Komatsu Ltd. Corporation Profile

Prepared by the Legislative Reference Bureau

An Overview of Komatsu Ltd.
and
Plan for Milwaukee, WI Operations

December 2018

Report by the Legislative Reference Bureau reviewing the history, financials and global operations of Komatsu Ltd., and its plan for development in Milwaukee, WI.

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KOMATSU CORPORATION PROFILE

City of Milwaukee, Wisconsin
December 2018

Prepared by:

Aaron Michelson, Legislative Fiscal Analyst Lead

Legislative Reference Bureau
City of Milwaukee
Room 307, City Hall
200 E. Wells Sreet
Milwaukee, WI 53202
www.milwaukee.gov/lrb

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I. HISTORICAL OVERVIEW

The Komatsu Group (Komatsu) is a multinational corporation headquartered in the Minato special ward of Tokyo, Japan. Its main business is the manufacture and sale of construction, mining, forestry and military equipment. Komatsu also manufactures and sells industrial equipment such as press machines, lasers, and thermoelectric generators.[1]

Komatsu was established in January 1917 as Komatsu Iron Works, a subsidiary of Takeuchi Mining Industry, to manufacture machine tools and mining equipment for use in-house. Komatsu officially separated from Takeuchi and was publically sold on May 13, 1921. One of the first products that Komatsu prototyped as part of its manufacturing operations was an agriculture tractor in 1931. This transitioned throughout the 1930s as Komatsu began producing tractors to be utilized by the Japanese military. Manufacturing continued through World War II as Komatsu also began producing bulldozers, tanks and howitzers that were utilized in Japanese military operations. Following World War II and under direction from the new company president Yoshinari Kawai, production began on non-military bulldozers and forklifts, which continues to this day. The company was originally headquartered in the city of Komatsu, Ishikawa Prefecture in Japan, but relocated to Tokyo in August 1951. By 1957, Komatsu had advanced far enough technologically that all vehicles manufactured were utilizing Komatsu-made engines.[1]

In 1964, Komatsu began exporting its products, and in 1967 it entered the US market, where Caterpillar, the largest bulldozer manufacturer in the world, was based. Expansion overseas was a primary focus in the 1970s, with Komatsu America Corporation established in February of 1970. Expansion of Komatsu continued over the next two decades into Singapore, Brazil, Australia, Indonesia and Germany.

The Defense Systems Division of Komatsu was established in the 1990s, and currently manufactures at the Awazu Plant in Ishikawa, Japan, a Light Armoured Vehicle (LAV) for Japanese military use.[2] This vehicle is in service with the Japan Ground Self

Defense Forces (JGSDF) and was introduced in 2002 for the Iraq War. The LAV can be armed with a 12.7mm machine gun for anti-personnel duties and anti-tank missiles for anti-armored missions. Smoke grenade dischargers can also be utilized through mounting on the rear sides of the vehicle. A total of 1,889 of the LAVs had been constructed exclusively for the Japanese military as of 2015.[3]

The Komatsu Group currently consists of Komatsu, Ltd. and 227 other companies.[4] Komatsu acquired Milwaukee-based Joy Global Inc. in April, 2017 for $3.7 billion, including debt. The subsidiary was renamed Komatsu Mining Corp. and has remained in Milwaukee as its corporate headquarters. It is led by Jeffrey Dawes, formally head of Komatsu Latin America.

Controversy surrounded the acquisition with a lawsuit filed by Joy Global shareholders, claiming Komatsu received preferential treatment through the bidding process. The acquisition was finalized in April, 2017 "and securities filings show the purchase price increased by 66 percent during the process." A federal court judge gave preliminary approval in September, 2018 to a $20 million settlement agreement for the lawsuit.[5] A new headquarters for Komatsu Mining Corp. is currently proposed for Milwaukee, near downtown in the Harbor District. (see section IV for additional information on those plans).

Komatsu is now the world's second largest manufacturer of construction and mining equipment after Caterpillar, Inc., and has a larger market share than Caterpillar for the sale of equipment in China and Japan.[1] Manufacturing operations for Komatsu are located in Japan, Asia, the Americas, Europe, and Africa. Currently, Komatsu employs 70,097 people worldwide within 93 manufacturing operations and 100 total sales offices.[4] Appendix A provides information on those facilities, their locations, and what role they play in the global operations of Komatsu. This information is from the Komatsu Fact Book 2010, and is meant to highlight the breadth of Komatsu and its subsidiaries worldwide. It does not include subsidiaries acquired, or facilities developed and put into operation, since that time.[2]

II. CORPORATE STRUCTURE AND FINANCES

The information presented in this section is primarily from the Komatsu corporate website. The FY 2017 Annual Report for Komatsu is provided in Appendix B for review.[6]

Komatsu is governed by an 8-member Board of Directors:[7]

Kunio Noji	Chairman of the Board
Tetsuji Ohashi	President, Chief Executive Officer (CEO)
Mikio Fujitsuka	Executive Vice President, Corporate Controlling
Hiroyuki Ogawa	Director and Senior Executive Officer (Senmu)
Kuniko Urano	Director and Senior Executive Officer (Jomu)
Masayuki Oku	Honorary Advisor, Sumitomo Mitsui Financial Group, Inc.
Mitoji Yabunaka	Visiting Professor, Ritsumeikan University
Makoto Kigawa	Director/Chairman of Yamato Holdings Co., Ltd.

Komatsu is also has an Audit & Supervisory Board with 5 members:[6]

Kosuke Yamane	
Hironobu Matsuo	
Hirohide Yamaguchi	Chairman of the Advisory Board, Nikko Research Center, Inc.
Eiko Shinotsuka	Professor Emeritus, Ochanomizu University
Kotaro Ohno	Attorney at law, Special Counsel of Mori Hamada & Matsumoto

Key Komatsu executives include:[6]

Yoshisada Takahashi	Executive Vice President, Chief Information Officer
Yuichi Iwamoto	Chief Technology Officer
Masayuki Moriyama	President, Mining Business Division
Akira Sugiki	President, Defense Systems Division
Ichiro Nakano	President, ICT Solution Division
Kiyoshi Mizuhara	President, Construction Equipment Marketing Division
Masaki Nobuhara	President, Production Division

Yoshiro Katae	Supervising General Affairs and Compliance
Naoki Fujita	Vice President, Production Division
Seiichi Fuchita	President, Development Division

Senior Executive Officers in North America include:[6]

Rodney Schrader	Chairman & CEO, Komatsu America Corp.
Jeffrey Dawes	President & CEO, Komatsu Mining Corp.

Komatsu has a total of 227 consolidated subsidiaries worldwide, including the following subsidiary headquarters in North America:[8]

- Komatsu America Corp., production/sales of construction & mining equipment.
  - 1701 West Golf Road, Suite 1-100, Rolling Meadows, IL 60008
- Komatsu Mining Corp., production/sales/service of mining equipment.
  - 100 East Wisconsin Avenue #2780, Milwaukee, WI 53202
- Cummins Komatsu Engine Company, production of diesel engines.
  - 800 East 3rd Street, Seymour, IN 47274
- Modular Mining Systems, Inc., development/support of mine management solutions.
  - 3289 East Hemisphere Loop, Tucson, AZ 85706-5028
- Hensley Industries, Inc., production/sales of buckets, teeth, edges for mining equipment.
  - 2108 Joe Field Road, P.O. Box 29779, Dallas, TX 75229
- Komatsu Equipment Company, sales/service of construction & mining equipment.
  - 1486 South Distribution Drive (3960 West), Salt Lake City, UT 84104
- F & M Equipment, Ltd, sales/service of construction & mining equipment.
  - 2240 Bethlehem Pike, Hatfield, PA 19440
- Komatsu Maquinaris Mexico, sales/service of construction & mining equipment
  - Juan Salvador Agraz No. 50, piso 4, Sta Fe, Cuajimalpa, Cd de Mex, C.P.05348
- Komatsu Forklift U.S.A., LLC., sales/service of forklift trucks.
  - 1701 West Golf Road Tower One, Rolling Meadows, IL 60008

- Komatsu America Industries LLC., sales/service of press & fabricating machinery.
    - 1701 West Golf Road One Continental Towers, Rolling Meadows, IL 60008
- NTC AMERICA Corporation, sales/service of machine tools & industrial machinery.
    - 46605 Magellan Drive, Novi, MI 48377
- Komatsu Industries Mexico S.A. de C.V., sales/service of press, fabricating & industrial machinery.
    - Av. Aguascalientes Nte. No. 920 Int. 50, Parras, Aguascalientes, Ags., C.P. 20157, Estados Unidos Mexicanos
- Gigaphoton USA Inc, sale of excimer laser used in production of semiconducters.
    - 15201 Northwest Greenbrier Parkway, Suite C7, Beaverton, OR 97006
- Komatsu Finance America Inc., financing with the Komatsu Group and fundraising.
    - 1701 West Gold Road Suite 1-100, Rolling Meadows, IL 60008
- Komatsu Financial Limited Partnership, retail financing of construction and mining equipment.
    - 1701 West Golf Road, Suite 1-300, Rolling Meadows, IL 60008
- Komatsu Finance Mexico, S.A. de C.V., retail financing of construction and mining equipment
    - Juan Salvador Agraz No. 50, Piso 4, Santa Fe Cuajimalpa, Cd. De Mexico, C.P. 05348

The subsidiary Komatsu Mining Corp., has the following locations within the United States for corporate offices, manufacturing, warehouse, and service and distribution centers:[9]

- Komatsu Mining Corp., Milwaukee, WI, Corporate Office & Manufacturing
- Komatsu Mining Corp., Oak Creek, WI, Distribution Center
- Komatsu Mining Corp., Brookwood, AL, Warehouse
- Komatsu Mining Corp., Winfield, AL, Manufacturing
- Komatsu Mining Corp., Mesa, AZ, Service Center & Warehouse
- Komatsu Mining Corp., Fort Meade, FL, Service Center
- Komatsu Mining Corp., Mount Vernon, IL, Service Center

- Komatsu Mining Corp., Nashville, IL, Manufacturing
- Komatsu Mining Corp., Henderson, KY, Warehouse
- Komatsu Mining Corp., Lebanon, KY, Service Center
- Komatsu Mining Corp., Lexington, KY, Engineering Office
- Komatsu Mining Corp., Billings, MT, Service Center & Warehouse
- Komatsu Mining Corp., Virginia, MN, Service Center & Warehouse
- Komatsu Mining Corp., Carlsbad, NM, Warehouse
- Komatsu Mining Corp., Farmington, NM, Service Center & Warehouse
- Komatsu Mining Corp., Elko West, NV, Service Center & Warehouse
- Komatsu Mining Corp., Cleveland, OH, Sales Office
- Komatsu Mining Corp., Solon, OH, Manufacturing
- Komatsu Mining Corp., Franklin, PA, Manufacturing
- Komatsu Mining Corp., Homer City, PA, Service Center
- Komatsu Mining Corp., Meadow Lands, PA, Distribution Center
- Komatsu Mining Corp., Reno, PA, Manufacturing
- Komatsu Mining Corp., Warrendale, PA, Corporate Office(Underground Mining)
- Komatsu Mining Corp., Eagle Pass, TX, Sales Office
- Komatsu Mining Corp., Kilgore, TX, Service Center
- Komatsu Mining Corp., Longview, TX, Manufacturing
- Komatsu Mining Corp., Wellington, UT, Service Center & Warehouse
- Komatsu Mining Corp., Abingdon, VA, Sales Office
- Komatsu Mining Corp., Bluefield, VA, Service Center
- Komatsu Mining Corp., Duffield, VA, Service Center
- Komatsu Mining Corp., Norton, VA, Warehouse
- Komatsu Mining Corp., Pineville, WV, Warehouse
- Komatsu Mining Corp., Green River, WY, Warehouse
- Komatsu Mining Corp., Evansville, WY, Service Center
- Komatsu Mining Corp., Gillette, WY, Service Center & Warehouse

Additional Komatsu Mining Corp. locations worldwide are located in:

North America
- Canada
- Mexico

South America
- Brazil
- Chile
- Peru

Europe
- Poland
- Russia
- United Kingdom

Asia
- Australia
- China
- India
- Indonesia

Komatsu has 971,967,660 outstanding shares of common stock owned by 149,459 shareholders, for a current total value of 137.99 billion yen (approx. $1.220 billion). Total consolidated net sales for Komatsu Ltd. in FY 2017 was 2,501.1 billion yen (approx. $22.1 billion), an increase of 38.7% from the previous FY 2016.[4,5]

Komatsu Ltd. recently opened a new 300,000 sq. meter (approximately 3,200,000 sq. ft) industrial complex facility in Germiston, South Africa. The total cost for the facility was 985 million rand (approximately $71 million). It will be home to up to 2,500 employees. The facility includes the company's head office operations in South Africa, a training center, equipment workshop and 21,000 sq. meter (approx. 226,000 sq. ft.) parts distribution center. The source for this information did not mention any financing provided for the construction of the facility from the City of Germiston or the South African government.[10, 11]

III. CORPORATION ISSUES AND ACHIEVEMENTS

The information presented in this section includes identified issues and achievements of Komatsu and its subsidiaries, including violations which may have occurred prior to acquisition of the subsidiary.

Issues

Since 2000, Komatsu and the recently acquired Joy Global have been cited for 13 violations within the United States totaling $3,045,081 in penalties. These include workplace safety/health, environmental and labor relations violations with federal agencies, the largest penalty being $1,500,000 for an environmental violation against Joy Global in 2001. This violation was related to PCB and other environmental contamination of a site formerly owned by Joy Manufacturing Company in Bluefield, WV from 1969 to 1980.[12]

Additional details on the total violations against Komatsu and Joy Global in the nation since 2000 are below:

Company	Primary Offense Type	Year	Agency	Penalty Amount	Location of Offense	Description of Offense
KOMATSU MINING SYSTEMS, INC.	Workplace safety or health violation	2000	OSHA	$5,952	Peoria, IL	Exposed Overhead Hazards
KOMATSU LTD	Environmental violation	2000	EPA	$100,000	Vernon Hills, IL	Import of Uncertified Engines
KOMATSU AMERICA INTERNATIONAL CO	Environmental violation	2000	EPA	$7,500	Vernon Hills, IL	Non-Road Equipment Detained by US Customs - Labels Not Visible
Joy Mining Machinery	Labor relations violation	2001	NLRB	$29,012	Franklin, PA	Backpay Award in Unfair Labor Practices Case
P&H MINING EQUIPMENT INC.	Workplace safety or health violation	2001	OSHA	$92,000	Milwaukee, WI	Numerous Safety Violations
JOY TECHNOLOGIES, INC. D/B/A JOY MINING	Environmental violation	2001	EPA	$1,500,000	Bluefield, WV	PCB Contamination of Site
Komatsu Ltd	Environmental violation	2003	EPA	$20,000	Washington, DC	Non-Use of EPA Certified Engines
Joy Technologies Inc., d/b/a Joy Mining Machinery	Labor relations violation	2007	NLRB	$1,020,000	Mt. Vernon, IL	Backpay Award in Unfair Labor Practices Case
Komatsu America Corporation	Environmental violation	2007	EPA	$162,000	Rolling Meadows, IL	Engines Not Properly Labeled
KOMATSU AMERICA CORP.	Workplace safety or health violation	2010	OSHA	$17,000	Peoria, IL	Non-Control of Hazardous Energy
KOMATSU AMERICA CORP.	Workplace safety or health violation	2012	OSHA	$54,000	Peoria, IL	Exposed Hazards in Workplace - Employee Fatally Injured and Non-Control of Hazardous Energy (Repeat)
JOY GLOBAL INC.	Workplace safety or health violation	2017	OSHA	$7,600	Milwaukee, WI	Employee Injury - Non-Fatal
Joy Global Surface Mining Inc.	Environmental violation	2017	EPA	$30,017	Virginia, MN	Hazardous Chemical Forms Not Timely Submitted

A parts supplier for Komatsu, the HEPCO, Inc. company with headquarters in Iran, has recently encountered striking workers from the local unions due to substandard working conditions. Fifteen of the workers were arrested and sent to prison with 74 lashes for

disrupting public order and instigating demonstrations and riots via the internet. HEPCO, Inc. is a privatized heavy industries manufacturer that was recently bailed out by the Iranian government due to company mismanagement.[13]

Suncor Energy, which utilizes 400-ton capacity Komatsu driverless ore-hauling trucks trucks in its Alberta oil sands operations, will be laying off 400 union workers total due to the automated vehicles. The union representing the workers has publically condemned the decision as Suncor plans to build up a fleet of 150 driverless trucks and complete the layoffs over the next 6 years.[14]

Achievements

There has been a number of industry achievements and initiatives by Komatsu Ltd. and its subsidiaries that are highlighted in recent news. Those achievements and initiatives include:

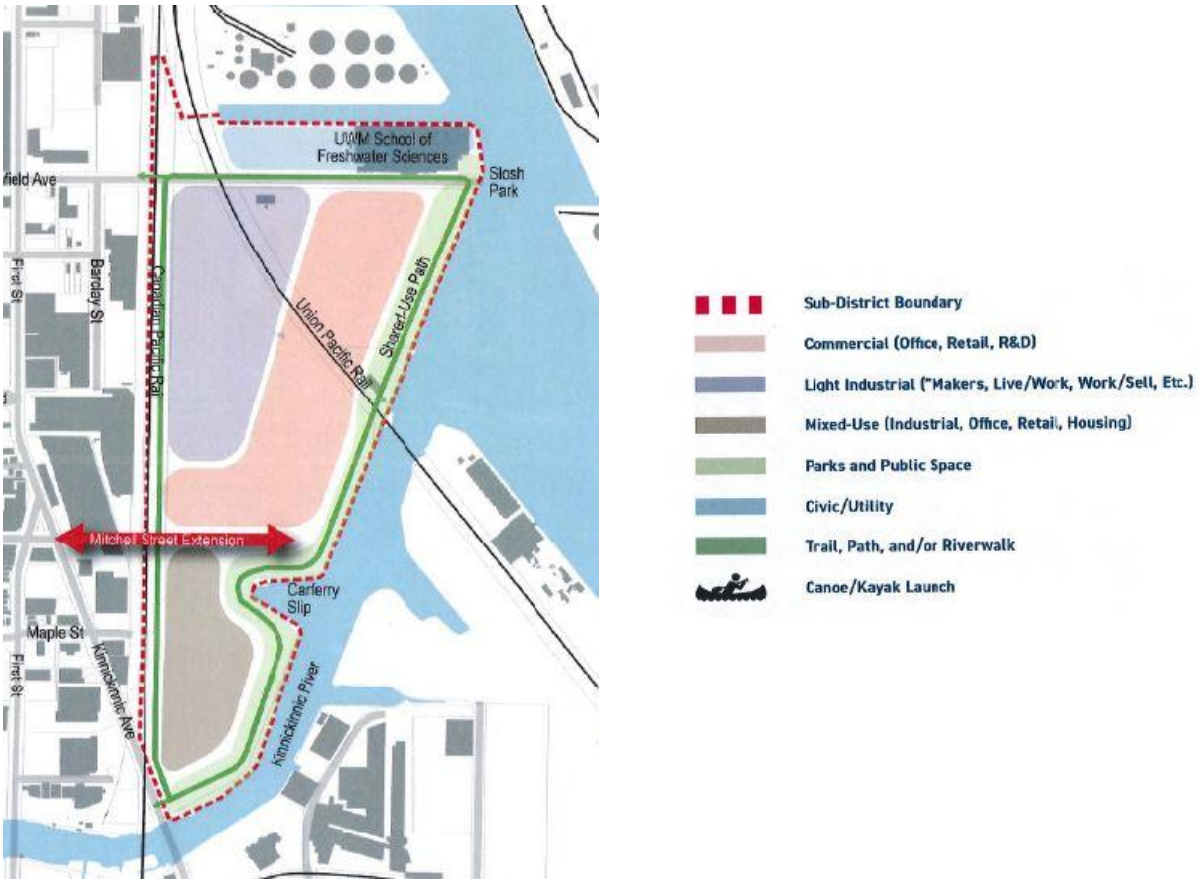
- Komatsu identified as 2017 climate and water grade 'A" list company by CDP, an international non-profit that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests.[15]
- Komatsu Mining Corp. awarded the 2018 National Institute of Occupational Safety and Health (NIOSH) Technology Innovations Award for work to develop and implement shield proximity systems in US coal operations.[16]
- PT Komatsu Indonesia awarded the Deming Prize for 2018, the first company ever in Indonesia to win the award. The Deming Prize recognizes businesses worldwide for excellence in applying the principles of Total Quality Management.[17,18]
- Collaboration with 26 other mining companies and the International Council of Mining and Metals (ICMM) on the Innovation for Cleaner Safer Vehicles (ICSV) initiative. Program aims for development of cleaner, safer vehicles for the mining equipment industry.[19]
- Komatsu America Corp. partnering with propeller company to boost efficiency of construction job sites, utilizing drone-powered mapping and analytics software.[20]

Komatsu Group Ltd. has also instituted a "Komatsu Earth Environment Charter" as part of its overall corporate principles for the organization and employees. The Charter includes three basic principles to follow: 1) Contribute to the realization of sustainable society, 2) Simultaneous Realization of Environmental and Economic Performance, and 3) Observance of Corporate Social Responsibility. Through this Charter, the Komatsu Group "seeks to promote activities that, from a global viewpoint, reflect its awareness of its social responsibilities."[21,22]

IV. KOMATSU PLAN FOR MILWAUKEE, WI

Komatsu Mining Corp., a subsidiary of Komatsu Ltd. corporation, is proposing to develop a new global mining headquarters and a large industrial facility within the Harbor District of Milwaukee. Its current facility is located in West Milwaukee approximately 3 miles to the west of the proposed project site. This project, with costs up to $300 million, would include 170,000 sq. ft. of office space, 410,000 sq. ft. of manufacturing facility and 20,000 sq. ft. for a museum/training facility. Komatsu Mining is committing to employing a total of 946 people at the 59.4-acre project site within 12 years of operations, which would be a total of 15.9 jobs per acre. If office or manufacturing expansion of the site were to take place in the future, the total jobs would potentially increase to 1,300 employees or 21.9 jobs per acre.[23] Komatsu Mining Corp. would utilize "solar panels, wind spires, a closed-loop heat treat system, LED lighting and other sustainability solutions to reduce energy use on the facility by 75 percent" compared to its current location in West Milwaukee.[24]

The adopted Harbor District Water and Land Use Plan (WaLUP) identifies the project site as the East Greenfield Avenue Sub-District and includes 3 different land uses: commercial (office, retail, R&D) on the northeastern portion of project site, light industrial on the northwestern portion of project site, and mixed-use (industrial, office, retail, housing) to the south. In addition, the Plan indicates that Mitchell Street should be extended into the project site. The Harbor District WaLUP also states that the light industrial land uses within the Harbor District shall target 22 jobs per acre of development, and the commercial land uses shall target 75 jobs per acre.[25]



In addition to the development of the project site, the City is proposing to design and construct a public-accessible Riverwalk along the site's water frontage, with approximately 4,300 linear feet total. The total cost for construction of the Riverwalk would be $15,000,000, paid 100% by the City. In the past, the Riverwalk segments have typically been funded 70% by the City and 30% by the developer.[10]

The plan also proposes that the City provide $25 million of financing for the project through the creation of Tax Incremental Financing District (TID) No. 96. That financing would be based on Komatsu meeting its employment projections. Payments from the TID to Komatsu are anticipated to begin in year 2021, the anticipated opening date for the facility. Based on a potential of 1,300 jobs at the project site, the total incentive would be $19,230.77 per job paid by the City. Additional information on the proposed development and TID No. 96 are found in Appendix C.[10]

In addition, through the Komatsu Enterprise Zone Agreement, the Wisconsin Economic Development Corporation (WEDC) approved an additional potential incentive of $59.5 million for development of the project site and job retention/creation. Originally, Komatsu Mining Corp. had requested a total of $70 million in state incentives, $10.5 million more than was ultimately awarded.[26] This $59.5 million award is based on a pledge by Komatsu Mining Corp. to hire an additional 443 employees by the year 2029 at an average hourly wage of $37.73 per hour. These new hires would be in addition to the current employees that work at the Komatsu facility in West Milwaukee. Based on the Agreement, Komatsu would get approximately $25,500 for each new employee, and a state tax credit of 10 cents for each dollar it spends buying equipment and building the new facility, with an additional 1 cent for each dollar it spends buying materials from Wisconsin suppliers. Komatsu would also get $12.5 million by year 2022 if it retains its existing 697 employees that currently work at the West Milwaukee facility.[27]

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APPENDIX A

KOMATSU CORPORATION
GLOBAL OPERATIONS

Global Operations

Manufacturing Operations of Construction, Mining and Utility Equipment, and Forest Machines

Manufacturing Operations of Construction, Mining and Utility Equipment, and Forest Machines

	Americas	Europe CIS	Asia (Exc. China & Japan)	China	Japan	Total
Assembly Plants	4	6	4	3	6	23
Components/Parts/Applied products	3	3	5	5	6	22
Total	7	9	9	8	12	45
Mother Plants (Development Function)	1	4	0	0	4	9

Note: Komatsu (Shandong) Cast Steel Co., Ltd plans to launch production in 2011. Therefor, it is not included above.

★Mother Plants Around the World

Komatsu designates those production bases with development capabilities around the world as Mother plants and position them as the core of global production. The Mother plants play an important part in achieving a target cutback on the production cost when a new model is developed or an existing machine is model changed. They are also assigned with a task of strengthening the production competitive edge of their daughter plants that manufacture the same models as well as that of their own.

Americas

Company	Location
Komatsu America Corp.	
❶ Chattanooga Manufacturing Operation	Tennessee, U.S.A.
❷ Peoria Manufacturing Operation	Illinois, U.S.A.
❸ Newberry Manufacturing Operation	South Carolina, U.S.A.
❹ Cummins Komatsu Engine Company	Indiana, U.S.A.
❺ Hensley Industries, Inc.	Texas, U.S.A.
❻ Komatsu do Brasil Ltda.	São Paulo, Brazil
❼ Atommix Industria e Comercio Ltda.	São Paulo, Brazil

Europe and CIS

Company	Location
❽ Komatsu UK Ltd.	Birtley, U.K.
❾ Komatsu Hanomag GmbH	Hannover, Germany
❿ Komatsu Mining Germany GmbH	Düsseldorf, Germany
⓫ Komatsu Utility Europe S.p.A.	Este, Italy
⓬ Stavmek s.r.o.	Mnichovo Hradiste, Czech
⓭ Komatsu Forest AB	Umeå, Sweden
⓮ Komatsu KVX LLC	Klepp stasjon, Norway
⓯ KRANEKS International Co., Ltd.	Ivanovo, Russia
⓰ Komatsu Manufacturing Rus, LLC	Yaroslavl, Russia

Overseas Production Ratio of Construction and Mining Equipment

	2005/3	2006/3	2007/3	2008/33	2009/3	2010/3
Overseas production ratio (%)	**46**	**49**	**49**	**50**	**50**	**59**
Overseas production ratio in overseas net sales (%)	**62**	**62**	**62**	**61**	**61**	**72**

Note: The figures before FY2006 does not contain the production of forklift trucks.

China

Company	Location
26 Komatsu (Changzhou) Construction Machinery Corp.	Jiangsu
27 Komatsu (Changzhou) Foundry Corp.	Jiangsu
28 Komatsu Shantui Construction Machinery Co., Ltd.	Shandong
29 Komatsu Hydraulics Manufacturing Co., Ltd.	Shandong
30 Hensley Lingfeng Co., Ltd.	Zhejiang
31 Komatsu Power Generation Systems (Shanghai) Ltd.	Shanghai
32 Komatsu Undercarriage China Corp.	Shandong
33 Komatsu Utility (China) Machine Co., Ltd.	Shandong
34 Komatsu (Shandong) Cast Steel Co., Ltd	Shandong

Japan

Company	Location
Komatsu Ltd.	
35 Awazu Plant	Ishikawa
36 Kanazawa Plant	Ishikawa
37 Osaka Plant	Osaka
38 Rokko Plant	Hyogo
39 Ibaraki Plant	Ibaraki
40 Oyama Plant	Tochigi
41 Koriyama Plant	Fukushima
42 Shonan Plant	Kanagawa
43 Komatsu Utility Co., Ltd.	Tochigi
44 Komatsu Cummins Engine Co., Ltd.	Tochigi
45 Komatsu Castex Ltd.	
Head Office, Manufacturing Div.	Toyama
Manufacturing Div. (CB Production Dept., Oyama Sec.)	Tochigi
46 Komatsu Cabtec Co., Ltd.	Shiga

Asia

Company	Location
17 PT Komatsu Indonesia	Jakarta, Indonesia
18 PT Komatsu Undercarriage Indonesia	Bekasi, Indonesia
19 PT KOMATSU FORGING INDONESIA	Bekasi, Indonesia
20 PT Komatsu Patria Attachment	Bekasi, Indonesia
21 Bangkok Komatsu Co., Ltd.	Chonburi, Thailand
22 Bangkok Komatsu Industries Co., Ltd.	Chonburi, Thailand
23 CABTEC THAI Co., Ltd.	Chachoengsao, Thailand
24 L&T-Komatsu Limited	Bangalore, India
25 Komatsu India Pvt. Ltd.	Chennai, India

Global Operations

Americas

Manufacturing Operations

Company	Location	Area (Unit:1000m²) Site	Area (Unit:1000m²) Buildings	Main Products Manufactured	○:Assembly Plant	★:Mother Plant
Komatsu America Corp.						
❶ Chattanooga Manufacturing Operation	Tennessee, U.S.A.	215	44	Medium-sized hydraulic excavators, articulated dump trucks, forest machines (crawler type)	○	
❷ Peoria Manufacturing Operation	Illinois, U.S.A.	518	105	Large dump trucks	○	★
❸ Newberry Manufacturing Operation	South Carolina, U.S.A.	320	19	Wheel loaders, forklift trucks	○	
❹ Cummins Komatsu Engine Company	Indiana, U.S.A.	—*	—*	Large diesel engines		
❺ Hensley Industries, Inc.	Texas, U.S.A.	115	33	Buckets, teeth, edges, adapters		
❻ Komatsu do Brasil Ltda.	São Paulo, Brazil	717	53	Medium-sized hydraulic excavators, small and medium-sized wheel loaders, medium-sized bulldozers, motor graders	○	
❼ Atommix Industria e Comercio Ltda.	São Paulo, Brazil	24	13	Sheet metal products and hydraulic tubings for construction equipment		

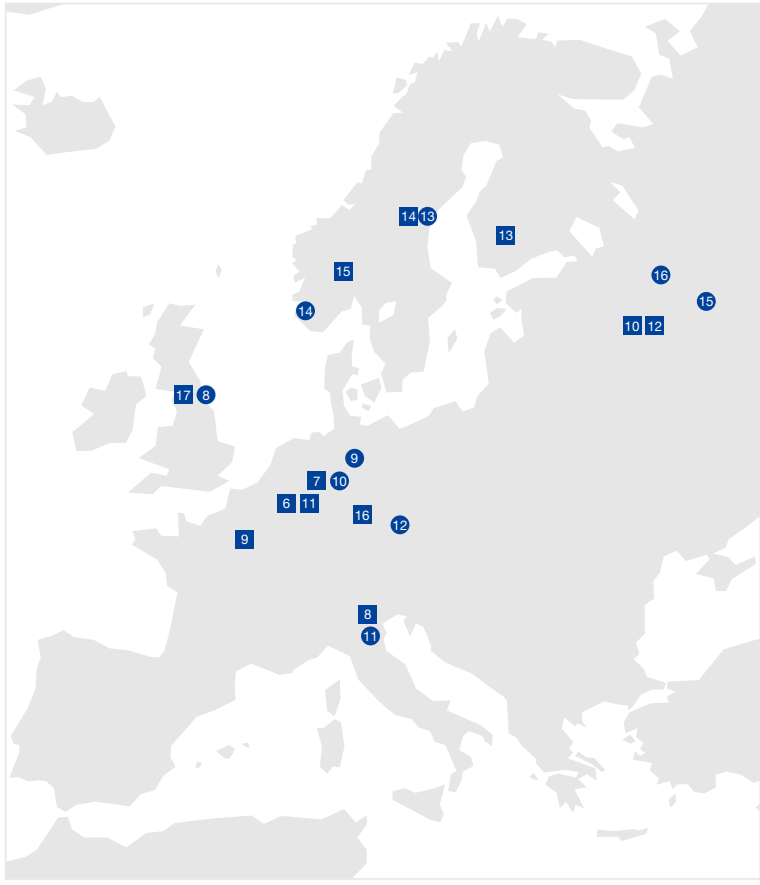
* Located in Cummins Industrial Center.

Sales Operations

Subsidiaries of Construction and Mining Equipment	Location
1 Komatsu America Corp.	Illinois, U.S.A.
2 Komatsu Brasil International Ltda.	São Paulo, Brazil
3 Komatsu Cummins Chile Ltda.	Santiago, Chile
Distributors North America : 33, Latin-America : 33, Total : 66	

Subsidiary of Forklift Trucks	Location
4 Komatsu Forklift U.S.A., LLC	Illinois, U.S.A.
Distributors North America : 87, Latin-America : 18, Total : 105	
Sales Companies of Forest Machines	**Location**
5 Komatsu Forest Ltda	Pinhais, Brazil

Europe and CIS



Manufacturing Operations

Company	Location	Area (Unit:1000m²) Site	Area (Unit:1000m²) Buildings	Main Products Manufactured	○:Assembly Plant	★:Mother Plant
8 Komatsu UK Ltd.	Birtley, U.K.	200	72	Large and medium-sized hydraulic excavators	○	
9 Komatsu Hanomag GmbH	Hannover, Germany	212	51	Wheeled hydraulic excavator, small and medium-sized wheel loaders, mini wheel loaders	○	★
10 Komatsu Mining Germany GmbH	Düsseldorf, Germany	111	41	Super-large hydraulic excavators	○	★
11 Komatsu Utility Europe S.p.A.	Este, Italy	146	56	Mini excavators, backhoe loaders, skid steer loaders	○	★
12 Stavmek s.r.o.	Mnichovo Hradiste, Czech	128	22	Sheet metal products for construction equipment		
13 Komatsu Forest AB	Umeå, Sweden	38	16	Forest machines (wheel type)	○	★
14 Komatsu KVX LLC	Klepp stasjon, Norway	—	—	Teeth, edges		
15 KRANEKS International Co., Ltd.	Ivanovo, Russia	2	2	Metal works for hydraulic excavators		
16 Komatsu Manufacturing Rus, LLC	Yaroslavl, Russia	500	50	Medium-sized hydraulic excavators	○	

Sales Operations

Subsidiaries of Construction and Mining Equipment	Location
6 Komatsu Europe International N.V.	Brussels, Belgium
7 Komatsu Mining Germany GmbH	Düsseldorf, Germany
8 Komatsu Italia S.p.A.	Vicenza, Italy
9 Komatsu France S.A.S	Aubergenville, France
10 Komatsu CIS, LLC	Moscow, Russia
Distributors Europe : 43, CIS : 6, Total : 49	

Offices of Forklift Trucks	Location
11 Europe Office	Brussels, Belgium
12 Moscow Office	Moscow, Russia
Distributors Europe : 30, CIS : 1, Total : 31	

Sales Companies of Forest Machines	Location
13 Komatsu Forest Oy	Tampere, Finland
14 Komatsu Forest Sweden HB	Umeå, Sweden
15 Komatsu Forest AS	Stange, Norway
16 Komatsu Forest GmbH	Vöhringen, Germany
17 Komatsu Forest Ltd.	Longtown, U.K.

Global Operations

Asia and Oceania

Manufacturing Operations

Company	Location	Area (Unit:1000m²) Site	Area (Unit:1000m²) Buildings	Main Products Manufactured	○:Assembly Plant
17 PT Komatsu Indonesia	Jakarta, Indonesia	162	71	Medium-sized hydraulic excavators, small and medium-sized bulldozers, motor graders, dump trucks and hydraulic equipment	○
18 PT Komatsu Undercarriage Indonesia	Bekasi, Indonesia	43	11	Undercarriage components and spare parts	
19 PT KOMATSU FORGING INDONESIA	Bekasi, Indonesia	31	15	Track link for bulldozers and hydraulic excavators	
20 PT Komatsu Patria Attachment	Bekasi, Indonesia	30	3	Buckets and blades for mining equipment	
21 Bangkok Komatsu Co., Ltd.	Chonburi, Thailand	81	39	Medium-sized hydraulic excavators, wheel loaders and backhoe loaders	○
22 Bangkok Komatsu Industries Co., Ltd.	Chonburi, Thailand	34	18	Cast iron parts for forklift trucks and construction equipment	
23 CABTEC THAI Co., Ltd.	Chachoengsao, Thailand	21	6	Parts of cab for construction equipment	
24 L&T-Komatsu Limited	Bangalore, India	267	55	Small and medium-sized hydraulic excavators	○
25 Komatsu India Pvt. Ltd.	Chennai, India	240	8	Dumptrucks	○

Sales Operations

Subsidiaries and Offices of Construction and Mining Equipment	Location
18 Komatsu Asia & Pacific Pte Ltd	Singapore
19 PT Komatsu Marketing & Support Indonesia	Jakarta, Indonesia
20 Bangkok Komatsu Sales Co., Ltd.	Samutpprakam, Thailand
21 Komatsu Parts Asia Co., Ltd.	Chonburi, Thailand
22 Komatsu India Pvt. Ltd.	Bangalore, India
23 Komatsu Australia Pty. Ltd.	Sydney, Australia
Distributors Asia : 16, Oceania : 2, Total : 18	

Subsidiary of Forklift Trucks	Location
24 Forklift Division, Komatsu Asia & Pacific Pte Ltd.	Singapore
25 Komatsu Forklift Australia Pty Ltd.	Seven Hills, Australia
Distributors Asia : 18, Oceania : 11, Total : 29	

Sales Company of Forest Machines	Location
26 Komatsu Forest Pty. Ltd.	Newington, Australia

China

Manufacturing Operations

Company	Location	Area (Unit:1000m²) Site	Area (Unit:1000m²) Buildings	Main Products Manufactured	○:Assembly Plant
26 Komatsu (Changzhou) Construction Machinery Corp.	Jiangsu	141	26	Medium-sized hydraulic excavators, medium-sized wheel loaders, dump trucks	○
27 Komatsu (Changzhou) Foundry Corp.	Jiangsu	89	26	Iron castings and parts for construction equipment and industrial vehicles, foundry molds	
28 Komatsu Shantui Construction Machinery Co., Ltd.	Shandong	458	62	Small and medium-sized hydraulic excavators	○
29 Komatsu Hydraulics Manufacturing Co., Ltd.	Shandong	—*	—*	Hydraulic equipment	
30 Hensley Lingfeng Co., Ltd.	Zhejiang	26	19	Teeth, adapters	
31 Komatsu Power Generation Systems (Shanghai) Ltd.	Shanghai	6	2	Generators	
32 Komatsu Undercarriage China Corp.	Shandong	53	20	Crawler components	
33 Komatsu Utility (China) Machine Co., Ltd.	Shandong	70	14	Mini excavators, forklift trucks	○
34 Komatsu (Shandong) Cast Steel Co., Ltd	Shandong	103	27	Steel castings, patterns for casting	

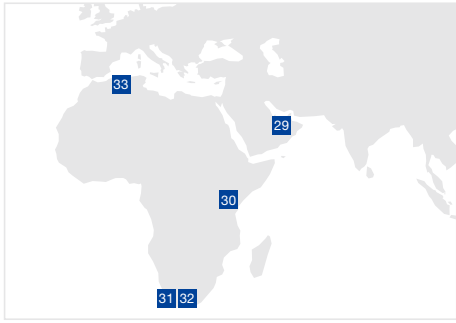
* Located in Komatsu Shantui Construction Machinery Co., Ltd.

Sales Operations

Subsidiaries of Construction and Mining Equipment	Location
27 Komatsu (China) Ltd.	Shanghai
Distributors 32	

Office of Forklift Trucks	Location
28 Shanghai Office	Shanghai
Distributors 18	

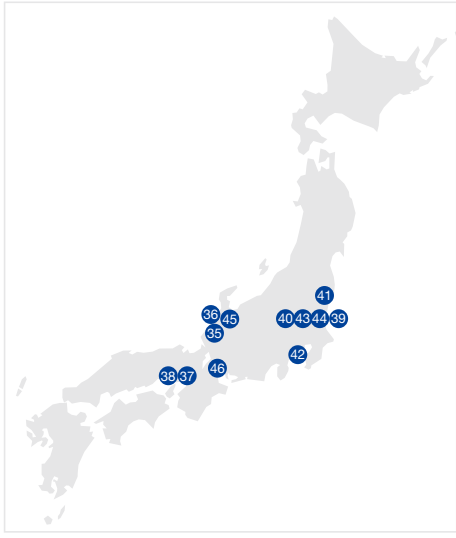
Middle East and Africa



Sales Operations

Subsidiaries and Offices of Construction and Mining Equipment	Location
29 Komatsu Middle East FZE	Dubai, U.A.E.
30 Nairobi Office	Nairobi, Kenya
31 Komatsu Southern Africa (Pty) Ltd.	Johannesburg, South Africa
32 Johannesburg Office	Johannesburg, South Africa
33 Alger Office	Alger, Algeria
Distributors	Middle East : 9, Africa : 10, Total : 19
Distributors of Forklift Trucks	Middle East : 13, Africa : 10, Total : 23

Japan



Manufacturing Operations

Company	Location	Area (Unit:1000m²) Site	Area (Unit:1000m²) Buildings	Main Products Manufactured	○:Assembly Plant	★:Mother Plant
Komatsu Ltd.						
35 Awazu Plant	Ishikawa	710	247	Small and medium-sized hydraulic excavators, small and medium-sized wheel loaders, small and medium-sized bulldozers, motor graders	○	★
36 Kanazawa Plant	Ishikawa	220	25	Super-large hydraulic excavators	○	
37 Osaka Plant	Osaka	545	169	Medium-sized and large hydraulic excavators, large bulldozers, recycling equipment	○	★
38 Rokko Plant	Hyogo	50	7	Super-large hydraulic excavators, super-large bulldozers	○	
39 Ibaraki Plant	Ibaraki	251	51	Dump trucks, articulated dump trucks, large wheel loaders, large wheel dozers	○	★
40 Oyama Plant	Tochigi	584	225	Diesel engines, hydraulic equipment, axle		
41 Koriyama Plant	Fukushima	377	30	Hydraulic equipment		
42 Shonan Plant	Kanagawa	68	26	Controllers, monitors, KOMTRAX terminals, hybrid components		
43 Komatsu Utility Co., Ltd.	Tochigi	214	92	Forklift trucks, mini excavators, mini wheel loaders	○	★
44 Komatsu Cummins Engine Co., Ltd.	Tochigi	—*	—*	Small diesel engines		
45 Komatsu Castex Ltd.						
Head Office, Manufacturing Div.	Toyama	310	98	Steel castings, iron castings, patterns for casting		
Manufacturing Div. (CB Production Dept., Oyama Sec.)	Tochigi	—*	—*	Iron castings, patterns for casting		
46 Komatsu Cabtec Co., Ltd.	Shiga	52	16	Cabs, air conditioning equipment		

* Komatsu Cummins Engine Co., Ltd and Komatsu Castex Ltd. (Oyama Manufacturing Div.) are located at Oyama Plant of Komatsu Ltd.

Sales Operations

Construction and Mining Equipment	
Distributors	17
Affiliated rental companies	14

Forklift Trucks	
Distributors	10

Global Operations

Product Support Operations of Construction and Mining Equipment

[Parts Supply Operations]

Currently, Komatsu is running as many as 35 spare parts centers in strategic locations around the world, aiming at seamless deliveries of any spare parts that its clients require. The Parts Management System links all centers and is in operation 24 hours 7 days a week. Through this system, we can forecast demand for spare parts, regional and worldwide, make a plan for parts placement and assure quick and secure deliveries of spare parts that are required for repairs and replacement.

[Reman (Re-manufacturing)]

Komatsu puts a great effort into the Reman business. This business remanufactures used engines and other major components for construction and mining equipment. Remanufactured major components are put on sale again after having acquired nearly as good quality as brand new ones. Komatsu has so far established 7 Reman centers in 5 countries in the world. When a certain component in a customer's machine brakes down, wears out or deteriorates, this business makes it possible to replace it with a nearly new one with speed and at an economical price. The Reman business has another commendable feature: it not only reuses the original materials, but it generates as much as 90 percent less CO_2 emission in its remanufacturing process, compared to the production of brand new equivalent components. Thus it is another environment-friendly business of Komatsu.

[Training]

Komatsu now operates 21 training centers in 18 countries of the world. Training there offers Komatsu's customers a course on safe and functional use of Komatsu products. Another important mission of those training facilities is to provide sales people as well as after-sale service engineers from its distributors with training for marketing and technical service. A separate course having the similar purpose is also in place for those who work for Komatsu Group companies.

Parts Centers

Region	Location
Americas	Tennessee, U.S.A. Pennsylvania, U.S.A. Nevada, U.S.A. Colorado, U.S.A. Minnesota, U.S.A. Oregon, U.S.A. Georgia, U.S.A. Florida, U.S.A. Edmonton, Canada Toronto, Canada São Paulo, Brazil Santiago, Chile
Europe and CIS	Vilvoorde, Belgium Düsseldorf, Germany Moscow, Russia Yeketerinburg, Russia Khabarovsk, Russia Kuzbass, Russia
Asia and Oceania	Chonburi, Thailand Jakarta, Indonesia Balikpapan, Indonesia Nagpur, India Sydney, Australia Perth, Australia Brisbane, Australia
China	Shanghai Guangdong Sichuan
Middle East and Africa	Dubai, U.A.E. Johanesburg, South Africa
Japan	Hokkaido Tochigi Ishikawa Osaka Fukuoka

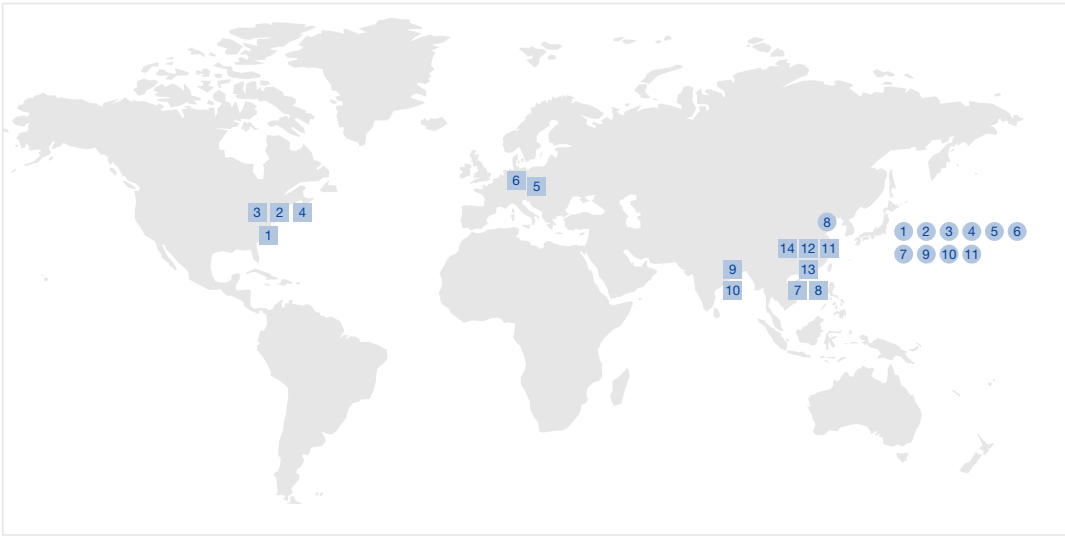
Reman Centers

Region	Location
Americas	Antofagasta, Chile
Asia and Oceania	Jakarta, Indonesia (2) Balikpapan, Indonesia Brisbane, Australia
China	Shanxi
Africa	Johannesburg, South Africa

Training Centers

Region	Location
Americas	Georgia, U.S.A. São Paulo, Brazil Santiago, Chile
Europe and CIS	Brussels, Belgium Newcastle, U.K. Hannover, Germany Düsseldorf, Germany Este, Italy Moscow, Russia Ashgabat, Turkmenistan
Asia and Oceania	Singapore Jakarta, Indonesia Sydney, Australia
China	Jiangsu
Middle East and Africa	Dubai, U.A.E. Johannesburg, South Africa Senegal, Dakar Kenya, Nairobi
Japan	Tochigi Shizuoka Osaka

Manufacturing, Sales and Service Operations of Industrial Machinery and Others



Manufacturing Operations

Company	Location	Area (Unit:1000m²) Site	Area (Unit:1000m²) Buildings	Main Products
Industrial Machinery				
1 Kanazawa Plant, Komatsu Ltd.	Ishikawa, Japan	220	25	Presses
2 Komatsu Industries Corporation	Ishikawa, Japan	*1	*1	Press brakes, shears, plasma cutting machine
3 Komatsu Machinery Corporation	Ishikawa, Japan	*2	*2	Crankshaft millers, multiplex machine tools, components for liquid crystal panels manufacturing
4 Fukuno Plant, Komatsu NTC Ltd.	Toyama, Japan	126	51	Transfer machines, machining centers, laser cutting machines
5 Toyama Plant, Komatsu NTC Ltd.	Toyama, Japan	52	28	Grinding machines
6 Komatsu Engineering Corporation	Ishikawa, Japan	18	7	Welding robots, testing devices
7 KELK Ltd.	Kanagawa, Japan	—	1	Thermoelectric modules, temperature control equipment
8 YNC/YIDA NIPPEI MACHINE TOOL Corporation	Liaoning, China	50	35	Transfer machines, machining centers
Others				
9 GIGAPHOTON INC.	Tochigi, Japan	*3	*3	Excimer laser
10 Defense Systems Division, Komatsu Ltd.	Ishikawa, Japan	*4	*4	Armored vehicles, ammunitions
11 Komatsu House Ltd.	Aichi, Japan	43	9	Prefabricated commercial-use structures

Notes: *1. Komatsu Industries Corporation is located in Kanazawa Plant of Komatsu Ltd.
*2. Komatsu Machinery Corporation is located in Awazu Plant of Komatsu Ltd.
*3. GIGAPHOTON INC. is located in Oyama Plant of Komatsu Ltd.
*4. Komatsu Ltd. Defense Systems Division is located in Awazu Plant of Komatsu Ltd.

Sales Operations

Sales Companies of Industrial Machinery	Location
1 Industrial Machinery Operation, Press Technology Division, Komatsu America Corp.	Illinois, U.S.A.
2 Industrial Machinery Operation, Large Size Press Division, Komatsu America Corp.	Michigan, U.S.A.
3 Industrial Machinery Operation, Machine Tool Division, Komatsu America Corp.	Michigan, U.S.A.
4 NTC AMERICA Corporation	Michigan, U.S.A.
5 Komatsu Industries Europe GmbH	Rüsselsheim, Germany
6 NIPPEI TOYAMA EUROPE GmbH	Rüsselsheim, Germany
7 Komatsu Industries (Thailand) Co., Ltd.	Samutprakarn, Thailand
8 NIPPEI TOYAMA (THAILAND) Co., Ltd.	Samutprakarn, Thailand
9 Industrial Machinery Division, Komatsu India Pvt. Ltd.	Gurgaon, India
10 Nippei Toyama India Private Limited	Pune, India
11 Komatsu Industries (Shanghai) Ltd.	Shanghai, China
12 NIPPEI TOYAMA SHANGHAI TRADING Co., Ltd.	Shanghai, China
13 Guangzhou Office, Komatsu Industries (Shanghai) Ltd.	Guangdong, China
14 NTC (Changzhou) Semiconductor Equipment Co., Ltd.	Jiangsu, China

APPENDIX B

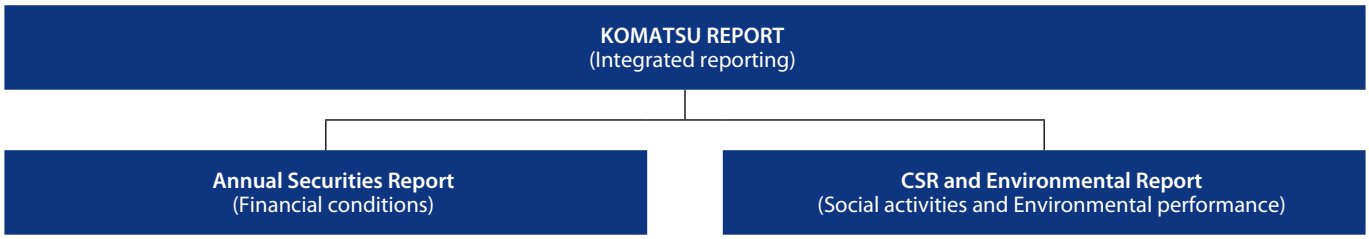
FY 2017
KOMATSU CORPORATION
ANNUAL REPORT

KOMATSU

KOMATSU REPORT 2018

We at Komatsu Ltd. prepare KOMATSU REPORT annually by focusing our attention on the most important information and expressing it in a concise manner. Concerning financial conditions, environmental conservation and corporate social responsibility, we separately prepare the respective reports in more detail and disclose information therein.

Organization of Komatsu's Annual Reports



* KOMATSU REPORT, Annual Securities Report and CSR and Environmental Report, in both Japanese and English, are uploaded on Komatsu´s website.

* Komatsu Ltd. issues the Komatsu Report only on the website.

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Reporting Period: April 1, 2017 – March 31, 2018

Unless otherwise indicated, all figures in this REPORT represent those for FY2017 ended March 31, 2018, namely from April 1, 2017 to March 31, 2018.

Cautionary Statement

This 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 financial position, operating results and business strategies. These statements can be identified by the use of terms, such as "will,""believes,""should,""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 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 Komatsu's principal products, owing to changes in the economic conditions in Komatsu's principal markets; changes in foreign exchange rates or the impact of increased competition; unanticipated costs or delays encountered in achieving Komatsu's objectives with respect to globalized product sourcing and new information technology tools; uncertainties as to the results of Komatsu'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.

On the Cover

Komatsu 951 Harvester (left) and 845 Forwarder (right) working together in a forest in Sweden. These forest machines are made by Komatsu Forest AB, a subsidiary based in Umeå, Sweden.

To All Our Stakeholders: CEO Message

Tetsuji Ohashi, President and CEO

For Fiscal 2017 (April 1, 2017 – March 31, 2018), consolidated net sales increased by 38.7% from FY2016, to JPY2,501.1 billion, supported by expanded sales of the construction, mining and utility equipment business, especially in North America, China and Asia, as well as the new addition of Joy Global Inc. (currently, Komatsu Mining Corp.) as a consolidated subsidiary in 2017. Operating income expanded by 56.0% to JPY271.5 billion.

In FY2018, the final year of the ongoing three-year, mid-range management plan, "Together We Innovate GEMBA Worldwide: Growth Toward Our 100th Anniversary and Beyond", we will continue to make diligent efforts in the three strategies of Growth Strategies Based on Innovation, Growth Strategies of Existing Businesses, and Structural Reforms Designed to Reinforce the Business Foundation.

For Long-term Sustainable Growth

In 2021, we are going to celebrate our 100th anniversary. Komatsu, founded in today's Komatsu City, Ishikawa Prefecture in 1921, has grown to become a Japan-based global company by committing itself to Quality and Reliability. For us to regard this anniversary as a milestone for sustainable growth into the future, we need to not only learn from the past but also look for management directions from a standpoint which is a lot longer term than ever before.

In emerging countries, we can look forward to growing infrastructure developments, such as roads, railways and water supply and sewerage systems, reflecting expanding population and accelerating urbanization. In developed countries, we can expect urgent needs to maintain the aging infrastructure while labor shortage will be getting more serious. As we are facing climate change, the reduction of environmental impact has become a more critical social issue.

We believe our business of construction and mining equipment is a long-term growth industry. To look for long-term, sustainable growth in this core business of ours, we need a scenario which enables our financial growth, as we respond to not only customers' needs, but also to social problems and requests at a high level, that is, with products, services and solutions equipped with totally new values.

SLQDC

Of all social issues, safety might come first. In the Komatsu Group, safety comes first. Even before becoming president, I have consistently emphasized the priority of SLQDC (Safety, Law, Quality, Delivery and Cost), when we decide on things. This order of priorities applies to all workplaces, including our production floors, suppliers and distributors.

(1) **S**afety: Safety and physical and mental health at work and within families.
(2) **L**aw: Compliance with environmental regulations, laws and business rules in different parts of the world.
(3) **Q**uality: Maintenance and improvement of Quality and Reliability in products, services, and solutions.
(4) **D**elivery: Setting up and keeping appropriate delivery dates.
(5) **C**ost: Understanding costs and controlling them through continuous improvements.

When talking with many customers, I always feel their solid determination to achieve Zero Accidents in business. Jobsite safety is an essential value of all companies that they should achieve themselves, and for us it is also a shared value with society, which we must first provide to customers through our core business.

Creating Customer Value through Communication

By creation of customer value, we mean that we go inside customers' jobsites, define what their jobsite operations of the future should be, identify real jobsite tasks through constructive communication with customers, and work to solve problems together with customers by making full use of our resources, including products, service and solutions.

By taking full advantage of ICT with our Autonomous Haulage System and SMARTCONSTRUCTION, for example, we can "visualize" jobsite information. Then we can discuss the data together with customers by asking ourselves the "whys" in order to define the ideal conditions that customers are working to achieve in the long range (what they should be like in the future) and to identify real tasks or differences from their ideal conditions of the future. These real tasks become "visible", including not only safety (Zero Accidents) and improved productivity and efficiency, but also labor shortage, environmental protection, maintenance of biodiversity, sharing of the future with local communities, and improvement of diversity. Together with customers, we will place priority on these tasks and work to solve them.

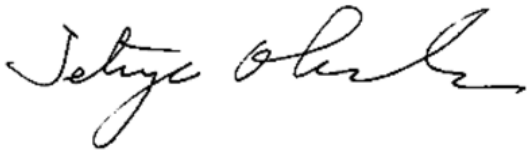
As we deepen discussions with customers and build on improvements for real tasks, I believe it's possible for us to spiral up solutions for social problems and customer value.

Management Principles

The cornerstone of our management principles is to maximize our corporate value through commitment to Quality and Reliability. We believe our corporate value is the total sum of trust given to us by society and all our stakeholders. I will ensure all employees share The KOMATSU Way. Further, we will become aware of environmental, social and governance issues more keenly than before, 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, I would like to extend my sincere appreciation to all our stakeholders for your continuing support.

July 2018



Tetsuji Ohashi
President and CEO

Face to Face: CEO Interview

Tetsuji Ohashi, President and CEO

Q FY2018, ending March 2019, is the final year of the ongoing three-year, mid-range management plan since April 2016. Please update all progress made thus far, by reviewing the business results for FY2017 and the projection for FY2018.

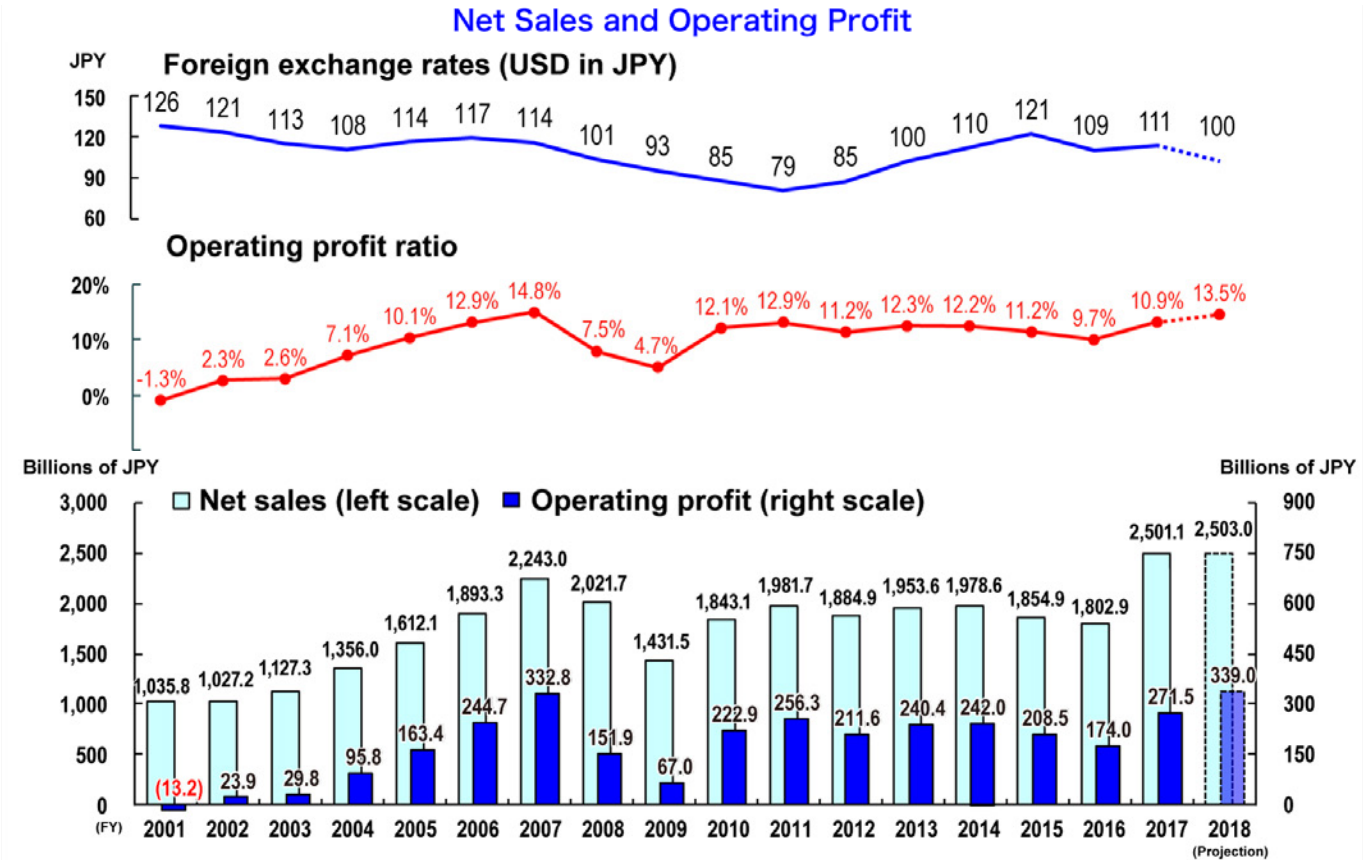
Market Conditions of Construction and Mining Equipment

In the construction, mining and utility equipment business, demand increased in all regions of the world, centering on North America, China and Asia, in FY2017. Demand for mining equipment expanded by 60% from FY2016, driven by thriving demand for medium-sized and small models. In addition to capitalizing on these market conditions in FY2017, we benefited from the addition of Komatsu Mining Corp. (KMC) (the former Joy Global Inc.) as a new consolidated subsidiary. As a result, FY2017 consolidated net sales advanced by 38.7% from FY2016, to JPY2,501.1 billion. Operating income for FY2017 improved by 56.0% to JPY271.5 billion, reflecting expanded sales volume which more than offset the temporary expenses associated with the acquisition of Joy Global Inc. (currently, Komatsu Mining Corp.). Operating income ratio also improved to 10.9%.

We are projecting consolidated net sales for FY2018 will total JPY2,503.0 billion, remaining about flat from FY2017, due to the Japanese yen's appreciation. Operating income should increase by 24.8% from FY2017, to JPY339.0 billion for FY2018, reflecting a substantial decline of temporary expenses associated with the acquisition of Joy Global Inc. (currenlty, Komatsu Mining Corp.).

We are predicting that demand will also remain strong, centering on Strategic Markets in FY2018 However, due to the Japanese yen's appreciation.

In the construction, mining and utility equipment business, we are projecting that demand will stay fairly strong in FY2018, centering on Strategic Markets. Nevertheless, the future of global economies remains uncertain, requiring us to closely monitor market conditions of emerging and resource-rich countries, in particular.



Progress Made in the Mid-range Management Plan

In the current mid-range management plan, we have set goals for growth, profitability, efficiency, profit redistribution to shareholders, financial soundness, and ROA and net debt-to-equity ratio in the retail finance business. With respect to growth, consolidated net sales for FY2017 expanded by 34.8% from FY2015, the preceding fiscal year of the current mid-range management plan. Concerning profitability, operating income ratio for FY2018 should improve by 2.3 points from FY2015, to 13.5%. With respect to ROE, it was 12.1% for FY2017, achieving the goal of 10%. Concerning profit redistribution to shareholders, we increased annual dividend per share by JPY26 for FY2017 from FY2015. For FY2018, we are planning to increase annual dividend per share by JPY38 from FY2015 to JPY96.

All in all, I believe we made good progress in the second year of the three-year plan.

	Target		FY2016	FY2017	FY2018
		Index	Results	Results	Plan
Growth	Aim at a growth rate above the industry's average.	Growth rate of sales [VS FY2015]	(2.8%)	38.7% [34.8%]	0.1% [34.9%]
Profitability	Aim at an Industry's top-level operating income ratio.	Operating income ratio	9.7%	10.9%	13.5%
Efficiency	Aim at 10%-level ROE.	ROE	7.3%	12.1%	13.4%
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%.	Consolidated payout ratio	48.2% (Dividend: JPY58)	40.3% (Dividend: JPY84)	40.1% (Dividend: JPY96)
Financial position	Aim at industry's top-level financial position.	Net D/E ratio	0.18	0.40	—
Retail finance business	ROA: 2.0% or above	ROA	0.7%	1.9%	—
	5.0 or under for net D/E ratio	Net D/E ratio	3.65	3.50	—

Q Please update the achievements and remaining tasks of the growth strategies based on innovation, one of the three core strategies of the current mid-range management plan.

Growth strategies based on innovation are one of three management strategies in the ongoing mid-range management plan. In this undertaking, we are working to expand our business domain by providing products, services or solutions with new values which take full advantage of ICT (Information and Communication Technology) and IoT (Internet of Things) benefits.

To substantially improve the safety, environmental impact and productivity of customers' jobsite operations, our SMART-CONSTRUCTION and Autonomous Haulage System (AHS) have achieved automation and unmanned operation of machines by using cutting-edge ICT benefits.

Looking ahead, we are accelerating the speed of developing next-generation components designed for use in our future products, services and solutions. We are also developing next-generation KOMTRAX.

SMARTCONSTRUCTION

The cumulative number of SMARTCONSTRUCTION-deployed jobsites in Japan have steadily grown, surpassing 5,500.

In May 2018, we began a new SMARTCONSTRUCTION service under the name of "EverydayDrone" which will make dynamic progress in the daily management of jobsite operations. It will make drone-based surveying very easy so that anyone can perform it every day. 3D survey data, after unneeded objects have been removed, are uploaded on the LANDLOG platform and will instantly become available for browsing. (This photo is for illustrative purposes.)

In July 2017, NTT DOCOMO, Inc., SAP Japan Co., Ltd., OPTiM Corporation and Komatsu agreed to jointly operate LANDLOG, an ICT platform to collect and centrally manage data of the entire production processes of construction. To expand the business into the future, the four partners have also established LANDLOG Ltd., which is working very hard to strengthen collaboration with venture and other entities equipped with cutting-edge ICT, including "visualization" of jobsite information, virtual reality and AI (Artificial Intelligence).

In December 2017, Komatsu and NVIDIA Corporation, a leading semiconductor manufacturer of the United States. announced the partnership agreement committed to improving the safety and productivity of construction jobsite operations. By effectively utilizing NVIDIA's technologies and know-how in the areas of image processing, virtual reality and AI, we should be able to speed up our achievement of "construction jobsites of the future" which connect all jobsite information related to people and things by ICT. (This photo is for illustrative purposes.)

Column

Autonomous Haulage System: 10th Anniversary of Commercial Deployment

930E AHS dump truck (front and back) teaming up with a 4100C P&H-brand (currently, KMC's brand) electric rope shovel in Suncor Energy's mine in Canada.

Back in 2005, we began trial operations of our Autonomous Haulage System (AHS) at Codelco's copper mine in Chile, and succeeded in achieving the world's first commercial deployment of AHS with Codelco in January 2008. January 2018 marks the 10th anniversary.

As of December 31, 2017, there were over 100 AHS trucks operating around the clock, hauling iron ores, copper and coal, in six mines in Australia, Chile and Canada.

In the period of 10 years, the AHS recorded a cumulative total of 1.5 billion tons of hauled materials. While meeting different geological and climate conditions, AHS not only features outstanding safety compared to manned hauling trucks, but also has improved customer productivity, reducing loading and hauling unit costs by more than 15%*. In addition, the optimized automatic controls of the AHS reduce sudden acceleration and abrupt steering, resulting in 40%* improvement in tire life. Further, with such benefits of AHS deployment, we have also provided important value to customers in terms of reducing the environmental impact.

In 2017, we successfully completed trials of our AHS retrofit kit for manned 830E electric dump trucks (maximum payload: 220 tons), and have received orders in Australia.

* Based on Komatsu's research

Q Please share your thoughts on the progress and tasks ahead concerning the growth strategies of existing businesses.

Ongoing integration of the former Joy Global Inc. [currently, Komatsu Mining Corp. (KMC)]. which we acquired in April 2017, is the most important task for growth strategies of existing businesses. (Visit the column for more information.)

We have also been focusing our efforts to develop new products, including DANTOTSU products, expand the value chain business, further reinforce our operations in Asia, and strengthen our presence in markets for application-specific machines, such as the aggregate and cement sector, as well as forestry.

Product Development

In September 2017, we embarked on sales of medium-sized "PC200-11" and "PC200i-11" intelligent Machine Control hydraulic excavators, both compliant with the Act on Regulation, Etc. of Emissions from Non-Road Special Motor Vehicles of 2014, the so-called "Off-Road Vehicle Act" (Tier 4 Final in the United States). New products have the feature of outstanding reduction of NOx emissions while achieving a high level of productivity and fuel economy. We have been working to develop the new models which feature refined environmental performance, safety and ICT applications.

PC200-11 model (left) and ICT-intensive PC200i-11 (right), both launched in Japan in September 2017. Both models adopt the new diesel engine exhaust aftertreatment system for construction equipment, enabling an outstanding reduction of NOx and particulates emissions. By optimizing controls of body units and adopting an automatic cutoff function of idling, they also achieve a high level of both productivity and fuel economy.

For forklift trucks, we have worked to develop and introduce models with unique features, such as the electric FE Series which can be deployed in demanding jobsites, where it's been impossible for conventional electric models.

In the industrial machinery business, Komatsu Industries Corp., a wholly owned subsidiary, launched sales of the "H2FM630" Servo press in March this year. Equipped with a water-cooled, high-torque servomotor and a large-capacity capacitor storage system, the H2FM630 achieves outstanding improvements in productivity and environmental performance, compared to conventional presses.

FE25 Electric Forklift: FE-Series electric forklift trucks not only adopt easy-maintenance batteries and Komatsu-original rapid charging system, but also feature excellent water and dust-proof designs. As a result, FE-Series models can be used for handling heavy objects in demanding outdoor and dusty environments, where internal combustion models have conventional advantages over electric counterparts.

Since their market introduction in 2014, the FE-Series models have been appreciated by customers for their superior environmental performance, operator comfort and low running costs, the innate advantages of electric models, even when they are used in challenging environments for electric models.

H2FM630" Servo press is equipped with a water-cooled, high-torque servomotor, which features excellent cooling efficiency, and achieves the industry's top-level productivity. Komatsu Industries has also developed a new large-capacity capacitor storage system for presses, based on performance-proven capacitors used in hybrid hydraulic excavators, and has installed in this press as a standard feature. The capacitor reduces both electric power capacity and consumption down to the level of mechanical presses.

Value Chain Business and Reinforcement of Distributors

Through reinforcement of the value chain business, we work to ensure no machine downtime and create higher added value for customers, as we offer retail finance, parts, attachments, service, and rental to used equipment in the lifecycle of our products from customers' purchase to disposal or trade-in. These efforts range greatly from an expanded product mix of high value-added parts and products to maintenance service contracts designed to cut down total costs. Nevertheless, the most important is the human resource development of sales and service distributors. We are working to expand and strengthen our training efforts.

PC700LC-8 hydraulic excavator deployed in an aggregate jobsite in Australia. We are involved in a variety of businesses in the value chain to ensure no machine downtime at customers' jobsites and to create higher added value for them.

Reinforcement of Operations in Asia

We are advantageously positioned in emerging markets in Asia, and we can expect continuing growth into the future. To further enhance our market presence, we are continuing our efforts to develop and launch Strategic Markets-specific models with excellent robustness*, expand the value chain business, and strengthen distributors. As part of such efforts, we established the Asia Development Center in Indonesia in October 2016. In Thailand, the Asia Training & Demonstration Center started training of distributors in November 2016.

*Robustness: The ability to withstand assumed demanding jobsite conditions in emerging countries, such as high temperature, dust and poor-quality fuels, and the reliable performance of not breaking down, not stopping work and easy maintenance.

Strategic Markets-specific PC130-8M0 hydraulic excavator loading aggregates in Yunnan Province, China. This model features excellent robustness, meeting demanding jobsite conditions.

Asia Training & Demonstration Center, built in a suburb of Bangkok, Thailand, began training in November 2016. As part of reinforcing operations in Asia, the Center offers an extensive range of training programs needed for distributors' personnel, including sales of machines and parts, service, and machine operation.

Strengthening of Application-specific Model Business

In the forest machine business, we have engaged in aggressive M&As in 2018, that is, Quadco and Southstar forestry attachment operations of a Canadian manufacturer of forestry attachments, and Oryx Simulations Verklighetsmodeller, equipped with advanced simulation technologies of forest machine operations. We are also continuing efforts to accelerate our global presence in the aggregate and cement and other sectors.

951 Harvester made by Komatsu Forest

Komatsu Forest AB, a wholly owned subsidiary headquartered in Umeå, Sweden, manufactures forest machines, such as wheeled harvesters. Harvesters can perform an entire range of work inside the forests, from felling, delimbing and bucking trees. By using its IoT system, the 951 Harvester also offers optimal crosscutting instructions, while enabling the operator to efficiently move the machine and perform work.

Column

Integration of Komatsu Mining Corp.

It's been a little more than a year since Komatsu Mining Corp. (KMC) joined the Komatsu Group in April 2017.

Placing top priority on never lowering our service standards for customers, we, KMC and Komatsu, have converged our capital, intellectual and human resources, generating synergy effects. Two partners have also worked to maximize the value of solutions based on mining equipment under P&H, Joy, Montabert and KOMATSU brands.

Immediately after the acquisition in April 2017, KMC's top management built a new organization with KMC and Komatsu employees with a wealth of professional expertise in global mining business and manufacturing. After careful research and thorough discussions, we announced our integration plan in October 2017.

The plan calls for creation of energy in the three areas of expanding sales, reducing costs and curbing investment. As KMC's and Komatsu's products don't overlap, we have achieved an extensive line up of surface and underground mining equipment for customers. Specifically, we are allowing three years for the integration and we are working to add synergy effects of 10% in KMC's sales for FY2021.

In FY2017, the first year of the integration process, we achieved more-than-planned for synergy effects of about JPY2.5 billion on a pretax profit basis. Synergy effects include cases in which a new order was received for KMC's rope shovel by capitalizing on Komatsu's relationship of trust with the customer as well as expanded sales by mutually using KMC's and Komatsu's supply chains and service bases.

With a tailwind of recovering market conditions of mining equipment, KMC's sales advanced by 20.8%* from the previous fiscal year, to JPY317.8 billion for FY2017, ended March 31, 2018. Operating income, excluding temporary expenses associated with the acquisition, expanded by 163.4%* to JPY35.3 billion, which translates into an operating income ratio of 11.1%.

*After reclassifying the former Joy Global Inc.'s business results (November to October) according to Komatsu's fiscal year (April to March).

Remanufacturing of components of mining equipment is undertaken at KMC's and Komatsu's facilities.

P&H-brand L-2350 wheel loader features the standard bucket capacity of 40.52m3, about doubling that of KOMATSU-brand WA1200 wheel loader, the largest model conventionally offered by Komatsu.

Q Please update your efforts for the Structural Reforms Designed to Reinforce the Business Foundation.

We have consistently worked to improve production costs and maintain an appropriate level of fixed costs through continuous TQM* and other efforts. We are promoting KOM-MICS (Komatsu Manufacturing Innovation Cloud System) which networks not only our plants but also with our suppliers by taking full advantage of IoT (Internet of Things) and "visualizes" information concerning facilities and machining, and this information is analyzed by our Manufacturing Engineering Development Center to improve manufacturing processes. By connecting all processes on a real-time basis through IoT, we are working to eliminate wasteful operations in production as we team up with our suppliers on a global basis.

In our reforms of spare parts operation, we have built the model Spare Parts Center in Tochigi Prefecture, which features logistic and process know-how of our production and latest ICT technologies. By applying features of this model facility to other facilities around the world, we are working to improve the global supply of parts and to reduce logistic costs and inventories at the same time.

Concerning non-manufacturing-related areas, Komatsu Construction Equipment Sales and Service Japan Co., Ltd., Komatsu Rental Ltd. and Komatsu Forklift Japan Ltd., merged to establish Komatsu Customer Support Japan Ltd. on April 1, 2018. In addition to strengthening its responses to diversifying corporate responsibilities in legal, finance and other affairs, the new company is working for sustainable growth in the matured Japanese market.

*TQM (Total Quality Management): The method to improve quality of not only products and service, but also management and work processes through continuous improvement efforts.

Enhancement of Diversity

Human resource development is an important matter for us. We are continuing efforts to strengthen human resource development on a global scale and promote diversity.

With KMC as a new member of the Komatsu Group, employees with foreign citizenships have grown to account for 67% of total Komatsu Group employees. Accordingly, promotion of The KOMATSU Way, the foundation of our management, has become an urgent task. In addition to The KOMATSU Way training programs, which we have conducted at major overseas subsidiaries, we are revising The KOMATSU Way booklet with contents which are easy for foreign colleagues to understand.

Q Please explain Komatsu efforts in ESG issues.

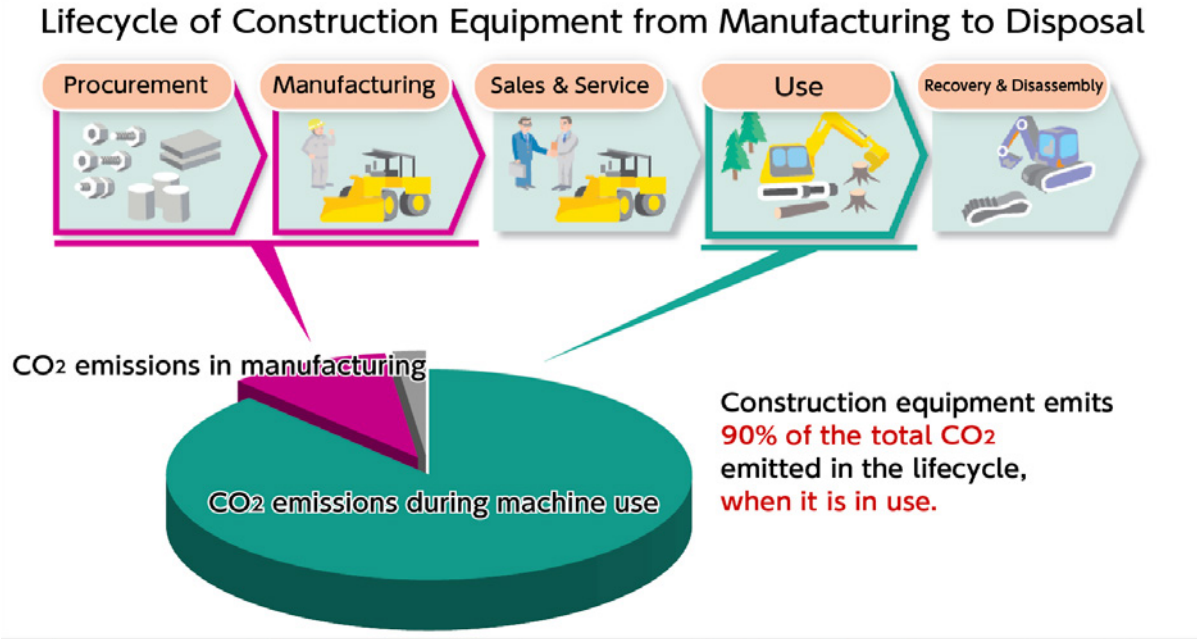
Since the 1990s, we have made diligent efforts in environmental, social and governance issues, responding to social issues through our business activities in which we have engaged for the goal of enhancing stakeholders' trust in us. The ongoing mid-range management plan, which we developed in 2016, is based on The KOMATSU Way, and includes strengthening and promoting engagement in ESG issues.

For more information about our ESG engagement, please check the CSR and Environmental Report.

E: Environmental conservation efforts

Concerning environmental protection in the ongoing mid-range management plan, we have been making efforts to reduce CO_2 emissions and promote efficient use of resources by innovating jobsites where our construction equipment is in use or production, thereby working to enhance stakeholders' trust in us. In our environmental conservation efforts, we "visualize" our environmental impact in all business activities and will continue to lower it in the mid to long ranges.

With respect to CO_2, which affects climate change, CO_2 emissions during machine use account for about 90% of the total lifecycle emissions of construction equipment. This percentage of CO_2 emissions parallels fuel consumption. We are promoting dual efforts to lower environmental impact and streamline customers' work efficiency through three perspectives of 1) development of excellent fuel-economy products, 2) studies of energy-saving machine operation methods and 3) outstanding improvement of construction efficiency using automation and unmanned operation of machines.



Percentage of CO_2 emissions during machine use in the lifecycle

Environmental Indexes

S: Social efforts

We have defined the following three CSR themes of 1) Enhancing Quality of Life, 2) Developing People, and 3) Growing with Society. In addition to making CSR efforts through our business activities, we also make social contribution efforts by utilizing our strengths, thereby fulfilling our corporate social responsibility. Our main CSR efforts include removal of anti-personnel landmines mainly in Cambodia. In Cambodia, 2018 marked the 10th anniversary of our efforts there, having reconstructed communities, including eight elementary schools. We also provide technical training programs in South Africa, Peru and some other countries, thereby increasing employment opportunities for trainees and leading to the social and economic growth of local communities. Some of the graduates are employed by our local companies, becoming important resources to support our local operations.

2018 marks the 10th anniversary of our removal of anti-personnel landmines project in Cambodia, which also calls for the reconstruction of local communities. By not only removing landmines (bottom left) but also renting construction equipment at no cost and making donations for the project, we have been building irrigation ponds and roads (above). Local residents have become able to farm demined and safe land and transport their harvests to local markets to generate cash income. As revitalization of communities has progressed, the number of children has also grown. We have donated a total of eight elementary schools (bottom right).

G: Governance efforts

Board of Directors

Front row from the left: Kunio Noji, Chairman of the Board and Director, Tetsuji Ohashi, President and CEO, Representative Director and Mikio Fujitsuka, Executive Vice President and Representative Director

Back row from the left: Hiroyuki Ogawa, Director and Senior Executive Officer, Mitoji Yabunaka, Outside Director, Masayuki Oku, Outside Director, Makoto Kigawa, Outside Director, and Kuniko Urano, Director and Senior Executive Officer

We, at Komatsu, believe that our corporate value is the total sum of trust given to us by society and all our stakeholders. To become a company further trusted by our shareholders and all other stakeholders, we are strengthening our group-wide corporate governance and working to improve management efficiency, instill corporate ethics and secure management soundness.

We position the Board of Directors as the core of corporate governance. To enhance the effectiveness of the Board, we have made efforts to strengthen and improve our corporate governance, including the establishment of the Audit & Supervisory Board in 1994, issuance of "Komatsu's Worldwide Code of Business Conduct" and the establishment of the Compensation Advisory Committee.

Since 1999 when we adopted the Executive Officer System, we have worked to clearly separate, within the limits of the laws and regulations, the management decision-making and supervisory functions from the executive function. To enhance the effectiveness of the Board, we have also reduced the number of Board members and invited Outside Directors and Auditors. We have made efforts to reform the operation of Board meetings so that Board members can engage in thorough discussions of important agendas and quick decision making.

In April 2018, based on the deliberations and report by the Compensation Advisory Committee, we adopted the Restricted Stock Compensation System for the remuneration of the Directors, excluding Outside Directors, in order to link them more closely to the Company's performance and further contribute to the enhancement of the medium- and long-term corporate value of the Company. At the same time, we also introduced the performance-based remuneration that will reflect the degree of achievement of the targets set in the mid-range management plan.

To further enhance our transparent management for our shareholders and investors, we are working to ensure fair and timely information disclosures and make active IR efforts, such as regional meetings with individual shareholders and IR meetings with investors and securities analysts.

Q A big shift is advancing around the world from the use of fossil fuels, which cause climate change, to the use of renewable energy. How will these energy sources such as carbon-free and moving-away-from fossil fuels trends affect Komatsu's business in the mid- to long-range terms?

We are making efforts to understand and solve mid- to long-range issues as we engage in constructive discussions with a wide range of our stakeholders, such as customers, shareholders and investors. Concerning global warming, one of these issues, we have led our competitors by not only developing products, services and solutions, which feature excellent environmental performance, but also by continuing efforts to reduce environmental impact in all stages of our business, including development, production, logistics, sales and service. As the world is recently paying keen attention to trends which are carbon-free and moving-away-from fossil fuels, we are reassessing how a mid- to long-range projection of coal mining will affect our business as one of our mid- to long-range issues, as well as how to reduce the environmental impact in our business.

The future of the mining equipment business

Coal, widely distributed, especially throughout the Asia Pacific Basin, is not only an indispensable energy source for people's daily life in emerging countries, but also has an extremely important implication as a financial source, supporting economic growth of coal-exporting countries. With respect to the possibility of replacing coal with renewable energy in the future, we need to keep om monitoring closely, because it's related to complicated factors, such as technological advancement and costs. We believe that demand for coal will remain at a specified level without plunging, for the time being, as the world works to incorporate new technologies which feature a lower environmental impact from coal consumption.

Today, our dump trucks and mining shovels are also deployed in mines for minerals other than coal, such as iron, copper, gold, cobalt, and rare-earth. As a result of acquiring Komatsu Mining Corp. (the former Joy Global Inc.) in FY2017, we have become able to also offer underground mining machines to customers, who are going deeper for copper and other minerals. More importantly, we are working to help customers reduce CO_2 emissions in their mining of resources needed by society, as we provide products capable of efficiently mining coal and all other minerals as well as solutions, such as AHS.

As the shift to renewable energy continues, demand should increase for a wide variety of minerals. We are going to strengthen our business in order to offer mining equipment solutions with safer, more productive and smaller environmental impact, and working for further business growth.

Electrification of construction and mining equipment

Committed to reduce CO_2 emissions in all stages of our product lifecycle, ranging from development, procurement, production, machine use, and disposal, we have also set the goal of reducing CO_2 emissions per work performance from our machines in use in the ongoing mid-range management plan. Concerning the machines made in FY2017, they have achieved 7.4% reduction in CO_2 emissions compared to those machines in FY2007, the base year. When they are used for one year, we will reduce 210,000 tons of CO_2 per machine.

Related page of the CSR & Environmental Report 2018

Electrification is one of our next-generation technologies. We led the world in commercializing hybrid hydraulic excavators in 2008, and since then have promoted in-house development and production of hybrid motors and other electric components. With respect to mining equipment, we have conventionally offered electric motor-drive dump trucks and shovels. In the area of utility equipment, we have developed new electric forklift trucks capable of replacing internal combustion models and are working to expand their sales.

As we look ahead, we are not only accelerating the speed of developing environment-friendly products, but we're also making more efforts to develop new service solutions which reduce fuel consumption and CO_2 emissions by dynamically improving work efficiency.

Highlights of FY2017 Results

For FY2017 (April 1, 2017 – March 31, 2018), consolidated net sales totaled JPY2,501.1 billion, up 38.7% from the previous fiscal year, partly reflecting the benefits of including Joy Global Inc. (currently, Komatsu Mining Corp.) as a new consolidated subsidiary. We acquired this leading manufacturer of mining equipment in the United States in April 2017. With respect to profits, operating income expanded by 56.0% to JPY271.5 billion, and the operating income ratio improved by 1.2 percentage points to 10.9%. Net income attributable to Komatsu Ltd. totaled JPY196.4 billion, up 73.2%.

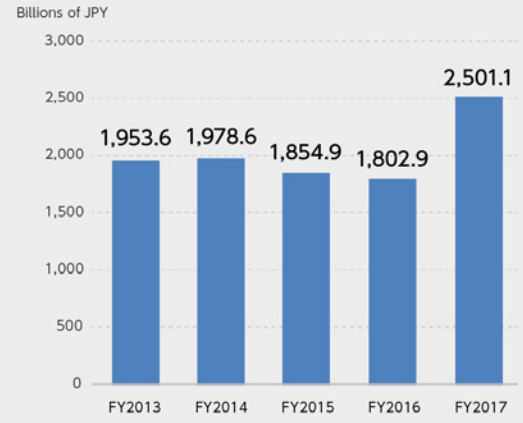
Construction, Mining and Utility Equipment
In addition to steadfastly capturing demand in China, Indonesia and many other countries, we also acquired Komatsu Mining Corp. As a result, sales of the construction, mining and utility equipment business expanded by 44.7% from the previous fiscal year, to JPY2,280.9 billion. Segment profit reached JPY275.9 billion, an increase of 70.7% from the previous fiscal year, supported by expanded sales around the world, more than offsetting temporary expenses incurred in relation to the acquisition of Joy Global Inc.

Retail Finance
Revenues advanced by 22.8% from the previous fiscal year, to JPY60.3 billion, mainly supported by increased assets in North America. Segment profit climbed by 191.1% to JPY12.9 billion, mainly reflecting no more allowance for doubtful accounts recorded in China.

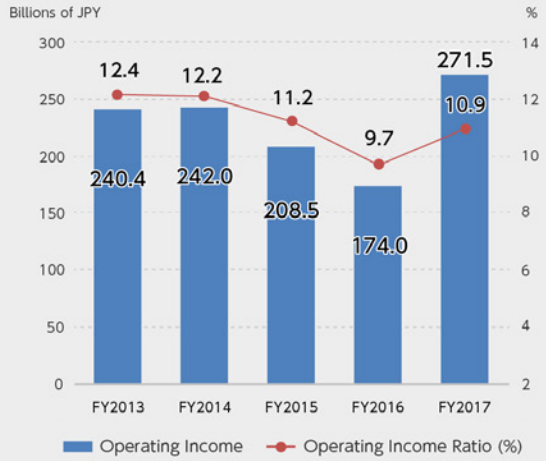
Industrial Machinery and Others
Sales decreased by 2.9% from the previous fiscal year, to JPY185.4 billion, as affected by reduced sales of presses and wire saws as well as declined sales to Japan's Defense Agency, while sales of machine tools to the automobile manufacturing industry increased. Segment profit improved by 16.0% to JPY14.4 billion.

Consolidated Business Results

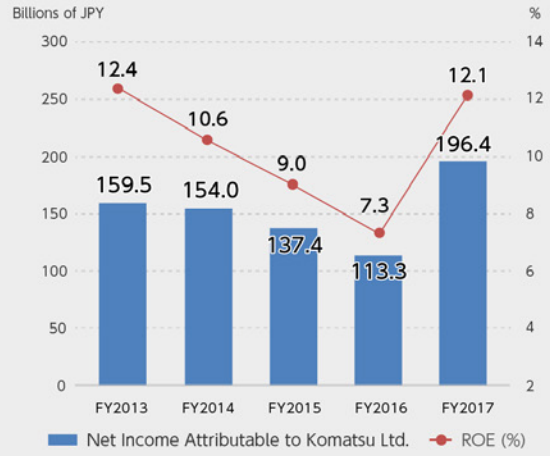
Net Sales



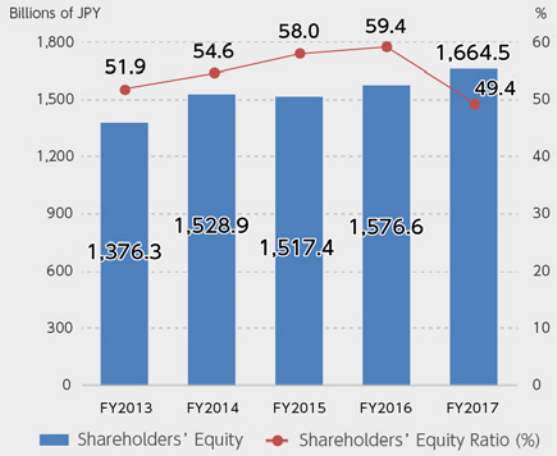
Operating Income and Ratio



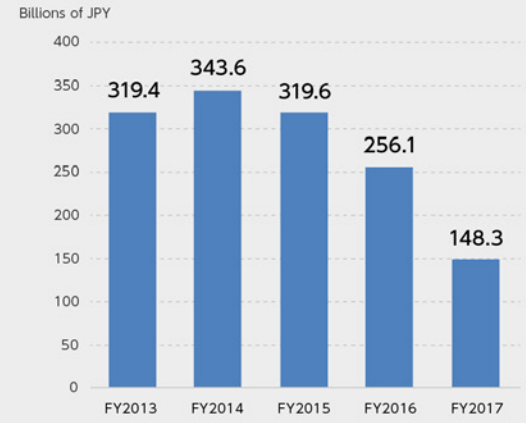
Net Income Attributable to Komatsu Ltd. and ROE



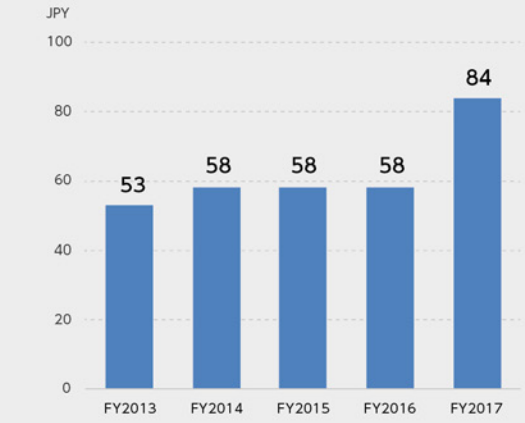
Shareholders' Equity and Shareholders' Equity Ratio



Net Cash Provided by Operating Activities



Annual Cash Dividend per Share



Five-year Summary

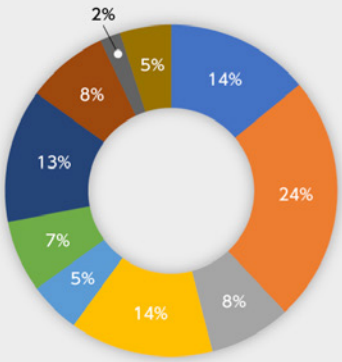
Komatsu Ltd. and Consolidated Subsidiaries	Millions of JPY (except per share amounts)				
	FY2017	FY2016	FY2015	FY2014	FY2013
For the fiscal period					
Net sales	**¥2,501,107**	¥1,802,989	¥1,854,964	¥1,978,676	¥1,953,657
Cost of sales	**1,765,832**	1,286,424	1,315,773	1,401,193	1,393,048
Operating income	**271,581**	174,097	208,577	242,062	240,495
Operating income ratio	**10.9%**	9.7%	11.2%	12.2%	12.3%
Income before income taxes and equity in earnings of affiliated	**291,807**	166,469	204,881	236,074	242,056
Net income attributable to Komatsu Ltd.	**196,410**	113,381	137,426	154,009	159,518
Capital investment	**145,668**	142,006	160,051	192,724	179,070
At fiscal period-end					
Total assets	**¥3,372,538**	¥2,656,482	¥2,614,654	¥2,798,407	¥2,651,556
Working capital	**807,930**	719,339	685,559	716,524	701,201
Property, plant and equipment	**740,528**	679,027	697,742	743,919	667,347
Long-term debt-less current maturities	**480,698**	190,859	212,636	279,270	311,067
Komatsu Ltd. shareholders' equity	**1,664,540**	1,576,674	1,517,414	1,528,966	1,376,391
Shareholders' Equity Ratio	**49.4%**	59.4%	58.0%	54.6%	51.9%
Per share data					
Net income attributable to Komatsu Ltd. per share: Basic	**¥ 208.25**	¥ 120.26	¥ 145.80	¥ 162.07	¥ 167.36
: Diluted	**207.97**	120.10	145.61	161.86	167.18
Cash dividend per share*	**84**	58	58	58	53
Komatsu Ltd. shareholders' equity per share	**1,764.58**	1,672.01	1,609.69	1,622.48	1,443.97

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

Download the excel file

Business Results of Construction, Mining and Utility Equipment by Region for FY2017

Sales by Region (To Outside Customers)



Japan	JPY 315.6 billion	+4.7%
North America	JPY 538.2 billion	+59.1%
Europe	JPY 180.4 billion	+33.2%
Latin America	JPY 314.7 billion	+55.1%
CIS	JPY 108.5 billion	+53.9%
China	JPY 164.7 billion	+69.2%
Asia	JPY 298.6 billion	+44.5%
Oceania	JPY 181.9 billion	+72.2%
Middle East	JPY 39.5 billion	+10.4%
Africa	JPY 124.6 billion	+73.4%

Japan

Sales grew from the previous fiscal year, supported by an increase of demand centering on the rental industry before the enforcement of new emission control regulations.

Americas

In the United States and Canada, demand for construction equipment increased from the previous fiscal year, centering on the infrastructure development and energy-related sectors. In Latin America, demand for construction equipment grew, especially in Argentina and Mexico. Affected also by the new addition of Komatsu Mining Corp. to consolidated accounting, sales in the Americas expanded sharply from the previous fiscal year.

Europe & CIS

In Europe, sales expanded sharply from the previous fiscal year, reflecting steady demand for construction equipment, especially in Germany, a major market of the region, and northern Europe. In CIS, sales also expanded sharply, driven by a continued increase in demand for mining equipment, especially in coal and gold mines.

China

Sales advanced substantially from the previous fiscal year. This was supported by the continued expansion of demand for construction equipment, resulting from the progress of infrastructure development nationwide.

Asia & Oceania

In Asia, sales expanded sharply from the previous fiscal year, mainly reflecting a steady increase of demand for mining equipment in Indonesia, the largest market of the region, resulting from the growing price of coal. In Oceania, in addition to an increase in demand for mining equipment, sales increased substantially, as also affected by the addition of Komatsu Mining Corp. to consolidated accounting.

Middle East & Africa

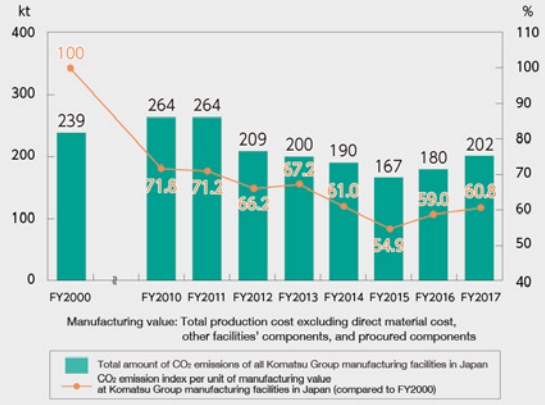
In the Middle East, sales increased from the previous fiscal year, mainly reflecting a recovering trend of market demand in some countries, offsetting negative effects of reduced budgets in Gulf nations in response to lowered crude oil prices. In Africa, sales advanced sharply, supported by an increase in demand for mining equipment in South Africa and benefits of newly adding Komatsu Mining Corp. to consolidated accounting.

Environmental Indexes

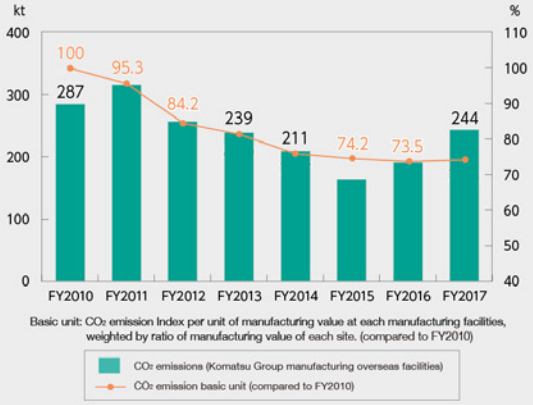
Reducing CO_2 Emissions in Manufacturing Operations

Related page of the CSR & Environmental Report 2018

CO_2 Emissions in Japan



CO_2 Emissions Overseas

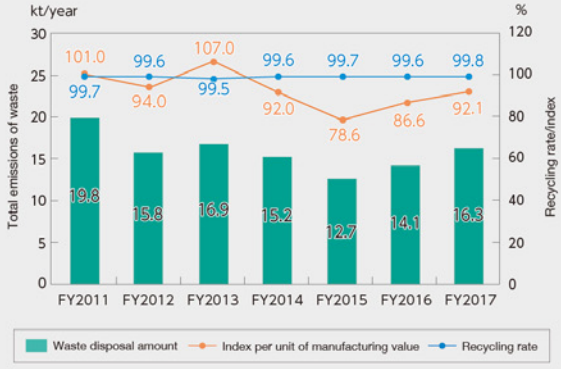


Amount of Waste Generated

Related page of the CSR & Environmental Report 2018

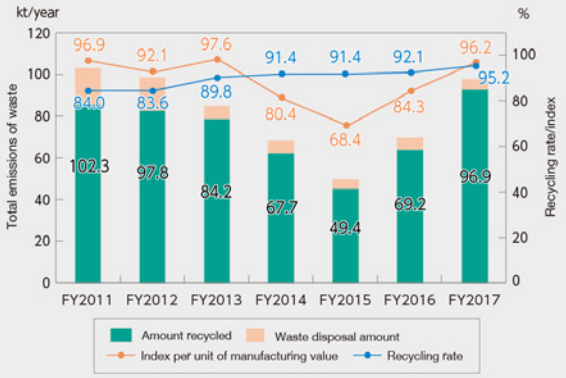
Waste Generated in Japan

(Scope of data gathering: Manufacturing plants of Komatsu and the Komatsu Group in Japan)



Waste Generated Overseas

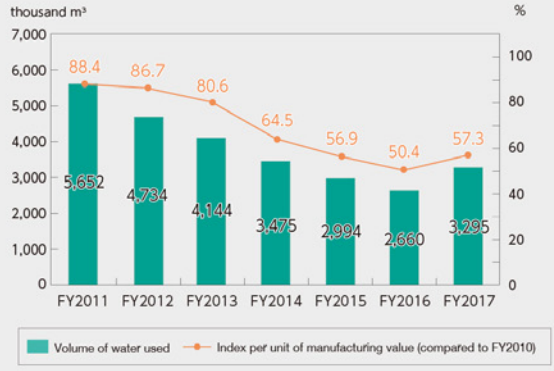
(Scope of data gathering: Manufacturing plants of Komatsu and the Komatsu Group overseas)



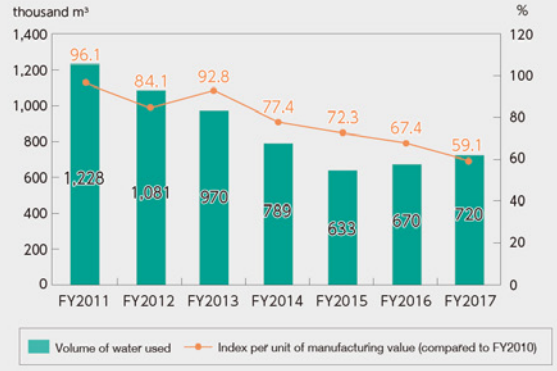
Volume of Water Used

Related page of the CSR & Environmental Report 2018

Volume of Water Used (Japan)



Volume of Water Used (Overseas)



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Corporate Information

(As of March 31, 2018)

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: 59,632 (Komatsu Ltd. and 227 consolidated subsidiaries) Non-consolidated: 10,465

Shareholder Information

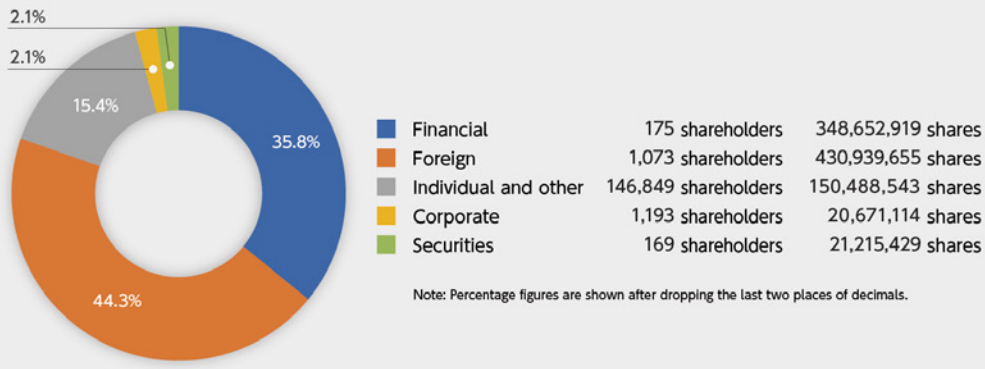
Shares of Common Stock Issued and Outstanding	971,967,660 shares (excluding 28,190 thousand shares of treasury stock)
Number of Shareholders	149,459
Number of Shares per Trading Unit	100
Securities Code	6301 (Japan)
Stock Listings	Tokyo
Transfer Agent for Common Stock/Management Institution for Special Account	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Depositaries (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	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	62,612	6.63
Japan Trustee Services Bank, Ltd. (Trust Account)	62,405	6.61
Taiyo Life Insurance Company	34,000	3.60
JP MORGAN CHASE BANK 380055 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	33,514	3.55
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	20,339	2.15
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	18,638	1.97
Japan Trustee Services Bank, Ltd. (Trust Account 5)	18,451	1.95
Sumitomo Mitsui Banking Corporation	17,835	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 7)	17,183	1.82
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	17,029	1.80

Notes: 1) Shareholding ratio is calculated by subtracting treasury stock.
2) Although Komatsu Ltd. holds 28,190 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Breakdown of Shareholders



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

Stock Prices on the Tokyo Stock Exchange

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

Please refer to "Annual Securities Report" for more company and financial information.

- Overview of the Company and Its Consolidated Subsidiaries
- Business Overview
- Property, Plants and Equipment
- Information on the Company
- Financial Information

Please refer to "CSR and Environmental Report" for more information concerning social and environmental efforts.

- Stance on CSR Efforts
- Theme 1: Enhancing the Quality of Life (Safety, environmental indexes, etc.)
- Theme 2: Developing People (Diversity, etc.)
- Theme 3: Growing with Society (Compliance, risk management, governance, etc.)

KOMATSU
2-3-6, Akasaka, Minato-ku, Tokyo 107-8414, Japan
https://home.komatsu/en

Corporate Communications Department
Phone : +81-3-5561-2616 Fax : +81-3-3505-9662 e-mail : JP00MB-info@global.komatsu

APPENDIX C

PROJECT PLAN FOR
TAX INCREMENTAL FINANCING
DISTRICT NO. 96
(KOMATSU MINING CORP.)

PROJECT PLAN FOR
TAX INCREMENTAL FINANCING DISTRICT NO. 96
(Komatsu Mining Corp.)

CITY OF MILWAUKEE

Public Hearing Held: November 15, 2018

Redevelopment Authority Adopted:

Common Council Adopted:

Joint Review Board Adopted:

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4. Feasibility Study
5. Letter from the City Attorney
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7. Option to Purchase

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1. Boundary and Existing Land Use
2. Structure Condition
3. Proposed Uses and Improvements
4. Existing Zoning

I. DESCRIPTION OF THE PROJECT

A. Introduction

Section 66.1105(4)(d), Wisconsin Statutes, requires the "preparation and adoption…of a proposed project plan for each tax incremental district." This Project Plan is submitted in fulfillment of this requirement and the related provisions of section 66.1105, Wisconsin Statutes.

Section 66.1105 (2)(f) 1.n., permits that Project Plan to fund projects located outside, but within one half-mile of the district's boundary.

B. District Boundaries and Compliance with Statutory Eligibility Criteria

The Komatsu Mining Corp. District ("District" or "TID") is comprised of five properties totaling 2,967,115 SF, approximately 68.1 acres (collectively, the "Property"). The District is shown in **Map No. 1, "Boundary and Existing Land Use,"** and described more precisely in **Exhibit 1, "Boundary Description."** 88.55% of the real property located within the District was found to be in need of rehabilitation or conservation work within the meaning of Section 66.1105(4)(gm) of the Wisconsin Statutes. **Exhibit 2, "Property Characteristics,"** illustrates how the properties in the District meet the statutory criteria for Tax Incremental Districts. Per Wisconsin Statute 66.1105 (5)(b) the percentage of territory within the District that will be devoted to retail business at the end of the maximum expenditure period is estimated by the City to be 0%.

C. Project Background

Proposed Project

Komatsu Mining Corp. ("Company") is proposing to build their Global Mining headquarters and a large industrial facility in the City of Milwaukee ("City")'s Harbor District. The estimated $250-300M project would include 170,000 SF of office space, 410,000 SF of manufacturing space, 20,000 SF for a museum and training facility and associated structured and surface parking (the "Project"). The office and museum/training facility would be constructed on 401 East Greenfield Avenue (the "City Site"), which is currently owned by the City and is apr. 13.5 acres. The industrial facility would be constructed on 311 East Greenfield (the "Solvay Coke Site"), which is currently owned by Wisconsin Gas, LLC, a subsidiary of WE Energies, and is apr. 45.9 acres. Collectively, the City Site and the Solvay Coke Site are the "Project Site". The Company is committing to employ 946 people at the Project Site by the twelfth year of operations. With the potential for future office or manufacturing expansions, that number could grow to 1,300 employees, which would be apr. 22 jobs per acre. The City is proposing up to a $25,000,000 developer-financed cash grant to the Company from this District if the Company meets agreed upon employment projections, per the attached Term Sheet, **Exhibit 6, "Komatsu Mining Corp. Term Sheet."**

Adjacent to the Project, the City is proposing to design and construct a publicly-accessible riverwalk along the entire Project Site (the "Riverwalk"). At its northern point, the Riverwalk would begin at the proposed Harbor View plaza at the eastern terminus of East Greenfield Avenue and continue south to South Kinnickinnic Avenue, apr. 4,300 linear feet. The City is proposing $15,000,000 from this District to fund the Riverwalk segment and other public infrastructure improvements described in more detail in Section II of this Project Plan. In addition, the City is proposing to fund a $1,000 option fee from the District to purchase 302 East Greenfield Avenue from Wisconsin Gas, LLC for a future transit hub or other purposes.

History of the Project Site

The Solvay Coke Site has been used for industrial purposes for over 150 years. Starting in 1902, the Milwaukee Coke and Gas Company (later the Milwaukee Solvay Coke Company) operated a manufactured gas plant on the site, heating or burning coal to create foundry coke and natural gas for Milwaukee and beyond. The company ceased operations in 1983. Later, Wisconsin Wrecking operated a scrap and salvage operation on a portion of the Solvay Coke Site until January 2003. As a result of these historical uses, the site has significant environmental challenges and has been declared a Superfund site by the United State Environmental Protection Agency. The Solvay Coke Site was acquired by WE Energies in 2017 and they have begun an extensive environmental remediation effort to allow the site to be developed. The initial remediation of the site is projected to be complete in 2019.

While owned by the City, the City Site is under the jurisdiction of the Port of Milwaukee and the Board of Harbor Commissioners. The City Site was most recently used for coal storage to fuel the WE Energies Valley Power Plant in the Menomonee Valley. However, when that plant was converted to natural gas in 2015, the City Site became available for other uses.

In 2014, the University of Wisconsin – Milwaukee expanded its Great Lakes Water Institute across the street from the City Site at 600 East Greenfield Avenue into the School of Freshwater Sciences. The $53M investment was instrumental in bringing attention to Milwaukee's inner harbor. In 2015, Harbor District, Inc. was formed to create a detailed plan for the inner harbor area based on previous City plans and to engage the public and private sectors in implementing those plans. To that end, Business Improvement District #51, Harbor District, was created in 2016 to support businesses in the area and advocate for public infrastructure improvements.

Plans for the Project Site and Neighborhood

The Project Site and the neighborhood surrounding the Project Site have been included in many plans created by the City over the past 10 years. The general themes of those plans are to attract family-supporting jobs and provide public access to waterways. Below are direct quotes from those plans with their recommendations and goals relevant to the Project, Project Site and surrounding neighborhood:

Southeast Side Area Plan (2008): https://city.milwaukee.gov/AreaPlans/Southeast.htm

- Identify development opportunities for environmentally-sensitive, job-creating land uses
- Encourage employment opportunities, as they are essential to the health of the neighborhood
- Encourage water-related industries and market-rate industrial development

Port Redevelopment Plan (2010):
https://city.milwaukee.gov/PlansandStudies/PortofMilwaukee.htm

- The primary goal of this Plan is to promote the attractive, productive and efficient use or reuse of land and/or buildings in the Project Area in a manner that provides high-quality sites for commercial/industrial development while benefitting the surrounding community
- Balance the need to create family-supporting jobs while remediating brownfields and restoring the natural environment
- The Kinnickinnic River…was named one of the top 10 endangered rivers in the country by American Rivers in 2007...the privately-owned Solvay Coke site and city-owned Grand Trunk site are large brownfield sites that present significant economic development opportunities with the potential to increase public access to the Kinnickinnic River

- Wherever feasible, when a property along the water is redeveloped, public access to the water should be provided in the form of a path of Riverwalk segment. The property owner should also grant the City a permanent public access easement for each segment
- Specifically, the Plan seeks to:
    - Promote development that creates or retains employment opportunities in the City of Milwaukee
    - Mitigate environmental contamination in the soils and buildings that interfere with investment in and the use/reuses of land and buildings in the Project Area
    - Eliminate blighting influences and environmental deficiencies which detract from the general appearance of the area, downgrade existing development, and discourage new development or rehabilitation
    - Foster redevelopment activities within the Project Area which are consistent with the uses permitted in this Plan and which do not conflict with the sound needs and growth of the surrounding neighborhood and the community as a whole
    - Improve public access to the Project Area's natural water resources

ReFreshMKE (2013): https://city.milwaukee.gov/ReFreshMKE_PlanFinal_Web.pdf

- The redevelopment of the Inner Harbor is listed as a Catalytic Project
- Goal of 100 acres of brownfields remediated in the area by 2023
- Goal of 22 jobs per acre for redeveloped land in the study area created by 2023

Growing Prosperity (2014): https://city.milwaukee.gov/ImageLibrary/Groups/cityDCD/planning/plans/Economic-Growth-Plan/GrowingProsperityFullReport.pdf

- Solvay Coke listed as a primary development site
- Goal of returning 500 acres of brownfield land to active, industrial use in 10 years
- Manufacturing is vitally important to Milwaukee because manufacturing jobs have high employment multipliers: that is, each manufacturing job helps to support two to three additional jobs in the economy
- Though manufacturing jobs used to provide those with limited formal education the opportunity to earn better wages, today's positions often require both formal education and technical training

Walker's Point Strategic Action Plan (2015): https://city.milwaukee.gov/ImageLibrary/Groups/cityDCD/planning/plans/Near-South/WP-Strategic-Action-Plan/WalkersPointStrategicActionPlan_FullDraft1.pdf

- Provide waterfront access where opportunities permit
- Continue the Riverwalk south along the Milwaukee River to the Kinnickinnic River
- Use Riverwalk stub ends and unnamed city rights-of-way as public access points

Harbor District Water and Land Use Plan (2018): https://harbordistrict.org/plan/

- Accommodate a mix of land uses, while prioritizing those that create family supporting jobs
- Reduce the discharge of pollutants to the District's waterways
- Remove or resolve legacy contamination of land and waterways in the District
- Improve aquatic and shoreland habitat
- Develop high sustainability and construction standards for new development, existing operations, and infrastructure
- Increase the amount of dedicated public spaces and public water access
- Provide views into the operations of industrial buildings. Ground floor windows create activity at the street level and a more pedestrian-friendly environment; provide better light inside the facility; demystify the operation; and engage passersby

- Provide funding for Riverwalk and public infrastructure, including enhanced bicycle and pedestrian connections
- Increase public access to the Kinnickinnic River and inner harbor
- Implement various planning initiatives from the Southeast Side Area Plan, Port Redevelopment Plan, ReFreshMKE Plan, Growing Prosperity Plan, Walker's Point Strategic Action Plan and the Harbor District Water and Land Use Plan.

E. Existing Land Uses and Conditions in the District

The District is currently comprised of five properties (assessed at $3,776,300 in 2018), which are all industrial properties. All of the Property in the District is zoned IO2 (Industrial Office).

II. PLAN PROPOSALS

The following statements, maps and exhibits are provided in compliance with Section 66.1105(4)(f) of the Wisconsin Statutes.

Funds generated from the District will be used for the following purposes:

Project ($25,000,000): In an effort to attract jobs to the District, provide annual cash grants to the Company if the Company meets its employment projections. Company will advance all costs for the Project. City will make annual payments to the Company equal to 50% of the incremental taxes collected in the District from real and personal property, less an annual administration charge, until such time as up to $25,000,000 is repaid by the payments at an interest rate of 4.5%, over a period not to exceed 25 years (the "Monetary Obligation") per the attached Term Sheet, **Exhibit 6, "Komatsu Mining Corp. Term Sheet."**

Riverwalk and Public Infrastructure Improvements ($15,000,000): Design and construct a publicly-accessible Riverwalk of apr. 4,300 linear feet along the Project Site and other public infrastructure improvements within the District and within a one half-mile radius of the District boundary, per Section 66.1105(2)(f) Stats. This includes all design and engineering for the Riverwalk and public infrastructure improvements in the District. Public infrastructure improvements may include pedestrian amenities, bicycle amenities (including possible bikeshare stations), landscaping, trees, lighting (including possible harp lights), dockwall, public plazas or parks (including Harbor View Plaza), public art, utility work and professional or administrative services.

Property Acquisition ($1,000): City wishes to enter into an option to purchase 302 East Greenfield Avenue from Wisconsin Gas, LLC based on the term sheet attached as **Exhibit 7, "Option to Purchase."** The City may use this property for a future transit hub or other purposes. Funds from this District may be used purchase this property at a future date.

The Riverwalk, Public Infrastructure Improvements and Property Acquisition are collectively the "City Project Costs".

The City of Milwaukee may, on its own initiative or through a cooperation agreement with the Redevelopment Authority and/or other entities, undertake any and all project and site improvements and activities considered necessary to achieve project objectives and the commitment of private investment. This Plan is not intended to limit and shall not be interpreted as limiting the Redevelopment Authority in the exercise of its powers under Wis. Stat. 66.1333 (5) within the District. It is possible that future amendments to this Project Plan for other investments in this area will be proposed.

A. "Statement of the Kind, Number, and Location of All Proposed Public Works or Improvements."

The specific kind, number, location, and estimated costs of public works and other improvements as identified below are based on preliminary plans and concepts developed in consultation with the Department of Public Works and as part of the preparation of the economic feasibility study for the District. These may be modified as to kind, number, location, and the costs allocated at any time during TID Project execution based on more definitive engineering studies and construction plans without amendment of this TID Project Plan. Actual construction of public works, improvements and infrastructure will be based on detailed final plans, specification, and estimates as approved by the City's Department of City Development for the TID Project. Actions such as vacation of existing public rights-of- way, land acquisition, site clearance, environmental remediation, and reimbursement to owners of abutting property for costs directly related to the TID Project also may be undertaken, if necessary, for the implementation of this TID Project Plan for the District.

Any expenditures or monetary obligations directly or indirectly related to the construction of public works, improvements and infrastructure are considered "project costs" and shall be eligible to be paid with tax increment revenues of the District. TID Project Costs will be paid in part by any income, special assessments, or other revenues, including user fees or charges. Additional costs identified in this TID Project Plan are preliminary estimates made prior to design finalization and are subject to change after the design process is completed. Allocation of costs between individual line items in this TID Project Plan is also based on estimates and is subject to change based upon implementation and future assessment policies.

The following public improvements and infrastructure expenditures are expected to occur within and around the TID:

- Riverwalk: Design and construct apr. 4,300 linear feet of Riverwalk along the Project Site, including new walkways, trees, landscaping, lighting (including possible harp lights), bicycle amenities (including possible bikeshare stations), pedestrian amenities and any utility work necessary for the Riverwalk.
- Public Infrastructure Improvements: Design and construct pedestrian amenities, bicycle amenities (including possible bikeshare stations), landscaping, trees, lighting (including possible harp lights), public plazas or parks (including Harbor View Plaza), public art and any utility work necessary for the public infrastructure improvements.

The number and location of proposed public improvements are shown in **Map No. 3, "Proposed Uses and Improvements."**

B. "Detailed List of Estimated Project Costs."

The costs included in this subsection and detailed in Table B which follows are, without limitation because of enumeration, eligible project costs as defined under Section 66.1105(2)(f) and, if appropriate, in any cooperation agreement(s) entered into by and between the City of Milwaukee and eligible designated developer(s), provided further that such expenditures are necessitated by this Project Plan.

This TID Project Plan is meant neither to be a budget nor an appropriation of funds for specific activities, but a framework with which to manage various components of the TID Project. All costs included in this TID Project Plan are estimates based on the best information available. The City retains the right to remove elements or change the scope and/or timing of elements implemented as they are individually authorized by the City Common Council, without amending this TID Project Plan.

Costs are based on 2018 prices and are preliminary estimates. The City reserves the right to increase these costs to reflect inflationary increases and other unforeseen circumstances between 2018 and the time of construction. The City also reserves the right to increase certain TID Project Costs to the extent others are reduced or not implemented, without amending this TID Project Plan. The tax increment allocation is preliminary and is subject to adjustment based upon the implementation of the TID Project Plan.

These costs and costs estimates are more fully described as follows:

Capital Costs

The City shall fund an estimated $40,001,000 in the form of TID Capital Project Costs enumerated in further detail in **Table A** of this Plan.

TABLE A: TID Capital Project Costs	
Monetary Obligation to Company	$25,000,000
Riverwalk and Public Infrastructure Improvements	$15,000,000
Property Acquisition	$1,000
TOTAL Capital Project Costs	**$40,001,000**

Other Costs

This category of Project Costs includes estimates for administrative, professional, organizational and legal costs.

Financing Costs

Financing costs include estimated gross interest expenses on bonds that will be issued to pay for Project Costs. Estimates of interest are based on interest rates as set forth in the Economic Feasibility Analysis, attached as **Exhibit 4, "Feasibility Study."**

TABLE B: Lists of Estimated Project Costs

	Capital: Monetary Obligation to Company for Project Riverwalk and Public Infrastructure Improvements Property Acquisition	 $25,000,000 $15,000,000 $1,000
	Other: Administration ($7,500 x 25 years)	 $187,500
	Total Estimated Project Costs, excluding financing	$40,188,500
	Financing: Interest	 $7,462,970

C. "Description of Timing and Methods of Financing."

All expenditures for the City Project Costs are expected to be incurred during the period from 2019-2025.

The City may proceed to fund any or all City Project Costs using general obligation bonds or notes, or Redevelopment Authority revenue bonds to be issued in amounts which can be supported using tax increments in the District.

The annual cash grants to the Company for the Monetary Obligation will be paid from incremental taxes generated annually in the District.

D. "Economic Feasibility Study."

The Economic Feasibility Study for this District is attached to this Project Plan as **Exhibit 4, "Feasibility Study."** The study establishes the dollar value of the City Project Costs which, based on certain general assumptions and a reasonable margin of safety, can be financed with the revenues projected to be generated by the District.

Based upon the anticipated tax incremental revenue to be generated by the District, the District is financially feasible and is likely to be retired on or before year 2043, the 25th year of the District. Accordingly, the District is determined to be feasible.

E. "Map Showing Existing Uses and Conditions."

Please refer to **Map No. 1, "Boundary and Existing Land Use,"** and **Map No. 2, "Structure Condition"** and **Exhibit 3, "Parcel Owners"** in the Exhibits Section which follows.

F. "Map Showing Proposed Uses and Improvements."

Please refer to **Map No. 3, "Proposed Uses and Improvements"** in the Exhibits Section which follows.

G. "Proposed Change of Zoning Ordinances, Master Plan, Building Codes and City Ordinances."

Please refer to **Map No. 4, "Existing Zoning,"** in the Exhibits Section which follows. The proposed Project Plan is consistent with the existing zoning, which is IO2 (Industrial Office). The proposed Project Plan is in accordance with the existing master plan, map, building codes, and other city ordinances. The proposed Project Plan should not require amendments to their provisions, but such amendments could be made if necessary without further amendment to this Project Plan.

H. "List of Estimated Non-Project Costs."

There are no Non-Project Costs.

I. "Proposed Method for Relocation."

This Project Plan does anticipate the acquisition of 302 East Greenfield Avenue by the City. However, there are no tenants on 302 East Greenfield Avenue. Accordingly, no relocation activities or expenditures for relocation payments or services are provided herein. Should the acquisition of property by condemnation and requiring relocation be necessary, the cost and method of relocation will be included in a redevelopment plan and associated relocation plan prepared in cooperation with the Redevelopment Authority, pursuant to Section 66.1333 and Section 32.05, Wis. Stats. The costs of

such activities will be eligible for reimbursement through tax increment revenues should such revenues be generated during the statutory life of the District.

J. "Statement Indicating How District Creation Promotes Orderly City Development."

The creation of the District will provide a means to strengthen the Harbor District neighborhood, consistent with the objectives of the Southeast Side Area Plan (2008), Port Redevelopment Plan (2010) and Harbor District Water and Land Use Plan (2018). It will facilitate the development of vacant or underutilized property, provide for public access to waterways, improve public infrastructure and enable job creation/retention in the City.

K. "Opinion of the City Attorney."

Please refer to **Exhibit 5, "Letter from the City Attorney."**

EXHIBIT 1
Boundary Description

Beginning at a point at the intersection of the center line of South Kinnickinnic Avenue with the center line of the Kinnickinnic River;

Thence, northeast along the center line of the Kinnickinnic River to the intersection with the southwest line extended of 401(adj) East Greenfield Avenue;

Thence, southeast along the southwest line extended of 401(adj) East Greenfield Avenue to the intersection with the south line of 401(adj) East Greenfield Avenue;

Thence, east along the south line of 401(adj) East Greenfield Avenue to the intersection with the northeast line of 401(adj) East Greenfield Avenue;

Thence, northwest along the northeast line of 401(adj) East Greenfield Avenue to the intersection with the center line of the Kinnickinnic River;

Thence, northeast along the center line of the Kinnickinnic River to the intersection with the north line of East Greenfield Avenue;

Thence, west along the north line of East Greenfield Avenue to the intersection with the east line of 302 East Greenfield Avenue;

Thence, northwest along the east line of 302 East Greenfield Avenue to the intersection with the west line of 302 East Greenfield Avenue;

Thence, south, east and south along the west line of 302 East Greenfield Avenue to the intersection with the center line of East Greenfield Avenue;

Thence, south from the center line of East Greenfield Avenue to the intersection with the west line of 311 East Greenfield Avenue;

Thence, south along the west line of 311 East Greenfield Avenue to the intersection with the center line of South Kinnickinnic Avenue;

Thence, southeast along the center line of South Kinnickinnic Avenue to the point of beginning and more particularly depicted in Map 1 of this Project Plan.

EXHIBIT 2
Property Characteristics

Findings substantiating that not less than 50%, by area, of the real property within the proposed district is in need or rehabilitation or conservation within the meaning of Section 66.1105(4)(gm)4.a Wisconsin Statutes.

Parcel No.	Address	Taxkey	Owner Name	Land Assessment	Improvement Assessment	Total Assessment	Lot SF	In Need of Rehabilitation or Conservation SF
1	311 E GREENFIELD AVE	463-9995-200	WISCONSIN GAS LLC DBA WE ENERGIES	$3,499,500	$0	$3,499,500	2,002,018	2,002,018
2	401 (ADJ) E GREENFIELD AVE	463-9988110	CHICAGO & NORTHWESTERN TRANSPORTATION CO. C/O UNION PACIFIC RR CO.	$0	$0	$0	286,863	0
3	401 (R) E GREENFIELD AVE	463-9994-000	DAVID J KADINGER JR	$121,900	$52,100	$174,000	53,013	0
4	401 E GREENFIELD AVE	463-9995-100	CITY OF MILWAUKEE C/O CITY REAL ESTATE	$0	$0	$0	590,941	590,941
5	302 E GREENFIELD AVE	430-9997-100	WISCONSIN GAS LLC DBA WE ENERGIES	$102,800	$0	$102,800	34,280	34,280
Total:				$3,724,200	$52,100	$3,776,300	2,967,115	2,627,239
Percentage:								88.55%

EXHIBIT 3
Parcel Owners

Parcel No.	Address	Taxkey	Owner Name
1	311 E GREENFIELD AVE	463-9995-200	WISCONSIN GAS LLC DBA WE ENERGIES
2	401 (ADJ) E GREENFIELD AVE	463-9988110	CHICAGO & NORTHWESTERN TRANSPORTATION CO. C/O UNION PACIFIC RR CO.
3	401 (R) E GREENFIELD AVE	463-9994-000	DAVID J KADINGER JR
4	401 E GREENFIELD AVE	463-9995-100	CITY OF MILWAUKEE C/O CITY REAL ESTATE
5	302 E GREENFIELD AVE	430-9997-100	WISCONSIN GAS LLC DBA WE ENERGIES

EXHIBIT 4

ECONOMIC FEASIBILITY STUDY FOR THE KOMATSU MINING CORP. TID (96)

Background:

The City of Milwaukee is proposing to create the Komatsu Mining Corp. Tax Incremental District No. 96 (the "District") to fund annual cash grants to the Company to fulfill the Monetary Obligation, Riverwalk and public infrastructure improvements and property acquisition outlined in the Project Plan, totaling $40,001,000 in Project Costs. The $25,000,000 Monetary Obligation will be developer-financed and paid annually from actual incremental tax revenue. The City Project Costs, totaling $15,001,000, will be borrowed by the City and paid back from actual incremental tax revenue.

The District is comprised of five properties totaling 2,967,115 SF of land (the "Property").

Current Property Valuation:

The assessment of the Property as of 1/1/2018 was $3,776,300 and thus, that is the estimated base value of the proposed District with a base year of 2019.

Anticipated Future Value of the District:

Value of Office.
The Company is proposing to construct a 170,000 SF Class A office/headquarters building on the City Site.

The best comparables for the office/headquarters portion of the project are other single-tenant, new construction office buildings, such as the Zurn and Manpower headquarters:

- The Zurn Headquarters (511 West Freshwater Way), completed in 2016 at the Reed Street Yards in Walker's Point, is a 53,199 SF Class B office building with a 2018 assessment of $16,688,000 ($313/SF). This property has adjacent surface parking. Given the location of this property, it is the best comparable for new construction in the Walker's Point/Harbor District area.
- The Manpower Headquarters (201 West Cherry Street), completed in 2007 near Schlitz Park, is a 280,000 SF Class A office building with a 2018 assessment of $64,956,000 ($231/SF). While this is a downtown location, it is also an older building and has attached structured parking.

In addition, another good comparable based on its location in the Walker's Point neighborhood is the Global Water Center (247 West Freshwater Way), which is a 98,035 SF Class B office building that was converted from warehouse space in 2013. In 2018 it was assessed at $12,030,000 ($122/SF). However, this property does not include parking.

Based on those comparables, for the purposes of this feasibility study, it is assumed that the office/headquarters will be assessed at $25,500,000 ($150/SF) upon stabilization in 2023.

Value of Manufacturing.
The Company is proposing to construct a 410,000 SF manufacturing facility on the Solvay Coke Site. This modern, Class A industrial facility will range from 32-70' in height.

For comparable properties, new industrial buildings in the Menomonee Valley provide a good comparison, however, there is no true comparable in the City for the type of large, modern manufacturing facility that the Company is proposing:

- J. F. Ahern Co. (3340 West Roundhouse Road), completed in 2012, is a 51,230 SF industrial facility with a 2017 assessment of $5,373,000 ($105/SF).
- Rishi Tea (185 South 33rd Court), completed in 2013, is a 48,000 SF industrial facility with a 2017 assessment of $3,219,300 ($67/SF).
- Ingeteam (3550 West Canal Street), completed in 2011, is a 125,000 SF industrial facility with a 2017 assessment of $7,117,400 ($57/SF).

Since the manufacturing facility will be newer and more modern than these comparables, for the purposes of this feasibility study, it is assumed that the manufacturing facility will be assessed at $32,800,000 ($80/SF) upon stabilization in 2023.

Value of Museum/Training Center.
The Company is proposing a 20,000 SF museum and training facility adjacent to the office/headquarters building on the City Site.

The best comparable for this type of use is the Harley-Davidson Museum at 126-152 North 6th Street in the Menomonee Valley/Walker's Point neighborhood. Built in 2007, the 110,250 SF museum was assessed at $12,030,000 in 2018 ($109/SF). While the Company's museum and training facility likely won't include a publicly-available sit down restaurant like the Harley-Davidson Museum, the training facility portion of the building may be assessed more like office space than museum space.

For the purposes of this feasibility study, it is assumed that the museum and training facility will be assessed at $2,000,000 ($100/SF) upon stabilization in 2023.

Value of Parking.
The Company is proposing a 550-space parking structure adjacent to the office/headquarters building on the City Site.

The following are comparable parking structures in the area:

- The Historic Third Ward Milwaukee Street Structure (212 North Milwaukee Street), completed in 1994, has 550 parking spaces and was assessed at $5,947,000 in 2018 ($10,800/space). This structure also includes an occupied restaurant space.
- The Historic Third Ward Water Street Structure (130 North Water Street), completed in 1999, has 365 parking spaces and was assessed at $4,274,000 in 2018 ($11,709/space). This structure also includes an occupied retail space.
- The Brewery Parking Structure (902 West Juneau Avenue), completed in 2009, has 908 parking spaces and was assessed at $6,625,000 in 2018 ($7,296/space). This structure also includes an unoccupied retail space.
- Older parking decks in the downtown area have a wide range of per space values: 215 West Pleasant Street ($2,592), 615 North Vel R. Phillips Avenue ($5,940), 555 North Plankinton Avenue ($6,570) and 330 East Wells Street ($11,530).

Based on those comparables, for the purposes of this feasibility study, it is assumed that the parking structure will be assessed at $4,125,000 ($7,500/space) upon stabilization in 2023. No additional value is assumed for the apr.300 surface parking spaces planned.

Value of Total Project
In summary, the total projected stabilized incremental value of the Project, in 2023 is $64,425,000:

Use	Unit	$/Unit	Value
Office	170,000	$150.00	$25,500,000
Manufacturing	410,000	$80.00	$32,800,000
Museum	20,000	$100.00	$2,000,000
Parking	550	$7,500.00	$4,125,000
TOTAL:			**$64,425,000**

For the purposes of this feasibility study, it is assumed that no further development occurs in the District, even with over 14 acres (23% of the Project Site) remaining undeveloped for future expansion or development opportunities. However, a 1% annual appreciation on all Property is assumed.

Anticipated District Cash Flow:

The Monetary Obligation section of the Term Sheet, **Exhibit 6, "Komatsu Mining Corp. Term Sheet"** provides detail on how the incremental revenue will be split between the City and the Company. Initially, the incremental revenue will be split with 50% going to the City to pay off its City Project Costs and 50% going to the Company to pay for the Monetary Obligation. However, the Term Sheet provides the opportunity to adjust that split in future years if the projected values shown above are not realized, with the potential to increase the City's share up to 100% if necessary. This provides further protection to the City's exposure related to the City Project Costs.

Attached as Table 1 is a cash flow forecast for the proposed District. Basic parameters of this forecast are:

- Base Value: $3,776,300
- Tax Rate: 2.90%
- Interest Rate: 4.0%
- Annual Appreciation: 1.00%
- City Project Costs: $15,001,000
- Issuance Costs: 1.00%
- City/Company split of incremental revenue at 50/50
- Annual Admin Costs: $7,500 (deducted from annual payment to Company)

As shown in the forecast, the District is able to amortize the City Project Costs in an estimated 25 years. Given this estimate, the proposed District is determined to be feasible and capable of amortizing the Project Costs within the statutory life of the proposed District.

Table 1: TID 96 (Komatsu Mining Corp.)

Years			Incremental Value and Revenue				Revenue % Split Between City and Company				Annual Payments		TID Payoff			
TID Year No.	Assessment Year	Budget Year	Base Value	Projected Value	TID Incremental Value	Incremental Revenue	City % of Revenue	City Revenue	Company % of Revenue	Company Revenue (less $7,500)	City Debt Service	Payment to Company (Monetary Ob.)	Total Cash Flow	Cum. Cash Flow	Carrying Costs	After reserving for remaining debt Surplus/(Deficit)	TID Payoff
1	2019	2020	3,776,300	3,776,300	-	-	50%	-	50%		(606,040)	-	(606,040)	(606,040)	(606)	(44,440,254)	
2	2020	2021	3,776,300	3,776,300	-	-	50%	-	50%		(606,040)	-	(606,040)	(1,212,687)	(1,213)	(44,440,860)	No
3	2021	2022	3,776,300	17,050,325	13,274,025	384,947	50%	192,473	50%	184,973	(606,040)	(184,973)	(413,567)	(1,627,467)	(1,627)	(44,064,626)	No
4	2022	2023	3,776,300	34,100,650	30,324,350	879,406	50%	439,703	50%	432,203	(606,040)	(432,203)	(166,337)	(1,795,431)	(1,795)	(43,194,347)	No
5	2023	2024	3,776,300	68,201,300	64,425,000	1,868,325	50%	934,163	50%	926,663	(1,517,279)	(926,663)	(583,116)	(2,380,343)	(2,380)	(41,335,918)	No
6	2024	2025	3,776,300	68,883,313	65,107,013	1,888,103	50%	944,052	50%	936,552	(1,517,279)	(936,552)	(573,227)	(2,955,950)	(2,955)	(39,457,095)	No
7	2025	2026	3,776,300	69,572,146	65,795,846	1,908,086	50%	954,040	50%	946,540	(1,517,279)	(946,540)	(563,239)	(3,522,145)	(3,522)	(37,559,471)	No
8	2026	2027	3,776,300	70,267,868	66,491,568	1,928,255	50%	964,128	50%	956,628	(1,517,279)	(956,628)	(553,151)	(4,078,818)	(4,079)	(35,642,238)	No
9	2027	2028	3,776,300	70,970,546	67,194,246	1,948,633	50%	974,317	50%	966,817	(1,517,279)	(966,817)	(542,962)	(4,625,859)	(4,626)	(33,705,583)	No
10	2028	2029	3,776,300	71,680,252	67,903,952	1,969,215	50%	984,607	50%	977,107	(1,517,279)	(977,107)	(532,671)	(5,163,156)	(5,163)	(31,748,055)	No
11	2029	2030	3,776,300	72,397,054	68,620,754	1,990,002	50%	995,001	50%	987,501	(1,517,279)	(987,501)	(522,278)	(5,690,597)	(5,691)	(29,770,716)	No
12	2030	2031	3,776,300	73,121,025	69,344,725	2,010,997	50%	1,005,499	50%	997,999	(1,517,279)	(997,999)	(511,780)	(6,208,068)	(6,208)	(27,772,849)	No
13	2031	2032	3,776,300	73,852,235	70,075,935	2,032,202	50%	1,016,101	50%	1,008,601	(1,517,279)	(1,008,601)	(501,178)	(6,715,453)	(6,715)	(25,764,455)	No
14	2032	2033	3,776,300	74,590,757	70,814,457	2,053,616	50%	1,026,808	50%	1,019,310	(1,517,279)	(1,019,310)	(490,469)	(7,212,628)	(7,213)	(23,715,052)	No
15	2033	2034	3,776,300	75,336,665	71,560,365	2,075,251	50%	1,037,625	50%	1,030,125	(1,517,279)	(1,030,125)	(479,653)	(7,699,504)	(7,700)	(21,654,514)	No
16	2034	2035	3,776,300	76,090,032	72,313,732	2,097,098	50%	1,048,549	50%	1,041,049	(1,517,279)	(1,041,049)	(468,730)	(8,175,933)	(8,176)	(19,572,615)	No
17	2035	2036	3,776,300	76,850,932	73,074,632	2,119,164	50%	1,059,582	50%	1,052,082	(1,517,279)	(1,052,082)	(457,696)	(8,641,805)	(8,642)	(17,469,127)	No
18	2036	2037	3,776,300	77,619,441	73,843,141	2,141,451	50%	1,070,725	50%	1,063,226		(1,063,226)	1,078,726	(7,579,721)	(7,580)	(15,343,817)	No
19	2037	2038	3,776,300	78,395,636	74,619,336	2,163,961	50%	1,081,980	50%	1,074,480		(1,074,480)	1,081,980	(6,505,321)	(6,505)	(13,194,996)	No
20	2038	2039	3,776,300	79,179,592	75,403,292	2,186,695	50%	1,093,348	50%	1,085,848		(1,085,848)	1,093,348	(5,418,478)	(5,418)	(11,022,246)	No
21	2039	2040	3,776,300	79,971,388	76,195,088	2,209,658	55%	1,104,829	50%	1,097,329		(1,097,329)	1,104,829	(4,319,068)	(4,319)	(8,825,507)	No
22	2040	2041	3,776,300	80,771,102	76,994,802	2,232,849	50%	1,116,425	50%	1,108,925		(1,108,925)	1,116,425	(3,202,982)	(3,207)	(6,604,477)	No
23	2041	2042	3,776,300	81,578,813	77,802,513	2,256,273	50%	1,128,136	50%	1,120,636		(1,120,636)	1,128,136	(2,082,033)	(2,082)	(4,358,911)	No
24	2042	2043	3,776,300	82,394,601	78,618,301	2,279,931	50%	1,139,965	50%	1,132,465		(1,132,465)	1,139,965	(944,150)	(944)	(2,088,562)	No
25	2043	2044	3,776,300	83,218,547	79,442,247	2,303,825	50%	1,151,913	50%	1,144,413		(1,144,413)	1,151,913	206,819	207	206,819	YES
26	2044	2045	3,776,300	84,050,732	80,274,432	2,327,959		-		-		-	-	207,026	207	207,026	YES
27	2045	2046	3,776,300	84,891,240	81,114,940	2,352,333		-		-		-	-	207,233	207	207,233	YES
						48,608,232		22,463,970		22,291,470	(22,148,784)	22,291,470	315,186				
											NPV @ 4.5%:	21,932,102					

Annual appreciation	1.010
Interest Rate	4.00%
Base Value	3,776,300
Property Tax rate	2.900%
Insurance Costs	150,010
City Project Costs	15,001,000
Carrying Costs %	0.100%
Annual Expense	$7,500

Stabilized Value in 2023

Use	Unit	$/Unit	Value
Office	170,000	$150.00	$25,500,000
Manufacturing	410,000	$80.00	$32,800,000
Museum	20,000	$100.00	$2,000,000
Struct. Parking	550	$7,500.00	$4,125,000
			$64,425,000

EXHIBIT 5
Letter from the City Attorney

GRANT F. LANGLEY
City Attorney

MIRIAM R. HORWITZ
ADAM B. STEPHENS
MARY L. SCHANNING
JAN A. SMOKOWICZ
Deputy City Attorneys

CITY OF MILWAUKEE
Office of the City Attorney

Milwaukee City Hall Suite 800 • 200 East Wells Street • Milwaukee, Wisconsin 53202-3551
Telephone: 414.286.2601 • TDD: 414.286.2025 • Fax: 414.286.8550

SUSAN E. LAPPEN
PATRICIA A. FRICKER
HEIDI WICK SPOERL
GREGG C. HAGOPIAN
ELLEN H. TANGEN
JAY A. UNORA
KATHRYN Z. BLOCK
KEVIN P. SULLIVAN
THOMAS D. MILLER
ROBIN A. PEDERSON
JEREMY R. MCKENZIE
PETER J. BLOCK
JOANNA FRACZEK
JENNY YUAN
KAIL J. DECKER
ALLISON N. FLANAGAN
PATRICK J. LEIGL
HEATHER H. HOUGH
ANDREA J. FOWLER
PATRICK J. MCCLAIN
NAOMI E. GEHLING
CALVIN V. FERMIN
BENJAMIN J. ROOVERS
ELLENY B. CHRISTOPOULOS
RACHEL S. KENNEDY
TYRONE M. ST. JUNIOR
HANNAH R JAHN
SAVEON D. GRENELL
JULIE P. WILSON
GREGORY P. KRUSE
Assistant City Attorneys

October 25, 2018

Rocky Marcoux, Commissioner
Department of City Development
809 North Broadway, 2nd Floor
Milwaukee, WI 53202

Re: Project Plan for Tax Incremental District No. 96
(Komatsu Mining Corp.)

Dear Commissioner Marcoux:

Pursuant to your request, we have reviewed the Project Plan for the above-referenced Tax Incremental District No. 96.

Based upon that review, it is our opinion that the Plan, is complete and complies with the provisions of Wis. Stat. § 66.1105(4)(f).

Very truly yours,

GRANT F. LANGLEY
City Attorney

JEREMY R. MCKENZIE
Assistant City Attorney

1050-2018-800:254129

MILWAUKEE

EXHIBIT 6
Komatsu Mining Corp. Term Sheet

09/26/18

DRAFT
TERM SHEET
September 26, 2018
(Komatsu Mining Corp. Project – TID ____)

PURPOSE

To facilitate economic development within the City of Milwaukee through the expansion of corporate headquarters and manufacturing facilities which will further the larger redevelopment efforts to improve the Harbor District for the benefit of City residents, business owners, and visitors.

PROJECT

Komatsu Mining Corp. or its affiliate or designee ("Company") is a manufacturer of products and provider of services for the global mining industry. Company is considering location of its corporate headquarters, a manufacturing facility and a museum with a total anticipated investment ranging from $250,000,000 to $300,000,000, (the "Project") in the City of Milwaukee ("City"). Total investment may be subject to adjustment as the Project progresses. The Project will be located at the Solvay Coke site at 311 East Greenfield Avenue less the Riverwalk portion (as described below) (the "Solvay Coke Site") and the former City coal pile site at 401 East Greenfield Avenue less the Riverwalk portion (as described below) (the "City Site") in Milwaukee's Harbor District (collectively, the "Project Site"). The City Site is currently owned by City and is under the jurisdiction of the Port of Milwaukee ("Port").

The Project would include approximately 170,000 SF of office space, 410,000 SF of manufacturing space and associated 550 stalls of structured and surface parking. As part of the Project, a 20,000 SF museum and training center will also be constructed on the Project Site. Company anticipates having at least 946 and up to 1,300 full-time equivalent "Project Jobs" (defined below) by year twelve (12) following the date operations at the Project Site commence.

City Site. City will sell the City Site, approximately 13.5 acres, less the strip of land described below for the Riverwalk, to Company. The "Purchase Price" shall be equal to product of (i) the $7,000,000 purchase price for the Solvay Coke Site divided by the gross acreage of the Solvay Coke Site (i.e., including the Riverwalk acreage) and (ii) the net acreage of the City Site (i.e., less the Riverwalk acreage), less the cost of the Pollution Legal Liability policy (discussed below).

City proposes to assist Company via the creation of a new Tax Incremental District No. ___ (Komatsu Mining Corp.) ("the TID") to fund the items below as set forth in the TID Project Plan

- Monetary Obligation. Company will advance, and City will reimburse up to $25,000,000 in Project costs, to partially offset the costs necessary to open the facility. City will make annual payments for up to 25 years, at 4.5% interest (the "Monetary Obligation"). The City shall have the right to prepay the Monetary Obligation in full or part at any time.

- Riverwalk,
  - The City will reserve and retain ownership from the City Site a strip of land along the eastern edge of the property along the Kinnickinnic River of variable width, up to approximately 30 foot wide commencing from the bulkhead, which shall be retained by the City for purposes of construction of a public Riverwalk. Notwithstanding the foregoing, the width around the parcel located at 401R East Greenfield Avenue, Milwaukee, WI (Tax Key No. 46399940000), shall be 8 feet wide and if a bridge is not constructed over the Carferry strip located on the Solvay Coke Site, the width around such area shall be 8 feet wide after the portion thereof is filled in by Wisconsin Gas LLC ("WE Energies"). If a bridge is constructed over the Carferry strip, there shall be no Riverwalk around the Carferry strip.
  - City will accept an easement from WE Energies for the use of a strip of land along the eastern and southern edges of the Solvay Coke Site of variable width, up to approximately 30 foot wide, for purposes of construction of a public Riverwalk.
  - City will construct and pay for 100% of Riverwalk costs necessary to create a publicly accessible Riverwalk along the inner harbor adjacent to the entire Project Site and related public amenities, estimated to cost $15,000,000 (the "Riverwalk Project").
  - City and RACM will assist Company with the transloading of cargo across the Riverwalk as follows:
    - In the event that Company decides in its sole discretion that it has a business need to transload cargo over that portion of the Riverwalk located on land owned by RACM, then RACM, as the riparian owner, will cooperate with Company and the Port to construct the necessary dockage, at Company's expense, adjacent to the RACM easement area of the Riverwalk in a location specified by the Company and will lease the dockage to the Company for one dollar ($1.00) per year for use in the transloading of cargo ("the Lease"). During the term of the Lease, the City shall secure the dockage for use solely by the Company and no other use. After the completion of construction of the dockage, RACM shall grant to Company an access easement across the portion of the Riverwalk land and the airspace above the Riverwalk needed for transloading, for the purpose of ingress, egress and regress across such land to access the waterway and the City owned dockage. Should the Company cease transloading cargo, the easement will terminate. The easement shall include the right to temporarily restrict access to the Riverwalk while being used for

pre-scheduled transloading of cargo. Company shall, at its own cost, repair any damage to the Riverwalk caused by the Company's transloading of cargo. The easement agreement would provide that to the extent that Wisconsin's recreational immunity statute does not provide immunity from liability, the City and/or RACM will indemnify the Company and hold it harmless from and against any and all claims related to the use of the Riverwalk and any acts or omissions occurring on or about the Riverwalk, except to the extent such claims were caused by the negligence or willful misconduct of the Company, or any of its agents, contractors or employees. RACM and the Port will cooperate with the Company in obtaining the necessary permits for the transloading of cargo.

- In the event that Company decides in its sole discretion that it has a business need to transload cargo over that portion of the Riverwalk located on land owned by We Energies or its successors, over which We Energies has granted RACM an easement to construct the Riverwalk, then RACM shall grant to Company an access easement across the portion Riverwalk land and the airspace above the Riverwalk needed for transloading, for the purpose of ingress, egress and regress across such land to access the waterway and the City owned dockage. Should Company cease transloading cargo, the easement will terminate. The City shall secure the dockage for use solely by the Company and no other use. The easement shall include the right to temporarily restrict access to the Riverwalk while being used for pre-scheduled transloading of cargo. Company shall, at its own cost, repair any damage to the Riverwalk caused by the Company's transloading of cargo. RACM and the Port will cooperate with the Company in obtaining the necessary permits for the transloading of cargo.
  - An agreement between RACM, WE Energies and the Company shall be entered into governing Riverwalk transloading and access rights.
  - If the City or RACM should ever sell or otherwise transfer the land on which the Riverwalk is constructed to a nongovernmental body or affiliated entity or the land shall cease to be used for Riverwalk or public access purposes, the Company shall have a right of first refusal to purchase such property.
  -

- Non-TID City Expenditures. In addition to the Monetary Obligation and the Riverwalk Project costs funded by the TID, City will pay for certain public improvements and public infrastructure related to the Project (collectively the "City Investment"). The City Investment is expected to fund:

  - Widening the portion of East Greenfield Avenue under the bridge to the width of the Greenfield Bridge when the bridge is replaced or widened.

- Sewer and Water Mains to the Project Site. All laterals connecting buildings on the Project Site to the City utilities will be the responsibility of the Company.
- High Level Street Lights on East Greenfield matching the Street Lights on the Northside of Greenfield Avenue Constructed in Accordance with City Ordinances,

APPROXIMATE DEVELOPMENT SCHEDULE

Commence Construction by late 2019.
Substantial Completion by the end of 2022.

PARTIES

City, the Port of Milwaukee acting through the Board of Harbor Commissioners ("Port"), the Redevelopment Authority of the City of Milwaukee ("RACM") and Company.

PARTIES' OBLIGATIONS

In order to receive the financial assistance described above, Company must fulfill the following obligations:

A. Company shall acquire the Project Site, obtain building permits for the construction of approximately 170,000 SF of office space, 410,000 SF of manufacturing space and associated 550 stalls of structured and surface parking. As part of the Project, a 20,000 SF museum of Company's history in Milwaukee and around the world will also be constructed on the Project Site and related site improvements and commence construction of the Project as set forth above, subject to any delays caused by the remediation of the Project Site.

B. Company shall enter into a Human Resources Agreement with City that will require Company to utilize certified Small Business Enterprises ("SBE") for 25% of construction and supply costs and 18% of professional services costs on the Project and utilize unemployed and underemployed residents, pursuant to City's Resident Preference Program ("RPP"), for no less than 40% of total "worker hours" expended on construction of the Project. City and Company shall agree upon a schedule of anticipated SBE and RPP percentages over the life of the Project. Company may also receive credit for RPP qualified new employees added at the Project Site with respect to the required RPP percentages, per Ordinance Section 355-7-2A. If the Company does not meet the required SBE and RPP percentages set forth in Ordinance Section 355-7-2A, release of all or a portion of the Monetary Obligation may be withheld until the percentages are met or may be withheld completely if the percentages are never met.

C. Company shall meet or exceed its employment projections, as outlined below.

D. Company shall enter into a standard payment in lieu of taxes ("PILOT") agreement with City agreeing to make PILOT payments to City for the full property tax rate in the event that any parcel or building within the Project, or the entire Project Site, becomes exempt from the payment of real property taxes during the original term of the TID. PILOT payments shall be due until termination of the TID or through the year of the 2043 tax levy, payable in 2044; whichever shall first occur.

E. City shall cap the cost of all City permit fees; including, without limitation building permit fees and Department of Public Works permit and review fees and storm water management fees at $494,367.

CITY SITE

City and Port shall sell the City Site to Company for the Purchase Price. If Company does not build on the City Site within 10 years of purchasing it, City and Port will have an Option to Repurchase the City Site for the Purchase Price. Prior to substantial completion of the Project, during that 10-year period, Company may not sell the City Site to any other entity without the prior written approval of City and Port.

Subject to the completion of environmental remediation and the environmental indemnity as set forth below, Company agrees to accept City Site "as-is, where is". If site work or construction needs to commence prior to conveyance of the City Site, City and Port will provide a right-of-entry to Company until such approvals are in place.

ENVIRONMENTAL REMEDIATION

City shall remediate any currently existing contamination existing on, at, or emanating from the City Site, including in soil, soil vapor, air, groundwater, surface water or sediment and any migration of contaminants from the City Site sufficient to obtain acceptance, approval, completion and regulatory closure from the appropriate and applicable regulatory entities including the Wisconsin Department of Natural Resources ("WDNR"). Company would assist and cooperate with City to allow the City to obtain the necessary completion and regulatory closure as described herein. Specifically, City's obligation to obtain completion and regulatory closure would be dependent upon Company granting City reasonable access to the City Site to perform City's regulatory obligations with the WDNR for the City Site. The City will prepare a Remedial Action Plan (RAP) and any other necessary regulatory reports or requirements as described in Wis. Admin. Code NR 700 *et seq.*, in order to obtain WDNR regulatory closure. A component of the RAP will be a jointly developed materials management plan as further described below. The City will be responsible for execution of the Remedial Action Plan and the Company agrees to provide reasonable cooperation during implementation of the RAP. If a vapor barrier is legally required by the WDNR for occupied structures on the property, Company shall be responsible for completing, at City's cost, such barriers that meet all applicable regulatory requirements. Furthermore, Company would be responsible for completing, at Company's cost, building foundations, structures and

surface lots to serve, in part, as a cap that will form a necessary part of the completion and closure requirements for the WDNR.

City shall also retain responsibility for ongoing treatment, remediation, monitoring, and continuing obligations related to any pre-existing contamination in, on or emanating from and environmental impact upon the City Site or surrounding land, sediment, air or water, including throughout the redevelopment process of the City Site, and to provide necessary resources to integrate construction and remediation actions to the fullest extent possible. Consistent with the materials management plan, the continuing obligations of City will include the management and any necessary offsite disposal of all excavated soils and sediment during all phases of construction if such excavated soils and sediment are impacted by pre-existing environmental contamination; management and disposal of all water impacted by pre-existing environmental contamination on City Site during and subsequent to construction; implementation of any remediation and/or ongoing groundwater monitoring requirements imposed by the WDNR or USEPA.

ENVIRONMENTAL INDEMNITY

City shall indemnify, defend and hold Company harmless from all liabilities arising out of any claims, including Natural Resource Damage ("NRD") claims, made by any third party in good faith related to any pre-existing environmental conditions not caused or exacerbated by Company. Without limiting the generality of the foregoing, except to the extent caused or exacerbated by Company, City will indemnify, defend and hold Company harmless from all liabilities arising out of (i) any claims related to sediments on, at or emanating from the City Site, and (ii) any claims regarding City's failure to comply with WDNR requirements related to Wis. Admin. Code NR 700 et seq., and any other completion/regulatory closure requirements imposed by WDNR under applicable environmental laws. Company will indemnify, defend and hold City harmless from all liabilities arising out of any third party claims regarding contamination that was caused or exacerbated by Company or is not a pre-existing environmental condition.

CITY'S ENVIRONMENTAL REGULATORY OBLIGATIONS

The City's regulatory obligations with the WDNR for the City Site include the following:

Subject to Company providing reasonable access to the City Site, City would be responsible for obtaining regulatory closure from WDNR and providing reasonable updates to Company during the regulatory process. City would be responsible for performing any monitoring required by WDNR until regulatory closure is granted and providing the monitoring results to Company in a timely manner. After the City has obtained regulatory closure with WDNR, Company would be responsible for any inspection-related requirements for an on-site vapor or gas barrier, if a vapor or gas barrier is required by WDNR as part of regulatory closure, and maintaining and inspecting any building foundations, structures, landscape/greenspace areas or surface lots that serve, in part, as a cap for purposes of regulatory closure with WDNR.

City agrees that the City Site and the Strip of Land area shall be configured as two (2) parcels as depicted on Schedule 1. The City Site would be conveyed to Company while the Strip of Land would continue to be held in title by the City. The City Site shall not be subject to a restrictive covenant that prevents the use of the City Site for Company's intended use.

Coordination Between the Parties. City would agree to coordinate with Company in advance of any WDNR filings related to the City Site in order to allow a reasonable opportunity for Company to provide timely comments to City regarding activities on the City Site. City and Company would agree to convene a working committee to facilitate timely coordination between the Parties about City Site matters.

MATERIALS MANAGEMENT PLAN

The Parties shall coordinate regarding a joint Materials Management Plan for the City Site according to the following:

Company's Site Design Goal. Contingent upon WDNR's approval of Company's plan to manage contaminated soil on the City Site and WDNR's issuance of an exemption to the location standards identified in Wis. Admin. Code ch. NR § 718.12, and the City's agreement to pay for costs associated with soil impacted by pre-existing environmental conditions as described below, Company would confirm its commitment to a site design goal that minimizes the need to manage soil from the City Site at off-site locations.

Joint Materials Management Plan. City and Company would agree to the joint preparation of a Materials Management Plan for the City Site which includes incorporating a protective WDNR-approvable cap into the development plan.

COSTS ASSOCIATED WITH SOIL IMPACTED BY PRE-EXISTING ENVIRONMENTAL CONDITIONS

Consistent with the City's environmental indemnification obligations, if Company encounters soil that should have been remediated as part of City's regulatory obligations under the RAP, City shall be responsible for all liabilities and costs associated therewith.

Third Party Requirement to Remove Soil from the City Site. If, at any time, the WDNR, EPA, or other regulatory agency, requires City or Company to remove soil from the City Site due to pre-existing environmental contamination, City and Company would agree that City shall be given the opportunity to treat any impacted soil within a reasonable time to the point that removal from the City Site is no longer required by such third party. Notwithstanding the forgoing, for soils that despite such treatment must be removed from the City Site due to pre-existing environmental contamination, City would pay for such removal. Notwithstanding the above, if the need for such soil removal was caused by the Company's change of use of the City Site, Company would be responsible for all costs associated therewith.

Company-Removed Soils. Company would agree that any soil removed from the City Site, not the result of a third party requiring such removal, shall be paid for entirely by Company.

COMPANY'S COSTS ASSOCIATED WITH GROUNDWATER IMPACTED BY PRE-EXISTING ENVIRONMENTAL CONDITIONS

City would reimburse Company for Company's Incremental Costs of Managing Impacted Groundwater. The term "Incremental Costs of Managing Impacted Groundwater" means the increased costs associated with managing the removal, treatment/remediation, off-site transportation and disposal of groundwater impacted by pre-existing conditions. The incremental costs are calculated as follows: (x) Company obtains a current quote for the customary cost of managing groundwater that is not impacted by pre-existing environmental conditions; (y) City obtains a current quote for the cost of managing impacted groundwater and (z) the difference between the amounts in (x) and (y) is the incremental cost of managing impacted groundwater.

ENVIRONMENTAL INSURANCE

The PSA would require the Company to purchase (unless the City opts to purchase) a Pollution Legal Liability policy, the terms of which are reasonably acceptable to City and Company, which shall reduce the Purchase Price. Company would be a named insured on PLL policy.

CITY'S ACCESS TO THE SITE POST-CLOSURE FOR CITY'S REGULATORY OBLIGATIONS

City would provide reasonable advance notice to Company before entering the City Site. Access would be limited to normal business hours (or as mutually agreed upon by the Parties) and restricted to the areas of the City Site necessary to perform City's regulatory obligations with the WDNR for the City Site. City shall be accompanied by Company representatives during all access activities and City would agree to comply with all of Company's health and safety requirements while at the City Site. City would also use commercially reasonable efforts to minimize disruption to current activities on the City Site, and to prevent damage to any personal or real property. City would agree to, as soon as practicable, reasonably restore any damage to the City Site that occurs as a result of City's access. Furthermore, City would agree to indemnify Company for any damage to property or injury to persons caused by City's access activities, including City's personnel and contractors, to the extent caused by City's negligent acts or omissions, and Company would agree to indemnify City for any damage to property or injury to persons during City's access activities, to the extent caused by Company's negligent acts or omissions.

DUE DILIGENCE

Company shall have the right to conduct its own due diligence inspection of the City Site, at Company's expense, which inspection shall include, but shall not be limited to, physical inspection of the City Site, a review of a current title commitment and survey of the City Site, a review of all physical, environmental, geotechnical, subsoils and other reports in City's possession or control, inspections, or other testing desired by Company related to the physical condition of the City Site so long as Company reasonably restores property to its pre-testing condition, and a review of the due diligence documents (as hereafter defined). City will make available upon request all non-confidential due diligence documents pertaining to the City Site that are in City's possession and control and are customarily delivered by a seller to a buyer in a real estate purchase and sale transaction (for example, existing title insurance policies, engineering reports, environmental assessments, environmental test results and soil reports, real estate tax bills and assessment notices, appraisals, all permits and licenses for the City Site, a complete history of insurance claims (if any), any existing ALTA survey, all tenant leases and subleases and a list of any litigation involving the City Site) (collectively, "Due Diligence Documents").

MONETARY OBLIGATION

Company will advance and, City will reimburse up to $25,000,000 in Project costs to partially offset the costs necessary to open the facility (the "Monetary Obligation"). Notwithstanding the foregoing, however, the amount of the Monetary Obligation is based upon a per incremental "Project Job" (defined below) calculation. TIF incentive value shall be equal to $19,230.77 (the "Per Project Job TIF Value") with respect to each of the potential Project Jobs relocated, created and retained as part of the Project up to a maximum of 1,300. The initial Monetary Obligation reimbursement shall be based on the Company's baseline commitment of 946 Project Jobs, City agrees that the initial Monetary Obligation shall be established in the principal amount of $18,192,308 based on the baseline commitment of 946 Project Jobs. In addition, if and when the Company has created more than 946 Project Jobs, then in consideration of each additional Project Job in excess of 946 Project Jobs, the City agrees that the initial Monetary Obligation shall be increased by the product of the actual number of Project Jobs for any such year in excess of 946 multiplied by the Per Project Job TIF Value; provided, however, that in no event shall the Monetary Obligation exceed $25,000,000. Notwithstanding the foregoing, the payments to the Company of the initial Monetary Obligation plus the increased Monetary Obligation cannot exceed the actual tax increment for such year created by the Project less the amount necessary to service the return to the City of its $15,000,000 investment in the Riverwalk by year 25 of the TID. If any payments to the Company are deferred under the immediately preceding sentence, such deferred amounts shall carryover and be payable in subsequent years subject to the same limitation. In calculating the actual tax increment of the Project, the value of any addition or expansion of the Project post occupancy date shall be taken into account. City will make annual payments on Monetary Obligation for up to 25 years, at 4.5% interest. City shall have the right to prepay the Monetary Obligations in full or part at any time.

City anticipates funding the City Investment, including the Riverwalk Project and certain administrative costs for the TID through the issuance of its general obligation bonds.

Prior to substantial completion of the Project, City will deposit an amount equal to 50% of the tax incremental revenue actually received by City from the TID, less annual expenses of $7,500 into a special fund established for the TID. Upon substantial completion of the Project, such amount shall be disbursed to Company and applied to reduce the principal balance of the Monetary Obligation.

Subsequent to substantial completion of the Project, following the deduction of annual expenses, 50% of incremental tax revenue collected from the TID will be allocated to repay Company for costs incurred for the Project through payments on the Monetary Obligation. The remaining 50% of tax incremental revenue will be allocated to repayment of City costs incurred for the City Investment, including the Riverwalk Project and TID administration. This 50%-50% split of the incremental tax revenue shall be known as the "Initial Increment Split." Beginning with the first year following Company's receipt of an occupancy permit for the Project,[1] and every five years thereafter during the life of the TID, City shall adjust the percentages of the incremental tax revenue collected from the TID allocated to repay the Company and the City based on updated projections of the incremental tax revenue using the assessed value of the Project to date, so that the City's $15,000,000 investment in the Riverwalk will be projected to be paid in full by year 25 of the TID. For example, if the projections show that the City will be repaid its $15,000,000 investment in the Riverwalk in full by year 25 of the TID with only 45% of the incremental tax revenue, the City and the Company's percentages shall be set at 45% and 55%, respectively. On the other hand, if the projections show that the City will be repaid its $15,000,000 investment in the Riverwalk in full by year 25 of the TID with 54% of the incremental tax revenue, the City and the Company's percentages shall be set at 54% and 46%, respectively.

The Monetary Obligation consists of a limited and conditional obligation to repay Company an amount up to $25,000,000, plus interest on the outstanding balance of the Monetary Obligation at 4.5% per year for up to 25 years with total payments of principal and interest not to exceed $40,000,000. Payments on the Monetary Obligation are to be made annually following substantial completion of the Project but only in an amount initially equal to 50% of incremental tax revenue actually received by City from the TID, less annual expenses.

At such time as City's costs incurred for the Riverwalk Project and TID administration have been repaid, then 100% of the tax incremental revenue actually received by City, following the deduction of annual expenses, shall be allocated to payment of the Monetary Obligation accrued to the Company based on its job creation until the time as such Monetary Obligation has been paid in full, not to exceed $25,000,000 or year 25 of the TID. Interest on the Monetary Obligation shall not begin to accrue until substantial

[1] The issuance of the occupancy permit is assumed to occur in 2022, but is subject to adjustment based on regulatory, permitting, and force majeure issues.

completion of the Project. City may, at any time or from time to time, without notice, penalty, or fee, prepay all or any portion of the Monetary Obligation. In the event that City prepays a portion of the Monetary Obligation the percentage split then in effect of the incremental tax revenue allocated to payment of the Monetary Obligation shall be proportionately reduced to reflect such prepayment. Tax incremental revenue will not be pledged to the payment of the Monetary Obligation, and the Monetary Obligation shall not constitute a general obligation of City or count against its statutory debt limits.

All disbursements of tax incremental revenue received by City from the TID shall be subject to annual appropriation. If not appropriated, City shall not expend such tax incremental revenue for any other TID project costs or for any other purpose.

MONETARY OBLIGATION EARNED

Upon substantial completion of the Project, Company shall submit a certification detailing Project costs theretofore incurred (together with copies of records, invoices and/or AIA documentation evidencing such expenditures). The amount of the Monetary Obligation shall be deemed earned upon approval of such certification by the City's Commissioner of City Development, and interest will begin to accrue on the balance of the Monetary Obligation as of the date of substantial completion of the Project.

Term of Payments

City payments on the Monetary Obligation will terminate: (i) at the time the Monetary Obligation is fully paid; or (ii) with the payment derived from the 2043 tax levy, payable in 2044, whichever occurs first.

Employment Requirement

Company shall provide City such reasonable documentation and certifications to substantiate its number of full-time equivalent Project Jobs annually on May 1 for the previous fiscal year. The first such annual reporting shall be for the fiscal year ending March 31, 2023. If the Company does not meet the total workforce projections shown below for each required period on such schedule, then, subject to prior written notice from City and no less than a 12-month opportunity to cure, future payments on the Monetary Obligation shall be adjusted for the duration of the deficiency. The adjustment will result in a proportionate reduction in the City's payment on the Monetary Obligation during each year of the deficiency calculated based upon the percentage by which the "actual" workforce reduction falls below the "projected" workforce; provided, however, that such reduction shall not exceed $19,230.77 for each such deficient position.

	Year											
	1[2]	2	3	4	5	6	7	8	9	10	11	12-25
Jobs	598	30	30	30	30	28	0	0	0	50	100	50
Total	598	628	658	688	718	746	0	0	0	796	896	946

Some of the Project Jobs are being relocated from Company's current facilities, which would have otherwise been relocated outside of Wisconsin.

For purposes of this Agreement a "Project Job" means a regular full-time salaried employee, or an hourly full-time equivalent (an "FTE") employee or combination of employees who work(s) at least 30 paid hours per week and at least 1560 hours per year, on average, performing tasks directly related to the products or services of the Project, at or on the Project Site. Project Jobs may include all positions or combination of positions, whether categorized as consultants, independent contractors, contract and/or permanent employees obtained from a temporary employment agency or employee leasing company, through a union agreement, or co-employment under a professional employer organization agreement, or any other reasonably similar category, that result directly from the Project. For the purpose of calculating FTEs with respect to hourly employees, in tabulating hours worked any paid leave employees take during the pay period, such as holiday, vacation or sick leave, may be included.

OTHER ENTITLEMENTS OR APPROVALS

City, Port and RACM will work with Company to secure any zoning changes, right-of-way vacations, right-of-way dedications and any other approvals or entitlements required for the Project.

GENERAL

The Company's obligation to close on the City Site shall be conditioned upon the Company being able to close on the Solvay Coke Site. If for any reason the Company were unable to close on the Solvay Coke Site, then the Purchase and Sale Agreement shall be terminated. Further, if Company has not closed on the City Site and the Solvay Coke Site on or before a date to be set forth in the Purchase and Sale Agreement, the Company shall have the option to terminate the Purchase and Sale Agreement. If the Purchase and Sale Agreement is terminated hereunder, neither party shall have any obligation to the other after the date of termination.

This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this sort, shall be incorporated into a Cooperation, Contribution and Redevelopment Agreement, a Human Resources Agreement, a PILOT Agreement, a Purchase and Sale Agreement and any other

[2] Year 1 is the year that is one year after Company receives an occupancy certificate for the Project and staffs the Project. It is assumed that Year 1 will be 2023.

documents, instruments or agreements necessary to accomplish the objectives described above. In recognition that there may be adjustments of the dates and descriptions herein as well as administrative approvals which will require the exercise of reasonable discretion on behalf of Port, City or RACM, the Commissioner of City Development, Port Director and Executive Director of RACM will be authorized under these agreements to exercise such discretion and grant such approvals. It is acknowledged by the parties hereto that the approval of RACM, the Common Council of the City of Milwaukee and the Joint Review Board will be required to effectuate the terms set forth herein.

Executed as of the date set forth above.

Komatsu Mining Corp.

John Koetz
President, Surface Mining

CITY OF MILWAUKEE

By: _____
Print name: Rocky Marcoux
Title: Commissioner DCD

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EXHIBIT 7
Option to Purchase

NON-BINDING TERM SHEET

(Option to Purchase)

This is a non-binding term sheet between Wisconsin Gas LLC, doing business as We Energies ("We Energies"), and the City of Milwaukee (the "City") pertaining to the real property located at 302 East Greenfield Avenue in the City of Milwaukee, Wisconsin (the "Property"). We Energies is considering a grant to the City of an option to purchase the Property, substantially in the form of the draft Option to Purchase attached hereto as Exhibit A. This term sheet does not describe all of the specific terms and conditions of the Option to Purchase, and this transaction is subject to the negotiation and execution of a binding Option to Purchase.

The purpose of this term sheet is to determine whether or not the parties are in sufficient accord as to the basic terms of the proposed transaction to warrant their negotiating, finalizing and executing the Option to Purchase. The execution of this term sheet does not constitute a binding agreement to enter into an Option to Purchase or any other binding agreement for the Property. Such an option shall be evidenced only by a definitive written Option to Purchase acceptable to and executed by all appropriate parties. This term sheet can be signed in counterparts.

Executed as of the 26th day of September, 2018.

WISCONSIN GAS LLC

By: _____
Print name: William F. Guc
Title: Vice President and Comptroller

CITY OF MILWAUKEE

By: _____
Print name: Rocky Marcoux
Title: Commissioner, DCD

EXHIBIT A

Non-Binding Form of Option to Purchase

OPTION TO PURCHASE

THIS OPTION TO PURCHASE (this "Agreement") is made as of the _____ day of September, 2018, by and between WISCONSIN GAS LLC, a Wisconsin limited liability company doing business as We Energies ("Seller"), and the CITY OF MILWAUKEE, a Wisconsin municipal corporation ("Buyer").

In consideration of the recitals, the covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. GRANT OF OPTION. Seller hereby grants to Buyer an option to purchase (the "Option") the real property depicted on Exhibit A attached hereto, which property is located at 302 East Greenfield Avenue in the City of Milwaukee, Wisconsin (the "Property").

2. OPTION FEE. The option price for the term of the Option (the "Option Fee") shall be One Thousand and 00/100 Dollars ($1,000.00). The Option Fee shall not be refundable if the Option is not exercised. If the Option is exercised, the Option Fee shall be a credit toward the Purchase Price at closing.

3. TERM OF OPTION. If Buyer desires to exercise this Option it must do so by providing written notice thereof to Seller on or before the later of (a) the closing of the sale by Seller of that certain real property located at 311 East Greenfield Avenue to [Mustang], and (b) December 31, 2023. If the Option is exercised by Buyer pursuant to the terms hereof, the transaction shall proceed in accordance with the terms and conditions of this Agreement.

4. MARKETING OF PROPERTY. Buyer acknowledges and agrees that Seller may market the Property for sale and may entertain offers to purchase the Property from third parties; provided, however, that in the event that Seller receives an offer to purchase, term sheet, letter of intent or similar expression of interest in purchasing the Property (any of the foregoing, a "Purchase Proposal"), Seller will provide prompt written notice of such Purchase Proposal to Buyer (the "Proposal Notice") and Buyer shall then have a period of ten (10) days after receipt of the Proposal Notice in which to exercise the Option (and upon such exercise of the Option Seller shall sell the Property to Buyer for the Purchase Price and otherwise in accordance with the terms of this Agreement). In the event that Buyer does not exercise the Option within ten (10) days after its receipt of the Proposal Notice, this Option shall automatically terminate and Seller shall be free to sell the Property in accordance with the Purchase Proposal, or to any third party on such other terms and conditions as may be acceptable to Seller.

5. PURCHASE PRICE. The purchase price ("Purchase Price") for the Property shall be _____ and 00/100 Dollars ($_____). The Purchase Price shall be paid in cash at closing.

6. TITLE EVIDENCE. Seller shall cause to be delivered to Buyer within twenty (20) days after exercise of the Option a commitment to issue ("Title Commitment") an ALTA owner's policy of title insurance ("Title Policy") in the amount of the Purchase Price issued by a nationally recognized title insurer selected by Seller, licensed to do business in the State of

Wisconsin ("Title Company"). The final Title Policy issued pursuant to the Title Commitment shall show title to the Property as of the date of closing to be subject only to the Permitted Encumbrances, as described herein.

Buyer shall have fifteen (15) days after receipt of the Title Commitment or after exercise of the Option, whichever is later (but in any event no later than the closing of this transaction), to object in writing to any condition of title. Buyer's failure to so object shall constitute a waiver of any objections. Matters specifically stated in the Title Commitment and not objected to by Buyer shall become Permitted Encumbrances. If any objection is made, Seller shall have thirty (30) days thereafter in which to correct the condition. Buyer shall not be permitted to reject title as to any matter over which the Title Company insures. If the condition of title is not or cannot be corrected within the thirty (30) day period, Buyer may, at its option, either (i) terminate this Agreement, or (ii) elect to accept such title as Seller is able to convey and proceed to closing without adjustment of the Purchase Price (and the matters which Buyer objected to but which were not corrected shall be Permitted Encumbrances). Seller's inability to correct any such condition of title shall not constitute a default by Seller hereunder. If Buyer does not, within ten (10) days after the expiration of the thirty day (30) period described above, elect either (i) or (ii) above, then Seller may, at any time thereafter, and prior to the time that Buyer elects either (i) or (ii) above, terminate this Agreement.

7. CONVEYANCE. Seller shall, at closing and upon payment of the Purchase Price, convey the Property to Buyer by special warranty deed free and clear of all liens and encumbrances except the Permitted Encumbrances.

8. CLOSING. Closing of this transaction shall take place sixty (60) days after exercise of the Option at the offices of the Title Company, or at such other place and time as the parties may agree upon in writing. Seller agrees to furnish to Buyer at the closing of this transaction originals of the following documents:

(a) The special warranty deed described in Section 7 of this Agreement;

(b) A closing statement setting forth a summary of the Purchase Price and credits to Buyer;

(c) An affidavit as to construction liens and possession sufficient to permit the Title Company to insure over the standard exceptions for construction liens and rights or claims of parties in possession not shown by the public records;

(d) Evidence of payment of the prior year's real estate taxes, special assessments, and any other municipal and governmental levies; and evidence that any municipal sewer and water charges with regard to the Property are paid current or prorated through the date of closing; and

(e) E-filing receipt for the Wisconsin Real Estate Transfer Return.

9. PRORATIONS. The following items will be prorated and apportioned as of the closing date with income and expenses for the day of closing accruing to Seller:

(a) Net general real estate taxes for the year of closing shall be prorated at the time of closing on the basis of the net general real estate taxes actually levied against the Property for the prior year unless the real estate tax assessment for the year of closing is known at the time of closing, in which event the proration shall be based on the actual taxes for the year of closing.

(b) Installments of special assessments pertaining to the Property, if any, payable prior to the date of closing shall be paid by Seller. Installments of special assessments pertaining to the Property, if any, payable after the date of closing shall be paid by Buyer.

10. CLOSING COSTS.

(a) Seller shall pay the real estate transfer fee;

(b) Seller shall pay the title insurance premiums for the owner's Title Policy;

(c) Each party shall pay its own attorneys' fees;

(d) Buyer shall pay for all reports or studies ordered by it such as appraisals, engineering inspection reports or hazardous waste study reports, and all of its feasibility and inspection reports;

(e) Buyer shall pay the recording fee for the special warranty deed; and

(f) Buyer and Seller mutually represent and warrant to each other that no broker or agent was involved in this transaction or is entitled to any fee or commission in connection with this transaction. Seller and Buyer agree to indemnify and hold each other harmless from any claim for commission made by any agent or broker claiming to have acted on their behalf.

11. DEFAULT. In the event of a default by Buyer under the terms of this Agreement which is not cured by Buyer within ten (10) days after notice thereof from Seller, Seller may either pursue such rights and remedies available at law or in equity. In the event of a default by Seller under the terms of this Agreement which is not cured by Seller within ten (10) days after notice thereof from Buyer, Buyer may as its sole and exclusive remedies: (a) waive such default and close this transaction; (b) terminate this Agreement by written notice to Seller; or (c) sue for specific performance. Under no circumstances shall Seller or Buyer be liable for consequential, punitive or speculative damages.

12. ASSIGNMENT. Buyer may not assign its interest under this Agreement without Seller's prior written consent.

13. ACCESS FOR BUYER. Seller agrees to grant access to the Property to Buyer, its architects, engineers, contractors and agents at all reasonable times prior to Closing upon not less than two (2) days prior written notice for inspection, examination, non-destructive testing and

planning. The notice must set forth the type of due diligence to be performed and the dates and times of entry and the personnel that will be present on the Property. Notwithstanding the foregoing, Buyer shall not be permitted to take any soil samples or conduct any invasive testing of the Property without Seller's prior written consent, which consent shall not be unreasonably withheld. Buyer shall repair and restore any damage to the Property caused by Buyer's investigations and shall indemnify and hold harmless Seller from and against any damages, claims, or losses arising out of the actions of Buyer or Buyer's agents on the Property. All due diligence and tests performed shall be at Buyer's sole cost and expense. Copies of all findings and reports resulting from such due diligence shall be promptly submitted to Seller by Buyer upon Seller's request. Buyer's obligations under this Section shall survive the termination of this Agreement or Closing of this transaction (as applicable).

14. "AS IS" SALE. Seller hereby disclaims any and all warranties, express or implied and has made no warranties or representations, written or oral, express or implied, in any way related to the Property including, without limitation, the condition of the Property or any of its improvements, fixtures or systems, the presence or absence of any hazardous material(s) in, at, under or migrating to or from the Property, the Property's compliance or noncompliance with any laws or regulations, including, without limitation, any laws or regulations concerning the environment, or the suitability or fitness of the Property for any particular purpose. Buyer acknowledges that it is purchasing the Property in its AS IS, WHERE IS condition. Buyer hereby fully and forever waives, releases, discharges, and acquits Seller from any and all claims, actions, costs, damages, expenses, fees, fines, liabilities, losses, obligations, penalties, and suits, known or unknown, foreseen or unforeseen (including but not limited to, claims based on contract, right of contribution, common law and/or federal, state or local statute or ordinance), in any way arising out of, relating to or resulting from any misrepresentation, or any other tort alleged to have been committed by Seller in connection with or related to the condition of the Property. The Purchase Price for the Property takes into account and shall sufficiently compensate Buyer for all the terms of the conveyance including, without limitation, Buyer's obligation to accept the Property in an "AS-IS" condition and Buyer's waiver, release, discharge and acquittal of Seller.

15. TIME. Time is of the essence with regard to the exercise of the Option, the closing date and all other dates and time periods in this Agreement. If the deadline for performance of any obligation under this Agreement shall fall on a weekend or federal holiday, such deadline shall be extended to the next day that is not a weekend or federal holiday.

16. NOTICES. All notices permitted or required by this Agreement shall be given in writing and shall be considered given upon receipt if hand delivered to the party or person intended, or upon email transmission to the addresses set forth herein, or one business day after deposit with a nationally recognized overnight commercial courier service, airbill prepaid, or forty-eight (48) hours after deposit in the United States mail, postage prepaid, by certified mail, return receipt requested, addressed by name and address to the party or person intended as follows:

To Buyer: City of Milwaukee
City Hall
200 East Wells Street

Milwaukee, Wisconsin 53202
Attn: _____
Email: _____

with a copy to: Jeremy R. McKenzie, Esq.
Assistant City Attorney
City of Milwaukee
City Hall, Room 800
200 East Wells Street
Milwaukee, Wisconsin 53202-3551
Email: jmcken@milwaukee.gov

To Seller: Wisconsin Gas LLC
231 West Michigan Street
Milwaukee, WI 53203
Attn: _____
Email: _____

with a copy to: Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee, WI 53202
Attn: Joseph E. Puchner
Email: joseph.puchner@quarles.com

17. GOVERNING LAW. This Agreement concerns real property located in the State of Wisconsin, and shall be interpreted and construed according to the laws of the State of Wisconsin.

18. SEVERABILITY OF PROVISIONS. If any of the terms or conditions contained herein shall be declared to be invalid or unenforceable by a court of competent jurisdiction, then the remaining provisions and conditions of this Agreement, or the application of such to persons or circumstances other than those to which it is declared invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect and shall be valid and enforceable to the full extent permitted by law.

19. BINDING EFFECT. The terms and conditions of this Agreement shall be binding upon and benefit the parties hereto and their respective successors and assigns.

20. ENTIRE AGREEMENT. This writing constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and all prior statements, letters of intent, representations and offers, if any, are hereby terminated. This Agreement may be modified or amended only by written instrument signed by both parties. The parties agree to record a memorandum of this Agreement in form and content mutually agreeable to the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

Dated: _____

BUYER:

CITY OF MILWAUKEE

By:_____
Print Name:_____
Title:_____

Dated: _____

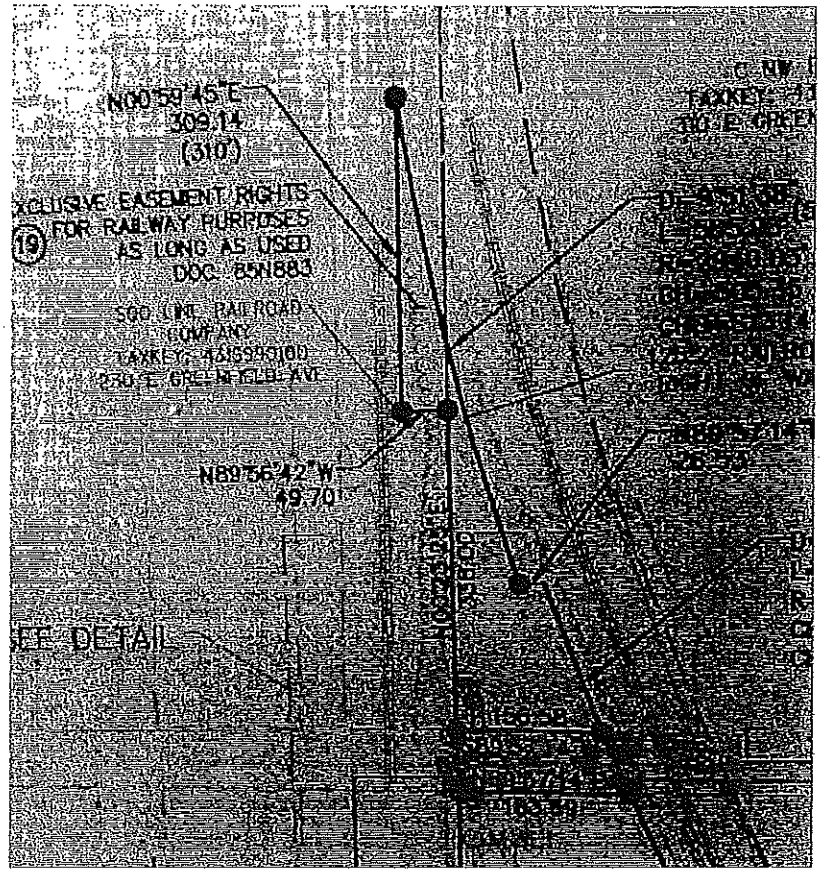
SELLER:

WISCONSIN GAS LLC

By:_____
Print name:_____
Title: _____

EXHIBIT A

Depiction of the Property



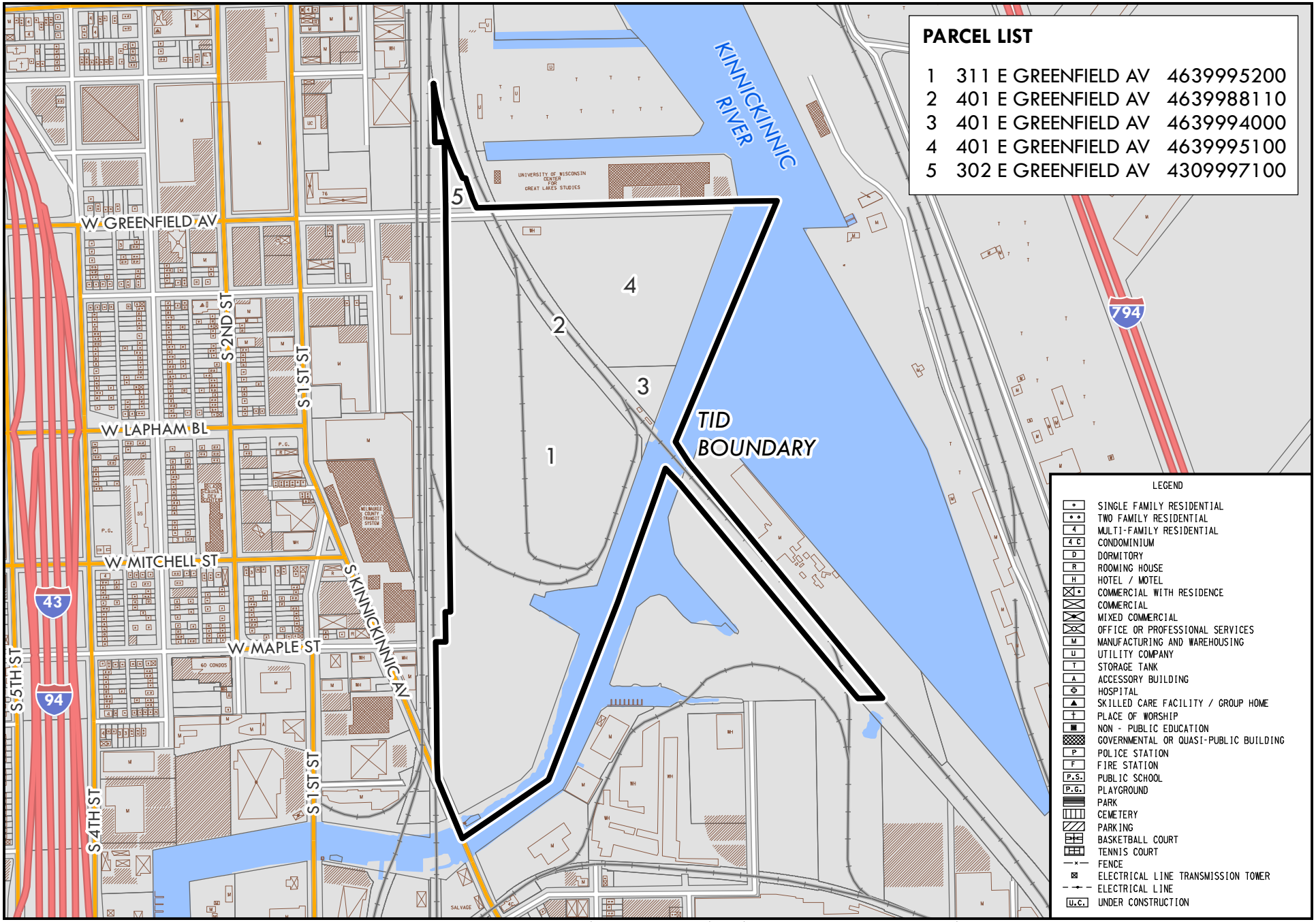
TID 96: KOMATSU MINING CORP.

MAP 1: BOUNDARY AND EXISTING LAND USE

Prepared by the Dept. of City Development Planning Division, 10/22/2018
Source: City of Milwaukee Information Technology Management Division

0 750 1,500 Feet

N



Document Path: S:\GIS and Data Projects\2018\18-10-08 TID 96 - Komatsu Mining Corp\TID 96 - Komatsu Mining Corp - Map 1 - Boundary & Existing LU.mxd

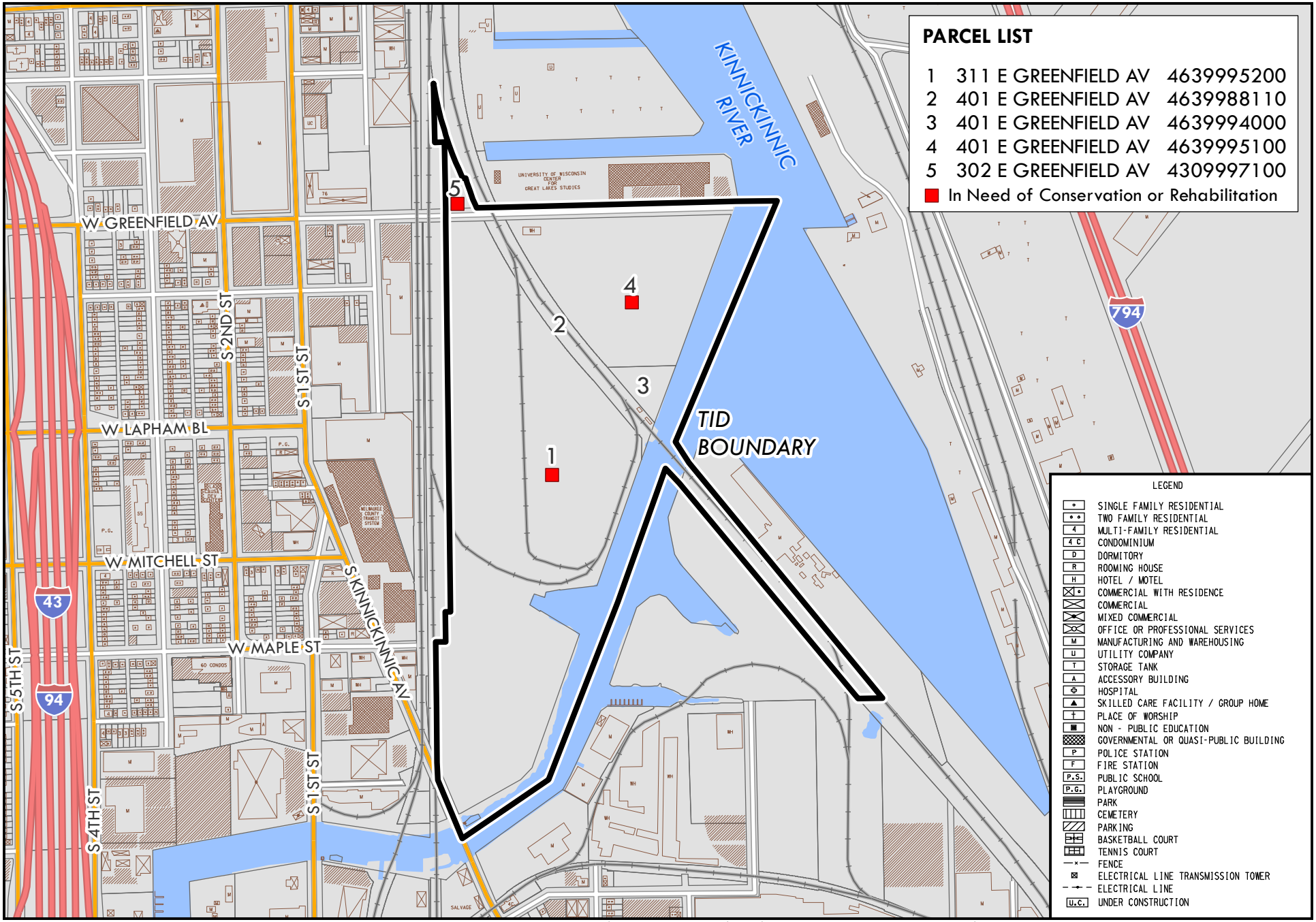
TID 96: KOMATSU MINING CORP.

MAP 2: STRUCTURE CONDITIONS

Prepared by the Dept. of City Development Planning Division, 10/22/2018
Source: City of Milwaukee Information Technology Management Division

0 750 1,500 Feet

N



Document Path: S:\GIS and Data Projects\2018\18-10-08 TID 96 - Komatsu Mining Corp\TID 96 - Komatsu Mining Corp - Map 2 - Structure Conditions.mxd

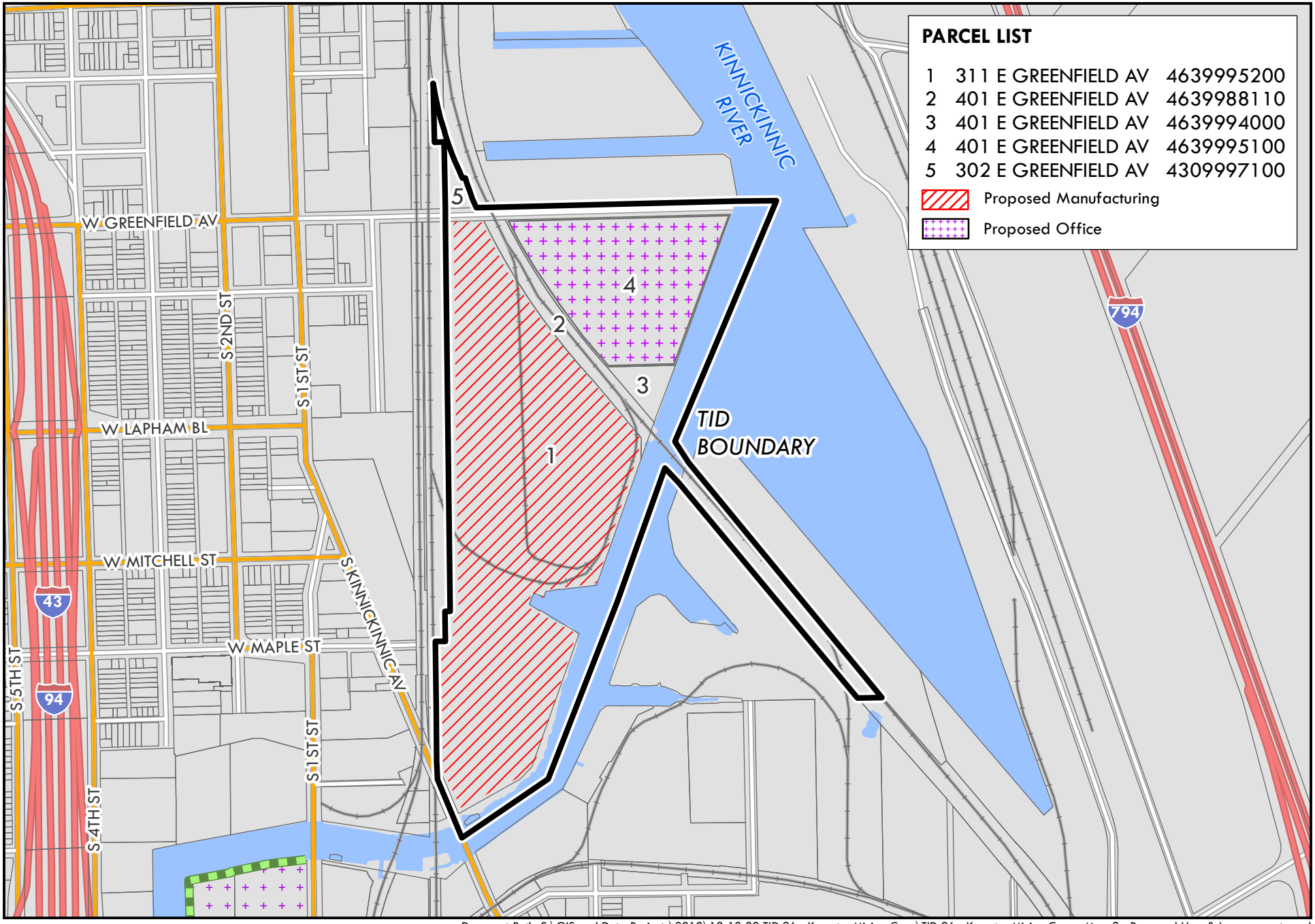
TID 96: KOMATSU MINING CORP.

MAP 3: PROPOSED USES AND IMPROVEMENTS

Prepared by the Dept. of City Development Planning Division, 10/22/2018
Source: City of Milwaukee Information Technology Management Division

N

0 750 1,500 Feet



Document Path: S:\GIS and Data Projects\2018\18-10-08 TID 96 - Komatsu Mining Corp\TID 96 - Komatsu Mining Corp - Map 3 - Proposed Uses & Improvements.mxd

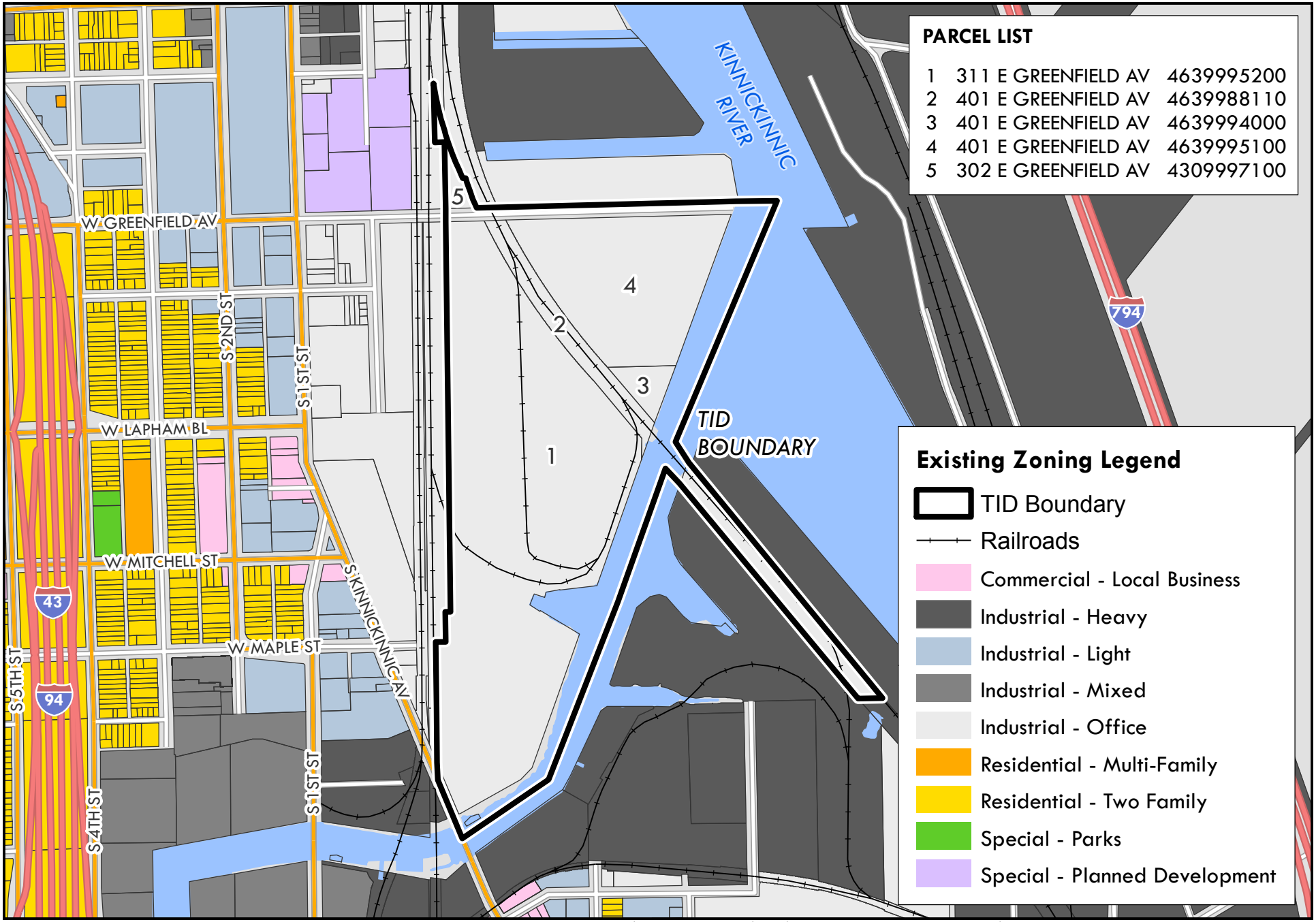
TID 96: KOMATSU MINING CORP.

MAP 4: EXISTING ZONING

Prepared by the Dept. of City Development Planning Division, 10/22/2018
Source: City of Milwaukee Information Technology Management Division

N

0 750 1,500 Feet



Document Path: S:\GIS and Data Projects\2018\18-10-08 TID 96 - Komatsu Mining Corp\TID 96 - Komatsu Mining Corp - Map 4 - Current Zoning.mxd