completed in September 2016. In India, under the partnership with L&T, Komatsu engaged in production, sales and service of hydraulic excavators over the years. Since April 2013, KIPL has become responsible for production and L&T for sales and service, in order to ensure further growth by capitalizing on each other's strengths. This transfer involves 5 models, ranging from 6-ton to 20-ton classes.

In the course of the transfer, he recalls, “It was a challenging task to meet market demand and achieve monthly sales and production targets, while keeping a 50-to-50 balance of the volume of production between KIPL and LTCEL.” In the same period, KIPL has also launched the production of the PC210-8M0 model, designed exclusively to respond to local market needs, and has begun installation of KOMTRAX in all excavator models.

● Growing Indian economy

In response to the 20% increase of demand for hydraulic excavators in India, Nepal and Bhutan since the second half of 2015, they worked to double their production volume within the short period of December 2015 to February 2016 with the help of their Mother Plant in Japan. He says, “We are very excited about the projected expansion of demand in India and we should be able to complete the transfer before schedule. Our current top priority is to reduce our production costs by further promoting local contents in order to reduce the risk of foreign exchange fluctuations.”



KIPL's Chennai Plant stands ready to expand the production volume of hydraulic excavators.

“Well prepared to capitalize on the market recovery in India”

Krishna Kumar,
Manager of Marketing Department,
KIPL



● Promoting sales in the premium market sector

With a wealth of marketing experience in the construction equipment industry, Kumar joined KIPL in 2010 as Assistant Manager of the Marketing Department.

KIPL is focused on the premium market sector of high-quality, high-performance and high-efficiency hydraulic excavators in India. Together with L&T, they have been making a variety of sales promotion efforts. “Caravan demo” is one in which they carry the machine on a trailer and travel all across India for display, and for machine demonstration in some areas where Komatsu machine presence is low. This program is accompanied by specialists from Sales, Service and Parts departments to ensure the accurate and attractive explanation of machine features and customer benefits.

● Seeding activities

Kumar is also responsible for a diverse range of other marketing-related initiatives in India, such as 1) prediction of demand for construction equipment, 2) coordination between the plant and distributors to ensure the smooth supply of equipment, while keeping KIPL's inventory at an optimal level, 3) introduction of Life Cycle Cost (LCC)-based sales promotion, 4) introduction of new models to respond to local market needs, 5) KOMTRAX (Komatsu Machine Tracking System)-related activities, ranging from promotion and training to data analysis.

Kumar places top priority on increasing Komatsu's market share in India by continuing all above activities, while periodically reviewing the results of each activity and adjusting the level of priority. He reassuringly states, “We engaged in these activities, as seeding activities, even in the last two years when demand dropped for hydraulic excavators. Now that the Indian economy is getting stronger, fueling infrastructure development and increasing demand for hydraulic excavators, I feel good days are coming for us to harvest the crop in next two years.”

ESG (SUSTAINABILITY)

Interview with the President

VIDEO (2 minutes and 53 seconds)



Reinforcement of ESG Efforts

Please refer to Online Komatsu Report.

Over the years, the Komatsu Group has made proactive ESG efforts, namely environmental, social and corporate governance. We believe the importance of ESG efforts will steadily become stronger into the future. In our new mid-range management plan, we will maintain focused efforts as we place emphasis on the environment, on society and on corporate governance.

For more information



Please refer to our website.

<http://www.komatsu.com/CompanyInfo/csr/>

Environmental Conservation Efforts

The reduction of CO₂ emissions is our important task for environmental conservation. Construction equipment in operation accounts for about 90% of the total amount of CO₂ emissions produced throughout its lifecycle (chart on the right). We will help our customers reduce CO₂ emissions from their machines by considering environmental performance and applying ICT to improve fuel consumption, when we develop new products.

Life Cycle of Construction Equipment



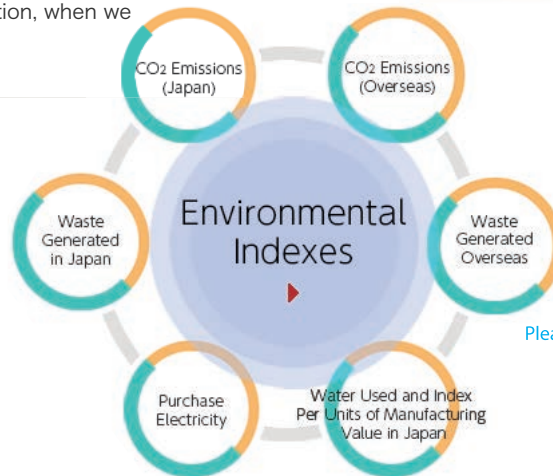
Construction equipment in operation accounts for about 90% of the total amount of CO₂ emissions produced throughout its life cycle.

For more information



Please refer to our website.

http://www.komatsu.com/CompanyInfo/ir/corporate_governance/



Please refer to the next page.

Corporate Social Responsibility Efforts

We at the Komatsu Group have set our basic principle to make CSR efforts through core businesses. Based on this principle, we would like to engage in social contribution activities that make the best use of our strengths to fulfill our responsibilities to society.

As part of our CSR efforts, under the leadership of different Komatsu Group companies around the world, we engage in support activities to solve local problems.

For example, in Japan we provide support to Japan's agriculture business, which is facing serious problems of aging and no newcomers, by capitalizing on our manufacturing expertise.

We will continue to pay close attention to the needs of local communities around the world in order to deeply anchor the social contribution activities of Komatsu Group companies.



In Indonesia we offer scholarships to children in economically poor districts and vocational training and employment opportunities to young people.

Please refer to our website.
<http://www.komatsu.com/CompanyInfo/csr/>

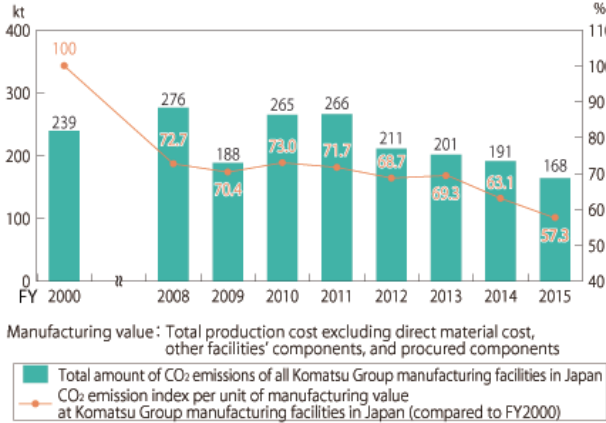
For more information



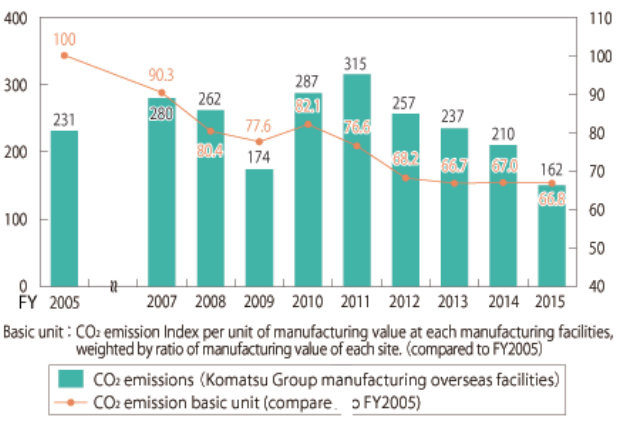
ENVIRONMENTAL INDEXES

Reducing CO₂ Emissions in Manufacturing Operations

CO₂ Emissions (Japan)

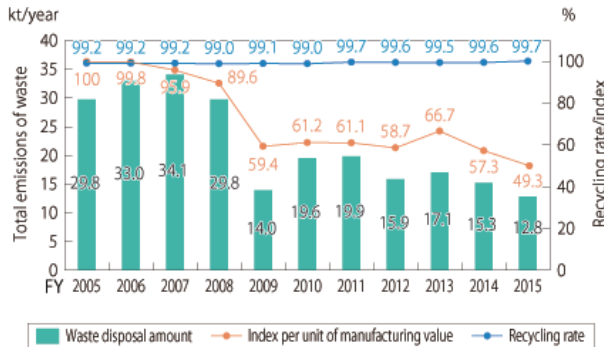


CO₂ Emissions (Overseas)

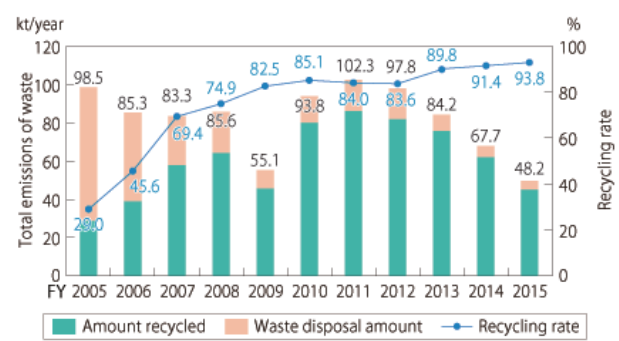


Amount of Waste Generated

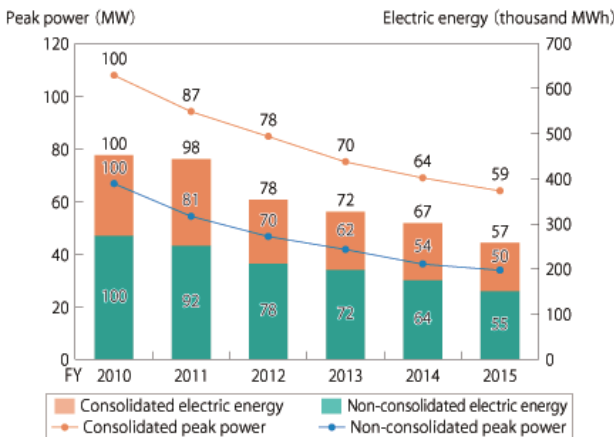
Waste Generated in Japan



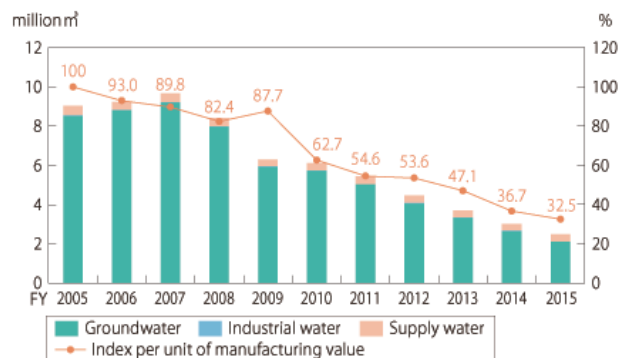
Waste Generated Overseas



Purchase Electricity



Water Used and Index Per Units of Manufacturing Value in Japan*



* Reflects results of the reviews of the data on KCX for the year of 2009 and earlier

CORPORATE GOVERNANCE, COMPLIANCE AND RISK MANAGEMENT

Komatsu maintains the basic management policy of commitment to Quality and Reliability to maximize its corporate value. Komatsu believes that its corporate value is the total sum of trust given to it by society and all its stakeholders.

To increase the total sum of trust, Komatsu needs to not only improve business results but also enhance the soundness and transparency of management.

Corporate Governance

We, at Komatsu, believe our corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys even 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.

In April 2016, we appointed top management officers of Komatsu Group's overseas subsidiaries to the posts of Global Officers in order to strengthen globally consolidated management. 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.

For more
information



Please refer to our website.

http://www.komatsu.com/Company-Info/ir/corporate_governance/

Directors and Officers



Please refer to our website.

<http://www.komatsu.com/CompanyInfo/profile/outline/board.html>

Compliance

As the importance of corporate social responsibility is growing today, it is indispensable for all companies to respond to social trust by ensuring that each and every employee not only fully understands corporate responsibility but also complies with the Rule of the Business Community, not limited to laws and regulations in a narrow sense.

In addition, the Komatsu Group is strongly conscious of its slogan of SLQDC, i.e., Safety and Law take priority over Quality, Delivery and Cost, as it works to ensure compliance.

For more
information



Please refer to our website.

<http://www.komatsu.com/Company-Info/csr/2016/society/society02.html>

Risk Management

We define all states of uncertainty, which can threaten the sustainable growth of the Komatsu Group. We recognize the problems related to compliance as major risks, in particular, the environment, product quality, accidents, information security and other matters, and we are thus implementing corresponding countermeasures.

For more
information



Please refer to our website.

<http://www.komatsu.com/Company-Info/csr/2016/society/society03.html>

CORPORATE INFORMATION

(As of March 31, 2016)

Outline

Name	Komatsu Ltd.
Head Office	2-3-6 Akasaka, Minato-ku, Tokyo 107-8414, Japan
Date of Establishment	May 13, 1921
Common Stock Outstanding	Consolidated: ¥67,870 million based on U.S. GAAP Non-consolidated: ¥70,120 million
Number of Employees	Consolidated: 47,017 (Komatsu Ltd. and 141 consolidated subsidiaries) Non-consolidated: 10,449

Shareholder Information

Shares of Common Stock Issued and Outstanding	943,224,753 shares (excluding 28,742,907 shares of treasury stock)
Number of Shareholders	198,287
Number of Shares per Trading Unit	100
Securities Code	6301 (Japan)
Stock Listings	Tokyo
Transfer Agent for Common Stock/Management Institution for Special Account	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Depositories (ADRs)	The Bank of New York Mellon 101 Barclay Street, New York, NY 10286, U.S.A. Tel: +1-(201)-680-6825 for international calls and 888-269-2377 (888-BNY-ADRS) for calls within U.S.A. URL: http://www.adrbnymellon.com Ticker Symbol: KMTUY

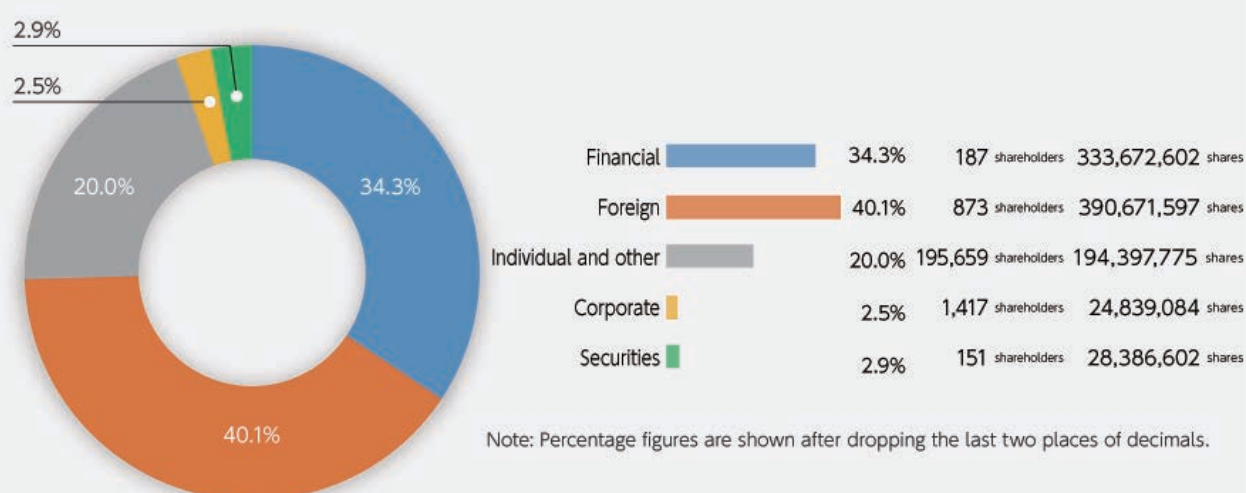
Major Shareholders

Name of Shareholders	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	47,724	5.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	45,252	4.79
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	38,809	4.11
Taiyo Life Insurance Company	34,000	3.60
Nippon Life Insurance Company	26,626	2.82
Sumitomo Mitsui Banking Corporation	17,835	1.89
The Bank of New York Mellon SA/NV 10 (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	16,574	1.75
State Street Bank West Client - Treaty 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	13,729	1.45
Japan Trustee Services Bank, Ltd. (Trust Account 7)	13,128	1.39
The Bank of New York Mellon as Depository Bank for Depository Receipt Holders (Standing proxy: Sumitomo Mitsui Banking Corporation)	12,230	1.29

Notes: 1) Shareholding ratio is calculated by subtracting treasury stock.

2) Although the Company holds 28,742 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Breakdown of Shareholders



Stock Prices on the Tokyo Stock Exchange

Stock Prices on the Tokyo Stock Exchange (Real-time)



Please refer to our website.

<http://www.komatsu.com/CompanyInfo/it/>

KOMATSU

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