

Basic Stance

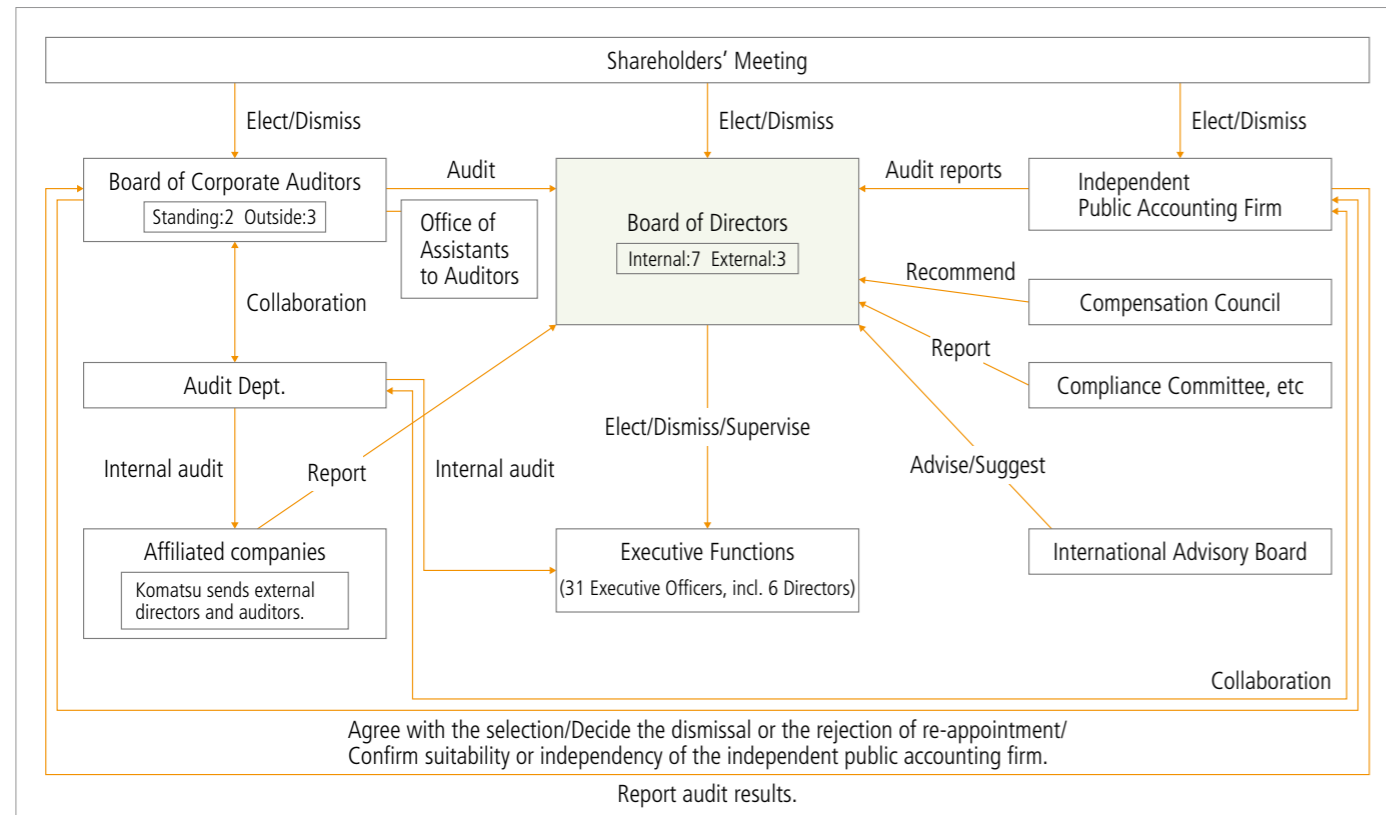
We, at Komatsu Ltd., believe our corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate 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 23, 2010

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.

Board of Corporate Auditors

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

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 6 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.

International Advisory Board (IAB)

In 1995, we established IAB to receive objective advice and suggestions from Japanese and foreign experts for what Komatsu should work toward as a global company, exchange opinions, and engage in discussions. The fifth session of IAB began in January 2008. To date, IAB has held a total of 27 meetings since its establishment.



The 27th meeting held in May 2010

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	Former 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.