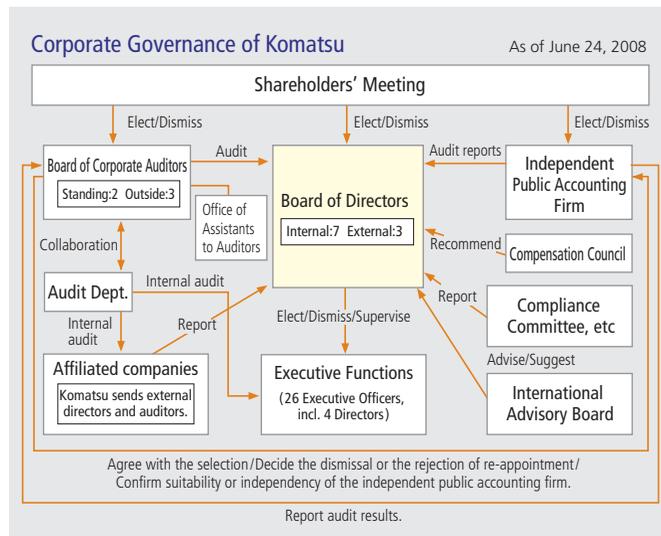


We, at Komatsu Ltd., believe our corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, Komatsu is working to strengthen corporate governance, improve management efficiency, advocate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

To further improve the transparency of management to 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.



Board of Corporate Auditors and Auditors

Komatsu Ltd. has consistently ensured that the number of outside corporate auditors represents at least half of the Board of Corporate Auditors. There are five corporate auditors, of whom three are outside auditors. The Board of Corporate Auditors makes decisions concerning audit policies, duty assignments and other relevant matters. Each corporate auditor attends Board of Directors meetings and other important meetings, audits the execution of duties by directors, and conducts appropriate audits by meeting every month and hearing the conditions of execution of management duties from the directors. [The Board of Corporate Auditors met 15 times in the fiscal year ended March 31, 2008.] We have also established the Office of Auditors' Staff to exclusively assist auditors.

Outside Corporate Auditors

As of June 24, 2008	
Name	Concurrent Office
Takaharu Dohi	Attorney at Law
Makoto Okitsu	Advisor, Teijin Limited
Hiroyuki Kamano	Partner, Kamano Sogo Law Offices

Support for Outside Directors (and Outside Corporate Auditors)

As a general rule, we provide the outside directors (and the outside corporate auditors) with the materials for Board meetings beforehand to ensure sufficient time for review. Concerning particularly important resolution matters, the Board of Directors discusses them in the Board meeting prior to the Board meeting where the concerned matters are scheduled for resolution. In this manner, we ensure that the directors will have sufficient time to review the matters before they resolve them and that they will be able to utilize the matters, which were pointed out during the earlier discussion, as proposals for review when resolving the concerned matters.

Collaboration between Corporate Auditors and Independent Public Accounting Firm

When making audit plans, corporate auditors exchange opinions with the contracted independent public accounting firm concerning audit policies, audit items focused upon and audit approaches in order to accomplish effective and efficient auditing. Corporate auditors also observe the independent public accounting firm when the firm audits Komatsu's business bases, affiliated companies and other related entities. They also hold meetings with the independent public accounting firm to exchange audit information as needed during a given fiscal year, thus improving mutual collaboration and engaging in expeditious auditing. Furthermore, corporate auditors evaluate the methods and results of the independent public accounting firm by checking important matters at each interim and fiscal year-end, receiving its audit report and hearing its audit summary.

When the Board of Corporate Auditors approves of audit and non-audit work by the accounting firm, the Board defines the policies, procedures and other related matters and conducts preliminary reviews of individual procedures in order to maintain the independence of the accounting firm from Komatsu Ltd. and its subsidiaries.

Organizational Profile

In 1999 Komatsu Ltd. introduced the Executive Officer System and has been working to separate management decision making and supervisory functions from executive functions within the confines of the law. 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.

Board of Directors and Directors

The Board of Directors meets every month and makes decisions on management policies of the Komatsu Group, reviews and resolves important management matters, and strictly controls and supervises the execution of management duties by all executive management personnel including the representative directors. [The Board met 15 times in the fiscal year ended March 31, 2008.]

Of the 10 directors on the Board, there are three outside directors who work to ensure transparent and sound management of the Company

Outside Directors

As of June 24, 2008	
Name	Concurrent Office
Morio Ikeda	Advisor, Shiseido Company, Limited.
Kensuke Hotta	Chairman and Representative Director, Hotta Partners Inc.
Noriaki Kano	Professor Emeritus, Tokyo University of Science

Collaboration between Corporate Auditors and the Internal Audit Department

The Internal Audit Department, in cooperation with other related departments, regularly audits business bases and affiliated companies both in Japan and overseas, evaluates the effectiveness of their internal control, reinforces their risk management and work to prevent frauds and errors. Corporate auditors observe audits by the Internal Audit Department, form their own audit opinions, and give advice and recommendations to the Internal Audit Department. In addition to reporting the audit results to the Board of Corporate Auditors, the Internal Audit Department maintains close and substantive collaborations with corporate auditors, for example, by providing information on a routine basis.

Collaboration between the Internal Audit Department and Independent Public Accounting Firm

In assessing the effectiveness of internal control implemented by corporate auditors, the Internal Audit Department and the independent public accounting firm collaborate as needed by exchanging opinions and sharing information.

Directors' Remuneration

Concerning the director's remuneration, in 1999 we established the Compensation Council membered mostly by experts outside of the Company to ensure transparency, objectivity, and validity.

For the fiscal year ended March 31, 2008, remuneration and other compensation for directors and corporate auditors are shown below.

	Number of persons	Amount of remuneration and other compensation	Description
Directors	10	¥1,041 million	Incl. bonus and stock option.
Corporate auditors	5	¥ 92 million	—
Total	15	¥1,133 million	—

International Advisory Board

In 1995 we established the International Advisory Board (IAB) to receive objective advice and suggestions from outside experts for what Komatsu should work for as a global company. As a general rule, it meets twice a year to discuss and engage in information exchange. The fifth session of IAB started in January 2008 with its new members below, who met in February 2008. To date, IAB has held a total of 24 meetings since its establishment in 1995.

Outside Advisors of the Fifth Session of IAB

Name	Title
Mr. Yukio Okamoto	Specialist of International Affairs, and President, Okamoto Associates, Inc.
Dr. Lawrence J. Lau	Vice Chancellor and President, and Ralph and Claire Landau Professor of Economics, The Chinese University of Hong Kong
Dr. Juergen M. Geissinger	President and CEO, INA-Holding Schaeffler KG
Mr. Travis Engen	Former President and CEO, Alcan Inc.



▲The 24th International Advisory Board meeting held in February 2008

Improvement of Internal Control

Management of Information Related to Directors' Execution of Duties

We safeguard and manage important information related to Directors' execution of duties, including the record of Board meetings and other consensus-based, approved documents, as stipulated by laws and regulations, and Company's regulations and rules.

Rules and Other Systems for Risk Management

While continuing to make efforts to raise our corporate value, we recognize the problems related to compliance, in particular, environment, product quality, accidents, information security and other matters, as major risks for continuous growth and are thus implementing the following countermeasures.

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

Efficient Execution of Duties by Directors

To ensure the efficient execution of duties by directors, we implement the following:

- a) The Board of Directors meets every month and more often as needed. It strives to maintain transparency and soundness of management through the participation of outside directors. We have also established the Regulations of the Board of Directors and the Standards for Agenda of Board Meetings, thereby clarifying the matters on which the Board of Directors should make decisions.
- b) Together with the introduction of the Executive Officer System, we have defined the separation of duties for directors, executive officers and senior managers, and set up internal rules including the Regulations of Decision-Making Authority, to ensure appropriate and effective execution of duties by directors, executive officers and other senior managers.
- c) To promote efficient management of the Board of Directors, we have established the Strategy Review Committee consisting of senior executive officers and senior managers. Based on the reviews of the Committee, each executive officer and each senior manager executes his or her duties within the authority delegated by the Board of Directors.



Compliance by Directors and Employees When Executing Their Duties

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

We have established the Compliance Committee to oversee compliance, and the Committee regularly reports its reviews and activities to the Board of Directors. We have also established a framework to ensure thorough compliance to business rules as well as laws and regulations through a variety of measures, including the provision of *Komatsu Code of Worldwide Business Conduct*, appointment of the executive officer in charge of compliance, and establishment of the Compliance Department. Through all of these, we work to supervise, educate and train directors and employees.

In addition, we have established the internal reporting system where those who are discretely reporting questionable actions in light of the law and business rules will not be penalized.

Proper Operation of the Komatsu Group

- a) We have established the Regulations of Affiliated Companies and relevant rules to contribute to proper and efficient operation of Group management while respecting the independence of the management of affiliated companies. Each affiliated company receives prescribed management and support of the department or division of the Company in charge. We have also positioned *the Komatsu Code of Worldwide Business Conduct*, as the code applicable to all companies affiliated with the Company. Each company of the Komatsu Group stipulates various regulations for the proper promotion of duties.
- b) The Company assigns and dispatches directors and corporate auditors from the Company to major affiliated companies as needed, in order to strengthen corporate governance on a group-wide basis and monitor their management.
- c) Important committees of the Company, including the Compliance Committee, Risk Management Committee and Export Control Committee, take actions with the entire Group in view, and allow representatives of affiliated companies to take part in their meetings on occasion.
- d) The Company makes particularly important affiliated companies regularly report to the Board of Directors of the Company on the status of business, including risks and compliance.
- e) The Internal Audit Department of the Company audits each division of the Company, and implements or supervises auditing of major affiliated companies that belong to the Komatsu Group. It also monitors and instructs each affiliated company so that it will build its structure in conformity with the Company's internal control and operate it correctly. The Internal Audit Department regularly reports the internal control and auditing conditions to the Board of Directors, and also reports to the Board of Corporate Auditors as needed.

Employees Assisting Corporate Auditors for Execution of Their Duties

We have set up the Office of Corporate Auditors' Staff, which assists corporate auditors in their duties, and allocated employees who work as assistants to corporate auditors either exclusively or concurrently in another position within the Company.

Independence of Assistants to Corporate Auditors from Directors

- a) Handling of personnel affairs (employment, appointment and personnel changes) of the employees who belong to the Corporate Auditor Staff Department is premised on approval of the standing corporate auditors.
- b) The employees who exclusively assist corporate auditors are independent of control and command of the directors, and their performance is rated by standing corporate auditors.

Reporting to Corporate Auditors by Directors and Employees, and Effective Audits by Corporate Auditors

- a) In accordance with the law, corporate auditors receive reports by directors, executive officers and other senior managers concerning the conditions of execution of their respective duties.
- b) In the event that directors find a serious violation of the law or other important facts regarding compliance at the Company or affiliated companies of the Company, they shall report to corporate auditors immediately.
- c) Corporate auditors attend various committees and principle meetings concerning internal control as observers, and also read circulars *per* management approval sent around to obtain the sanction of executives, which are important decision-making documents of the Company, and essential prior settlement documents.
- d) Corporate auditors may appoint legal counsels and other advisors needed for the execution of their duties.

Basic Policy Pertaining to the Elimination of Antisocial Forces

It is the basic policy of the Company to prohibit the Komatsu Group from having any relation whatsoever with antisocial movements or groups that threaten the order and security of civil society from the perspectives of social justice and corporate social responsibility.

- a) The above policy is provided in the *Komatsu Code of Worldwide Business Conduct* and diffused throughout the Company as well as each company of the Komatsu Group.
- b) The general affairs divisions of the Head Office of the Company as well as the general affairs divisions of its main plants and Group companies work with police and other relevant external organizations to prevent the involvement of antisocial movements or groups in its management and quell any harmful effects they may bring about in accordance with the basic policy.
- c) The Company is doing its utmost to collect information and receive education training from the above external organizations and shares above information both within the Company and among related divisions of the Komatsu Group.