KOMATSU

Global Teamwork

Annual Report 2009

’09

► Contents

On the cover:

Komatsu launched full-scale marketing of the PC200-8 Hybrid in April 2009.

Cautionary Statement

This Annual Report contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects," "plans," "expects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Any forward-looking statements speak only as of the date of this Annual Report, and Komatsu assumes no duty to update such statements.

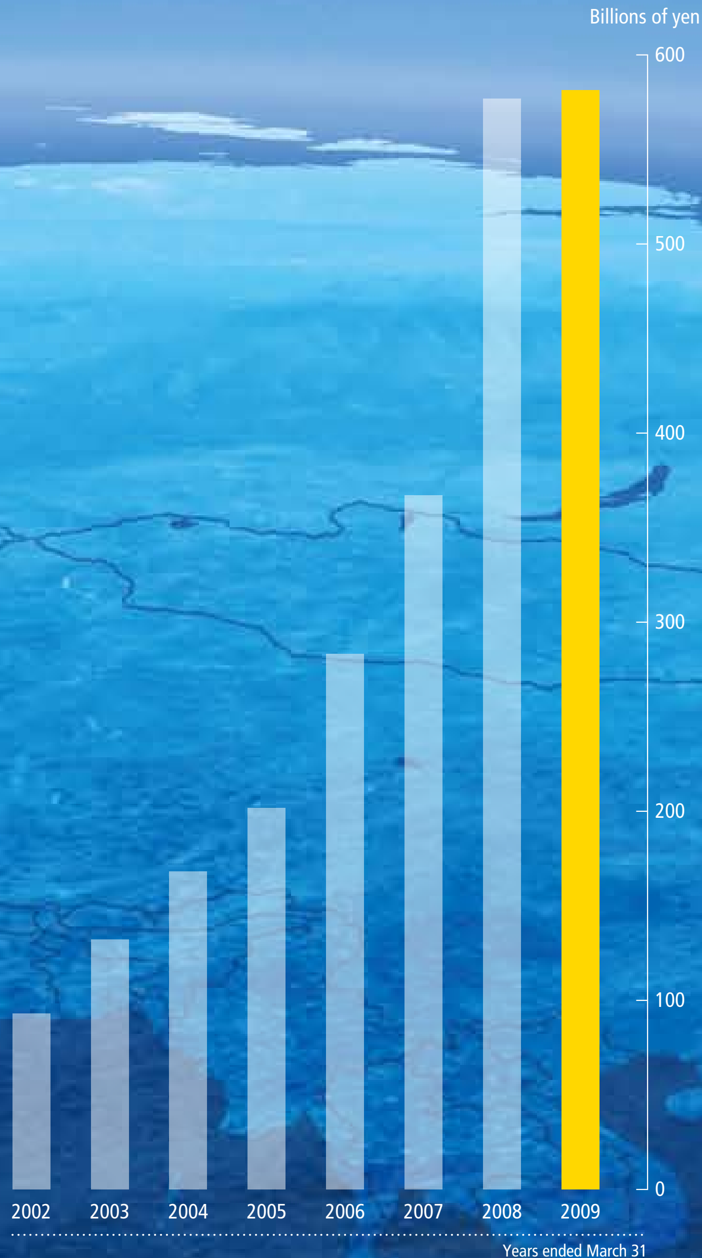
Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated costs or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new information technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; the impact of regulatory changes and accounting principles and practices; and the introduction, success and timing of business initiatives and strategies.

We call it "Greater Asia." As our strategic region and home to some 4 billion people, it accommo
except for Japan, and includes neighboring Russia and the Middle East. In Greater Asia, resource d
ing economic growth for the last few years. With its population growing and urbanization advan
developing infrastructure is driving demand for earthmoving equipment. We are proud to delive
as a long-time member of host communities whose efforts are to make a better future for succeedi

In this feature section, we would like to introduce our people and their professional commitm
have been instrumental in the creation of our stronghold market of Greater Asia.

Greater As

odates all countries in Asia,
evelopment has been fuel-
ncing, Greater Asia's briskly
r our products and services
ing generations.
ent, which, over the years,



Construction, Mining and Utility Equipment*: Sales in Greater Asia

* Sales amounts for fiscal 2002 through fiscal 2006 represent sales of construction and mining equipment.

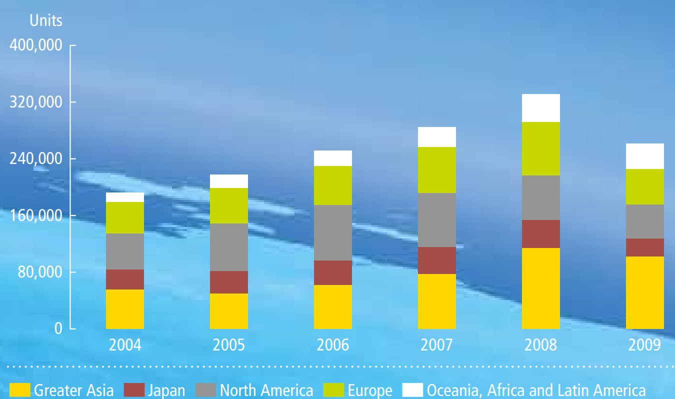
ia

Greater Asia at a Glance

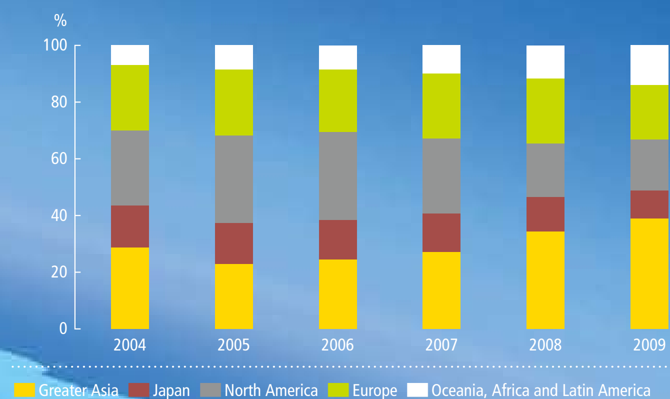
Years ended March 31

Construction and Mining Equipment: Global Demand for Seven Major Products*1 by Region

Demand by Region

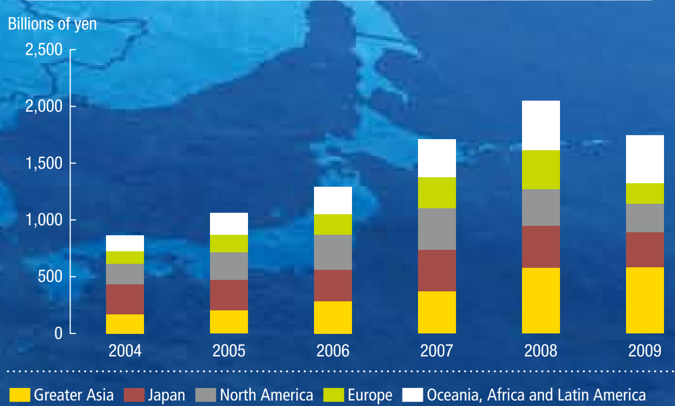


Demand by Region (Percentage Share)

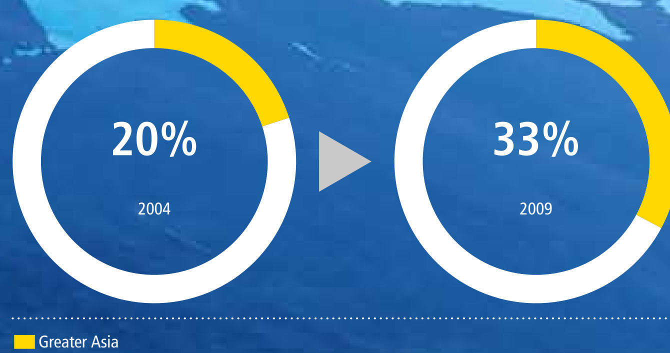


*1. Seven Major Products: 1) Crawler-type hydraulic excavators, 2) Wheel-type hydraulic excavators, 3) Bulldozers, 4) Wheel loaders, 5) Dump trucks, 6) Articulated dump trucks, and 7) Motor graders

Construction, Mining and Utility Equipment*2: Sales by Region (To Outside Customers)



Construction, Mining and Utility Equipment*2: Percentage Share of Sales in Greater Asia



*2. Komatsu had included the forklift truck business of Komatsu Utility Co., Ltd. and all businesses of Komatsu Logistics Corp. in the Industrial Machinery, Vehicles and Others segment until the end of the previous fiscal year. Starting in fiscal 2009, Komatsu included all these businesses in the construction and mining equipment business and changed its business segmentation by renaming it the Construction, Mining and Utility Equipment segment. Accordingly, the related figures for fiscal 2008 and 2007 are stated after retrospectively reclassifying them. The related figures for fiscal 2006, 2005 and 2004 represent those of the construction and mining equipment.

Manufacturing Plants and Product Support*3 in Greater Asia

Manufacturing Plants in Greater Asia

*3. Construction, mining and utility equipment only

Number of Manufacturing Plants and Product Support Bases*4

	Greater Asia	Komatsu Group (Total)
Assembly	7	25
Components, parts and applied products	11	22
Parts centers	13	37
Reman centers	2	6
Training centers	6	21

*4. As of June 30, 2009

中华人民共和国

[China]

Interview

Key person in our business in China

Q: I have heard that your first contact with Komatsu goes back to 1979, when Komatsu was introducing TQC (total quality control) activities to Beijing Engine General Factory for which you worked. Would you tell us your first impressions of Komatsu and how you joined Komatsu?

In 1979 quality control in China was largely approached only in the form of slogans. On the contrary, Komatsu's TQC was novel then for the involvement of all employees and statistical methodology. I was shocked and became convinced that a company faithfully engaging in such activities would grow to lead the industry.

From 1983 to 1985, I used to interpret for Komatsu's engineers of engines and their Chinese counterparts concerning technological improvement instructions and activities as my main responsibility. Through this work, I got to know people from the Beijing Office and Komatsu engineers from Japan. In June 1985, the manager [at that time] of the Beijing Office offered me an employment opportunity. I was very pleased to accept the offer because it was very attractive in that I would be able to learn about Komatsu's management methods and corporate culture. However, it was hard and took a long time to obtain approval from Beijing Engine General Factory. I was finally able to obtain their approval in the form of temporary job assignments at the Beijing Office. After completing these assignments, I formally joined the Beijing Office in 1993.

Q: Japanese mass media have often identified the integration of Chinese-style management and Japanese quality and production management as the main reason for Komatsu's success in China. What do you think about it?

Until 1995 the Chinese construction equipment manufacturing industry had promoted local production by improving the level of production technologies through technological tie-ups. But success was rare. For example, even when drawings were made by Komatsu in Japan, everything in the production stage, such as production management, quality control and supplier management, was done in each company's own way. I believe this was the major reason for rare success.

In the form of joint ownership companies, however, Chinese partners have come to ensure that their operations adopt Komat-

In January 1994, Mr. Wang (standing at right) at the ceremonial party for the establishment of Komatsu Huanan Ltd. in Hong Kong

Ziguang Wang

Born: 1951
Joined Komatsu Ltd.: 1985
Current position: President and CEO of Komatsu (China) Ltd. (since 2002)

su's principles of manufacturing, such as 5S concepts which stand for "Seiri" or sorting, "Seiton" or organizing, "Seisou" or cleaning, "Seiketsu" or orderliness, and "Shitsuke" or training, quality management, improvement activities, and QCD management, that is, quality, cost and delivery. After their thorough efforts, their production has improved significantly. In fact, a local partner had supplied undercarriage parts to Komatsu Shantui Construction Machinery, but they failed to meet QCD requirements of Komatsu Shantui Construction Machinery, so we stopped their supplies temporarily. Today, QCD awareness has become well anchored in this company, and Komatsu Shantui Construction Machinery has been engaging in smooth production.

I am convinced that communication is the fundamental tool to solve all problems of joint ownership companies as well. It is very important to propose best solutions based on a good understanding of mutual positions and conditions.

Q: Komatsu has engaged in business in China for over 50 years. Could you describe some landmark achievements of Komatsu?

From the 1950s into the 1970s, infrastructure development was the most urgent task for China. As we had no diplomatic relations with major industrialized countries, it was very difficult for us to import machines needed for this task. However, we were able to import some 3,000 units of construction equipment from Komatsu. I continue to believe Komatsu's efforts made an important contribution to China's national infrastructure development.

As I have already said, it was Komatsu that had introduced TQC concepts by leading others. TQC concepts and methods have spread throughout many industries, centering on manufacturers, leading to a high level of quality management today. I also believe that Chinese partner companies have learned a variety of management methods through joint ownership companies and have successfully applied them for their own growth.

Zhou Enlai (1898-1976) (right), then Premier of the People's Republic of China, welcomes a visit by Ryoichi Kawai (1917-2008), then President of Komatsu Ltd., at the Great Hall of the People in Beijing in 1970.

Q: Could you share your hopes for future growth of the Chinese economy and future business roles of Komatsu in China?

As I believe that the Chinese economy has grown to a fairly good level today, I hope it will shift to a stable growth path. Concerning our roles or tasks, our next and most urgent task is to facilitate the further growth of our distributors. This is not only indispensable for our business growth, but will also help the creation of employment opportunities. I am certain that Komatsu's contributions made in China will continue to work for Komatsu, bringing about substantial benefits. In China we have a popular proverb saying something like: "We will never forget to appreciate those who dug a well for us."

Republik Indonesia

[Indonesia]

Interview

The man who has showcased the success of a joint ownership company

Q: Would you tell us about your first contact with Komatsu?

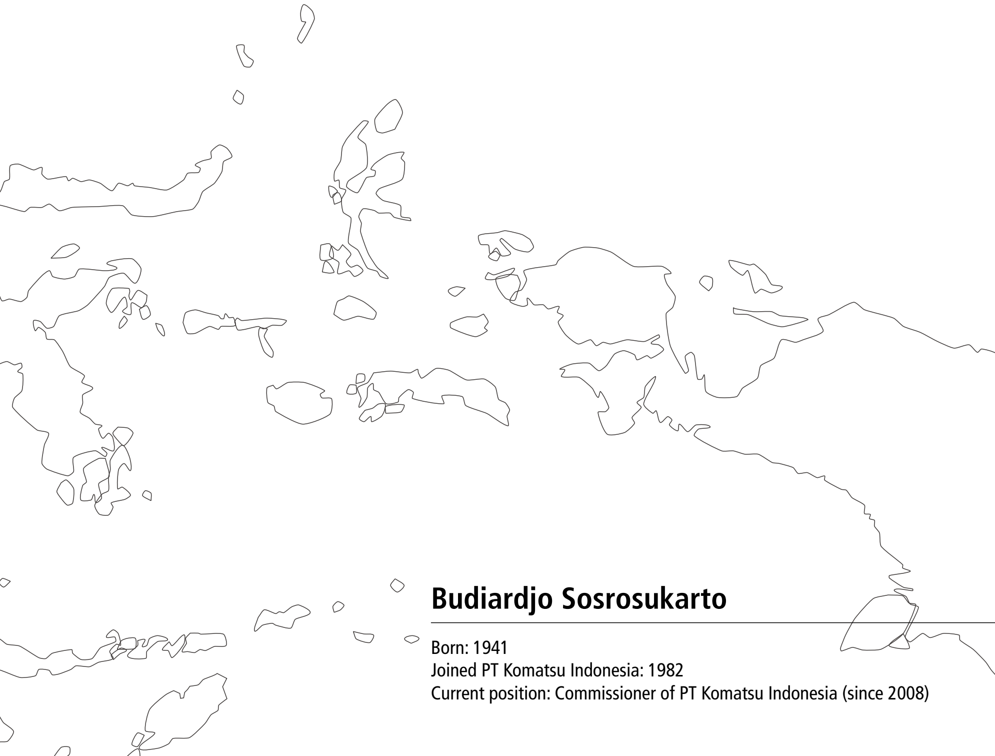
It was at the beginning of 1974, when I was transferred from PT Astra International to PT United Tractors (UT). UT was founded in October 13, 1972 as the Heavy Equipment Division of Astra and was appointed in 1973 as the sole distributor of Komatsu products in Indonesia. As manager of the Service Department, I had a great opportunity to learn all about the construction equipment business, while working to establish our service network all over Indonesia.

Q: Could you share some difficulties you faced while managing PT Komatsu Indonesia (KI) ?

In fact, the establishment of KI itself required some hard work. Since being appointed as a Komatsu distributor, UT had worked together with Komatsu, steadily expanding sales. That normal situation changed at the end of 1980, when the Indonesian Government decided to develop a heavy equipment industry in Indonesia.

To obtain approval for local production, UT and Komatsu worked as one solid team. I was general manager of the Manufacturing Department of UT and a member of the working team with Komatsu

On July 31, 1983, Mr. Budiardjo (front row: second from the right), then Vice President of KI and Mr. Komiya (front row: second from the left), then President, during the final inspection of equipment before full-scale production the next day



Budiardjo Sosrosukarto

Born: 1941
Joined PT Komatsu Indonesia: 1982
Current position: Commissioner of PT Komatsu Indonesia (since 2008)

counterparts. After repeated negotiations with the Government, we were licensed in March 1982.

The next difficulty came in 1986, when Indonesian demand dropped to 640 units from a high of 1,050 units in 1983, our first full year of operation. Then, we received a double-hit by the Government's five-year program to increase local content. That was a big pressure on our operations, but we made step-by-step investment in welding-required components while developing local suppliers for other parts.

The third hardship was definitely the Southeast Asian currency crisis of 1997, giving a big impact on our business in 1998. Market demand in our stronghold Indonesia and the entire South East Asia all nose-dived, and we were able to ship only 28 units in Indonesia compared to 1,555 units in 1997. Teaming up under the leadership of then President of KI and with the full support from Japanese operations, we were able to export 513 units mainly to Japan and the United States. Even while working to cut down costs, all employees of KI sustained a high spirit, and we survived this crisis. Thanks to both internal and group-wide efforts, we still recorded a good operating profit for fiscal 1999.

Q: As top management officer, you have managed KI from the time of its founding to the present status of an important international manufacturing base of the Komatsu Group. What's the power which has driven the growth?

It's driven by people and teamwork. From the very beginning of KI, we placed top priority on human resources, the most valuable corporate foundation. In 1982, before operation started, we selected the best people from UT's Service, Parts, Rental and Manufacturing departments. The first batch of them, 16 people, was sent for nine months of technical training to Komatsu plants in Japan.

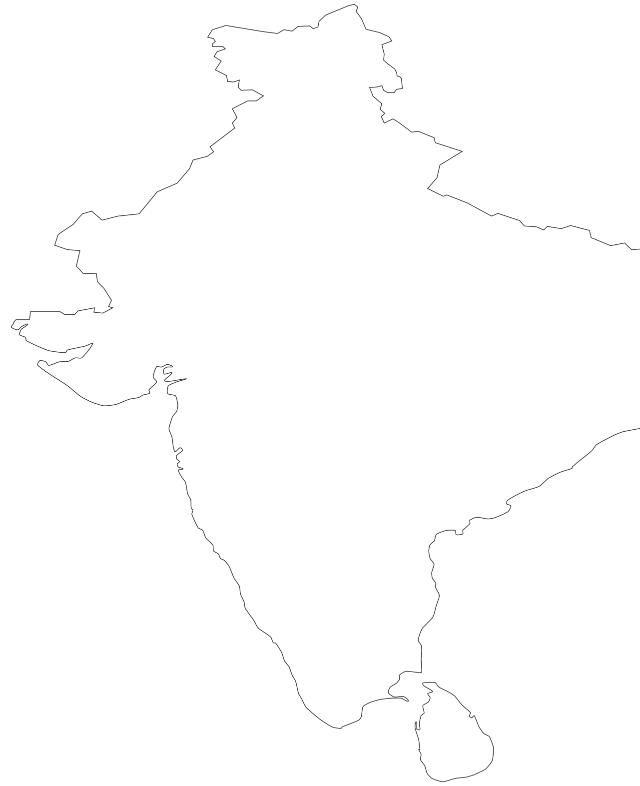
They were the true pioneers of KI operation. Directly after their return from Japan, all of them installed factory equipment and assembled the first machine, the D85A bulldozer, which was rolled out from the assembly line on August 31, 1983. A sense of accomplishment was in the air at KI all day. Mr. Bambang, our current president, was one of the pioneers.

As a manufacturer, we must keep teamwork as an unchangeable vital principle, even when we have to change with the business environment. Even from the start of KI, under the leadership of then President of KI, the teamwork was superb between Komatsu people from Japan and Indonesian people from UT. We also learned to adopt TQC concepts for our management from him.

We've come a long way over the years, overcoming some critical conditions, thanks to the people here and from Japan. As we say at KI, we have a Japanese father and an Indonesian mother. KI is founded on the strength of our two parent partners trusting each other.

भारत

[India]



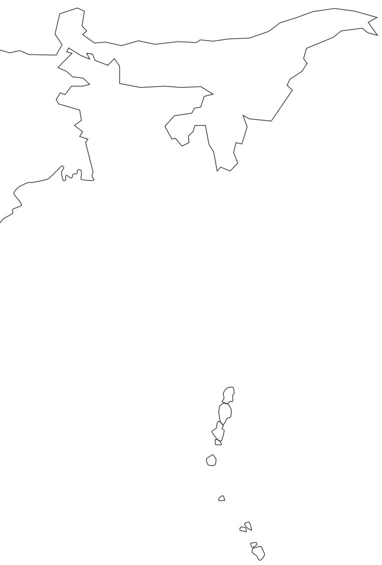
Building trust, customer by customer, throughout India

It's impossible to describe our business growth in India without mentioning Mr. Singh. He has dedicated 45 years of his lifetime working in all possible aspects of our construction and mining equipment business in India. His services include marketing, product support, accounting and negotiations with the Indian government and business partners, just to mention a few. From 1998 through 2006, he took charge of all Indian operations of Komatsu as general manager of our Bangalore Office. Even today he is demonstrating his professional skills as deputy general manager of the Bangalore Branch Office and advisor to managing director of Komatsu India Pvt. Ltd.

His first contact with Komatsu came through his father who was posted to the Indian Embassy in Tokyo. He actively negotiated technology transfer agreements for bulldozers between Komatsu and the Government of India in the late 1950s. With his encouragement, Mr. Singh came to Japan in 1961 to study engineering at Komatsu's facilities for over 2 years after learning Japanese in Tokyo. Back in India, he worked at the Indian government's bulldozer manufacturing plant in Kolkata from 1965 to 1967, before joining Komatsu Bangalore Office in 1968.

It's equally impossible for us to narrate 45 years of service and contributions to Komatsu by Mr. Singh in this limited space. So, we asked him to share some unforgettable experiences in his career.

Training at the former Kawasaki Plant in 1962



Davinder Singh

Born: 1944
Joined Komatsu Ltd.: 1968
Current position: Deputy General Manager, Bangalore Branch Office and Advisor to Managing Director, Komatsu India Pvt. Ltd. (since 2007)

China/Indonesia/**India**/UAE/Russia

The Himalayas in winter

"In 1969, Komatsu was asked to demonstrate snow clearing capabilities of D80A bulldozer near Shimla (2,200 meters above sea level) in the Shivaliks, north-west Himalayas, some 2,400 km away from Bangalore. I joined the team and we put one machine in operation which helped the traffic move smoothly again. But we could start the return journey only after dark and drove on snow-covered roads of hilly terrain without tire chains on, going up by pushing the car and down by slipping and skidding, each time, feeling a close encounter with death. It was well after midnight when we finally reached the base camp safely. This bone-chilling experience was one of the scariest moments of my life."

Hard work paid off with satisfaction

"In 1974, the Bangalore Office was promoting our D355A bulldozer in Goa, about 600km from Bangalore. All major iron ore mine owners, operating there and exporting the ore to Japan, used only competitors' equipment, and wouldn't even talk to us about our equipment. After repeated sales visits for nearly one year, I got our first order for one unit from one mine owner. The performance of this work horse proved excellent for this proud owner. After watching the performance for some time, nearly all customers in Goa began ordering D355As one by one. Today, more than 200 units of Komatsu machines are in operation with practically all Goa customers."

Patience required for tough negotiations

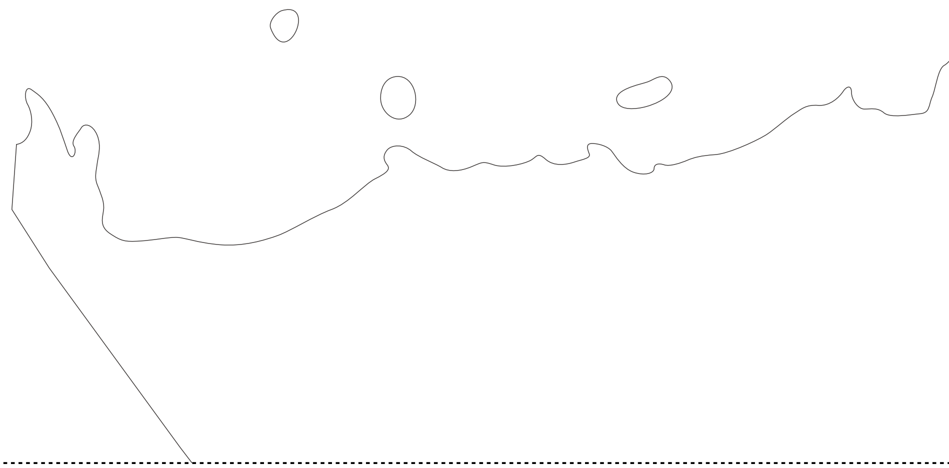
"In India, the hydraulic excavator market developed rapidly from the 1990s and Komatsu decided to find a new partner to locally manufacture and introduce the latest generation of its hydraulic excavators. I led the surveying of major engineering companies in 1994 and 95 and identified Larsen & Tourbro Ltd., India's largest engineering and construction conglomerate as a potential partner. After over 30 months of tough negotiations, we established L&T-Komatsu Ltd, a 50-50 joint venture, in February 1998. This paved the way for the introduction of our high-tech excavators in the Indian market under strict quality control by our engineers. This was a new beginning for Komatsu to form a partnership with a private company in India.

"In January 2006, we set up Komatsu India Pvt. Ltd., a wholly owned manufacturing subsidiary for dump trucks in Chennai, Tamil Nadu. Not only did we have to start from searching for land and setting up a new plant, but we also had to carry out discussions with several local government bodies for nearly 18 months. Thanks to teamwork with many Komatsu colleagues, we were able to start up production."

These episodes are regrettably too brief to describe what has powered his professional commitment over the years. In his words, "Success lies in self discipline and hard work. If one can master the art of these basic principles combined with patience, it could give a new meaning and dimension to the overall quality of life." In concluding: "For me, it has been a great privilege to work for Komatsu. I honestly believe that Komatsu provides stable growth, encourages employees to take up new challenges, and has corporate policies that are highly employee-friendly. One always feels an integral part of the Komatsu family which promotes harmony at every level."

الإمارات العربية المتحدة

[U A E]



Sharing a dream with product-support trainees

Probably nobody could come close to Mr. Javidani's innate passion for construction equipment. He was born in a family of civil engineers and brought up virtually living on jobsites and naturally becoming familiar with equipment from the very beginning of his life. His interest in heavy machines and mechanics became so strong in his youth that he was determined to become a construction equipment specialist. After completing his college education in the U.K., he started his career with a distributor while waiting for a chance to join Komatsu. In 1990 he joined Komatsu as a service representative, and in 1997 he was transferred to our Dubai Liaison office as service manager.

Mr. Javidani at the age of three

He told us one of his experiences when he was service representative. It's a nice little story about the value of construction equipment and a man who believes in it.

"In the fall of 1993, I was assigned to check a GD705A motor grader with a broken circle support gear in a remote village on top of the mountains. Together with our distributor's representative, we drove to see the motor grader and tried to weld the broken area but couldn't for some reasons. While we were working on the machine, the owner of the machine told us that it was the only motor grader in the region and responsible for removing snow from the road which connects the village and large towns down the mountains. Without it, the village would be isolated and people couldn't go to the hospital in the city below or stay stocked with food. I became quite desperate because winter was only a few weeks away. We visited the site two more times to weld and repair the broken circle support gear and discovered that it was impossible because of strong magnetism created around the broken area. On the third trip, with welding instructions from Tokyo, we were able to complete our task. I will never forget how much our efforts were appreciated by the owner. On the way back, I felt so great that I never felt tired even after having driven more than 2,500 km and working 60 hours for a total of four trips. Three weeks later, I couldn't stop my tears from flowing down my cheeks when I heard in the news that there was snow fall in that area."

Today, as general manager of the Training Department of Komatsu Middle East FZE, he is responsible for all training programs offered by its Training Center. Programs are designed

Babak B. Javidani

Born: 1959
Joined Komatsu Ltd.: 1990
Current position: General Manager of Training, Komatsu Middle East FZE (since 2004)

China/Indonesia/India/**UAE**/Russia

for distributors' service and sales engineers and, in some cases, for customers. All in all, he stresses, "We work to ensure that all trainees leave this facility with full confidence that they can apply what they have learned here to their daily work. For distributors' trainees in particular, we work to encourage them to become proud of being a Komatsu man who can maximize the performance of Komatsu machines."

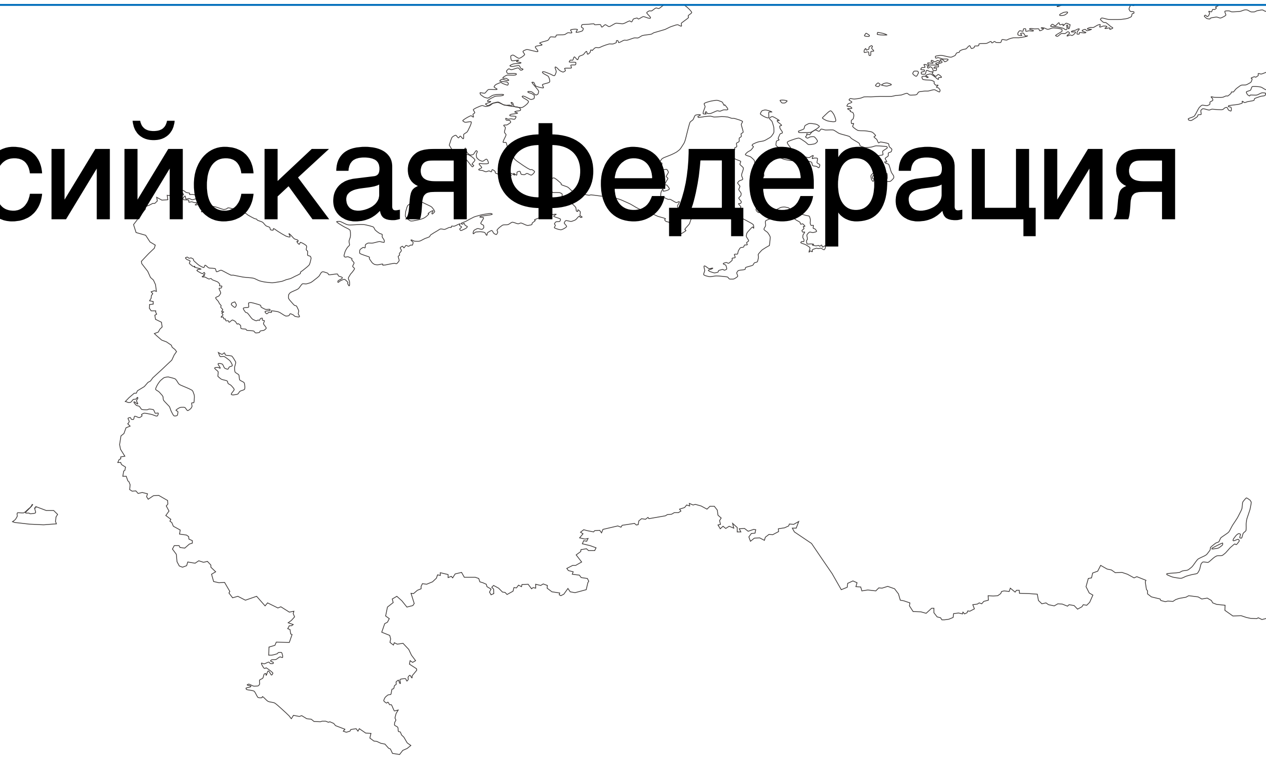
In addition to technical knowledge and skills, Mr. Javidani hopes that trainees will someday discover the real value of construction equipment and a sense of their mission through work. In his words, "With every turn of the wheels of a wheel loader or sprockets of a bulldozer, we take one more step towards the development of a better life for the next generation. Generations past and present, working in this industry, have spent their lives to make those wheels or sprockets turn more smoothly, making great progress to date. This must be continued by the future generation."

He has spent nearly 20 years of his working life, supporting and training our distributors to enhance their customer satisfaction level through making our equipment more available for infrastructure development. His goal, before he retires, is to show his children what they have together achieved.

Mr. Javidani trains sales engineers from distributors about the D275A bulldozer in January 2006.

Российская Федерация

[Russia]



Passing down all his expertise as a super veteran service instructor

As far as we know, Mr. Ivanovitch knows more about pipelayers than anyone in the Komatsu Group, especially how they are used on all kinds of jobsites. We can say this because he has handled over 4,000 units in his career in all aspects of business, ranging from product presentation and trainings of mechanics and operators to assembly, repair and claim response. He used to spend almost five months a year, working in the field throughout what was then the United Soviet Socialist Republic (USSR).

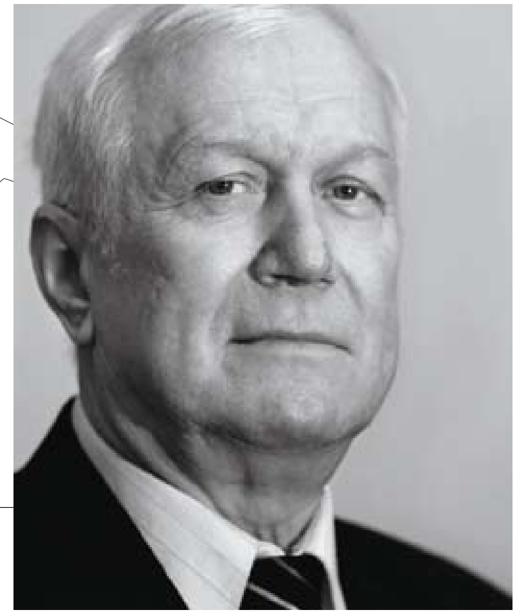
Back in 1977, when he was working as an engineer to test trucks, he heard about the good reputation of Komatsu off-road trucks in the far-east region of the USSR. Impressed by the story of their quality and performance, he sent his resume to the Moscow Office of Komatsu Ltd. and became a member of the Komatsu Group as a service engineer.

During the 1980s, we made a massive delivery of bulldozers and pipelayers, designed for use in the arctic climate, to Soviet organizations. He took an invaluable leadership role in the delivery service and trainings of operators and maintenance mechanics for customers, which were much appreciated by customers. He made the name Komatsu known throughout the USSR.

A photo with many memories

"This is a very precious photo for me. It was taken at a customer's jobsite in Samboly in the region of Khabarovsk. The client was Dajilesprom, a very large timber customer. Before making final decisions, they tested trial machines from different Japanese manufacturers and we provided a D65E bulldozer for trial use.

Mr. Ivanovitch
(fourth from the left in a red cap)



Feklisov Vasilij Ivanovitch

Born: 1947
Joined Komatsu Ltd.: 1977
Current position: Senior Training Instructor of Komatsu CIS, LLC
(part time since retirement in July 2007)

"In the winter of 1981, our bulldozer's engine was damaged in an accident. In order to repair the bulldozer, two specialists of service and production, Mr. Miura (third from the left) and Mr. Muraishi (squatting) in the same outfits, came from Japan to Khabarovsk where I joined them. It was my first time to meet them, and to my great surprise, they brought a 250kg crankshaft and other parts required for the repair as their luggage! The only way to get to the jobsite was by train but the train stopped for only two minutes at the station where we had to get off. To this date, it remains unbelievable that we could manage to carry all those parts through the narrow corridor and unload them on the platform so quickly without making a big noise as other passengers were sleeping in the compartments. Nobody else got off. It was around one o'clock in the morning, so dark and freezing. On the jobsite, we worked on the bulldozer in a 'frozen' warehouse. Thanks to the expertise of Japanese colleagues and all those parts which they brought all the way from Japan, we were able to repair the machine successfully."

Since his retirement at the age of 60 in 2007, Vasilij-san, as typically called by us, has been training our distributors' service engineers at Komatsu CIS, LLC (KCIS). "I am very happy about the current job, especially because I really enjoy working with young people. I also teach them two important matters, which I learned in a very early stage of my career with Komatsu. First, you are an important member of the Komatsu family. Particularly among newcomers at KCIS, I try to maintain this family atmosphere as much as possible. Second, know your customers' business thoroughly so that you can find ways to improve their business by using Komatsu equipment and service."

Mr. Shigeru Miura

Born: 1926
Joined Komatsu Ltd.: 1952
Main career: Overseas Service
(currently, Product Support)
Retired: 1985

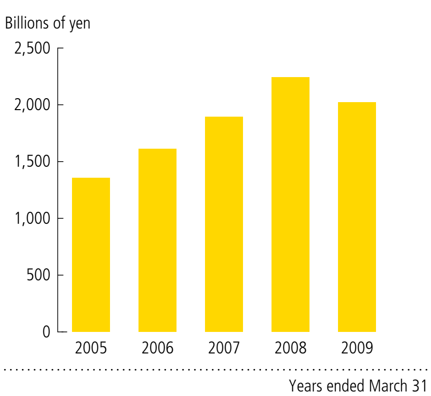
"I also have a very similar picture I took on the same day. As our Moscow Office couldn't handle the repair alone, Mr. Muraishi and I brought all parts with us. Although I met and worked with Vasilij-san for the first time, we engaged in excellent teamwork under his leadership. I was especially impressed by our teamwork with customer's mechanics. I am sure that it would have been impossible to complete the work in seven days without his professional dedication as service engineer and a constant sense of humor as a friendly person. It's because the job required substantial repair work, including the engine overhaul with a limited availability of facilities and equipment, in an extremely cold environment. To this day, I still recall with a sense of melancholy that this team was the best one in my career, involving our plant, head office, overseas office and customer."

Financial Highlights

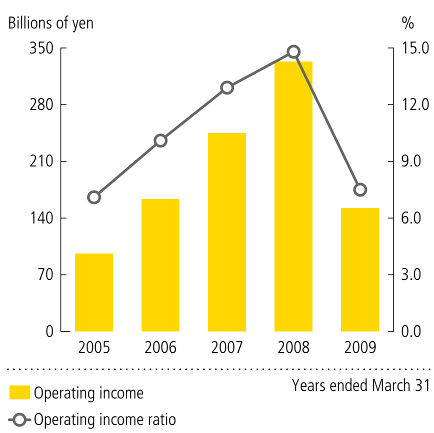
Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

For the Fiscal Period	2009	2008	2007	2009
	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
Net sales	**¥2,021,743**	¥2,243,023	¥1,893,343	**$20,421,646**
Operating income	**151,948**	332,850	244,741	**1,534,828**
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies	**128,782**	322,210	236,491	**1,300,828**
Net income	**78,797**	208,793	164,638	**795,929**
Capital investment	**162,512**	145,730	129,680	**1,641,535**
Research and development expenses	**53,736**	49,673	46,306	**542,788**
Net cash provided by operating activities	**78,775**	160,985	162,124	**795,707**
Net cash used in investing activities	**(145,368)**	(128,182)	(99,620)	**(1,468,364)**
Net cash provided by (used in) financing activities	**57,219**	(17,422)	(41,389)	**577,970**
At Fiscal Period-End				
Total assets	**¥1,969,059**	¥2,105,146	¥1,843,982	**$19,889,485**
Shareholders' equity	**814,941**	887,126	776,717	**8,231,727**
Per Share Data				
Net income per share - basic	**¥ 79.95**	¥ 209.87	¥ 165.70	**80.76¢**
- diluted	**79.89**	209.59	165.40	**80.70**
Shareholders' equity per share	**842.04**	891.49	781.57	**850.55**
Cash dividends per share	**40**	42	31	**40.40**
Major Indicators				
Operating income ratio (%)	**7.5**	14.8	12.9	—
ROE (%)	**9.3**	25.1	23.5	—
ROA (%)	**6.3**	16.3	13.5	—
Shareholders' equity ratio (%)	**41.4**	42.1	42.1	—
Net debt-to-equity ratio	**0.62**	0.39	0.33	—
Number of employees	**39,855**	39,267	33,863	—

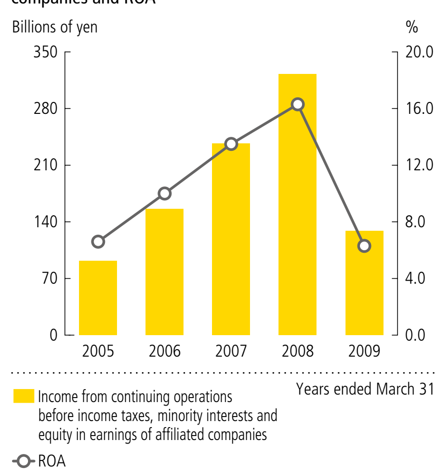
Net sales



Operating income and operating income ratio



Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies and ROA



Notes: 1. Starting in the fiscal year ended March 31, 2009, Komatsu changed its business segmentation. Accordingly, the related figures for the previous fiscal years are stated after retrospectively reclassifying them.
2. Sales by operation and sales by region represent sales to outside customers, respectively.
3. The United States dollar amounts represent translations of Japanese yen amounts at the rate of $1=¥99. See Note 1 of Notes to Consolidated Financial Statements.
4. Cash dividends per share represent the amount based on the resolution by the ordinary general meeting of shareholders.

Sales by Operation

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Construction, Mining and Utility Equipment	**¥1,744,733**	¥2,048,711	¥1,711,275	**$17,623,566**
Industrial Machinery and Others	**277,010**	194,312	182,068	**2,798,080**
Net sales	**¥2,021,743**	¥2,243,023	¥1,893,343	**$20,421,646**

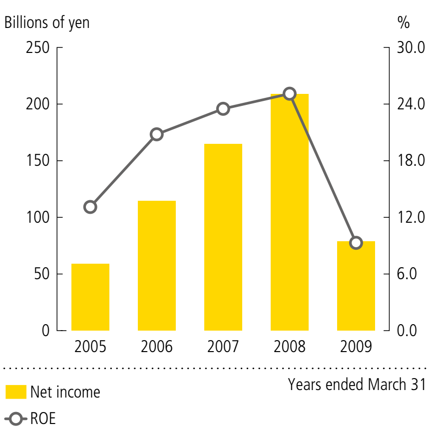
Sales by Region

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Japan	**¥ 452,172**	¥ 505,185	¥ 487,103	**$ 4,567,394**
Americas	**503,450**	541,160	537,836	**5,085,354**
Europe and CIS	**284,029**	427,679	324,071	**2,868,980**
China	**236,226**	189,902	129,443	**2,386,121**
Asia (excluding Japan and China) and Oceania	**335,574**	348,462	252,768	**3,389,636**
Middle East and Africa	**210,292**	230,635	162,122	**2,124,162**
Net sales	**¥2,021,743**	¥2,243,023	¥1,893,343	**$20,421,646**

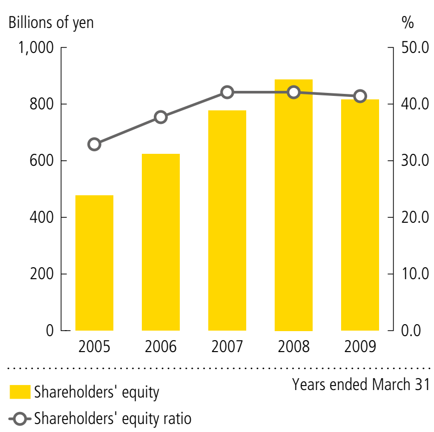
Sales by Region: Construction, Mining and Utility Equipment

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Japan	**¥ 309,895**	¥ 370,744	¥ 367,091	**$ 3,130,252**
Americas	**462,405**	510,552	510,030	**4,670,758**
Europe and CIS	**273,259**	427,029	320,849	**2,760,192**
China	**179,221**	181,468	112,570	**1,810,313**
Asia (excluding Japan and China) and Oceania	**309,721**	328,725	238,848	**3,128,495**
Middle East and Africa	**210,232**	230,193	161,887	**2,123,556**
Net sales	**¥1,744,733**	¥2,048,711	¥1,711,275	**$17,623,566**

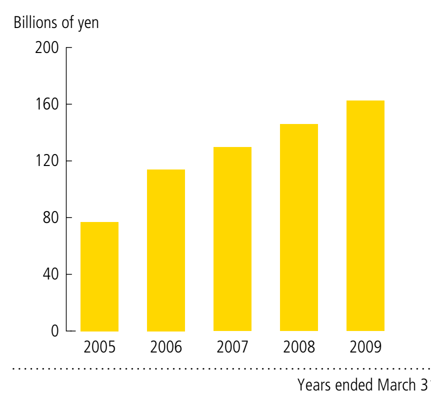
Net income and ROE



Shareholders' equity and shareholders' equity ratio



Capital investment



5. Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Shareholders' equity
6. ROE = Net income / [(Shareholders' equity at the beginning of the fiscal year + Shareholders' equity at the end of the fiscal year) / 2]
7. ROA = Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies / [(Total assets at the beginning of the fiscal year + Total assets at the end of the fiscal year) / 2]

Masahiro Sakane, Chairman of the Board

Kunio Noji, President and CEO

In the roof-top garden of Komatsu Head Office Building

Business Results

In the fiscal year, ended March 31, 2009, while economies in Japan, the United States and Europe slowed down, those in emerging countries sustained sound growth through the first half period. In the second half, however, effects of the financial crisis, triggered in the United States, spread to other regions of the world. This included emerging and commodity-exporting countries, while commodity prices sharply plunged. With a global economic recession, the business environment for the Komatsu Group became extremely challenging, a previously unknown situation. Affected by such a drastic change in the business environment, the Komatsu Group recorded business results for the year, below the level of the previous fiscal year, as shown in the following table.

Consolidated Results for the Year

U.S. GAAP	Results for the Year	Change (2009/2008)
Net sales	¥ 2,021.7 billion	Down 9.9%
Operating income	¥ 151.9 billion	Down 54.3%
Operating income ratio	7.5%	- 7.3 pts
Income before income taxes, minority interests in equity in earnings of affiliate companies	¥ 128.7 billion	Down 60.0%*
Net income	¥ 78.7 billion	Down 62.3%

* Change in percentage of income before income taxes, minority interests and equity in earnings of affiliated companies for fiscal 2009 is compared with income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies for fiscal 2008.

In the construction, mining and utility equipment business, our market environment changed drastically, becoming very challenging in the second half period of the fiscal year. Downturning demand in emerging economies and in commodity-exporting countries, where it had steadily expanded earlier, resulted in sluggish demand worldwide. In the industrial machinery and others business, a wide range of client industries, including the automobile manufacturing industry, rapidly restrained their capital investment, also creating a challenging environment in the second half period. In addition, the Japanese yen appreciated compared to the previous fiscal year. As a result, consolidated net sales for the fiscal year ended March 31, 2009 declined 9.9% from the previous fiscal year, to ¥2,021.7 billion (US$20,422 million, at US$1=¥99).

With respect to profits, we worked to absorb increased prices for raw materials with efforts to leverage the situation internally, such as increasing selling prices and reducing production costs, in the first half of the fiscal year. In response to the sharp drop in demand in the second half, we made substantial adjustments to production in order to reduce inventories to an appropriate level as quickly as possible. In addition, we recorded expenses associated with production, sales and other structural reforms. The Japanese yen's appreciation also worked against our profitability. Reflecting these factors, operating income decreased 54.3% from the previous fiscal year, to ¥151.9 billion (US$1,535 million). This translated into an operating income ratio (return on sales) of 7.5%, down 7.3 percentage points from the previous fiscal year. Income before income taxes, minority interests and equity in earnings of affiliated companies totaled ¥128.7 billion (US$1,301 million) for the fiscal year. Net income for the year amounted to ¥78.7 billion (US$796 million).

Cash Dividends

Komatsu is building a sound financial position as well as flexible and agile corporate strengths to increase its corporate value. Concerning cash dividends to shareholders, Komatsu Ltd. (hereinafter the "Company") maintains the policy of redistributing profits by considering consolidated business results and continuing stable dividends. Specifically, the Company has set the goal of a consolidated payout ratio of 20% or higher. Further, it maintains the policy of not decreasing dividends, as long as the consolidated payout ratio does not surpass 40%.

After reviewing the business results for fiscal 2009 and current and future business prospects, we have set the fiscal 2009 year-end dividends at ¥18 per share, a decrease of ¥4 from a year ago. Together with the interim dividends of ¥22 per share, annual dividends per share totaled ¥40, a decline of ¥2 from the previous fiscal year. This amount translates into a consolidated payout ratio of 40% based on profits before the reform associated expenses.

Mid-Range Management Strategies, Goals and Tasks Ahead

The worsening of the real economies, triggered by the financial crisis in the United States, not only has affected the United States and Europe but has also extended to emerging economies which had continued to steadily expand earlier. It made the global economy drop drastically and placed it in a very difficult and previously unknown situation. In response to this economic recession, concerned governments have announced economic stimulus packages with increased public spending and other efforts to stabilize the financial market. However, it is difficult to expect rapid recovery of the global construction and mining equipment market. Thus, we are anticipating that a challenging environment will continue for some time. Our industrial machinery business is closely and substantially affected by capital investment by the automobile manufacturing industry. Here, orders are nose-diving in all domains, such as large presses, small and medium-sized press machines, sheet metal machines and machine tools.

To meet this drastic change in the business environment, we have focused our efforts on a diverse range of operations. Such efforts include dynamic production adjustment designed for the speedy rationalization of inventories worldwide, consolidation of production at new lines with higher productivity in Japan, and elimination of plants and production lines. This is being done while pinning down the model range of production in North America and Europe and while making group-wide efforts in fixed cost reduction. In addition, after reassessing Japanese production, we have also decided to shut down the Mooka Plant, where articulated dump trucks and other equipment are produced, and the Komatsu Plant, where large presses are built. We will transfer their production to the Ibaraki and Kanazawa plants. Similar products are produced at the Ibaraki and Mooka plants and at the Kanazawa and Komatsu plants, respectively. Since both the Ibaraki and Kanazawa plants opened in 2007 with the latest facilities, we can expect higher yields at these new plants. As they are both situated adjacent to ports, we also expect to reduce both transportation costs and CO_2 emissions.

While the business environment has changed drastically, the mid-range tasks that we have to work on remain the same. We are resolutely determined to produce positive results, as we work on the following seven activities of importance defined in the "Global Teamwork for 15" mid-range management plan which will end on March 31, 2010.

1) Development of DANTOTSU Products

We are getting ready for commercial production of the PC200-8 Hybrid hydraulic excavator, which we launched on the Japanese market during the year under review. In addition to working to expand its sales in Japan, we will introduce it to China and other overseas markets. We are also expanding its model range. At the same time, we are working to develop more DANTOTSU products. By capitalizing on our group-wide strengths, including in-house manufacturing technologies for key components, such as engines and transmissions, we can substantially cut down fuel consumption and CO_2 emissions. Another strength is our leading-edge technical know-how in IT-intensive jobsite operations, such as KOMTRAX (Komatsu Machine Tracking System) for remote monitoring of operating conditions of construction equipment and the Autonomous Haulage System for mining trucks.

2) Further Enhancement of Market Position in Greater Asia*

We are going to further enhance our market position in Greater Asia which is projected for mid- to long-range growth. Our specific measures include product launchings before competitors, expansion of local production and further reinforcement of sales and product support operations.

* We define Greater Asia in the broader sense of the term as the region which consists of China, Southeast Asia, India, the Middle East and CIS (former Soviet republics including Russia).

3) Business Expansion in the Entire Value Chain*

In addition to reinforcing our parts business, we are also working to expand peripheral businesses in relation to construction and mining equipment. These include (1) parts, services and remanufacturing, (2) retail finance, (3) rental and used equipment, and (4) working gears (attachments) and forestry equipment. To this end, we are capitalizing on our edge in group-wide areas of original technology and by facilitating collaboration among different business operations.

* Values generated by business activities of the Komatsu Group with its partners, i.e., distributors and suppliers, and customers.

4) Establishment of Flexible Manufacturing Operations

We are speeding up the reassessment of global production to meet the current market conditions. We are also going to further enhance production flexibility in tune with demand changes and foreign exchange fluctuations by taking effective advantage of our global sales and production system, global procurement and other operations. Sharing market information among plants, distributors and suppliers is another of our initiatives. In the short term, we are going to accurately incorporate such information into production, sales and inventory planning. In the medium term, we will effectively incorporate useful information into capital investment planning in order to ensure appropriate production capacity.

5) Expansion of Utility Equipment Business

We are improving our position in the utility equipment industry through various means. One means is to enhance our product competitiveness through the broadening of our hybrid electric forklift truck model range and other measures. Another is to make further commitment to synergy generation in the production and development of forklift trucks and compact-construction equipment. And a third focus is to double our efforts in Greater Asia. At the same time, Komatsu Utility Co., Ltd., a wholly owned subsidiary, is working to improve earnings through the consolidation of production and the transfer of head office functions to its Tochigi Plant, which were carried out during the fiscal year under review. Komatsu Utility is planning to integrate Japanese distributors* in October 2009.

*Applicable to nine consolidated subsidiaries (of all distributors in Japan).

6) Reinforcement of Industrial Machinery Business

We are working to further expand the business primarily by achieving more synergy effects with Komatsu NTC Ltd., a new member of the Komatsu Group, strengthening overseas operations centering on Greater Asia, and reinforcing the parts and service business. We are also working to enhance competitiveness with improved production efficiency and profitability. For example, we are concentrating the production of large presses at the Kanazawa Plant, as they are currently being produced at both Komatsu and Kanazawa plants in Ishikawa Prefecture. To promote effective use of our management resources, Komatsu NTC Ltd. is going to concentrate the production of wire saws in the Toyama area (along the Sea of Japan) by shifting it from Kanagawa Prefecture (along the Pacific Ocean).

7) Reduction of Fixed Costs

With respect to the reduction of fixed costs, which we have engaged in since the first-stage Reform of Business Structure project, we are going to generate benefits by applying IT to the continuing improvement of administrative operations. Similarly, Komatsu is reorganizing production in Japan, North America and Europe, as well as sales of construction equipment and forklift trucks in Japan, and integrating rental subsidiaries in Japan.

We are further strengthening our corporate governance to ensure sound and transparent management, while improving management efficiency. Being committed to promoting thorough compliance, we will also ensure that all employees share The KOMATSU Way. In addition to improving our business performance, we will facilitate the development of both corporate strength and social responsibility in a well balanced manner.

Centered on the "Spirit of Manufacturers" dedication, Komatsu Group's direction remains crystal clear: "We provide the products (both hardware and software), that customers are happy to own, and we will make profits and grow." In addition to top management officers, of course, all employees of the Komatsu Group in Japan and abroad are determined to fulfill this commitment with self-confidence and a sense of mission by converging their talents and knowledge.

On behalf of the members of the Board, we would like to extend our sincere appreciation to our valued shareholders, customers, business partners and employees around the world for their support.

July 2009

Masahiro Sakane
Chairman of the Board

Kunio Noji
President and CEO

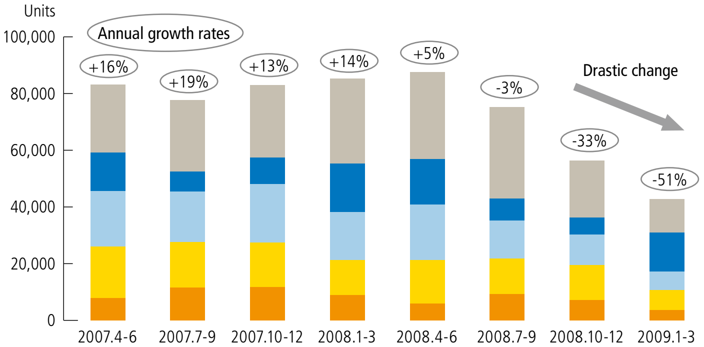
Kunio Noji, President and CEO

Q At the start of this interview, please summarize business results for the fiscal year ended March 31, 2009.

Noji: World economies sharply downturned, as affected by drastic deterioration of economic conditions around the world after the so-called "Lehman Shock." In this environment, we recorded a drop in both sales and profits after six straight years of their growth, which included four consecutive years of renewing record-high profits.

For the fiscal year under review, consolidated net sales declined by 9.9% to 2,021.7 billion yen, operating income, down 54.3% to 151.9 billion yen, net income to 78.7 billion yen, a decline of 62.3%. Major factors for the worsened results were further deterioration of demand for construction equipment in Japan, North America and Europe, the drastic drop in demand in emerging economies, our self-restrained sales to distributors in order to reduce their inventories, and effects of the Japanese yen's appreciation. Our profits dropped considerably more than sales did. In response to the worsened market conditions, we reorganized production in Japan and North America, as well as sales in Japan and carried out other structural reform initiatives, for which we recorded expenses of 32.3 billion yen. In addition, we also incurred loss costs at plants resulting from reduced production, an inventory valuation loss, and an increased allowance for doubtful receivables. All together, we recorded extraordinary expenses of 54.7 billion yen for the fourth quarter.

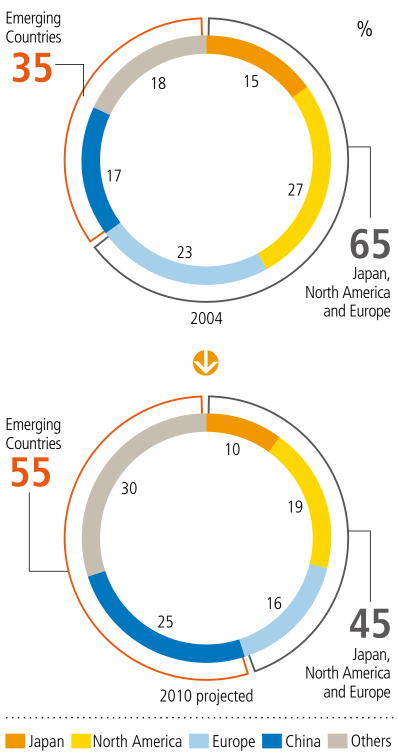
Quarterly Demand for Construction and Mining Equipment by Region



Units: Estimated by Komatsu

Japan · North America · Europe · China · Others

Percentage Share of Demand for Construction and Mining Equipment by Region



Q Could you share your views on the construction and mining equipment market, on which projected business results for the current fiscal year, ending March 31, 2010, are based?

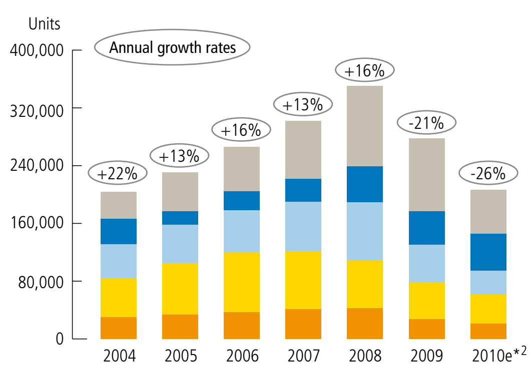
Noji: Global demand for construction and mining equipment had grown by about 15% year to year since fiscal 2004, mainly driven by expanded demand in emerging economies. However, as impacted by the drastically worsened market conditions, demand downturned to a decline of about 20% in fiscal 2009. We are predicting that demand will keep declining further to about 26% in the current fiscal year from the fiscal year under review. Consequently, we are projecting that global demand for construction and mining equipment in the current fiscal year will drop to the level of fiscal 2004.

Looking at demand by region in the current fiscal year, we are anticipating that demand will increase in China where some positive effects have begun to emerge from the Chinese government's economic stimulus package and in India with recovery of infrastructure development projected in the second half period. In other regions of the world, demand will continue to decline from fiscal 2009. Let us compare the proportions of demand by region in fiscal 2004 and the current fiscal year. In fiscal 2004, combined demand in Japan, North America and Europe represented about 65% of global demand, and we are projecting that combined demand in the same regions will decline substantially to about 45% in the current fiscal year, while the proportion of demand in emerging economies will grow. We have concerted our efforts to further enhance our market position in emerging economies centering on Greater Asia,* and I believe our strategy has proven right.

In particular, demand for mining equipment grew again in fiscal 2009. As we are projecting demand will decline by about 20% in the current fiscal year, this indicates a firmer demand than that for construction equipment. Furthermore, if production activities at mines are generally good and mining equipment keeps running, we can look forward to demand for wear-out parts, such as buckets and teeth, as well as the emerging need for overhauling engines, transmissions, axels and other components after three to four years of use. As we can expect renewal demand for these parts and components, I believe demand for mining equipment is firm.

* We define Greater Asia in the broader sense of the term as the region which consists of China, Southeast Asia, India, the Middle East and CIS (former Soviet republics including Russia).

Demand for Construction and Mining Equipment by Region
Years ended March 31

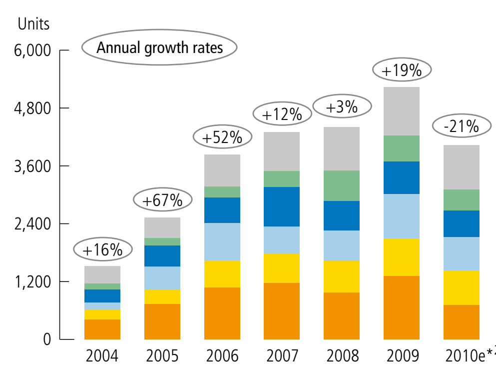


Units: Estimated by Komatsu

Japan | North America | Europe | China | Others

Applicable Models: Seven Major Products (Excl. Mini Equipment)
1) Crawler-type hydraulic excavators
2) Wheel-type hydraulic excavators
3) Bulldozers
4) Wheel loaders
5) Dump trucks
6) Articulated dump trucks
7) Motor graders

Demand for Mining Equipment by Region*1
Years ended March 31



Units: Estimated by Komatsu

North America | Latin America | Southeast Asia | Australia | Africa | Others

Applicable Models:
1) Dump trucks: 75-ton (HD785) or larger
2) Bulldozers: 525 HP (D375) or larger
3) Hydraulic excavators: 150-ton (PC1600) or larger
4) Wheel loaders: 500HP (WA700) or larger
5) Motor graders: 280HP (GD825) or larger

*1 Included in the left graph.
*2 Projection as of April 27, 2009, when Komatsu disclosed business results for fiscal 2009

Q Please elaborate on the projected business results for the current fiscal year.

Noji: As we announced our projections on April 27 this year, we are predicting that consolidated sales will decline by 24%, operating income by 53%, and net income by 56%. So, we will register a decline in both sales and profits, following the previous fiscal year ended March this year. For these projections, we are assuming the foreign exchange rates of 95 yen per US dollar and 125 yen per euro. These rates show the Japanese yen's appreciations of 6 yen against the US dollar and 18 yen against the euro from those used for the previous fiscal year.

Projection of 2010 Results (Announced on April 27, 2009) Billions of yen

U.S. GAAP	Projection ¥95/USD and ¥125/EUR	Change (2010/2009)
Net sales	1,530	Down 24.3%
Construction, Mining and Utillty Equipment	1,360	Down 22.3%
Industrial Machinery and Others	190	Down 37.4%
Elimination of inter-segment transactions	(20)	—
Segment profit	86	Down 54.4%
Construction, Mining and Utillty Equipment	89	Down 50.7%
Industrial Machinery and Others	1	Down 92.2%
Elimination and corporate	(4)	—
Other operating income (expenses)	(14)	—
Operating income	72	Down 52.6%
Operating income ratio (%)	4.7	–2.8 pts
Income before income taxes	62	Down 51.9%
Net income (Net income attributable to shareholders of Komatsu Ltd.)	35	Down 55.6%

In the construction, mining and utility equipment business, we are expecting that global demand will remain sluggish except for China. Sales will amount to 1,360 billion yen, down 22% from the previous fiscal year. We are also estimating that segment profit will drop by half to 89 billion yen. In the industrial machinery and others business, we are predicting that the automobile manufacturing industry, in particular, will continue to hold back their capital investment for a while. In this light, our industrial machinery business will face a more challenging environment than our construction, mining and utility equipment business and thus will register sales of 190 billion yen, down 37% and segment profit of 1 billion yen, down 92%.

Under such an environment, we are working to cut down distributors' inventories of construction and mining equipment and our fixed costs, while enhancing production efficiency by promoting structural reforms. In relation to production reorganization and other initiatives which we announced last fiscal year, we are planning to record structural reform expenses of 10 billion yen as other operating expenses for the current fiscal year.

With respect to our projections for the current fiscal year, I would like to add the fact that there are factors, such as demand for construction and mining equipment and foreign exchange fluctuations, which will work for or against our business results.

Q What are your urgent management tasks in light of the challenging environment today?

Noji: In the short term, there are two: inventory reduction and advancement of structural reforms, which we began last fiscal year. Concerning the inventory reduction task, we are using our global inventory database for all construction and mining equipment located in every plant, subsidiary, and distributor. We had some 18,000 units as of December 31, 2008, and we are working to cut down the inventory to an appropriate level of about 10,000 units by the end of September this year. To accomplish this task, we obtain unit-based retail sales data daily, while holding monthly meetings of sales and production people to exchange information and review their plans.

With respect to structural reforms, we are ensuring that production reorganization in Japan, North America and Europe advance as planned, while working to improve production efficiency by 30% by integrating more production on new lines and enhancing manufacturing technologies and skills. We are also continuing our efforts to further reduce fixed costs, by working to cut 25 billion yen for the current fiscal year compared to the previous fiscal year.

In the mid- to long-term, we will continue to concert efforts for seven activities of importance which are spelled out in our "Global Teamwork for 15" mid-range management plan and clear problems one by one.

[Seven Activities of Importance]

1. Development of DANTOTSU Products
2. Further Enhancement of Market Position in Greater Asia
3. Business Expansion in the Entire Value Chain
4. Establishment of Flexible Manufacturing Operation
5. Expansion of Utility Equipment Business
6. Reinforcement of Industrial Machinery Business
7. Reduction of Fixed Costs

Q Could you describe some specific activities of importance?

Noji: Let me tell you three activities of special importance.

First, it concerns the development of DANTOTSU products. With respect to product development which is the most important matter as a manufacturer, we will continue our efforts to develop DANTOTSU products by addressing the three key concepts of Environment, Safety and IT, including the reduction of CO_2 emissions, as we have done before. Particularly in the current fiscal year, we are going to expand sales of hybrid hydraulic excavators. Last year, we introduced a limited number of 30 units of the PC200-8 Hybrid on the Japanese market. They have been highly evaluated by owners for their capability to reduce fuel consumption by 25% on average and 35% at maximum. One owner has told us that he was able to cut annual fuel expenses by about 1.1 million yen [based on 95 yen per liter] on average. We are going to begin commercial production of the PC200-8 Hybrid in October this year. We are planning to sell a total of 700 units, including 500 in China and 180 in Japan during the current fiscal year. Our target in next fiscal year is set for 3,000 units. With respect to forklift trucks, we also launched 1-ton class hybrid electric models in May 2007 and introduced 2-ton class models last year, working to broaden our hybrid model range. Compared to conventional electric models, our 1-ton and 2-ton class hybrid models have been well received by customers for their performance of reducing both CO_2 emissions and power consumption by 20% and 30% at maximum, respectively. Looking ahead, we are developing next-generation hybrid models designed to deliver traveling and handling performance on par with internal-combustion models. As we expand sales and a product mix of eco-friendly hybrid equipment, we are going to build up our reputation for hybrid equipment.


PC200-8 Hybrid


Komatsu Human Resource Development Center opened in the Philippines

Second is the further enhancement of our market position in Greater Asia. To this end, it's important for us to lead competitors in the launching of new products, thereby creating new markets, and to promote the growth of our distributors while further strengthening our product support capability. As we have increased the amount of our products sold in emerging economies centering on Greater Asia, the training of service engineers has become our urgent task. In the past we have conventionally placed efforts on the training of distributors' service engineers by dispatching our instructors and sponsoring in-house training programs. Last year, we opened the Komatsu Human Resource Development Center (Philippines) in Manila and began construction of the KC Techno Center equipped with machine demonstration and comprehensive training facilities in China. The KC Techno Center is scheduled to open in 2010.

Third, it's the business expansion in the entire value chain. While sales of parts accounted for about 17% of total sales of the construction, mining and utility equipment business for fiscal 2009, we are planning to increase the percentage to 19% for the current fiscal year. From fiscal 2006 through fiscal 2009, we invested about 10 billion yen to expand our production capacity of GET (ground-engaging tools), such as undercarriages, buckets and teeth, as well as Reman (re-manufacturing). In addition to those products, we are also doubling our efforts to expand production and sales of oil, filters, hydraulic hoses and other parts as strategic products. At the same time, we are going to enhance our cost competitive position by consolidating Reman operations in Indonesia and Chile where they boast superior QCD (quality, cost and delivery).

Q I understand that you are also emphasizing environment friendliness and IT applications in the development of DANTOTSU products. Please tell us some specific efforts.

Noji: Sure. We equip small and medium-sized construction equipment with the KOMTRAX (Komatsu Machine Tracking System), which is an IT-deployed remote machine management system, and mining equipment with the VHMS (Vehicle Health Monitoring System). With these systems, our customers can monitor real-time operating conditions of their equipment, such as cumulative operating hours, record of mechanical problems and amount of fuel consumed, all from their desk in the office.

We have led the industry with the KOMTRAX by equipping it as a standard feature in 2001. Since then, we have been utilizing information gained from the KOMTRAX in a variety of ways, including recommendation for parts replacement, proposals for higher-efficiency machine operations, credit management, and optimized planning of production with understanding of real-time market conditions. In addition to Japan, North America, Europe, China, Latin America, Oceania and the Middle East [Turkey], during the previous fiscal year, we launched the KOMTRAX in Korea, Kazakhstan and Indonesia, and in April this year, in Singapore. As of June 30 this year, there were more than 140,000 KOMTRAX-equipped machines operating in 57 countries.

Driverless 930E dump truck in operation at an iron ore mine in Australia

We have also led the world by commercializing the AHS (Autonomous Haulage System) for driverless dump trucks by deploying leading-edge radar, GPS (Ground Positioning System) and other technologies. The AHS is in operation at mines in Chile and Australia today. In addition to eliminating the manpower, that is, four to five drivers are conventionally required per truck, the AHS has proven to offer a number of significant merits to mining contractors, such as reduced fuel and maintenance expenses thanks to optimal driving performance as well as improved productivity and safety. Today, we have received many inquiries and we are going to steadily increase the introduction of the AHS to more mines.

All in all, I would like to facilitate our differentiation from competitors with these IT-intensive products and systems.

Q You have already mentioned the "Global Teamwork for 15" mid-range management plan, but could you summarize or update the progress made in the plan?

Targets of the "Global Teamwork for 15" Mid-Range Management Plan

- Operating income ratio············ 15% or above
- ROE···································· 20% level
- Net debt-to-equity ratio············ 0.2 or below
- Consolidated payout ratio········· 20% or above

Noji: We developed this ongoing plan toward the goal year, ending March 31, 2010 by assuming that demand for seven major products of construction and mining equipment will increase from about 280,000 units to 330,000 units at an average annual growth rate of 6% for three years. Based on this assumption, we have also defined the preconditions of consolidated sales of 2,400 billion yen with plus or minus 100 billion yen and the foreign exchange rates of 110 yen per U.S. dollar and 145 yen per euro for fiscal 2010.

In fiscal 2008, ended March 31, 2008, global demand totaled 330,000 units, and we achieved an operating income ratio of 14.8% and secured an ROE of 25.1%. Also for the first half period of fiscal 2009, we practically achieved the plan, attaining a high-profitability organizational strength. Although our business environment has changed drastically since then, thanks to the high-profitability organizational strength, we were able to post profits for fiscal 2009.

Today we are placed in a business environment with total uncertainty. Therefore I believe it's very important for top management to improve organizational strength for higher profitability, thereby flexibly meeting changing demand. In order for us to improve our operating income ratio when sales growth is not expected, we are continuing our efforts on the seven activities of importance and are going to generate positive results and further enhance the organizational strength of the Komatsu Group.

Q Let me ask you something about the balance sheets. At March 31, 2009, interest-bearing debt totaled about 600 billion yen, an increase of some 150 billion yen from one year ago. Please tell us about the reasons and fund-raising activities.

Noji: As you have pointed out, our interest-bearing debt was 599.8 billion yen at the fiscal year-end, up 147.7 billion yen. The major factors were increased working capital and investment in facilities and equipment, implementation of stock buy-back and growth of the retail finance business.

In response to growing capital needs, we issued the fifth 30 billion-yen unsecured bond, increased the amount of commercial papers and obtained long-term loans.

We sustain the diversification of fund-raising activities by utilizing both direct and indirect methods. Under the direct method, we obtain funds from corporate bonds, the Euro Medium-Term Note Program and commercial papers, while borrowing funds from financial institutions such as banks and life insurance companies under the indirect method. At the same time, we also ensure the maintenance of a good balance between short- and long-term debt by dispersing maturity timing and leveling the amounts.

We also utilize a global cash management system mainly in Japan, North America, Europe and Asia. This system enables us to respond to excess or lack of funds among regions, thus improving our efficiency in the use of funds on a global basis and diversifying fund-raising activities.

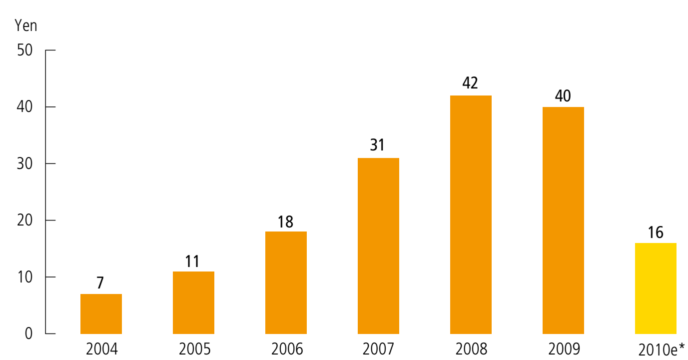
Q Before finishing this interview, please tell us about Komatsu's stance on redistribution of profits to shareholders and future plans.

Noji: We maintain the policy of redistributing profits by considering consolidated business results and continuing stable dividends. Specifically, we will not decrease cash dividends, while we keep a consolidated payout ratio of 20% or higher before extraordinary income or loss, as long as a consolidated payout ratio does not surpass 40%. We have stated this policy in our announcement of business results dated April 27, 2009.

According to this policy, we are going to pay annual dividends of 40 yen per share for fiscal 2009, ended March 31, 2009, which translates into a consolidated payout ratio of 40% based on net income before structural reform expenses. Concerning annual cash dividends for the current fiscal year, according to the same policy, we are planning to pay 16 yen per share, which should represent a consolidated payout ratio of 40%, based on net income before structural reform expenses of about 10 billion yen.

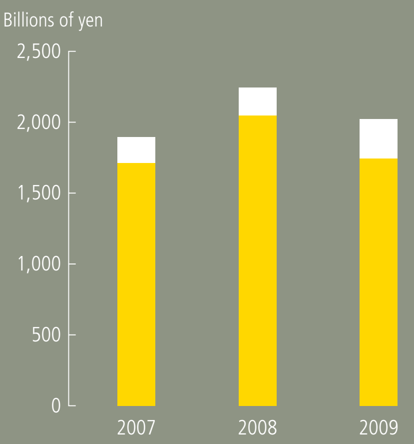
To enhance capital efficiency and promote stable redistribution of profits to our shareholders, from November to December 2008, we repurchased some 27.1 million shares for about 30 billion yen. As we move forward, we would like to continue the redistribution of profits to our shareholders in an effective manner.

Annual Cash Dividends per Share
Years ended March 31

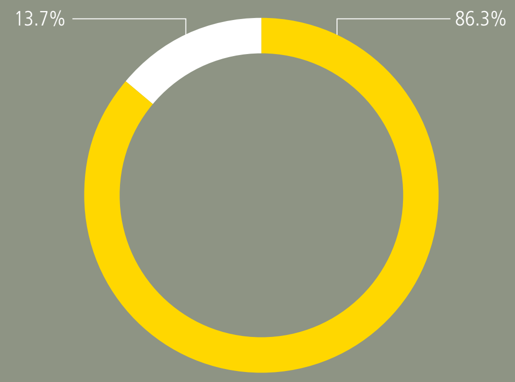


*Projection as of April 27, 2009, when Komatsu announced business results for fiscal 2009

Sales by Operation (To Outside Customers)
Years ended March 31



Percentage Share for 2009 (To Outside Customers)



Construction, Mining and Utility Equipment
Industrial Machinery and Others

Komatsu had included the forklift truck business of Komatsu Utility Co., Ltd. and all businesses of Komatsu Logistics Corp. in the Industrial Machinery, Vehicles and Others segment until the end of the previous fiscal year. Starting in the current fiscal year under review, Komatsu has included all these businesses in the construction and mining equipment business and changed its business segmentation by renaming it the Construction, Mining and Utility Equipment segment and including all other businesses in the Industrial Machinery and Others segment. Accordingly, the related figures for the previous fiscal years are stated after retrospectively reclassifying them.

Business Categories	Principal Products & Services	
Construction, Mining and Utility Equipment	Excavating Equipment	Hydraulic excavators, mini excavators, and backhoe loaders
	Loading Equipment	Wheel loaders, mini wheel loaders, and skid steer loaders
	Grading and Roadbed Preparation Equipment	Bulldozers, motor graders, and vibratory rollers
	Hauling Equipment	Off-highway dump trucks, articulated dump trucks, and crawler carriers
	Forestry Equipment	Harvesters, forwarders, and feller-bunchers
	Tunneling Machines	Shield machines, tunnel-boring machines, and small-diameter pipe jacking machines
	Recycling Equipment	Mobile debris crushers, mobile soil recyclers, and mobile tub grinders
	Industrial Vehicles	Forklift trucks
	Other Equipment	Railroad maintenance equipment
	Engines and Components	Diesel engines, diesel generator sets, and hydraulic equipment
	Casting Products	Steel castings and iron castings
	Logistics	Packing and transport
Industrial Machinery and Others	Metal Forging and Stamping Presses	Large presses, Servo presses, small and medium-sized presses, and forging presses
	Sheet-Metal Machines	Laser cutting machines, fine-plasma cutting machines, press brakes, and shears
	Machine Tools	Transfer machines, machining centers, crankshaft millers, grinding machines, and wire saws
	Defense Systems	Ammunition and armored personnel carriers
	Temperature-control Equipment	Thermoelectric modules and temperature-control equipment for semiconductor manufacturing
	Others	Commercial-use prefabricated structures


Bulldozer


Dump truck and hydraulic excavator

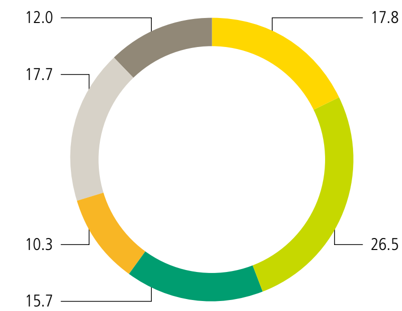

Wheel loader


Large press

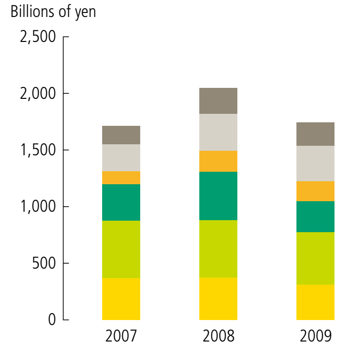

Fine-plasma cutting machine

Construction, Mining and Utility Equipment

Percentage Share of Sales by Region for 2009 (To Outside Customers)



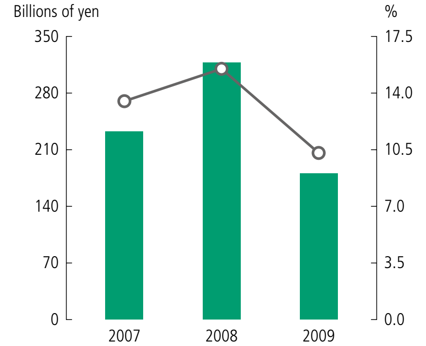
Sales by Region (To Outside Customers)



Years ended March 31

Japan
Americas
Europe & CIS
China
Asia (excluding Japan & China) & Oceania
Middle East & Africa

Segment Profit and Ratio



Years ended March 31

Segment profit
Segment profit ratio

Starting in the fiscal year ended March 31, 2009, Komatsu changed its business segmentation. Accordingly, the related figures for the previous fiscal years are stated after retrospectively reclassifying them.

Performance

Consolidated sales for the fiscal year under review declined 14.9% from the previous fiscal year, to ¥1,749.3 billion (US$17,671 million), whereas consolidated sales to outside customers, i.e., after eliminating inter-segment transactions, declined 14.8% to ¥1,744,7 billion (US$17,624million). The Komatsu Group continued working to expand sales of new equipment, increase their selling prices, and reinforce its product support operation. In addition to facing the drastic drop in demand worldwide, we placed top priority on the quick adjustment of inventories to an appropriate level and thus made a substantial adjustment of production both in Japan and overseas. Reflecting these initiatives, sales declined from the previous fiscal year.

We worked to absorb increased prices for raw materials in the first half of the fiscal year under review with efforts to leverage the situation internally, such as increasing selling prices and reducing production costs. In addition to the sharp drop in demand in the second half, we also made a substantial adjustment of production to attain an appropriate level of inventories as soon as possible. The Japanese yen's appreciation also worked against our profitability. As a result, segment profit declined by 43.2% from the previous fiscal year, to ¥180.4 billion (US$1,823 million) for fiscal 2009. Segment profit ratio translated into 10.3%, a decline of 5.2 percentage points from the previous fiscal year.

In June 2008, we led the world by introducing the PC200-8 Hybrid hydraulic excavator in Japan. Compared to standard models of the same class, the PC200-8 Hybrid cuts down fuel consumption and CO_2 emissions by 25% on average (based on our research). We are planning to introduce it overseas as a machine capable of helping customers lower their operating costs and contributing to the reduction of environmental impact.

Factory shipment ceremony for the PC200-8 Hybrid

WA1200 super-large wheel loader launched in Europe

960E super-large dump truck introduced at the MINExpo 2008 held in Las Vegas, U.S.A.

Komatsu mining equipment in operation at a coal mine in Indonesia

Japan

While public-sector investment remained slack, demand fell sharply, as affected by reduced private-sector investment against the backdrop of the worsened economy in the second half and slowing exports of used equipment from Japan, in addition to sluggish housing starts. In response to such market conditions, Komatsu worked to increase selling prices and expand the rental equipment business. As affected by plunging demand, however, sales in Japan declined by 16.4% from the previous fiscal year, to ¥309.8 billion (US$3,130 million).

Americas

While demand for equipment for use in mines remained strong, North American demand for construction equipment decreased as affected by reduced U.S. housing starts and the slack economy resulting from the financial crisis. Under such an environment, we continued efforts to increase selling prices and bring down distributors' inventories to an appropriate level in North America. In response to expanding market size in Latin America, we modified local operations in order to strengthen our marketing capability. Latin American sales increased but fell short of making up for the big drop in North American sales, resulting in a 9.4% decline in sales in the Americas from the previous fiscal year, to ¥462.4 billion (US$4,671 million).

Europe & CIS

Deterioration of European economies further progressed in the second half period, and demand for construction equipment slid markedly. In CIS, falling demand for equipment became clearer and more evident as affected by the financial crisis and plunging prices of commodities in the second half. In addition to reduced demand in both regions, sales in Europe & CIS decreased by 36.0% from the previous fiscal year, to ¥273.2 billion (US$2,760 million) partly due to our proactive effort to ensure an appropriate level of inventories at our plants and distributors in Europe as well as the depreciation of the euro and the Russian ruble.

China

Demand for equipment also downturned as affected by the global financial crisis in the second half period. Supported by the Chinese government's economic stimulus package, public works have become active, such as the post-earthquake reconstruction projects in

WA420 wheel loader in operation in Japan

PC8000 super-large hydraulic excavator in operation at a mine in Australia

Hydraulic excavators and other relief items donated to rebuild areas ravaged by the 2008 Sichuan earthquake

Sichuan Province, and have begun to show signs of recovery in demand for equipment since February 2009. However, sales in China decreased by 1.2% from the previous fiscal year, to ¥179.2 billion (US$1,810 million).

By anticipating that the Chinese market will continue to expand against the backdrop of population growth and progress of urbanization, we continued to carry out aggressive launchings of new products and reinforce product support operation. In addition, we secured land in Changzhou where Komatsu (Changzhou) Construction Machinery Corp., one of the main local production bases, is located. On this new site, with space about four times the size of the current site to relocate the company, we are building a new plant and the KC Techno Center equipped with machine demonstration and operator training facilities.

Asia & Oceania

Slowing demand for equipment became more evident in both regions in the second half period, reflecting recessionary economies and a drastic plunge of commodity prices. While working to hike selling prices, we facilitated information sharing between local plants and distributors in Southeast Asia and pre-delivery installation of optional features, which Komatsu Australia Pty. Ltd. used to do at its shop, all to reduce delivery lead-time and inventories. However, sales in Asia & Oceania declined by 5.8% from the previous fiscal year, to ¥309.7 billion (US$3,128 million), reflecting a drastic fall in demand and sharp depreciation of the Australian dollar in the second half.

Middle East & Africa

Demand for equipment also rapidly fell in both regions, as affected by the financial crisis and plunging prices of crude oil and other commodities. We concerted efforts to reinforce sales and product support capabilities, including the expansion of training programs for distributors. However, due largely to the drastic fall of demand and a sharp depreciation of the rand, the currency of South Africa, which is one of the major markets in Africa, sales in the Middle East & Africa decreased by 8.7% from the previous fiscal year, to ¥210.2 billion (US$2,124 million).

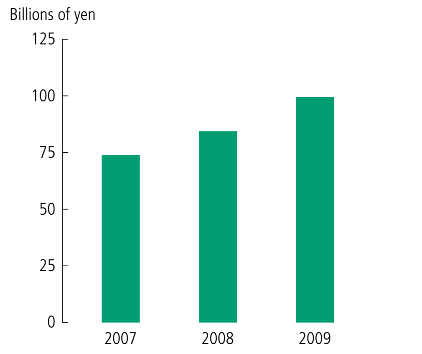
Working to Establish Flexible Manufacturing Operations

As emerging economies have expanded, demand for construction and mining equipment has been shifting from Japan, North America and Europe to emerging countries. We expect that this shift will continue into the mid- to long-range future. In the "Global Teamwork for 15" mid-range management plan, which we announced in April 2007, we defined the establishment of flexible manufacturing operations as one of our important tasks. To establish a global production framework capable of flexibly meeting market and other changes in the business environment, we have been continuing our efforts.

Basic Policies of Global Production

- Engage in assembly in regions with strong market demand.
- Concentrate the production of key components, such as engines and hydraulic equipment, in Japan.
- Integrate development and production operations and uplift the level of overseas plants' capabilities under the Mother Plant System.*

Investment* in Production Facilities: Construction, Mining and Utility Equipment Segment

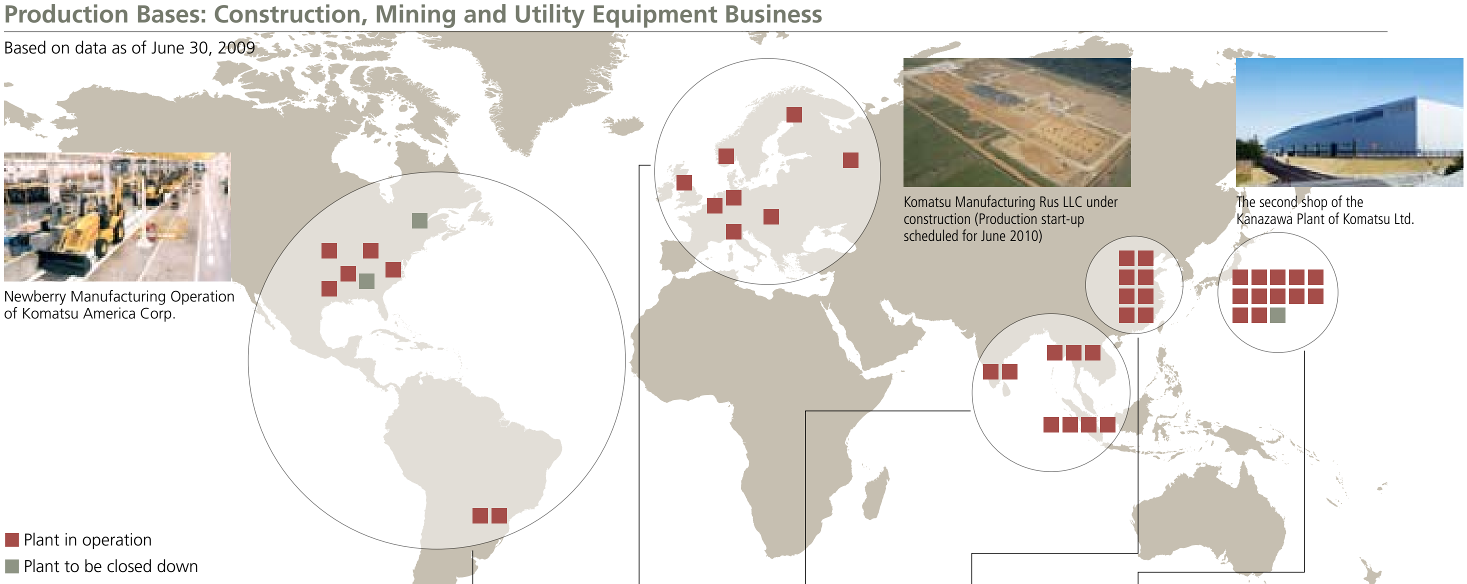


* Investment in rental assets is excluded.

* Komatsu designates plants with development capability as Mother plants and positions them as the core of global production. The mother plants play an important role in achieving a target cutback on the production cost when a new model is developed or an existing machine model is upgraded. They are also assigned with the task of strengthening the competitive edge of production of their daughter plants that manufacture the same models, as well as that of their own.

Production Bases: Construction, Mining and Utility Equipment Business

Based on data as of June 30, 2009



Newberry Manufacturing Operation of Komatsu America Corp.

Komatsu Manufacturing Rus LLC under construction (Production start-up scheduled for June 2010)

The second shop of the Kanazawa Plant of Komatsu Ltd.

	Americas	Europe and CIS	Asia	China	Japan	Total
Assembly	6	5	4	3	7	25
Components, parts and applied products	3	3	5	5	6	22
Total	9	8	9	8	13	47
Mother plants (equipped with product development capability)	1	4	0	0	5	10

Reorganization of Production

North America (to be reorganized within 2009)

Komatsu America Corp. Candiac Manufacturing Operation (Closing); Komatsu Forklift U.S.A., Inc. (Closing)	→	Komatsu America Corp. Newberry Manufacturing Operation (Transfer)
Komatsu Forest, LLC (Closed)	→	Komatsu America Corp. Chattanooga Manufacturing Operation (Transfer)

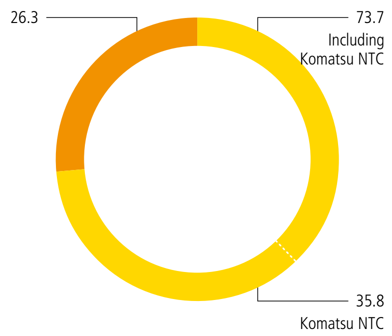
Japan (to be reorganized from 2009 through 2010)

Mooka Plant (Closing)	→	Ibaraki Plant (Transfer)
Komatsu Plant* (Closing)	→	Kanazawa Plant (Transfer)

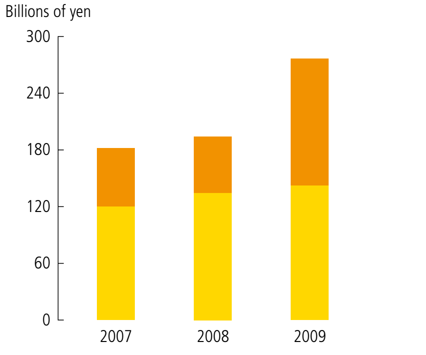
* Production of industrial machinery

Industrial Machinery and Others

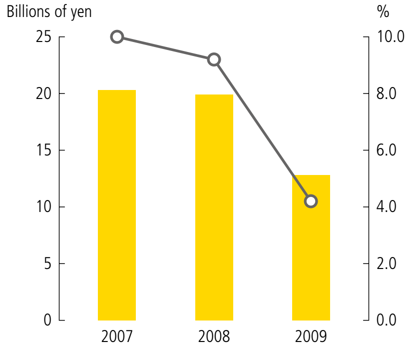
Percentage Share of Sales by Business for 2009 (To Outside Customers)



Net Sales (To Outside Customers)



Segment Profit and Ratio



Starting in the fiscal year ended March 31, 2009, Komatsu changed its business segmentation. Accordingly, the related figures for the previous fiscal years are stated after retrospectively reclassifying them.

Performance

In the industrial machinery and others business, fiscal 2009 consolidated sales increased by 39.4% from the previous fiscal year, to ¥303.3 billion (US$3,065 million), whereas consolidated sales to outside customers advanced by 42.6% to ¥277.0 billion (US$2,798 million). This was supported by the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008. For fiscal 2009, segment profit totaled ¥12.8 billion (US$130 million), down 35.4%. Segment profit ratio was 4.2%, a decline of 5.0 percentage points.

While sales of large presses, such as AC Servo presses and high-speed transfer lines, remained strong, sales of sheet metal machines and small and medium-sized presses nose-dived as restraint for capital investments by the automobile manufacturing and other client industries became clearer and more evident in the second half period. Meanwhile, sales of wire saws made by Komatsu NTC steadily expanded, supported by the accelerating growth of the solar cell market.

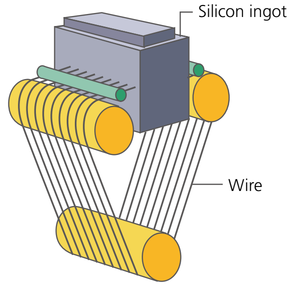
Production Bases: Industrial Machinery and Others Business

	China	Japan	Total
Industrial machinery	1	7*1	8
Others	0	3	3
Total	1	10*2	11

Notes:
1. Includes Komatsu's Komatsu Plant and Komatsu NTC's Technical Center. Their production will be transferred to Komatsu's Kanazawa Plant and Komatsu NTC's Fukuno Plant, respectively, within the fiscal year, ending March 31, 2010.
2. Three plants are located in the premises of manufacturing plants of the construction, mining and utility equipment business.

Komatsu NTC-made PV800S wire saw for solar cells

Slicing Mechanism



Ingot is sliced into silicon wafers as the wires rotate at a high speed.

Technology: Committed to Keeping the Edge

We, in the Komatsu Group, are committed to seamless innovation of technologies to offer products and services of high quality and reliability. We are incorporating our leading-edge technologies into eco-friendly products and services as well as making social contribution efforts.

PC200-8 Hybrid Hydraulic Excavator

In June 2008, Komatsu led the world by introducing the PC200-8 Hybrid hydraulic excavator, the first hybrid construction equipment on the market, and completed limited sales of 30 units in Japan by March 31, 2009. The Komatsu Hybrid System consists of the in-house developed motor for turning the upper structure, a power-generating motor, a capacitor and a diesel engine. We manufacture all its components except for capacitor cells, ensuring the reliability and durability required for construction equipment. We are going to start commercial production (100 units a month) in October this year, and market it in China and other countries.

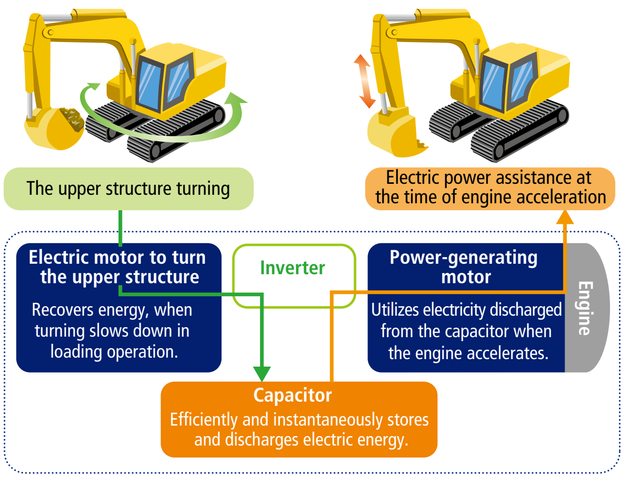
Autonomous Haulage System (AHS)

By applying our propriety control technology, we have also led the world by commercializing the FrontRunner® Autonomous Haulage System for driverless super-large dump trucks for use in large-scale mines. We have supplied dump trucks equipped with the FrontRunner® to mines in Chile and Australia. In addition to eliminating the manpower, that is, four to five drivers are conventionally required per truck, the AHS has proven to offer a number of substantial merits to mining contractors, such as reduced fuel and maintenance expenses thanks to optimal driving performance as well as improved productivity and safety. We are going to steadily increase the introduction of the AHS to more mines.

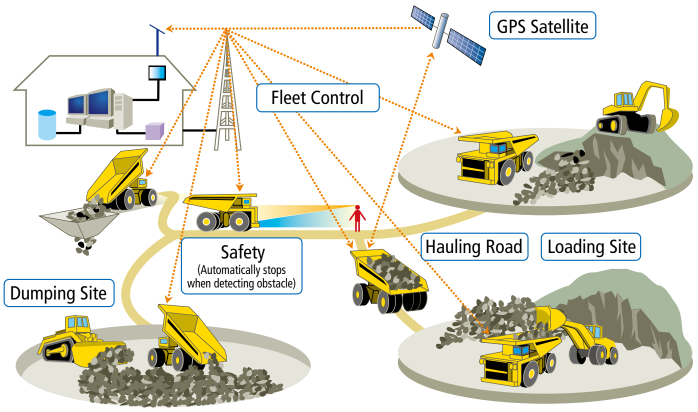
PC200-8 Hybrid hydraulic excavator

Five driverless dump trucks are in operation at an iron ore mine in Australia.

○ Outline of the Komatsu Hybrid System



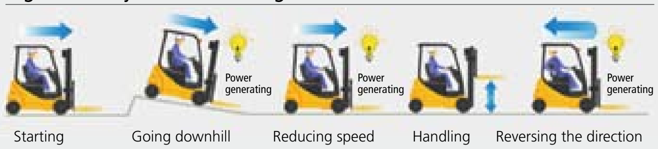
○ Autonomous Haulage System (Conceptual Diagram)



Hybrid Electric Forklift Truck

Komatsu Utility's hybrid electric forklift trucks are equipped with two power sources of capacitor and battery. By effectively changing the use of electricity between the two according to energy needs, our hybrid models reduce CO_2 emissions and energy consumption by 20% (1-ton class) and 30% (2-ton class) at maximum, compared to standard electric models. They have been highly evaluated by customers for their maintenance-free sealed batteries and longer operating hours without loss of power.

High-efficiency Collection of Regenerative Electric Power



FB25HB 2.5-ton hybrid electric forklift truck made by Komatsu Utility

Large AC Servo Press

Our world's first large AC Servo presses are used to form body panels of cars, such as doors and roofs. Conventional mechanical presses use general-purpose motors to generate pressure by lifting and dropping the slide in a given motion, whereas AC Servo motors achieve flexible position and pressure controls of the slide. Compared to conventional mechanical presses, therefore, large AC Servo presses achieve stable forming quality, substantial reduction of production start-up lead-time, and compact size. Particularly in terms of productivity compared to conventional mechanical presses, one large AC Servo press can replace two conventional ones, achieving an outstanding improvement. With respect to eco-friendliness, compared to conventional ones, large AC Servo presses consume about 40% (max.) less electricity and noise is reduced by 20dB.

Large AC Servo press

D85MS Demining Machine for Anti-Personnel Landmines

It is said that there are still some 100 million landmines under the ground worldwide today, injuring over 15,000 people every year. We have developed the bulldozer-based D85MS demining machine for anti-personnel landmines by applying our technological expertise in construction equipment and remote control. Four units are already working in Afghanistan, Cambodia and Angola. Furthermore, we are also cooperating with the Japan Mine Action Service, a non-governmental organization, to support local community development centering on the removal of anti-personnel landmines.

By turning its roller equipped with bits, the D85MS destroys landmines under the ground.

D85MS demining machine for anti-personnel landmines

Basic Stance

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

To further improve the transparency of management for our shareholders and investors, we disclose information in a fair and timely manner and actively engage in investor relations' activities by holding meetings with shareholders and investors.

Establishment and Improvement of Corporate Governance

In 1999 Komatsu Ltd. introduced the Executive Officer System and has been working to separate management decision making and supervisory functions from executive functions within the confines of the law. At the same time, the Company has maintained the Board of Directors with a small number of members and appointed outside directors and auditors. To improve the effectiveness of discussions in Board meetings, we have promoted reforms in the operational aspect of Board meetings to ensure thorough discussions of important management agendas and quick decision-making.

Furthermore, in 1995, we established the International Advisory Board (IAB) as a means to supplement executive functions and receive objective advice and suggestions from outside experts for what Komatsu should work for as a global company. As a general rule, it meets twice a year to discuss and engage in information exchange.

Structural Reform of Komatsu's Corporate Governance

Reform in which Corporate Governance is centered on the Board of Directors

1. Improve the effectiveness of Board of Directors' meetings.
2. Ensure transparency and objectivity of management, the foundation of making management "visible," through participation of outside directors.

Board of Directors

1998: 28 members (no outside directors)
1999 : 8 members (1 outside director)
2003 : 8 members (2 outside directors)
2004 : 10 members (2 outside directors)
2005 : 10 members (3 outside directors)

Corporate Auditors

1993: 3 members (1 outside auditor)
Board of Corporate Auditors (1994)
1994: 4 members (2 outside auditors)
2006 to date: 5 members (3 outside auditors)

Other Organizational Bodies and System

Executive Officers (1999 to date)
International Advisory Board [1995 to date: 4 advisors (Japanese and foreign) as experts on business strategies]
Compensation Council (1999 to date: 1 insider, 4 outsiders)
Compliance Committee (2001 to date : consisting of top management and labor union representatives)
Risk Management Committee (1996 to date)

Organizational Profile

Board of Directors

Komatsu Ltd. holds Board of Directors' meetings every month. The Board of Directors reviews and resolves important management matters, makes decisions on management policies of the Komatsu Group, and strictly controls and supervises the execution of management duties by all executive management personnel including the representative directors. [The Board met 15 times in the fiscal year ended March 31, 2009.]

Of the 10 directors on the Board, there are three outside directors. When performing his duties, each outside director offers opinions and suggestions from an independent position, based on his insight and profound experience. Their attendance rate at Board meetings is high, making contributions to ensure transparent and sound management by actively voicing their opinions in discussions.

Outside Directors As of June 24, 2009

Name	Main Areas of Contributions
Morio Ikeda, Advisor, Shiseido Company, Limited	Having served as Representative Director of Shiseido Company, Limited, Mr. Ikeda has profound experience in the business world and offers opinions centering on CSR in Board of Directors' meetings.
Kensuke Hotta, Chairman and Representative Director, Greenhill & Co. Japan Ltd.	Having served as Representative Director of The Sumitomo Bank (currently, Sumitomo Mitsui Banking Corporation) and as Representative Director of Morgan Stanley Japan Securities Co., Ltd., Mr. Hotta has profound experience in the business world and offers opinions centering on finance and managerial accounting in Board of Directors' meetings.
Noriaki Kano, Professor Emeritus at Tokyo University of Science	Having served as President of the Japanese Society of Quality Control, Dr. Kano offers opinions centering on quality control and production from a viewpoint of a quality control specialist in Board of Directors' meetings.

International Advisory Board (IAB)

The fifth session of IAB began in January 2008. To date, IAB has held a total of 26 meetings since its establishment in 1995. In the meeting held in July 2009, the members discussed corporate value as generally understood in Japan and the United States.

Outside Advisors of the Fifth Session of IAB

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

Members of the fifth session IAB (front row)

Board of Corporate Auditors

Komatsu Ltd. has consistently ensured that the number of outside corporate auditors represents at least half of the Board of Corporate Auditors. The Board of Corporate Auditors makes decisions concerning audit policies, duty assignments and other relevant matters. Each corporate auditor attends Board of Directors' meetings and other important meetings, and audits the execution of duties by directors. The Board of Corporate Auditors meets every month, hears the conditions of execution of duties from the directors, and conducts appropriate audits. [The Board of Corporate Auditors met 15 times in the fiscal year ended March 31, 2009.] We have also established the Office of Auditors' Staff to exclusively assist auditors.

Outside Corporate Auditors As of June 24, 2009

Name	Main Areas of Contributions
Makoto Okitsu, Advisor, Teijin Limited	Having served as Representative Director of Teijin Limited, Mr. Okitsu offers opinions centering on corporate governance in the meetings of the Board of Corporate Auditors and the Board of Directors.
Hiroyuki Kamano, Partner, Kamano Sogo Law Offices	From a professional standpoint based on his profound experience in cross-border transactions as a lawyer, Mr. Kamano offers opinions from his expertise centering on global business operations in the meetings of the Board of Corporate Auditors and the Board of Directors.
Kunihiro Matsuo, Attorney at Law	Mr. Kunihiro Matsuo was appointed as corporate auditor of the Company by the ordinary general meeting of shareholders held on June 24, 2009. As Mr. Matsuo has served as Prosecutor-General of the Supreme Public Prosecutors Office, the Board of Directors judges that he will be able to perform his duties appropriately as an outside corporate auditor from a professional standpoint based on his profound experience in the legal community.

Remuneration and Other Compensation for Directors and Corporate Auditors

Concerning the remuneration of directors and corporate auditors, in 1999 we established the Compensation Council staffed by four outside members (two outside corporate auditors and one outside director and one outside expert) and one member of Komatsu Ltd. to ensure objectivity and transparency. The Compensation Council discusses the remuneration policy and standards and delivers its reports within the range of remuneration amounts resolved by the general shareholders' meeting to the Board of Directors and the Board of Corporate Auditors. With respect to the remuneration of directors, the Board of Directors discusses and decides directors' remuneration based on the reports. With respect to the remuneration of corporate auditors, the Board of Corporate Auditors discusses and decides auditors' remuneration based on the reports.

For the fiscal year ended March 31, 2009, remuneration and other compensation for directors and corporate auditors are shown below.

	Number of Persons Paid	Amount of Remuneration Paid	Description
Directors	12	¥ 62.4 million	Inc. bonuses and stock options
Corporate auditors	6	¥ 10.5 million	–
Total	18	¥ 72.9 million	–

Note: The above-mentioned "Amount of Remuneration Paid" includes that of two outside directors and one corporate auditor who retired as of the close of the 139th Ordinary General Meeting of Shareholders on June 24, 2008.

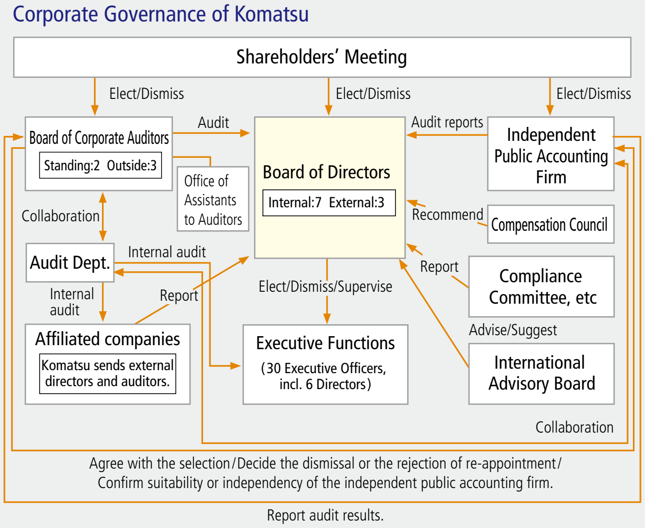
Compliance

We have established the Compliance Committee as the group to oversee compliance, and it regularly reports its reviews and activities to the Board of Directors. We have also established a framework to ensure thorough compliance with not only laws, but also business rules by all directors, executive officers and employees of the Komatsu Group. Related specific measures include the provision of *KOMATSU'S CODE OF WORLDWIDE BUSINESS CONDUCT* (revised 6 times since its establishment in 1998) which stipulates the business rules to be strictly followed by all directors, executive officers and employees, appointment of the executive officer in charge of compliance, and establishment of the Compliance Department. Through these measures, we are working to supervise, educate and train all members of the Komatsu Group.

We have also established the internal reporting system, in which employees can consult with or report to the Business Rule Consultation Office about questionable actions in light of the laws and business rules. This internal reporting system guarantees that no employees will be penalized by using the system.

KOMATSU'S CODE OF WORLDWIDE BUSINESS CONDUCT (7th edition)

Corporate Governance of Komatsu



Note: Figures in the diagram are as of June 24, 2009.

Reducing Environmental Impact

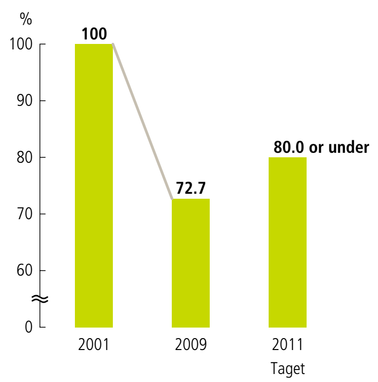
By positioning environmental problems as one of its top-priority management tasks, the Komatsu Group has worked organizationally to develop solutions over the years. In 1991, the Komatsu Group established the Earth Environment Committee chaired by President (currently, Executive Officer supervising environmental conservation efforts) of Komatsu Ltd. and created its environmental management structure. In 1992, the Komatsu Group formulated the Komatsu Earth Environment Charter. Since then, the Komatsu Group has pursued what it can and must do in order to ensure sustainable growth of natural environment and society, while promoting corporate social responsibility-conscious efforts increasingly from a global perspective. With respect to climate change, the most serious environmental problem today, the Komatsu Group has been making aggressive efforts to reduce CO_2 emissions through the product lifecycle which involves not only production and transportation but also supply of fuel-economy products designed to make contributions to customers' environmental conservation efforts.

【Specific Efforts to Reduce CO_2 Emissions】

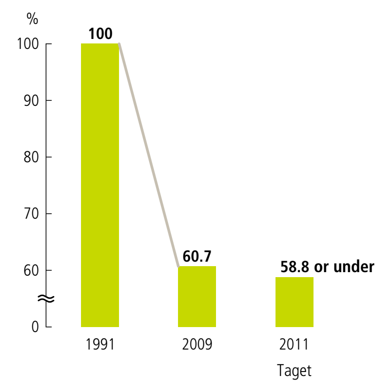
	Description	Reduced Effects
Development	· PC200-8 Hybrid hydraulic excavator · Hybrid electric forklift trucks (1-ton and 2-ton classes) · D65EX-16 medium-sized bulldozer	Down 25% on average* Down 20% (1-ton class) and 30% (2-ton class) at maximum* Down 25% on average*
Production	· Working to reduce CO_2 emissions per unit of production value by 20% before the end of fiscal 2011 from fiscal 2001 as a mid- to long-range target. Implementing a variety of improvement activities horizontally under the leadership of All Komatsu Energy Saving Working Group.	CO_2 emissions per production value: Down 27.3% in fiscal 2009 from fiscal 2001
Logistics	· Using two new plants (Ibaraki and Kanazawa) adjacent to ports and promoting modal shifts from trucks to oceangoing vessels, railway cars and other means of transportation with less impact on the environment.	Logistics-related CO_2 emissions per unit of net sales: Down 39.3% in fiscal 2009 from fiscal 1991

*Tested by Komatsu with its conventional model of the same class

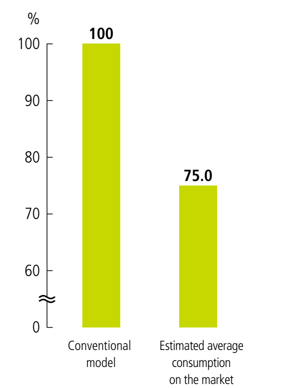
Reduction of CO_2 Emissions in Production



Reduction of CO_2 Emissions in Logistics

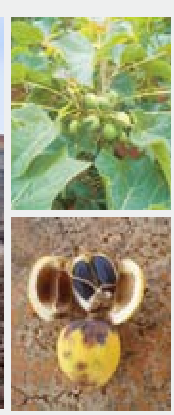


Reduction of Fuel Consumption by PC200-8 Hybrid



Years ended March 31

We are developing dump trucks capable of using biodiesel fuel.



Jatropha

Reduction of CO_2 Emissions by Using Biodiesel Fuel

We are also working to reduce CO_2 emissions by using biodiesel fuel to operate construction and mining equipment. It is regarded that biodiesel fuel will not increase the amount of CO_2 in the air because the concerned plants absorbed CO_2 while growing. We are planning to embark on verification tests of dump trucks (payload: 90-ton class) at a coal mine in Indonesia by using biodiesel fuel made from Jatropha and other plants, by the end of fiscal 2009. Looking further ahead, we should be able to reduce about 200,000 tons of CO_2 emissions which are equivalent to two thirds of CO_2 emissions generated per year by all plants of the Komatsu Group in Japan, when we replace 20% of the currently used diesel fuel with biodiesel fuel to operate dump trucks on a scale of 1,000 units.

Social Contribution Efforts

In addition to improving our business performance, we believe that promotion of harmony with society and social contributions will enhance our corporate value in a long term. Based on this belief, we are actively and continuously involved in social contribution activities as our group-wide efforts. We will continue to promote sustainable growth and enhance our corporate value as we engage in group-wide business activities and social contribution efforts as two wheels of one cart.

Supporting the Flower Association of Japan

We have been supporting the Flower Association of Japan since its establishment in 1962 as a non-profit organization primarily to develop cherry blossom viewing parks under its slogan of "soothing people's hearts by flowers."

During the last 47 years, the Association has grown over 2.2 million saplings of cherry trees and donated them for parks, streets, schools and other public-interest facilities around the world in order to promote community development for aesthetic environs. Based on accumulated know-how in cherry trees, the Association is involved in the protection and revitalization of cherry trees together with fans of cherry trees.

The Association's farm to exhibit cherry trees in Yuki City, Ibaraki Prefecture

Promoting Sports through Judo

We established the Komatsu Women's Judo Team in April 1991 as one of the commemorative projects for our 70th anniversary. Since then, our team has built on winning records, including the championship for 7 times in the team competition events sponsored by the All-Japan Businessmen's Judo Federation and excellent results in competitions in the individuals events in Japan and abroad. Our team also offers judo lessons to children twice a week and actively receives judo teams from abroad for joint trainings. Through these activities, our team supports the sound growth of children and international promotion and development of judo. In the summer of 2008, Ayumi Tanimoto won the Gold Medal in the women's 63kg category in the Beijing Olympic Game, following the same color medal in Athens. Ayumi is the only Olympic judo champion to receive two gold medals by wining all matches by all Ippon in two straight Olympic Games.

Komatsu Women's Judo Team

Joining the UN Global Compact

In November 2008, we joined the UN Global Compact which advocates the ten principles of human rights, labor standards, environment and anti-corruption. As a global corporate entity working to further improve our corporate value, we have expressed, around the world, our commitment to fulfilling corporate social responsibility.

THE GLOBAL COMPACT WE SUPPORT

Note: See Environmental & Social Report 2009 for more information concerning Komatsu Group's efforts.
URL: http://www.komatsu.com/CompanyInfo/csr/

CSR Efforts Abroad

The Komatsu Group generates over 75% of total sales overseas today, and we are thus expected to fulfill social responsibilities as a respectable corporate citizen in all regions where we engage in business. With full awareness of such responsibilities as a global company, we are making steady CSR efforts in different parts of the world by incorporating the opinions of local stakeholders.

India: L&T-Komatsu Ltd. Based on its policy to support local activities related to medical care, welfare and community development, L&T-Komatsu has supported construction of schools and promotion of medical care and other activities since 2006.

South Africa: Komatsu Southern Africa (Pty) Ltd. Komatsu South Africa and DenRon Quarries jointly established the Komatsu DenRon Community Development Centre in 2007, where unemployed young people can learn basic educational skills to find employment.

United Kingdom: Komatsu UK Ltd. Komatsu UK established the Northern Komatsu Pinetree Centre on its premises about 20 years ago. The Centre offers vocational training to disabled persons in an effort to support their employment.

Health check-up offered at a local health camp in India

Demining Anti-Personnel Landmines:

Project to Reconstruct Safe Village Completed in Cambodia

As part of our social contribution efforts, since January 2008 we have supported community development projects undertaken by Japan Mine Action Service (JMAS), a non-governmental organization, to demine the landmine-infected areas and reconstruct communities. In March 2009, we completed the project to reconstruct a safe village in Battambang District, Cambodia, our first joint project with JMAS.

Project Begun in 2008

The village of Reak Smey Sangha in Battambang District has a population of 300 or 73 families. The entire area, except for roads, was infected with landmines. Although it's so dangerous, some people don't want to leave their village after living there for many years and they are forced to make a living by growing mainly corn. In July 2008, we began this project to remove all landmines placed in the ground in an area of about 41 hectares by using Komatsu-developed demining machine and manpower combined and to reconstruct a village with safe environs.

The project leader and some staff members from JMAS stayed in the village and teamed up with members of the Cambodia Mine Action Centre (CMAC) who are well experienced in manual removal of landmines. In addition to the demining machine, we lent a hydraulic excavator and a bulldozer free of charge for excavation and leveling work of the ground. We also offered trainings for CMAC members to operate and repair construction equipment.

In eight months from the start of the project, 111 landmines were demined. Demined land was converted into farm land, and reservoirs for agricultural use were built. The project team also built and repaired roads, installed pipes from ponds to prevent them from over-flooding and restored the elementary school.

Hands-on training of CMAC members for maintenance of our demining machine

Revitalization of the Village

As the reconstruction project advanced, there was a big change in the traffic of people and cars in the village. After the elementary school was renovated, the square in front of the school became a meeting place for village people. Thanks to repaired roads, more children come to school and trucks come into the village to load corn at a new storage site. More people come from neighboring villages and a general merchandise store has been enlarged. There are always some people outside today.

Future Projects

We are going to extend our experience and know-how gained from this project horizontally to a project in which JMAS is already engaged and a community reconstruction project scheduled to start in the village of Kilo, Battambang District in early summer of 2009.

We are continuing our efforts to give a hand for demining landmine-infected areas and transforming them into safe land so that affected communities will be able to start reconstruction.

Social Contributions through Komatsu-made Demining Machines

March 1999:	Ottawa Treaty (Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction)
August 2002:	The Japanese government interpreted that demining machines for anti-personnel landmines are not applicable to weapons.
March 2003:	Komatsu applied for the public offering of subsidies of Japan's Ministry of Economy, Trade and Industry and The New Energy and Industrial Technology Development Organization (NEDO) and embarked on the development of demining machines
2004 –2006:	Tested the prototype in Afghanistan and Cambodia supported by Japan's Ministry of Foreign Affairs.
July 2007:	Delivered the first model to Afghanistan (delivered to an NGO based on the Japanese government's ODA donation).
January 2008:	Singed contract with Japan Mine Action Service (JMAS), a non-governmental organization.
March 2008:	Delivered the second model to Cambodia.
June 2008:	Delivered the third model to Cambodia (the community reconstruction project in the village of Reak Smey Sangha in Battambang District).
October 2008:	Delivered the fourth model to Angola (the community reconstruction project in the village of Mabubas in Bengo)
Early summer,: 2009	Planning to start the community reconstruction 2009 project in the village of Kilo in Battambang District, Cambodia.

Financial Section

Results of Operations

(1) General

In the fiscal year (April 1, 2008 - March 31, 2009), while economies in Japan, the United States and Europe slowed down, those in emerging countries sustained sound growth through the first half period. In the second half, however, effects of the financial crisis, triggered in the United States, spread to other regions of the world, including emerging and commodity-exporting countries, and commodity prices sharply plunged. With a global economic recession, the business environment for Komatsu Ltd. and its consolidated subsidiaries (hereinafter "Komatsu") became extremely challenging, a previously unknown situation. Affected by such a drastic change in the business environment, Komatsu has recorded business results for the year, below the level of the previous fiscal year, as shown in the following table.

	Results for the Year	Increase (Decrease)
Net Sales	2,021,743 million yen	(9.9)%
Operating income	151,948 million yen	(54.3)%
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies	128,782 million yen	(60.0)%
Net income	78,797 million yen	(62.3)%

In the construction, mining and utility equipment business, the business environment changed drastically, becoming very challenging in the second half period of the fiscal year with demand down turning in emerging economies and commodity-exporting countries where it had steadily expanded earlier, and resulted in sluggish demand worldwide. In the industrial machinery and others business, a wide range of client industries, including the automobile manufacturing industry, rapidly restrained their capital investment, also creating a challenging environment in the second half period. In addition, the Japanese yen appreciated compared to the previous fiscal year. As a result, consolidated net sales for the fiscal year ended March 31, 2009 declined 9.9% from the previous fiscal year, to ¥2,021,743 million (US$20,422 million, at US$1 = ¥99).

With respect to profits, Komatsu worked to absorb increased prices for raw materials with efforts to leverage the situation internally, such as increasing selling prices and reducing production costs, in the first half of the fiscal year. In addition to the sharp drop in demand in the second half, for which Komatsu made substantial adjustments of production in order to reduce inventories to an appropriate level as soon as possible, Komatsu also recorded expenses associated with production, sales and other structural reforms. The Japanese yen's appreciation also worked against Komatsu's profitability. Reflecting these factors, operating income decreased 54.3% from the previous fiscal year, to ¥151,948 million (US$1,535 million), which translated into an operating income ratio (return on net sales) of 7.5%, down 7.3 percentage points from the previous fiscal year.

Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies totaled ¥128,782 million (US$1,301 million) for the fiscal year, down 60.0% from the previous fiscal year. Net income for the year declined 62.3% from the previous fiscal year, to ¥78,797 million (US$796 million).

(2) Impact of Foreign Exchange Rate

In comparison to the previous year, Japanese yen was strong against US dollar and Euro during the current year. Due to such currency fluctuations, segment profit in the Construction, Mining and Utility Equipment segment for the year decreased by approximately ¥53.5 billion from the previous year.

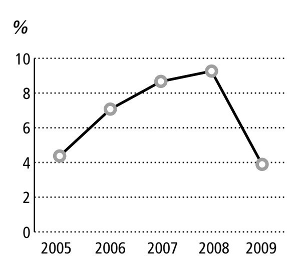
The impact of currency fluctuations is determined as the sum of the amounts obtained by multiplying other than yen currency transactions of each entity by the change in the applicable exchange rate. However, the effects of change of selling price due to currency fluctuations were not taken into account.

(3) Net Sales

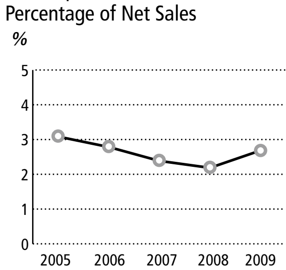
(In this section, the amounts of sales represent sales to the customer in each region.)

Consolidated net sales decreased 9.9% over the previous year, to ¥2,021,743 million (US$20,422 million). Sales in Japan

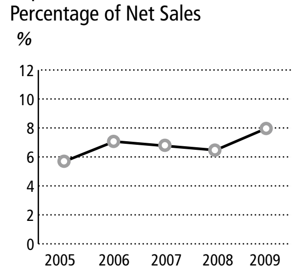
Return on Net Sales



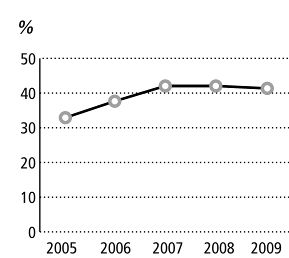
R&D Expenses as a Percentage of Net Sales



Capital Investment as a Percentage of Net Sales



Shareholders' Equity Ratio



decreased 10.5% over the previous year, to ¥452,172 million (US$4,567 million). Net Sales in overseas countries decreased 9.7% over the previous year, to ¥1,569,571 million (US$15,854 million).

Construction, Mining and Utility Equipment

Consolidated sales of construction, mining and utility equipment for the fiscal year declined 14.8% from the previous fiscal year, to ¥1,744,733 million (US$17,624 million). Komatsu continued working to expand sales of new equipment, increase their selling prices, and reinforce its product support operation. However, in addition to the drastic drop in demand worldwide, Komatsu placed top priority on quick adjustment of inventories and thus made substantial adjustment of production both in Japan and overseas. As a result, sales declined from the previous fiscal year.

In June last year, Komatsu led the world by introducing the "PC200-8 Hybrid" hydraulic excavator in Japan. Compared with standard models of the same class, the PC200-8 Hybrid cuts down fuel consumption and CO_2 emissions by 25% on average (Komatsu's research). Therefore, Komatsu is planning to introduce it overseas as a machine capable of helping customers lower their operating costs and contributing to the reduction of environmental impact.

<Japan>

Public-sector investment remained slack and demand fell sharply, as affected by reduced private-sector investment against the backdrop of the worsened economy in the second half, sluggish housing starts and slowing exports of used equipment from Japan. In response to such market conditions, Komatsu worked to increase selling prices and expand the rental equipment business. As affected by plunging demand, however, sales in Japan declined from the previous fiscal year.

<Americas>

While demand for equipment for use in mines remained strong, North American demand for construction equipment decreased as affected by reduced U.S. housing starts and the slack economy resulting from the financial crisis. Under such an environment, Komatsu continued efforts to increase selling prices and bring down distributors' inventories to an appropriate level in North America. In response to expanding market size in Latin America, Komatsu modified local operations in order to strengthen its marketing capability. Latin American sales increased but fell short of making up for the big drop in North American sales, resulting in a decline in sales in the Americas from the previous fiscal year.

<Europe & CIS>

Deterioration of European economies further progressed in the second half period, and demand for construction equipment slid markedly. In CIS, falling demand for equipment became clearer and more evident as affected by the financial crisis and plunging prices of commodities in the second half. In addition to reduced demand in both regions, sales in Europe & CIS decreased from the previous fiscal year, partly due to the efforts made proactively by Komatsu to ensure an appropriate level of inventories at its plants and distributors in Europe as well as the depreciation of Euro and the Russian ruble.

<China>

Demand for equipment also downturned as affected by the global financial crisis in the second half period. Supported by the Chinese government's economic stimulus package, public works have become active, such as the post-earthquake reconstruction project in Sichuan Province, and have begun to show signs of recovery in demand for equipment since February 2009. However, sales in China decreased slightly from the previous fiscal year.

Based on its projection that the Chinese market will continue to expand against the backdrop of population growth and progress of urbanization, Komatsu continued to carry out aggressive launchings of new products and reinforce product support operation. In addition, Komatsu secured land in Changzhou where Komatsu (Changzhou) Construction Machinery Corp., one of the main local production bases, is located. On this new site, with space about four times the size of the current site to relocate the company, Komatsu is planning to build a new plant and the KC Techno Center equipped with machine demonstration and operator training facilities.

<Asia & Oceania>

Slowing demand for equipment became more evident in both regions in the second half period, reflecting recessionary economies and a drastic plunge of commodity prices. While working to hike selling prices, Komatsu facilitated information sharing between local plants and distributors in Southeast Asia and pre-delivery installation of optional features, which Komatsu Australia Pty. Ltd. used to do at its shop, all to reduce delivery lead-time and inventories. However, sales in Asia & Oceania declined from the previous fiscal year, reflecting a drastic fall in demand and sharp depreciation of the Australian dollar in the second half.

<Middle East & Africa>

Demand for equipment also rapidly fell in both regions, as affected by the financial crisis and plunging prices of crude oil and other commodities. Komatsu concerted efforts to reinforce sales and product support capabilities, including the expansion of training programs for distributors. However, due largely to the drastic fall of demand and a sharp depreciation of the rand, the currency of South Africa which is one of the major markets in Africa, sales in the Middle East & Africa decreased from the previous fiscal year.

Industrial Machinery and Others

In the industrial machinery and others business, sales increased from the previous fiscal year, to ¥277,010 million (US$2,798 million), supported by the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008.

While sales of large presses, such as AC Servo presses and high-speed transfer lines, remained strong, sales of sheet metal machines and small and medium-sized presses nose-dived as restraint for capital investments by the automobile manufacturing and other client industries became clearer and more evident in the second half period. Meanwhile, sales of wire saws made by Komatsu NTC steadily expanded against the backdrop of accelerating growth of the solar cell market.

(4) Cost of Sales, Selling, General and Administrative Expenses

In accordance with the decrease in net sales, cost of sales decreased by 5.1% from the previous year to ¥1,510,408 million (US$15,257 million) for the current year. Its ratio to sales was 74.7% up by 3.8 percentage points from the previous year. Selling, general and administrative expenses (SG&A) rose by 1.6% over the previous year to ¥322,677 million (US$3,259 million). This increase was primarily due to the increased consolidated subsidiaries such as Komatsu NTC Ltd. and BIGRENTAL Co., Ltd., as well as the increased expenses for research and development (R&D). R&D expenses, which are included in cost of sales and SG&A, rose by 8.2% from the previous year to ¥53,736 million (US$543 million). This increase was mainly due to our proactive commitment to the development of new unique and unrivaled products and the development of next generation engines that comply with new emissions regulations.

(5) Segment Profit

(Segment profit is determined in a manner that is consistent with Japanese accounting principles by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment)

Segment profit in the construction, mining and utility equipment segment decreased by ¥137,440 million from the previous year to ¥180,455 million (US$1,823 million). This decrease was primarily due to the increase in raw material prices, the decrease in sales, the appreciation of Japanese yen, and the increase in fixed cost such as R&D and depreciation, which fully offset our efforts such as the higher price realizations and cost reductions.

With regards to the industrial machinery and others segment, though the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008 supported to increase the profit, the segment profit decreased by ¥7,056 million from the previous year to ¥12,891 million (US$130 million) mainly due to the decrease in profit of major companies such as Komatsu Ltd., Komatsu Industries Corp., and Komatsu Machinery Corp.

Consequently overall consolidated segment profit decreased by ¥145,928 million from the previous year to ¥188,658 million (US$1,906 million).

(6) Impairment loss on long-lived assets

Impairment loss on long-lived assets was ¥16,414 million (US$166 million) for the current year increased by ¥13,967 million as compared to ¥2,447 million for the previous year. This increase is mainly due to impairment loss for Mooka plant and Komatsu plant based on the decision to shut them down and transfer their production capacity to other plants.

(7) Impairment loss on goodwill

Impairment loss on goodwill was ¥2,003 million (US$20 million) for the current year decreased by ¥867 million as compared to ¥2,870 million for the previous year.

(8) Other Operating Income (Expenses)

Other operating income (expenses) was ¥18,293 million (US$185 million) of net other operating expense for the current year, a change by ¥21,874 million as compared to ¥3,581 million of net other operating income for the previous year.

(9) Operating Income

As a result of factors discussed above, operating income was ¥151,948 million (US$1,535 million) for the current year decreased by ¥180,902 million as compared to ¥332,850 million for the previous year.

(10) Other Income (Expenses)

Interest and dividend income was ¥8,621 million (US$87 million) decreased by ¥1,644 million for the current year as compared to ¥10,265 million for the previous year. Interest expense was ¥14,576 million (US$147 million) for the current year decreased by ¥2,123 million as compared to ¥16,699 million for the previous year.

(11) Income from Continuing Operations Before Income Taxes, Minority Interests and Equity in Earnings of Affiliated Companies

As a result of the above factors, income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies for the current year was ¥128,782 million (US$1,301 million) decreased by ¥193,428 million as compared to ¥322,210 million for the previous year.

(12) Income Taxes

Income taxes was ¥42,293 million (US$427 million) for the current year decreased by ¥73,501 million as compared to ¥115,794 million for the previous year. The actual effective tax rate for the current year decreased to 32.8% from 35.9% for the previous year. The difference between the Japanese statutory tax rate of 40.8% and the actual effective tax rate of 32.8% was caused by income of foreign subsidiaries taxed at a rate lower than the Japanese statutory tax rate and a realization of previously reserved tax benefits on operating losses of subsidiaries, which were offset in part by increase in valuation allowance and non-deductible expenses.

(13) Minority Interests in Income of Consolidated Subsidiaries

Minority interests in income of consolidated subsidiaries decreased to ¥8,088 million (US$82 million) for the current year from ¥9,435 million for the previous year. This decrease was mainly due to the declined earnings recorded by Komatsu Shantui Construction Machinery Co., Ltd., Bangkok Komatsu Co., Ltd. and other subsidiaries.

(14) Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies decreased to ¥396 million (US$4 million) for the current year from ¥6,845 million for the previous year. This decrease was mainly due to the profit of Komatsu NTC Ltd. being excluded from equity in earnings of affiliated companies after the reclassification to a consolidated subsidiary, as well as decrease in earnings recorded by affiliated companies held under the equity accounting method, such as L&T-Komatsu Limited and Gigaphoton Inc.

(15) Income from Continuing Operations

Income from continuing operations was ¥78,797 million (US$796 million) for the current year decreased by ¥125,029 million as compared to ¥203,826 million for the previous year.

(16) Income from Discontinued Operations Less Applicable Income Taxes

There was no income from discontinued operations less applicable income taxes for the current year, which was ¥4,967 million for the previous year.

(17) Net Income

Net income for the current year decreased by 62.3% to ¥78,797 million (US$796 million). Accordingly, basic net income per share dropped to ¥79.95 for the current year from ¥209.87 for the previous year. Diluted net income per share dropped to ¥79.89 for the current year from ¥209.59 for the previous year.

Liquidity and Capital Resources

(1) Funding and Liquidity Management

Komatsu's principal capital resources policy is to maintain sufficient capital resources to be able to respond promptly to future capital needs in connection with its operations and to maintain an appropriate level of liquidity. Consistent with this policy, Komatsu has secured various sources of funding, such as loans, corporate bonds, notes, securitized receivables and lines of credit. Komatsu expects to use cash generated from its operations, and funds procured through such external sources to satisfy future capital expenditures and working capital needs. In addition, Komatsu manages funds held by it and its subsidiaries through a group-wide cash management system in order to improve the efficiency and effectiveness of its cash management.

Komatsu's short-term funding needs have been met mainly by cash flows from operating activities, as well as by bank loans and the issuance of commercial paper. As of March 31, 2009, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥14,956 million (US$151 million) with financial institutions to secure liquidity. As of March 31, 2009, approximately ¥861 million (US$9 million) was available to be used under such credit line agreements. In addition, the Company had a ¥120,000 million (US$1,212 million) commercial paper program, ¥25,000 million (US$253 million) of which was unused as of March 31, 2009.

To fulfill Komatsu's medium - to long-term funding needs, the Company has established a bond program and Euro Medium Term Note ("EMTN") program. The Company has established a bond program for a period of two years under which it can issue up to ¥100,000 million (US$1,010 million) of variable-term bonds in November 2008. The Company had not issued any bonds under the current bond program by March 31, 2009 and ¥100,000 million was unused as of March 31, 2009. The principal amount of bonds outstanding issued under the past bond programs was ¥60,000 million (US$606 million) as of March 31, 2009. The Company, Komatsu Finance America Inc. and Komatsu Capital Europe S.A. have established a US$1,200 million EMTN program under which each of the issuers may from time to time issue notes denominated in any currency as may be agreed between the relevant issuers and dealers. As of March 31, 2009, the principal amount of notes outstanding under the EMTN program was ¥63,332 million (US$640 million).

Komatsu has also established programs to securitize trade notes and accounts receivables for the purpose of accelerating the receipt of cash related to its finance receivables and diversifying its sources of funding. As of March 31, 2009, the balance of such off-balance sheet securitized receivables was ¥103,768 million (US$1,048 million).

Komatsu's short-term debt as of March 31, 2009, which primarily consisted of short-term bank loans and commercial paper, increased by ¥111,197 million to ¥220,087 million (US$2,223 million) from March 31, 2008. Such short-term debt was used as working capital.

Komatsu's long-term debt, including debt that is scheduled to mature by March 31, 2010, increased by ¥36,563 million to ¥379,768 million (US$3,836 million) in the fiscal year ended March 31, 2009 as compared to the fiscal year ended March 31, 2008. As of March 31, 2009, Komatsu's long-term debt excluding market value adjustment consisted of (1)¥169,837 million in loans from banks, insurance companies and other financial institutions, and so on, (2)¥63,332 million in EMTN, (3)¥60,200 million in unsecured bonds and (4)¥86,399 million in capital lease obligations. Such long-term debt was used primarily for capital expenditures and long-term working capital needs.

As a result, Komatsu's interest-bearing debt as of March 31, 2009, including its capital lease obligations, increased by ¥147,760 million to ¥599,855 million (US$6,059 million) as compared to that of March 31, 2008. Net interest-bearing debt after deducting cash and deposits also increased by ¥159,260 million to ¥509,248 million (US$5,144 million) in the fiscal year ended March 31, 2009. As a result, Komatsu's net debt-to-equity ratio* as of March 31, 2009 was 0.62, compared to 0.39 as of March 31, 2008.

As of March 31, 2009, total current assets decreased by ¥170,438 million to ¥1,103,239 million (US$11,144 million), while total current liability decreased by ¥129,245 million to ¥732,287 million (US$7,397 million). As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2009, was 150.7%, which reflected an increase of 2.9 percentage points from the fiscal year ended March 31, 2008.

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

The Company obtains credit ratings from three rating agencies: Standard and Poor's services ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Rating and Investment Information, Inc. ("R&I"). As of March 31, 2009, the Company's issuer ratings were:

S&P: A (long-term); Moody's: A2 (long-term) ; R&I:AA- (long-term), a-1+ (short-term).

* net debt-to-equity ratio = (interest-bearing debt – cash and cash equivalents – time deposits) / shareholders' equity

(2) Cash Flows

Net cash provided by operating activities for the fiscal year ended March 31, 2009 amounted to ¥78,775 million (US$796 million), a decline of ¥82,210 million from the fiscal year ended March 31, 2008, mainly due to decreased net income.

Net cash used in investing activities for the fiscal year ended March 31, 2009 increased by ¥17,186 million from the fiscal year ended March 31, 2008, to ¥145,368 million (US$1,468 million), mainly due to investments made to improve productivity of plants in Japan and overseas.

Net cash provided by financing activities for the fiscal year ended March 31, 2009 increased by ¥74,641 million from the fiscal year ended March 31, 2008, to ¥57,219 million (US$578 million), reflecting proceeds from long-term debt and an increase in short-term debt.

As a result, cash and cash equivalents, as of March 31, 2009, decreased by ¥11,447 million, to ¥90,563 million (US$915 million).

(3) Capital Investment

With a prime focus on the Construction, Mining and Utility Equipment Business, Komatsu bolstered Komatsu's production capacity mainly for mining equipment, which business is expected to expand. In addition, Komatsu invested for the development and production of new models and the latest emission regulations. In the Industrial Machinery and Others Business, capital investment increased due largely to the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008.

As a result, Komatsu's capital investment, on a consolidated basis, for the fiscal year ended March 31, 2009 were ¥162,512 million (US$1,642 million), an increase of ¥16,782 million from the previous fiscal year.

(4) Contractual Obligations

The following table sets forth Komatsu's contractual obligations as of March 31, 2009.

	Millions of yen				
	Cash payments due by period				
	Total	Less than 1 year	1-3years	3-5 years	More than 5 years
Short-term debt obligations	219,772	219,772	—	—	—
Long-term debt obligations (excluding Capital lease obligations)	286,055	60,549	142,754	81,192	1,560
Capital (Finance) lease obligations	86,399	24,486	44,393	16,414	1,106
Operating lease obligations	11,468	3,760	3,610	1,415	2,683
Interest on interest-bearing debt (including Capital lease obligations)	18,249	11,006	5,780	1,395	68
Pension and other postretirement obligations	4,694	4,694	—	—	—
Total	626,637	324,267	196,537	100,416	5,417

	Millions of U.S. dollars				
	Cash payments due by period				
	Total	Less than 1 year	1-3years	3-5 years	More than 5 years
Short-term debt obligations	2,220	2,220	—	—	—
Long-term debt obligations (excluding Capital lease obligations)	2,889	611	1,442	820	16
Capital (Finance) lease obligations	873	247	449	166	11
Operating lease obligations	116	38	37	14	27
Interest on interest-bearing debt (including Capital lease obligations)	184	111	58	14	1
Pension and other postretirement obligations	47	47	—	—	—
Total	6,329	3,274	1,986	1,014	55

1. Short-term and long-term debt obligations exclude SFAS No. 133 market value adjustments of ¥315 million (US$3 million) and ¥7,314 million (US$74 million), respectively.
2. Interest on interest-bearing debt is based on rates in effect at March 31, 2009.
3. Pension and other postretirement obligations reflect contributions expected to be made in the year ending March 31, 2010 only as the amount of funding obligations beyond the next year are not yet determinable.
4. Obligations related to derivative activities are summarized in Foreign Exchange Risk and Interest Rate Risk.

Commitments for capital investment outstanding at March 31, 2009 aggregated approximately ¥24,000 million (US$242 million).

Business Risks

Given the business environment in which Komatsu operates, Komatsu is exposed to a variety of risks. Komatsu has identified the following risks as its primary risks based on information currently available to it.

1 Economic and market conditions

As Komatsu is engaged in business on a global scale, the economic and market conditions and competitive environment in which Komatsu operates differ from region to region. In addition, demand for Komatsu's products as well as the business environment in which Komatsu operates may change substantially as a result of changes in the economic and market conditions of each such region.

In economically-advanced regions in which Komatsu operates, Komatsu's business is generally affected by cyclical changes in the economies. Therefore, factors which are beyond Komatsu's control, such as levels of housing starts, industrial production, public investments in infrastructure development and private-sector capital outlays, may affect demand for Komatsu's products.

With respect to newly-developing markets such as China, India, Russia, the Middle East and Africa, Komatsu has derived a greater percentage of its business from these markets in recent years. Accordingly, Komatsu has been making capital investments in line with such increase in business. Economic conditions in such newly-developing markets, however, are dependent on the price of natural resources and the level of exports to economically-advanced regions, and are subject to numerous uncertainties. While Komatsu regularly monitors demand trends, demand in such newly-developing markets may be much lower than anticipated.

Furthermore, when economic and/or market conditions change more drastically than forecasted by Komatsu, Komatsu may also experience fewer orders of its products, an increase in cancellation of orders by customers, a delay in the collection of receivables, etc.

These changes in the business environment in which Komatsu operates may lead to a decline in sales, inefficient inventory levels and/or production capacities, thereby causing Komatsu to record lower profitability and incur additional expenses and losses. Accordingly, Komatsu's results of operations may be adversely affected.

2 Foreign currency exchange rate fluctuations

Komatsu conducts its business operations on a global scale, and a substantial portion of its overseas sales is affected by foreign currency exchange rate fluctuations. In general, an appreciation of the Japanese yen against another currency would adversely affect Komatsu's results of operations, while a depreciation of the Japanese yen against another currency would have a favorable impact thereon. In addition, foreign currency exchange rate fluctuations may also affect the comparative prices between products sold by Komatsu and products sold by its foreign competitors in the same market, as well as the cost of materials used in the production of such products. Komatsu strives to alleviate the effect of such foreign currency exchange rate fluctuations by, for example, locating its production bases globally and positioning such bases closer to the respective markets in which the products manufactured by such bases are sold. Komatsu also engages in hedging activities to minimize the effects of short-term foreign currency exchange rate fluctuations. Despite Komatsu's efforts, if the foreign currency exchange rates fluctuate beyond Komatsu's projected fluctuation range, Komatsu's results of operations may be adversely affected.

3 Fluctuations in financial markets

While Komatsu is currently working on improving the efficiency of its assets to reduce its interest-bearing debt, its aggregate short- and long-term interest-bearing debt was approximately ¥600 billion as of March 31, 2009. Although Komatsu has strived to reduce the effect of interest rate fluctuations by procuring funds at fixed interest rates, an increase in interest rates may increase Komatsu's interest expenses with respect to its interest-bearing debt subject to floating interest rates, thereby adversely affecting Komatsu's results of operations. In addition, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of Komatsu's pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect Komatsu's results of operations and financial condition.

4 Laws and regulations of different countries

Komatsu is subject to various governmental regulations and approval procedures in the countries in which it operates. If the government of a given country were to enact new laws and regulations, such as laws and regulations relating to import/export duties, quotas, currency restrictions and taxation, which are unfavorable to Komatsu, Komatsu may be required to bear increased expenses in order to comply with such regulations. Such increased expenses may adversely affect Komatsu's results of operations.

5 Environmental laws and regulations

Komatsu's products and business operations are required to comply with increasingly stringent environmental laws and regulations in the numerous countries in which Komatsu operates. Komatsu expends a significant share of its management resources, such as research and development expenses, to comply with regulations concerning air and wastewater emission levels of its manufacturing facilities and products. If the existing standards were amended, Komatsu may be required to bear increased costs and to make further capital investments to comply with such new standards. Incurrence of such additional environmental compliance costs may adversely affect Komatsu's results of operations.

6 Product liability

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

7 Alliances and collaborative relationships

Komatsu has entered into various alliances and collaborative relationships with distributors, suppliers and other companies in its industry to reinforce its international competitiveness. Through such arrangements, Komatsu is working to improve its product development, production, sales and service capabilities. While Komatsu expects its alliances and collaborative relationships to be successful, Komatsu's failure to attain expected results or the termination of such alliances or collaborative relationships may adversely affect Komatsu's results of operations.

8 Procurement, production and other matters

Komatsu's procurement of parts and materials for its products is exposed to the fluctuations in commodity prices, mainly in the price of steel materials. Price increases in commodities may increase the costs of materials and therefore the production cost of Komatsu's products. In addition, a shortage of product parts and materials, bankruptcies of suppliers or production discontinuation by suppliers of products used by Komatsu may make it difficult for Komatsu to engage in the timely procurement of parts and materials and manufacture of its products, thereby lowering Komatsu's production efficiency. In an effort to reduce any adverse effect to its business as a result of an increase in material costs, Komatsu plans to reduce other costs and pass on any increase in material costs to its customers through price adjustments of its products. Komatsu plans to minimize the effects of possible procurement or manufacturing issues by securing new suppliers or promoting closer collaboration among all of its related business divisions. However, if the increase in commodity prices were to exceed Komatsu's expectations or a prolonged shortage of materials and parts were to occur, Komatsu's results of operations may be adversely affected.

9 Information security, intellectual property and other matters

Komatsu may obtain confidential information concerning its customers and individuals in the normal course of its business. Komatsu also holds confidential business and technological information. Komatsu maintains such confidential information with the utmost care. To safeguard such confidential information from unauthorized access, tampering, destruction, leakage, losses and other damages, Komatsu employs appropriate safety measures, including implementing technological safety measures and strengthening its information management capabilities. If a leak of confidential information concerning customers and individuals were to occur, Komatsu may become liable for damages, or its reputation or its customers' confidence in Komatsu may be adversely affected. In addition, if Komatsu's confidential business and technological information were leaked or misused by a third party, or Komatsu's intellectual properties were infringed upon by a third party, or a third party were to claim that Komatsu is liable for infringing on such third party's intellectual property rights, Komatsu's results of operations may be adversely affected.

10 Natural calamities, wars, terrorism, accidents and other matters

Komatsu conducts its business operations on a global scale and operates and maintains development, production, sales and other business facilities in many countries. If natural disasters, such as earthquakes and floods, epidemics, wars, terrorist acts, accidents, unforeseeable criticism or interference by third parties or any malfunction of information and telecommunication systems in regions in which Komatsu operates were to occur and cause extensive damage to one or more of its facilities that cannot become fully operational within a short period of time, delays or disruption in the procurement of materials and parts or the production and sales of Komatsu's products and services may result. Such delays or disruptions may adversely affect Komatsu's results of operations.

Market Risk Exposure

Komatsu is exposed to market risk primarily from changes in foreign currency exchange rates and interest rates with respect to international operations and foreign currency denominated receivables and debts. In order to manage these risks that arise in the normal course of business, Komatsu enters into various derivative financial transactions pursuant to its policies and procedures. Komatsu does not enter into derivative financial transactions for trading or speculative purposes.

Komatsu is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. However, because of the counterparties' credit ratings, Komatsu does not expect any of its existing counterparties to default on their obligations.

Foreign Exchange Risk

To reduce foreign exchange risks against foreign currency denominated assets, liabilities and certain forecasted transactions, Komatsu executes forward exchange contracts and option contracts in a range of 50% to 100% based on their projected cash flow in foreign currencies.

The following table provides information concerning derivative financial instruments of Komatsu in relation to foreign currency exchange transactions existing as of March 31,2009, which are translated into yen at the rate used on that date, together with the related weighted average contractual exchange rates as of March 31, 2009. As of March 31, 2009, the notional amount of option contracts is ¥1,011 million (US$10,212 thousand).

	Millions of yen (except average contractual rates)				
Forwards to sell foreign currencies:	US$/Yen	EUR/Yen	US$/EUR	Others	Total
Contract amounts	¥ 19,265	¥ 3,026	¥ 2,112	¥ 6,465	¥ 30,868
Average contractual rates	95.88Yen/US$	142.59Yen/EUR	0.73EUR/US$	—	—
Forwards to buy foreign currencies:	Yen/Yuan	GBP/EUR	Yen/ZAR	Others	Total
Contract amounts	¥ 10,044	¥ 8,109	¥ 4,789	¥ 25,482	¥ 48,424
Average contractual rates	12.78Yen/Yuan	0.92GBP/EUR	10.29Yen/ZAR	—	—

	Thousands of U.S. dollars				
Forwards to sell foreign currencies:	US$/Yen	EUR/Yen	US$/EUR	Others	Total
Contract amounts	$194,596	$30,566	$21,333	$ 65,303	$311,798
Forwards to buy foreign currencies:	Yen/Yuan	GBP/EUR	YEN/ZAR	Others	Total
Contract amounts	$101,455	$81,909	$48,374	$257,393	$489,131

Interest Rate Risk

To reduce interest rate risk, Komatsu engages in certain interest rate swaps, cross-currency swaps and interest cap option transactions for interest payments and interest receipts. Certain interest rate swap contracts are not qualified as hedges for financial reporting purposes and are recorded at the fair value with the gains and losses thereof recognized as income and expenses.

The following tables provide information concerning long-term debt excluding capital lease obligations (including due within one year), interest rate swaps, cross-currency swaps and interest caps. For debt obligations, the tables present fair value, principal cash flows and related weighted average interest rates by expected maturity dates. For interest rate swaps and cross-currency swaps, the following tables present fair value, notional amounts and weighted average receive and pay interest rates. For interest caps, the following tables present fair value, notional amounts and its average strike rates.

Long-term debt excluding capital lease obligations (including due within one year) — Millions of yen

	Average interest rate	Fair value	Total	Expected maturity date 2010	2011	2012	2013	2014	Thereafter
Japanese yen bonds	1.55%	¥ 58,669	¥ 60,200	¥ 10,200	¥ —	¥ —	¥ 20,000	¥ 30,000	¥ —
Euro medium-term notes (relating to variable interest rate)	1.81%	63,332	56,018	16,714	17,801	18,763	891	1,849	—
Loans, principally from banks (relating to variable interest rate)	3.46%	47,351	47,351	10,877	12,253	11,731	9,091	3,318	81
Loans, principally from banks (relating to fixed interest rate)	1.94%	119,142	122,486	22,758	39,214	42,992	3,040	13,003	1,479
Total		¥ 288,494	¥ 286,055	¥ 60,549	¥ 69,268	¥ 73,486	¥ 33,022	¥ 48,170	¥ 1,560

Annual maturities of long-term debt exclude market value adjustments for balances subject to qualifying fair value hedges of ¥7,314 million.

Interest rate swaps, cross-currency swaps and interest caps — Millions of yen

	Average interest rate Receive	Pay	Fair value	Total	Expected maturity date 2010	2011	2012	2013	2014	Thereafter
U.S. dollar interest rate swap	0.36%	3.54%	¥ (2,975)	¥ 114,580	¥ 61,763	¥ 33,308	¥ 15,819	¥ 3,690	¥ —	¥ —
Yen/US$ cross-currency swap	1.20%	1.76%	8,314	49,072	19,089	8,500	19,795	1,688	—	—
Euro interest rate swap	3.88%	4.18%	(837)	31,066	10,766	10,936	5,981	2,781	602	—
Yen/Euro cross-currency swap	1.10%	3.18%	1,963	20,922	11,000	—	7,922	—	2,000	—
Euro interest cap	—	4.58%	27	11,114	4,622	6,492	—	—	—	—
Total			¥ 6,492	¥ 226,754	¥ 107,240	¥ 59,236	¥ 49,517	¥ 8,159	¥ 2,602	¥ —

Long-term debt excluding capital lease obligations (including due within one year) — Thousands of U.S. dollars

	Average interest rate	Fair value	Total	Expected maturity date 2010	2011	2012	2013	2014	Thereafter
Japanese yen bonds	1.55%	$ 592,616	$ 608,081	$ 103,030	$ —	$ —	$202,021	$303,030	$ —
Euro medium-term notes (relating to variable interest rate)	1.81%	639,717	565,838	168,828	179,808	189,525	9,000	18,677	—
Loans, principally from banks (relating to variable interest rate)	3.46%	478,293	478,293	109,869	123,768	118,495	91,828	33,515	818
Loans, principally from banks (relating to fixed interest rate)	1.94%	1,203,455	1,237,232	229,879	396,101	434,263	30,707	131,343	14,939
Total		$2,914,081	$2,889,444	$ 611,606	$699,677	$742,283	$333,556	$486,565	$15,757

Annual maturities of long-term debt exclude market value adjustments for balances subject to qualifying fair value hedges of US$73,879 thousand.

Interest rate swaps, cross-currency swaps and interest caps — Thousands of U.S. dollars

	Average interest rate Receive	Pay	Fair value	Total	Expected maturity date 2010	2011	2012	2013	2014	Thereafter
U.S. dollar interest rate swap	0.36%	3.54%	$ (30,050)	$1,157,373	$ 623,869	$336,443	$159,789	$ 37,272	$ —	$ —
Yen/US$ cross-currency swap	1.20%	1.76%	83,980	495,677	192,818	85,859	199,949	17,051	—	—
Euro interest rate swap	3.88%	4.18%	(8,454)	313,798	108,747	110,465	60,414	28,091	6,081	—
Yen/Euro cross-currency swap	1.10%	3.18%	19,828	211,333	111,111	—	80,020	—	20,202	—
Euro interest cap	—	4.58%	273	112,263	46,687	65,576	—	—	—	—
Total			$ 65,577	$2,290,444	$1,083,232	$598,343	$500,172	$ 82,414	$ 26,283	$ —

Financial Section

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen (except per share amounts)	
	2009	2008
For the fiscal period		
Net sales	**¥2,021,743**	¥2,243,023
Cost of sales	**1,510,408**	1,590,963
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies	**128,782**	322,210
Net income	**78,797**	208,793
As percentage of sales	**3.9%**	9.3%
Capital investment	**162,512**	145,730
At fiscal period-end		
Total assets	**¥1,969,059**	¥2,105,146
Working capital	**370,952**	412,145
Property, plant and equipment	**525,462**	491,146
Long-term debt—less current maturities	**292,106**	235,277
Shareholders' equity	**814,941**	887,126
As percentage of total assets	**41.4%**	42.1%
Per share data		
Net income per share:		
Basic	**¥ 79.95**	¥209.87
Dilute	**79.89**	209.59
Cash dividends per share	**44.00**	38.00
Shareholders' equity per share	**842.04**	891.49

	Yen per U.S. dollar	
	2009	2008
Other information		
Exchange rate into U.S. dollars (per the Federal Reserve Bank of New York):		
At fiscal period-end	**¥ 99**	¥ 100
Average for the fiscal period	**101**	114
Range for the fiscal period:		
High	**109**	123
Low	**90**	100

Millions of yen (except per share amounts)			
	2007	2006	2005
	¥1,893,343	¥1,612,140	¥1,356,071
	1,356,511	1,185,240	1,009,859
	236,491	155,779	91,869
	164,638	114,290	59,010
	8.7%	7.1%	4.4%
	129,680	113,934	76,907
	¥1,843,982	¥1,652,125	¥1,449,068
	358,565	259,058	172,998
	388,393	400,667	366,660
	174,340	195,203	217,714
	776,717	622,997	477,144
	42.1%	37.7%	32.9%
	¥165.70	¥115.13	¥ 59.51
	165.40	114.93	59.47
	23.00	14.00	9.00
	781.57	626.98	481.27

Yen per U.S. dollar			
	2007	2006	2005
	¥ 118	¥ 117	¥ 107
	117	114	107
	121	120	111
	112	105	103

Financial Section

Komatsu Ltd. and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2009**	2008	**2009**
Current assets			
Cash and cash equivalents	**¥ 90,563**	¥ 102,010	**$ 914,778**
Time deposits	**44**	97	**444**
Trade notes and accounts receivable, less allowance for doubtful receivables of ¥15,330 million ($154,848 thousand) in 2009 and ¥11,470 million in 2008 (Notes 1, 5, 10 and 26)	**373,901**	523,624	**3,776,778**
Inventories (Notes 1 and 6)	**507,357**	518,441	**5,124,818**
Deferred income taxes and other current assets (Notes 1, 7, 10, 16, 20, 21, 22, 24 and 26)	**131,374**	129,505	**1,327,010**
Total current assets	**1,103,239**	1,273,677	**11,143,828**
Long-term trade receivables (Note 5)	**102,969**	89,695	**1,040,091**
Investments			
Investments in and advances to affiliated companies (Notes 1 and 8)	**19,249**	22,884	**194,434**
Investment securities (Notes 1, 7, 21 and 22)	**53,854**	79,479	**543,980**
Other	**12,017**	11,575	**121,384**
Total investments	**85,120**	113,938	**859,798**
Property, plant and equipment—less accumulated depreciation (Notes 1, 9, 10 and 17)	**525,462**	491,146	**5,307,697**
Goodwill (Notes 1 and 11)	**28,661**	31,833	**289,505**
Other intangible assets (Notes 1 and 11)	**60,346**	61,916	**609,556**
Deferred income taxes and other assets (Notes 1, 16, 20, 21, 22 and 26)	**63,262**	42,941	**639,010**
	¥1,969,059	¥2,105,146	**$19,889,485**

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

Financial Section

Liabilities and Shareholders' Equity	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Current liabilities			
Short-term debt (Notes 10 and 12)	**¥ 220,087**	¥ 108,890	**$ 2,223,101**
Current maturities of long-term debt (Notes 10, 12, 17 and 21)	**87,662**	107,928	**885,475**
Trade notes, bills and accounts payable	**214,375**	387,104	**2,165,404**
Income taxes payable (Note 16)	**10,818**	52,453	**109,273**
Deferred income taxes and other current liabilities (Notes 1, 16, 20, 21, 22 and 24)	**199,345**	205,157	**2,013,586**
Total current liabilities	**732,287**	861,532	**7,396,839**
Long-term liabilities			
Long-term debt (Notes 10, 12, 17 and 21)	**292,106**	235,277	**2,950,566**
Liability for pension and retirement benefits (Notes 1 and 13)	**53,822**	38,910	**543,656**
Deferred income taxes and other liabilities (Notes 1, 16, 20, 21 and 22)	**42,510**	52,062	**429,394**
Total long-term liabilities	**388,438**	326,249	**3,923,616**
Minority interests	**33,393**	30,239	**337,303**
Commitments and contingent liabilities (Note 19)	**—**	—	**—**
Shareholders' equity (Notes 1 and 14)			
Common stock: Authorized 3,955,000,000 shares in 2009 and 2008; Issued 998,744,060 shares in 2009 and 2008; Outstanding 967,822,292 shares in 2009 and 995,103,847 shares in 2008	**67,870**	67,870	**685,555**
Capital surplus	**140,092**	138,170	**1,415,070**
Retained earnings:			
Appropriated for legal reserve	**28,472**	26,714	**287,596**
Unappropriated	**719,222**	685,986	**7,264,869**
Accumulated other comprehensive income (loss) (Notes 1, 7, 13 and 15)	**(105,744)**	(28,779)	**(1,068,121)**
Treasury stock at cost, 30,921,768 shares in 2009 and 3,640,213 shares in 2008 (Notes 14)	**(34,971)**	(2,835)	**(353,242)**
Total shareholders' equity	**814,941**	887,126	**8,231,727**
	¥1,969,059	¥2,105,146	**$19,889,485**

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Net sales (Notes 1 and 8)	**¥2,021,743**	¥2,243,023	¥1,893,343	**$20,421,646**
Cost of sales (Notes 17 and 25)	**1,510,408**	1,590,963	1,356,511	**15,256,646**
Selling, general and administrative expenses (Notes 17 and 25)	**322,677**	317,474	287,086	**3,259,364**
Impairment loss on long-lived assets (Note 1, 9 and 25)	**16,414**	2,447	81	**165,798**
Impairment loss on goodwill (Note 1 and 11)	**2,003**	2,870	—	**20,232**
Other operating income (expenses), net (Note 25)	**(18,293)**	3,581	(4,924)	**(184,778)**
Operating income	**151,948**	332,850	244,741	**1,534,828**
Other income (expenses), net (Note 25)	**(23,166)**	(10,640)	(8,250)	**(234,000)**
Interest and dividend income	**8,621**	10,265	8,532	**87,081**
Interest expense	**(14,576)**	(16,699)	(15,485)	**(147,232)**
Other, net	**(17,211)**	(4,206)	(1,297)	**(173,849)**
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies	**128,782**	322,210	236,491	**1,300,828**
Income taxes (Notes 1 and 16)				
Current	**60,511**	104,142	76,102	**611,222**
Deferred	**(18,218)**	11,652	3,643	**(184,020)**
Total	**42,293**	115,794	79,745	**427,202**
Income from continuing operations before minority interests and equity in earnings of affiliated companies	**86,489**	206,416	156,746	**873,626**
Minority interests in income of consolidated subsidiaries	**(8,088)**	(9,435)	(6,580)	**(81,697)**
Equity in earnings of affiliated companies	**396**	6,845	3,098	**4,000**
Income from continuing operations	**78,797**	203,826	153,264	**795,929**
Income from discontinued operations less applicable income taxes (Note 4)	**—**	4,967	11,374	**—**
Net income	**¥ 78,797**	¥ 208,793	¥ 164,638	**$ 795,929**

	Yen			U.S. cents
Per share data (Notes 1 and 18):				
Income from continuing operations:				
Basic	**¥ 79.95**	¥ 204.88	¥ 154.25	**¢ 80.76**
Diluted	**79.89**	204.61	153.97	**80.70**
Income from discontinued operations:				
Basic	**—**	4.99	11.45	**—**
Diluted	**—**	4.98	11.43	**—**
Net income:				
Basic	**79.95**	209.87	165.70	**80.76**
Diluted	**79.89**	209.59	165.40	**80.70**
Cash dividends per share (Note 1)	**44.00**	38.00	23.00	**44.44**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Common stock				
Balance, beginning of year	**¥ 67,870**	¥ 67,870	¥ 67,870	**$ 685,555**
Balance, end of year	**¥ 67,870**	¥ 67,870	¥ 67,870	**$ 685,555**
Capital surplus				
Balance, beginning of year	**¥ 138,170**	¥137,155	¥136,137	**$ 1,395,657**
Sales of treasury stock	**1,570**	417	394	**15,858**
Issuance and exercise of stock acquisition rights (Notes 1 and 14)	**352**	598	663	**3,555**
Others	**—**	—	(39)	**—**
Balance, end of year	**¥ 140,092**	¥138,170	¥137,155	**$ 1,415,070**
Retained earnings, appropriated for legal reserve				
Balance, beginning of year	**¥ 26,714**	¥ 24,267	¥ 23,416	**$ 269,838**
Transfer from unappropriated retained earnings	**1,758**	2,447	851	**17,758**
Balance, end of year	**¥ 28,472**	¥ 26,714	¥ 24,267	**$ 287,596**
Unappropriated retained earnings				
Balance, beginning of year	**¥ 685,986**	¥517,450	¥376,522	**$ 6,929,152**
Net income	**78,797**	208,793	164,638	**795,929**
Cash dividends paid	**(43,803)**	(37,810)	(22,859)	**(442,454)**
Transfer to retained earnings appropriated for legal reserve	**(1,758)**	(2,447)	(851)	**(17,758)**
Balance, end of year	**¥ 719,222**	¥685,986	¥517,450	**$ 7,264,869**
Accumulated other comprehensive income (loss)				
Balance, beginning of year	**¥ (28,779)**	¥ 33,501	¥ 23,095	**$ (290,697)**
Other comprehensive income (loss) for the year, net of tax (Note 15)	**(76,965)**	(62,280)	20,263	**(777,424)**
Adjustment to initially apply SFAS No. 158, net of tax (Note 13)	**—**	—	(9,857)	**—**
Balance, end of year	**¥(105,744)**	¥ (28,779)	¥ 33,501	**$(1,068,121)**
Treasury stock				
Balance, beginning of year	**¥ (2,835)**	¥ (3,526)	¥ (4,043)	**$ (28,636)**
Purchase of treasury stock	**(33,090)**	(340)	(632)	**(334,242)**
Sales of treasury stock	**954**	1,031	1,149	**9,636**
Balance, end of year	**¥ (34,971)**	¥ (2,835)	¥ (3,526)	**$ (353,242)**
Total shareholders' equity	**¥ 814,941**	¥887,126	¥776,717	**$ 8,231,727**
Disclosure of comprehensive income				
Net income for the year	**¥ 78,797**	¥208,793	¥164,638	**$ 795,929**
Other comprehensive income (loss) for the year, net of tax (Note 15)	**(76,965)**	(62,280)	20,263	**(777,424)**
Comprehensive income for the year	**¥ 1,832**	¥146,513	¥184,901	**$ 18,505**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Operating activities				
Net income	**¥ 78,797**	¥ 208,793	¥ 164,638	**$ 795,929**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**98,354**	75,664	72,709	**993,475**
Deferred income taxes	**(18,218)**	15,016	4,334	**(184,020)**
Net loss (gain) from sale of investment securities and subsidiaries	**3,543**	(8,045)	(19,101)	**35,788**
Net loss (gain) on sale of property	**(269)**	(3,169)	(13)	**(2,717)**
Loss on disposal of fixed assets	**5,561**	3,313	2,121	**56,172**
Impairment loss on long-lived assets	**16,414**	2,447	81	**165,798**
Impairment loss on goodwill	**2,003**	2,870	—	**20,232**
Pension and retirement benefits, net	**3,378**	(10,782)	1,078	**34,121**
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	**103,355**	(83,855)	(93,141)	**1,043,990**
Decrease (increase) in inventories	**(22,307)**	(65,884)	(73,448)	**(225,323)**
Increase (decrease) in trade payables	**(148,655)**	12,586	70,693	**(1,501,566)**
Increase (decrease) in income taxes payable	**(40,507)**	(2,913)	19,680	**(409,162)**
Other, net	**(2,674)**	14,944	12,493	**(27,010)**
Net cash provided by operating activities	**78,775**	160,985	162,124	**795,707**
Investing activities				
Capital expenditures	**(145,670)**	(117,571)	(122,860)	**(1,471,414)**
Proceeds from sale of property	**6,414**	19,425	17,626	**64,788**
Proceeds from sale of available for sale investment securities	**703**	601	1,844	**7,101**
Purchases of available for sale investment securities	**(6,785)**	(4,663)	(6,737)	**(68,535)**
Proceeds from sale of subsidiaries, net of cash disposed	**—**	16,372	35,368	**—**
Acquisition of subsidiaries and equity investees, net of cash acquired	**(223)**	(42,717)	(24,621)	**(2,253)**
Collection of loan receivables	**7,736**	7,778	5,736	**78,141**
Disbursement of loan receivables	**(6,381)**	(6,315)	(5,974)	**(64,455)**
Decrease (increase) in time deposits	**(1,162)**	(1,092)	(2)	**(11,737)**
Net cash used in investing activities	**(145,368)**	(128,182)	(99,620)	**(1,468,364)**
Financing activities				
Proceeds from long-term debt	**129,327**	82,791	44,781	**1,306,333**
Repayments on long-term debt	**(88,058)**	(48,868)	(74,943)	**(889,475)**
Increase (decrease) in short-term debt, net	**127,589**	634	22,526	**1,288,778**
Repayments of capital lease obligations	**(30,770)**	(15,168)	(11,411)	**(310,808)**
Sale (purchase) of treasury stock, net	**(32,685)**	691	517	**(330,152)**
Dividends paid	**(43,803)**	(37,810)	(22,859)	**(442,455)**
Other, net	**(4,381)**	308	—	**(44,253)**
Net cash provided by (used in) financing activities	**57,219**	(17,422)	(41,389)	**577,970**
Effect of exchange rate change on cash and cash equivalents	**(2,073)**	(5,570)	1,087	**(20,939)**
Net increase (decrease) in cash and cash equivalents	**(11,447)**	9,811	22,202	**(115,626)**
Cash and cash equivalents, beginning of year	**102,010**	92,199	69,997	**1,030,404**
Cash and cash equivalents, end of year	**¥ 90,563**	¥ 102,010	¥ 92,199	**$ 914,778**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1. Description of Business, Basis of Financial Statements and Summary of Significant Accounting Policies

Description of Business

Komatsu Ltd. ("Company") and consolidated subsidiaries (together "Komatsu") primarily manufacture and market various types of construction, mining and utility equipment throughout the world. Komatsu is also engaged in the manufacture and sale of industrial machinery and others.

The consolidated net sales of Komatsu for the year ended March 31, 2009, consisted of the following: Construction, Mining and Utility Equipment – 86.3%, Industrial Machinery and Others – 13.7%.

Sales are made principally under the Komatsu brand name, and are almost entirely through sales subsidiaries and sales distributors. These subsidiaries and distributors are responsible for marketing and distribution and primarily sell to retail dealers in their geographical area. Of consolidated net sales for the year ended March 31, 2009, 77.6% were generated outside Japan, with 24.9% in the Americas, 14.0% in Europe and CIS, 11.7% in China, 16.6% in Asia (excluding Japan and China) and Oceania, and 10.4% in the Middle East and Africa.

The manufacturing operations of Komatsu are conducted primarily at plants in Japan, United States, Germany, United Kingdom, Sweden, Indonesia, Brazil, Italy, and China.

Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into United States dollar amounts as of and for the year ended March 31, 2009, is included solely for the convenience of readers and has been made at the rate of ¥99 to $1, the approximate rate of exchange prevailing at the Federal Reserve Bank of New York on March 31, 2009. Such translation should not be construed as a representation that Japanese yen amounts could be converted into United States dollars at the above or any other rate.

The Company and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its foreign subsidiaries generally maintain their books of account in conformity with those in the country of their domicile. The accompanying consolidated financial statements reflect certain adjustments, not recorded in Komatsu's books, to present them in conformity with U.S. generally accepted accounting principles. These adjustments are made mainly in connection with accounting for liability for pension and other retirement benefits, derivative financial instruments, and recognition of certain accrued expenses.

Summary of Significant Accounting Policies

(1) Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all of its majority-owned domestic and foreign subsidiaries, except for certain immaterial subsidiaries.

The accounts of any variable interest entities that must be consolidated under Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46R") because the Company has been determined to be the primary beneficiary, are included in the consolidated financial statements. The consolidated balance sheets as of March 31, 2009 and 2008, include assets of ¥32,866 million ($331,980 thousand) and ¥25,335 million, respectively, of consolidated variable interest entities, which engage in equipment leasing in Europe. The majority of these assets were included in trade notes and accounts receivable, long-term trade receivables.

Investments in 20 to 50% owned affiliated companies whereby Komatsu has the ability to exercise significant influence over the operational and financial policies of a company are accounted for by the equity method.

(2) Translation of Foreign Currency Accounts

Under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation," assets and liabilities are translated at the exchange rates in effect at each fiscal year-end, and income and expenses are translated at the average rates of exchange prevailing during each fiscal year in consolidating the financial statements of overseas subsidiaries. The resulting translation adjustments are included as a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated financial statements. All foreign currency transaction gains and losses are included in other income (expenses) in the period incurred.

(3) Allowance for Doubtful Trade Receivables

Komatsu records allowance for doubtful receivables as the best estimate of the amount of probable credit losses in Komatsu's existing receivables. The amount is determined based on historical experience, credit information of individual customers, and assessment of overdue receivables. An additional reserve for individual receivable is recorded when Komatsu becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration of the customer's business performance. The amount of estimated credit losses is further adjusted to reflect changes in customer circumstances.

(4) Inventories

Inventories are stated at the lower of cost or market. Komatsu determines cost of work in process and finished products using the specific identification method based on actual costs accumulated under a job-order cost system. The cost of finished parts is determined principally using the first-in first-out method, with certain immaterial amounts using the last-in first-out method. Cost of materials and supplies is stated at average cost.

(5) Investment Securities

In compliance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," Komatsu's investments in debt and marketable equity securities are categorized as available-for-sale securities which are stated at fair value. Changes in fair values are included as a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated financial statements.

Unrealized losses on marketable securities are charged against net earnings when a decline in market value below cost is determined to be other than temporary based primarily on the financial condition and near term prospects of the issuer and the extent and length of the time of the decline.

In assessing other-than-temporary impairment of investment securities which are stated at cost, Komatsu considers the financial condition and prospects of each investee company and other relevant factors. Impairment to be recognized is measured based on the amount by which the carrying amount of the investment securities exceeds its estimated fair value which is determined using discounted cash flows or other valuation techniques considered appropriate.

(6) Property, Plant and Equipment, and Related Depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed principally using the declining-balance method at rates based on the estimated useful lives of the assets. The weighted average depreciation periods are 23 years for buildings and 9 years for machinery and equipment. Effective rates of depreciation for buildings, machinery and equipment for the years ended March 31, 2009, 2008 and 2007, were as follows:

	2009	2008	2007
Buildings	**9%**	9%	8%
Machinery and equipment	**25%**	26%	27%

Certain leased machinery and equipment are accounted for as capital leases in conformity with SFAS No. 13, "Accounting for Leases." The aggregate cost included in property, plant and equipment and related accumulated depreciation as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Aggregate cost	**¥124,198**	¥112,083	**$1,254,525**
Accumulated depreciation	**37,417**	30,982	**377,949**

Ordinary maintenance and repairs are charged to expense as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the costs of those properties and the related accumulated depreciation are relieved from the consolidated balance sheets and the differences between the costs of those properties and the related accumulated depreciation are recognized in other operating income (expenses) of the consolidated statements of income.

(7) Goodwill and Other Intangible Assets

Komatsu applies the provisions of SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141 requires the use of the purchase method of accounting for business combinations and establishes a basis for the determination of intangible assets acquired in a purchase business combination. SFAS No. 142 precludes the amortization of goodwill and instead requires annual impairment testing thereof. SFAS No. 142 also requires recognized intangible assets with useful life to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." An impairment loss would be recognized when the carrying amount of an asset or an asset group exceeds the estimated undiscounted cash flows expected to be generated by the asset or an asset group. The amount of the impairment loss to be recorded is determined by the difference between the fair value of the asset or an asset group using a discounted cash flow valuation model and carrying value. Any recognized intangible asset determined to have an indefinite useful life is not to be amortized, but instead tested for impairment annually based on its fair value until its life is determined to no longer be indefinite.

(8) Revenue Recognition

Komatsu recognizes revenue when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered for customers or dealers, (3) sales price is fixed or determinable, and (4) collectibility is reasonably assured.

Revenue from sales of products including construction, mining and utility equipment and industrial machinery is recognized when title and risk of ownership is transferred to independently owned and operated customers or dealers, which occurs upon the attainment of customer acceptance or when installation is completed. The conditions of acceptance are governed by the terms of the contract or arrangement. For arrangements with multiple elements, which may include any combination of products, installation and maintenance, Komatsu allocates revenue to each element based on its relative fair value if such elements meet the criteria for treatment as a separate unit of accounting as prescribed in the Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." When Komatsu enters into a separate contract to render transportation or technical advice, principally related to a sale of large-sized industrial machinery such as large presses, these service revenues are accounted for separately from the product sale and recognized at the completion of the service delivery specified in the contract.

Service revenues from repair and maintenance and from transportation are recognized at the completion of service delivery. Revenues from long-term fixed price maintenance contracts are recognized ratably over the contract period.

Certain of consolidated subsidiaries rent construction equipments to customers. Rent revenue is recognized on a straight-line basis over the rental period.

Revenues are recorded net of discounts. In addition, taxes collected from customers and remitted to governmental authorities on revenue-producing transactions are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of income.

(9) Income Taxes

In accordance with SFAS No. 109, "Accounting for Income Taxes," income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Komatsu uses a specific identification method to release the residual tax effects associated with components of accumulated other comprehensive income (loss) resulting from a change in tax law or rate.

Beginning on April 1, 2007, in accordance with FIN No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of SFAS No. 109," if a tax position meets the more-likely-than-not recognition threshold based on the technical merits of the position, Komatsu recognizes the benefit of such position in the financial statements. The benefit of the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement with appropriate taxing authority. Income tax positions for periods prior to April 1, 2007, were recognized based on a higher, "should level", probability threshold. As of April 1, 2007 and for the years ended March 31, 2009 and 2008, Komatsu did not have material unrecognized tax benefits and thus, no significant interest and penalties related to unrecognized tax benefits were recognized.

(10) Product Warranties

Komatsu establishes a liability for estimated product warranty cost at the time of sale. Estimates for accrued product warranty cost are primarily based on historical experience and are classified as other current liabilities.

(11) Pension and Retirement Benefits

The defined benefit plans are accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-an amendment of SFAS No. 87, 88, 106 and 132(R)" except for certain subsidiaries' pension plans which in the aggregate are not significant. Komatsu recognizes the overfunded or underfunded status of the defined benefit plans as an asset or liability in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income, net of tax. Certain domestic subsidiaries also have local severance payment plans under which accrued severance liabilities are stated on a vested benefit obligation basis, which is the amount required to be paid if all eligible employees voluntarily terminated their employment as of the balance-sheet date.

Amortization of actuarial net gain or loss is included as a component of Komatsu's net periodic pension cost for defined benefit plans for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of (1) the projected benefit obligation or (2) the fair value of that plan's assets.

In such case, the amount of amortization recognized is the resulting excess divided by average remaining service period of active employees expected to receive benefits under the plan. The expected return on plan assets is determined based on the historical long-term rate of return on plan assets. The discount rate is determined based on the rates of return of high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits.

(12) Share-Based Compensation

In accordance with SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No.123R"), Komatsu recognizes share-based compensation expense using the fair value method. Compensation expense is measured at grant-date fair value of the share-based award and charged to expense over the vesting period.

(13) Per Share Data

Basic net income per share has been computed by dividing net income by the weighted-average number of common shares outstanding during each fiscal year, after deducting treasury shares. Diluted net income per share reflects the potential dilution computed on the basis that all stock options were exercised (less the number of treasury shares assumed to be purchased from proceeds using the average market price of the Company's common shares) to the extent that each is not antidilutive.

Dividends per share shown in the accompanying consolidated statements of income are based on dividends approved and paid in each fiscal year.

(14) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the date of purchase.

(15) Derivative Financial Instruments

Komatsu uses various derivative financial instruments to manage its interest rate and foreign exchange exposure.

Komatsu accounts for its derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended. SFAS No. 133 as amended requires that all derivatives, including derivatives embedded in other financial instruments, be measured at fair value and recognized as either assets or liabilities on the consolidated balance sheet. Changes in the fair values of derivative instruments not designated or not qualifying as hedges under SFAS No. 133 and any ineffective portion of qualified hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments which qualify as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair value of the effective portions of cash flow hedges are reported in accumulated other comprehensive income (loss), and recognized in earnings when the hedged item is recognized in earnings.

(16) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

In accordance with SFAS No. 144, long-lived assets and certain identifiable intangibles to be held and used by Komatsu are reviewed for impairment based on a cash flow analysis of the asset or an asset group whenever events or changes in circumstances indicate that the carrying amount of an asset or an asset group may not be recoverable. The assets to be held for use are considered to be impaired when estimated undiscounted cash flows expected to result from the use of the assets and their eventual disposition is less than their carrying amounts. The impairment losses are measured as the amount by which the carrying amount of the asset or an asset group exceeds the fair value. Long-lived assets and identifiable intangibles to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

(17) Use of Estimates

Komatsu has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses presented in consolidated financial statements prepared in conformity with U.S. GAAP. Actual results could differ from the estimates and assumptions.

Komatsu has identified six areas where it believes assumptions and estimates are particularly critical to the financial statements. These are the determination of the allowance for doubtful receivables, impairment loss on long-lived assets and goodwill, pension liabilities and expenses, fair value of financial instruments, realization of deferred tax assets and securitization of trade notes and accounts receivable.

(18) New Accounting Standards

In December 2007, the FASB issued SFAS No.141 (revised 2007) ("SFAS No.141R"),"Business Combinations." SFAS No.141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired or gain from a bargain purchase. SFAS No.141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No.141R is effective for the fiscal periods beginning on or after December 15, 2008 and is required to be adopted by Komatsu in the fiscal year beginning April 1, 2009. Komatsu is currently evaluating the effect that the adoption of SFAS No. 141R will have on its consolidated results of operations and financial condition but expects it will not have a material impact.

In December 2007, the FASB issued SFAS No.160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No.51." SFAS No.160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No.160 also establishes disclosure requirements that clearly identify and distinguish between the controlling and noncontrolling interests and requires the separate disclosure of income attributable to controlling and noncontrolling interests. SFAS No.160 is effective for the fiscal periods beginning on or after December 15, 2008 and is required to be adopted by Komatsu in the fiscal year beginning April 1, 2009.

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts – an interpretation of FASB Statement No. 60." SFAS No, 163 prescribes accounting for insurers of financial obligations, bringing consistency to recognizing and recording premiums and to loss recognition. SFAS No. 163 also requires expanded disclosures about financial guarantee insurance contracts. Except for some disclosures, SFAS No.163 is effective for fiscal periods beginning after December 15, 2008 and is required to be adopted by Komatsu in the fiscal year beginning April 1, 2009. Komatsu is currently evaluating the effect that the adoption of SFAS No. 163 will have on its consolidated results of operations and financial condition but expects it will not have a material impact.

(19) Discontinued Operation

Throughout the notes to consolidated financial statements, the amounts of discontinued operations related to consolidated statements of income have been excluded from disclosures applicable to past years, unless indicated otherwise.

2. Supplemental Cash Flow Information

Additional cash flow information and noncash investing and financing activities for the years ended March 31, 2009, 2008 and 2007, are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Additional cash flow information:				
Interest paid	**¥ 14,403**	¥ 16,639	¥15,513	**$ 145,485**
Income taxes paid	**111,508**	110,674	75,058	**1,126,343**
Noncash investing and financing activities:				
Capital lease obligations incurred	**¥ 29,762**	¥ 28,159	¥23,584	**$ 300,626**

Financial Section

3. Acquisition and Divestiture

(1) Komatsu NTC Ltd.

On January 16, 2008, the Company decided to purchase additional shares of NIPPEI TOYAMA CORPORATION (it was renamed Komatsu NTC Ltd., hereinafter "NTC") through a tender offer at ¥1,250 per share with the purpose of making NTC a wholly owned subsidiary of the Company. The purchase price was determined by comprehensively taking into consideration the market price of NTC common stock, NTC's financial condition and future earnings prospects. As a result, the Company purchased 32,594,444 shares for ¥40,743 million in cash tendered in the period from January 22, 2008 through March 17, 2008. Prior to the acquisition, the Company held a 29.3% equity interest in NTC and accounted for the investment by the equity method. As a result of the additional investment, the Company's ownership increased to 93.7% and NTC became a consolidated subsidiary of the Company effective March 25, 2008.

NTC is a manufacturer of transfer machines and various kinds of grinding machines used for manufacturing automobile engines in the machine tools market as well as laser machines and wire-saws for semiconductor and solar cell industries in the industrial machinery market. The Company has concluded that the acquisition of NTC will promote business development on a global scale, collaboration in R&D, and joint development of new business domains that would lead to the reinforcement of its industrial machinery business.

Following is a summary of the assets acquired and liabilities assumed adjusted to reflect purchase price allocation as of the date of acquisition:

	Millions of yen
Current assets	¥ 59,831
Property, plant and equipment	22,861
Intangible assets	29,219
Goodwill	12,815
Other assets	5,123
Total assets acquired	129,849
Current liabilities	53,882
Long-term liabilities	17,291
Minority interest	2,479
Total liabilities assumed	73,652
Net assets acquired	56,197

Intangible assets of ¥29,219 million consist of intangible assets subject to amortization of ¥21,852 million and intangible assets not subject to amortization of ¥7,367 million. The intangible assets subject to amortization mainly include customer relationships of ¥14,000 million, technology assets of ¥4,475 million and software of ¥2,194 million. The amortization periods are 17, 17 and 5 years, respectively. The intangible assets not subject to amortization are trademarks of ¥7,367 million.

The goodwill of ¥12,815 million was assigned to the industrial machinery and others segment. The goodwill is not deductible for tax purpose.

The differences between net assets acquired of ¥56,197 million and purchase consideration including direct costs of ¥41,234 million represents the portion of the net assets previously held and accounted for under the equity method in period prior to the acquisition of a controlling interest.

The business results of NTC from the date of acquisition to March 31, 2008 are included as equity in earnings in the consolidated statements of income for the fiscal year ended March 31, 2008, and are consolidated for the fiscal year ended March 31, 2009.

The following table presents unaudited pro forma consolidated operating results for Komatsu as if the acquisition of NTC had occurred on April 1, 2007. The unaudited pro forma consolidated operating results are for information purposes only and are not intended to represent what Komatsu's consolidated results of operation would have been if the acquisition had actually occurred on those dates.

	Millions of yen
	2008
Sales	¥2,317,784
Net income	¥ 211,975

	Yen
	2008
Basic earnings per share	¥213.07
Diluted earnings per share	¥212.79

The Company and NTC entered into a share exchange agreement with the purpose of making NTC a wholly owned subsidiary of the Company in April, 2008. The Company's ownership of NTC became 100.0% at August 1, 2008, the effective date of the share exchange. The additional acquisition did not have material impact on purchase price allocation as of the date of acquisition or pro forma consolidated operating results for Komatsu as if the additional acquisition of NTC had occured on April 1, 2007. NIPPEI TOYAMA CORPORATION was renamed KOMATSU NTC Ltd. at October 1, 2008.

(2) BIGRENTAL Co., Ltd.

During February 2008 the company acquired 57.9% of the shares in BIGRENTAL Co., Ltd ("BR"). The acquisition cost of the shares was ¥8,564 million and was paid in cash.

BR is a construction equipment rental company with a business presence in Tohoku and northern Kanto regions of Japan. The Company acquired BR with the expectation to strengthen its rental business and to expand its rental and used equipment business on a global scale.

In addition, a synergy from integration was expected to arise from the effective use of resources, such as personnel, assets and offices.

Following is a summary of the assets acquired and liabilities assumed adjusted to reflect purchase price allocation as of the date of acquisition:

	Millions of yen
Current assets	¥ 9,423
Property, plant and equipment	39,260
Intangible assets	3,133
Goodwill	1,533
Other assets	922
Total assets acquired	54,271
Current liabilities	12,191
Long-term liabilities	31,807
Minority interest	1,709
Total liabilities assumed	45,707
Net assets acquired	8,564

Total intangible assets of ¥3,133 million consist primarily of customer relationships of ¥1,182 million, business model of ¥1,182 million and software of ¥667 million. The amortization periods are 7, 10 and 5 years, respectively.

The goodwill of ¥1,533 million was assigned to the construction, mining and utility equipment segment. The goodwill is not deductible for tax purposes.

The business results of BR are not included in the consolidated statements of income for the fiscal year ended March 31, 2008 and the business results of BR are included in the consolidated financial statements of income for the fiscal year ended March 31, 2009.

On an unaudited pro forma basis, net sales, net income and the per share information of Komatsu, with assumed acquisition dates for BR of April 1, 2007 would not differ materially from the amounts reported in the consolidated financial statements for the fiscal years ended March 31, 2008.

Komatsu Rental Japan Ltd. ("KR"), a consolidated subsidiary of the Company, and BR entered into a share exchange agreement with the purpose of making BR a wholly owned subsidiary of KR in February 2008. The Company's ownership in BR increased to 79.0% from 57.9% at April 1, 2008, the effective date of the share exchange. The additional acquisition did not have material impact on purchase price allocation as of the date of acquisition or pro forma consolidated operating results for Komatsu as if the additional acquisition of BR had occured on April 1, 2007.

4. Discontinued Operations

On October 18, 2006, the Company sold 51.0% of the shares of Komatsu Electronic Metals Co., Ltd. ("KEM", currently SUMCO TECHXIV CORPORATION) to SUMCO CORPORATION. Prior to this disposition, the Company held a 61.9% equity interest. Accordingly, KEM and its subsidiaries are no longer consolidated in Komatsu's results. On April 2, 2007, the outdoor power equipment (OPE) business of Komatsu Zenoah Co., which was, allocated to a reporting unit in the industrial machinery and others segment was sold to a Japanese subsidiary of Husqvarna AB of Sweden. Accordingly, the OPE business of Komatsu Zenoah Co. and its subsidiaries engaging in the OPE business are no longer consolidated in Komatsu's results. In accordance with SFAS No. 144, the gain on sale of KEM's shares and operating results less applicable income taxes, related to KEM and its subsidiaries as well as the gain on sale of the OPE business of Komatsu Zenoah Co. and operating results less applicable income taxes of the OPE business of Komatsu Zenoah Co. and its OPE business subsidiaries, are presented as one line, "income from discontinued operations less applicable income taxes" in the consolidated statements of income. The cash flows attributable to the discontinued operations are not presented separately from the cash flows attributable to activities of the continuing operations in the consolidated statements of cash flows.

Selected financial information in connection with the discontinued operations for the years ended March 31, 2008 and 2007 are as follows:

	Millions of yen	
	2008	2007
Net sales	¥ —	¥63,416
Income before income taxes, minority interests and equity in earnings of affiliated companies (including gain on sale of the OPE business of Komatsu Zenoah Co. of ¥8,331 million in 2008 and gain on sale of KEM's shares of ¥18,769 million in 2007)	8,331	29,544
Income taxes	3,364	14,566
Minority interests in income of consolidated subsidiaries	—	(3,613)
Equity in earnings of affiliated companies	—	9
Income from discontinued operations less applicable income taxes	¥4,967	¥11,374

5. Trade Notes and Accounts Receivable

Receivables at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Trade notes	**¥ 70,807**	¥101,724	**$ 715,222**
Accounts receivable	**318,424**	433,370	**3,216,404**
Total	**389,231**	535,094	**3,931,626**
Less: allowance	**(15,330)**	(11,470)	**(154,848)**
Trade receivables-current	**¥373,901**	¥523,624	**$3,776,778**
Long-term trade receivables	**¥102,969**	¥ 89,695	**$1,040,091**

Installment and lease receivables (less unearned interest) are included in trade notes and accounts receivable and long-term trade receivables.

The leases are accounted for as sales-type leases in conformity with SFAS No. 13. Equipment sales revenue from sales-type leases are recognized at the inception of the lease.

At March 31, 2009 and 2008, lease receivables comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Minimum lease payments receivable	**¥111,158**	¥24,492	**$1,122,808**
Unearned income	**(9,979)**	(2,569)	**(100,798)**
Net lease receivables	**¥101,179**	¥21,923	**$1,022,010**

The residual values of leased assets at March 31, 2009 and 2008 were not material.

Cash flows received from the sale of trade notes and accounts receivable for the years ended March 31, 2009, 2008 and 2007 were ¥243,495 million ($2,459,545 thousand), ¥343,457 million and ¥355,627 million.

Certain consolidated subsidiaries retain responsibility to service sold trade notes and accounts receivable that are sold pursuant to a securitization transaction, however contractual servicing fees are not received from the third parties separately. The investors and the trusts that hold the receivables have no or limited recourse rights to certain subsidiaries' assets in case of debtors' default. Appropriate reserves have been established for potential losses relating to the limited recourse of the sold receivables. Also certain subsidiaries, except for a certain U.S. subsidiary, as transferor do not retain any interest in the receivables sold.

The components of securitized trade receivables and other assets managed together at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Total amount of trade receivables that are managed and securitized	**¥ 595,968**	¥ 791,045	**$ 6,019,879**
Assets transferred	**(103,768)**	(166,256)	**(1,048,162)**
Total amount of trade receivable on balance sheet	**¥ 492,200**	¥ 624,789	**$ 4,971,717**

A certain U.S. subsidiary's retained interests, which are included in the recourse provisions, are subordinate to investor's interests. Their values are estimated based on the present value of future expected cash flows, using certain key assumptions such as a weighted average life, prepayment speed over the life and expected credit losses over the life. Key assumptions used in measuring the fair value of retained interests related to securitization transactions completed during the year ended March 31, 2009 and 2008 were as follows:

	2009	2008
Weighted-average life	**28 months**	29 months
Prepayment speed over the life	**0.6%**	0.5%
Expected credit losses over the life	**2.4%**	0.9%

The carrying amount of retained interest was ¥919 million ($9,283 thousand) asset and ¥3,015 million asset as of March 31, 2009 and 2008, respectively. The impacts of 10% and 20% changes to the key assumptions on the fair value of retained interest as of March 31, 2009 are immaterial.

6. Inventories

At March 31, 2009 and 2008, inventories comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished products, including finished parts held for sale	**¥328,643**	¥341,363	**$3,319,626**
Work in process	**128,345**	123,001	**1,296,414**
Materials and supplies	**50,369**	54,077	**508,778**
Total	**¥507,357**	¥518,441	**$5,124,818**

7. Investment Securities

Investment securities at March 31, 2009 and 2008, primarily consisted of securities available for sale. Komatsu does not have intentions to sell these securities within a year as of the balance sheet date.

The cost, gross unrealized holding gains and losses, and fair value for such investment securities by major security types at March 31, 2009 and 2008, are as follows:

	Millions of yen			
		Gross unrealized holding		
	Cost	Gains	Losses	Fair value
At March 31, 2009				
Investment securities:				
Marketable equity securities available for sale	**¥24,112**	**¥13,419**	**¥ 465**	**¥37,066**
Other investment securities at cost	**16,788**			
Other	**101**			
	¥41,001			
At March 31, 2008				
Investment securities:				
Marketable equity securities available for sale	¥27,648	¥40,557	¥1,477	¥66,728
Other investment securities at cost	12,751			
Other	103			
	¥40,502			

	Thousands of U.S. dollars			
		Gross unrealized holding		
	Cost	Gains	Losses	Fair value
At March 31, 2009				
Investment securities:				
Marketable equity securities available for sale	**$243,556**	**$135,545**	**$4,697**	**$374,404**
Other investment securities at cost	**169,576**			
Other	**1,020**			
	$414,152			

Other investment securities primarily include non-marketable equity securities. The fair value of other investment securities was not estimated as it was not praticable to estimate the fair value of investments and no significant events or changes that might have effected the fair value of those investments were observed.

Unrealized holding gains and losses are included as a component of accumulated other comprehensive income (loss) until realized.

Proceeds from the sales of investment securities available for sale were ¥703 million ($7,101 thousand), ¥601 million and ¥1,844 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Net realized gains or losses on impairment or sale of investment securities available for sale during the years ended March 31, 2009, 2008 and 2007, amounted to losses of ¥9,188 million ($92,808 thousand), losses of ¥289 million and gains of ¥344 million, respectively. Such gains and losses were included in "other income (expenses)" in the accompanying consolidated statements of income. The cost of the marketable securities and investment securities sold was computed based on the average-cost method.

In connection with the share exchange of SUMCO CORPORATION and SUMCO TECHXIV CORPORATION effective May 30, 2008, the Company exchanged shares of SUMCO TECHXIV CORPORATION for those of SUMCO CORPORATION. In accordance with the Emerging Issues Task Force ("EITF") Issue No. 91-5 "Nonmonetary Exchange of Cost-Method Investments", a non-cash gain of ¥6,148 million ($62,101 thousand) was recorded in "Other income (expenses)" in the accompanying consolidated statement of income for the year ended March 31, 2009. The Company recorded impairment losses of ¥5,645 million ($57,020 thousand) on its investment in SUMCO CORPORATION in connection with the decline of its fair value as "Other income (expenses)" in the accompanying consolidated statements of income for the year ended March 31, 2009.

8. Investments in and Advances to Affiliated Companies

At March 31, 2009 and 2008, investments in and advances to affiliated companies comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Investments in capital stock	**¥16,348**	¥19,293	**$165,131**
Advances	**2,901**	3,591	**29,303**
Total	**¥19,249**	¥22,884	**$194,434**

The investments in and advances to affiliated companies relate to 20% to 50% owned companies whereby Komatsu has the ability to exercise significant influence over the operational and financial policies.

Dividends received from affiliated companies were ¥869 million ($8,778 thousand), ¥286 million and ¥679 million during the years ended March 31, 2009, 2008 and 2007, respectively.

Trade notes and accounts receivable from affiliated companies at March 31, 2009 and 2008, were ¥14,954 million ($151,051 thousand) and ¥29,284 million, respectively.

Short-term loans receivable from affiliated companies at March 31, 2009 and 2008, were ¥2,994 million ($30,242 thousand) and ¥4,314 million, respectively.

Trade notes and accounts payable to affiliated companies at March 31, 2009 and 2008, were ¥5,242 million ($52,949 thousand) and ¥12,356 million, respectively.

Net sales for the years ended March 31, 2009, 2008 and 2007, included net sales to affiliated companies in the amounts of ¥41,821 million ($422,434 thousand), ¥61,128 million and ¥54,731 million, respectively.

Intercompany profits (losses) have been eliminated in the consolidated financial statements.

As of March 31, 2009 and 2008, consolidated unappropriated retained earnings included Komatsu's share of undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥9,743 million ($98,414 thousand) and ¥10,646 million, respectively.

The difference between the carrying value of the investments in affiliated companies and Komatsu's equity in the underlying net assets of such affiliated companies is insignificant as of March 31, 2009.

Investments in affiliated companies include certain equity securities which have been quoted on an established market. The carrying amount of such equity securities at March 31, 2009 and 2008 were ¥401 million and ¥318 million, respectively. The quoted market value of the equity securities at March 31, 2009 and 2008 were ¥469 million and ¥513 million, respectively.

Summarized financial information for affiliated companies at March 31, 2009 and 2008, and for the years ended March 31, 2009, 2008 and 2007, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current assets	**¥142,366**	¥187,691	**$1,438,041**
Net property, plant and equipment—less accumulated depreciation	**40,403**	39,338	**408,111**
Investments and other assets	**21,991**	17,439	**222,131**
Total assets	**¥204,760**	¥244,468	**$2,068,283**
Current liabilities	**¥104,734**	¥156,493	**$1,057,919**
Noncurrent liabilities	**48,161**	28,712	**486,475**
Shareholders' equity	**51,865**	59,263	**523,889**
Total liabilities and shareholders' equity	**¥204,760**	¥244,468	**$2,068,283**

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net sales	**¥205,798**	¥333,505	¥197,434	**$2,078,768**
Net income	**¥ 1,300**	¥ 16,731	¥ 6,486	**$ 13,131**

9. Property, Plant and Equipment

The major classes of property, plant and equipment at March 31, 2009 and 2008, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Land	**¥ 93,864**	¥ 94,724	**$ 948,121**
Buildings	**315,518**	309,945	**3,187,050**
Machinery and equipment	**682,241**	655,035	**6,891,323**
Construction in progress	**23,468**	10,645	**237,051**
Total	**1,115,091**	1,070,349	**11,263,545**
Less: accumulated depreciation	**(589,629)**	(579,203)	**(5,955,848)**
Net property, plant and equipment	**¥ 525,462**	¥ 491,146	**$ 5,307,697**

During March 2009, Komatsu decided to shut down Mooka plant in the construction, mining and utility equipment segment and Komatsu plant in the industrial machinery and others segment and transfer their production capacity to other plants. In this regard, Komatsu has determined certain long-lived assets that are no longer used and will be sold or disposed of otherwise. As of March 31, 2009, Komatsu has not committed to sell these assets. Impairment losses were recorded ¥4,728 million ($47,758 thousand) for Mooka plant, ¥1,808 million ($18,263 thousand) for Komatsu plant for the year ended March 31, 2009.

10. Pledged Assets

At March 31, 2009, assets pledged as collateral for long-term debt and guarantees for debt are as follows:

	Millions of yen	Thousands of U.S. dollars
Other current assets	¥1,875	$18,939
Property, plant and equipment—less accumulated depreciation	4,809	48,576
Total	¥6,684	$67,515

The above assets were pledged against the following liabilities:

	Millions of yen	Thousands of U.S. dollars
Appearing in the consolidated balance sheets as:		
Long-term debt	¥4,809	$48,576
Guarantees for debt	1,875	18,939
Total	¥6,684	$67,515

11. Goodwill and Other Intangible Assets

The information for intangible assets other than goodwill at March 31, 2009 and 2008 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			**2009**		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:									
Software	**¥23,386**	**¥ (3,031)**	**¥20,355**	¥25,081	¥ (9,777)	¥15,304	**$236,222**	**$ (30,616)**	**$205,606**
Other	**36,262**	**(9,179)**	**27,083**	39,788	(6,039)	33,749	**366,283**	**(92,717)**	**273,566**
Total	**59,648**	**(12,210)**	**47,438**	64,869	(15,816)	49,053	**602,505**	**(123,333)**	**479,172**
Other intangible assets not subject to amortization			**12,908**			12,863			**130,384**
Total other intangible assets			**¥60,346**			¥61,916			**$609,556**

At March 31, 2009, the amounts of other in other intangible assets subject to amortization mainly consist of intangible assets resulted from the acquisition of additional shares of NTC.

For the fiscal year ended March 31, 2009, Komatsu recognized an impairment loss of ¥2,831 million ($28,596 thousand) related to an asset group engaged in the rental business in Japan within the construction, mining and utility equipment segment due to significant deterioration in the rental business. The entire impairment loss was allocated to certain definite lived intangible assets within the asset group. The fair value used to measure the impairment of the asset group was based on discounted cash flows using Komatsu's weighted average cost of capital.

The aggregate amortization expense of other intangible assets subject to amortization for the year ended March 31, 2009, 2008 and 2007 were ¥12,611 million ($127,384 thousand), ¥5,487 million and ¥5,656 million, respectively. (In accordance with SFAS No. 144, the amortization expense in connection with the discontinued operations is not included in the aggregate amortization expense for the years ended March 31, 2008 and 2007.) The future estimated amortization expenses for each of five years relating to amounts currently recorded in the consolidated balance sheet are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥8,287	$83,707
2011	7,565	76,414
2012	6,455	65,202
2013	5,218	52,707
2014	3,135	31,667

The changes in carrying amounts of goodwill for the year ended March 31, 2009 and 2008 were as follow:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Balance at beginning of the year	**¥31,833**	¥20,594	**$321,545**
Goodwill acquired during the year	**1,216**	14,588	**12,283**
Impairment loss	**(2,003)**	(2,870)	**(20,232)**
Recognition of deferred income taxes	**—**	(719)	**—**
Foreign exchange impact	**(2,318)**	240	**(23,414)**
Other	**(67)**	—	**(677)**
Balance at end of the year	**¥28,661**	¥31,833	**$289,505**

At March 31, 2009, the amounts of goodwill allocated to the construction, mining and utility equipment segment and the industrial machinery and others segment were ¥15,258 million ($154,121 thousand) and ¥13,403 million ($135,384 thousand), respectively.

For the fiscal year ended March 31, 2008, Komatsu recognized ¥482 million of deferred income taxes relating to preexisting net operating tax losses and temporary differences deductible in the future. In connection therewith, Komatsu reduced the related goodwill by the same amount.

For the fiscal year ended March 31, 2009, Komatsu recognized an impairment loss of ¥2,003 million ($20,232 thousand), on goodwill allocated to Japanese rental business reporting unit in the construction, mining and utility equipment segment, due to unfavorable business circumstance of the business. For the fiscal year ended March 31, 2008, Komatsu recognized an impairment loss of ¥2,870, on goodwill allocated to a North America's reporting unit of forestry equipment business in the construction, mining and utility equipment segment, due to unfavorable business circumstance where the reporting unit was located. These impairment losses were recognized based on the difference by which the net book value of the goodwill of the reporting unit to which the goodwill was assigned exceeded the fair value of the goodwill of the same reporting unit as determined based on estimated future discounted cash flows.

Goodwill acquired during the fiscal year ended March 31, 2009 principally resulted from the acquisition of additional shares of NTC and acquisition of additional shares of BR. Goodwill acquired during the fiscal year ended March 31, 2008 principally resulted from the acquisition of additional shares of NTC and acquisition of shares of BR. These were allocated to the industrial machinery and others segment and the construction, mining and utility equipment segment.

12 Short-Term and Long-Term Debt

Short-term debt at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Banks, insurance companies and other financial institutions	**¥125,087**	¥ 96,890	**$1,263,505**
Commercial paper	**95,000**	12,000	**959,596**
Short-term debt	**¥220,087**	¥108,890	**$2,223,101**

The weighted-average annual interest rates applicable to short-term debt outstanding at March 31, 2009 and 2008, were 3.2% and 4.3%, respectively. Certain consolidated subsidiaries have entered into contracts for committed credit lines totaling ¥14,956 million ($151,071 thousand) and have unused committed lines of credit amounting to ¥861 million ($8,697 thousand) with certain financial institutions at March 31, 2009, which are available for full and immediate borrowings. The Company is party to a committed ¥120,000 million ($1,212,121 thousand) commercial paper program, ¥25,000 million ($252,525 thousand) of which was unused at March 31, 2009, and is available upon the satisfaction of certain customary procedural requirements. Long-term debt at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Long-term debt with collateral (Note 10):			
Banks, insurance companies and other financial institutions, maturing serially through 2009–2013, weighted-average rate 2.4%	**¥ 1,400**	¥ 1,777	**$ 14,141**
Long-term debt without collateral:			
Banks, insurance companies and other financial institutions, maturing serially through 2009–2025, weighted-average rate 2.5%	**162,261**	142,006	**1,639,000**
Euro Medium-Term Notes maturing serially through 2009–2013, weighted-average rate 1.8%	**63,332**	75,644	**639,717**
1.45% Unsecured Bonds due 2009	**10,000**	10,000	**101,010**
0.80% Unsecured Bonds due 2010	**—**	200	**—**
0.85% Unsecured Bonds due 2010	**—**	200	**—**
0.62% Unsecured Bonds due 2010	**—**	250	**—**
0.98% Unsecured Bonds due 2010	**200**	—	**2,020**
0.91% Unsecured Bonds due 2012	**—**	165	**—**
1.66% Unsecured Bonds due 2012	**20,000**	20,000	**202,020**
1.53% Unsecured Bonds due 2013	**30,000**	—	**303,030**
Capital lease obligations (Note 17)	**86,399**	81,876	**872,718**
Other	**6,176**	11,087	**62,384**
Total	**379,768**	343,205	**3,836,040**
Less: current maturities	**(87,662)**	(107,928)	**(885,474)**
Long-term debt	**¥292,106**	¥ 235,277	**$2,950,566**

In 1996, the Company, Komatsu Finance America Inc. and Komatsu Finance (Netherlands) B.V. registered the US$1.0 billion Euro Medium-Term Note Program ("the Program") on the London Stock Exchange. On April 1, 1999, the registered amount of the Program was increased to US$1,200 million. On October 14, 2003, Komatsu Europe Coordination Center N.V. and on September 25, 2008, Komatsu Capital Europe S.V. were added as an issuer under the Program, respectively. At March 31, 2009, the issuers under the Program were the Company, Komatsu Finance America Inc. and Komatsu Capital Europe S.A. Under the Program, each of the issuers may from time to time issue notes denominated in any currency as may be agreed between the relevant issuers and dealers. The issuers under the Program issued ¥10,000 million ($101,010 thousand) during fiscal year ended March 31,2009, and ¥23,500 million during fiscal year ended March 31,2008 of Euro Medium-Term Notes with various interest rates and maturity dates.

The Company has established a program to issue up to ¥100,000 million ($1,010,101 thousand) of variable term bonds.

As is customary in Japan, substantially all bank loans are made under agreements which provide that the banks may require, under certain conditions, the borrower to provide collateral, additional collateral or guarantors for its loans.

Lending banks have a right to offset cash deposited with them against any debt or obligation that becomes due and, in the case of default and certain other specified events, against all other debt payable to the banks.

Under certain loan agreements, the lender may require the borrower to submit proposals for the payment of dividends and other appropriations of earnings for the lender's review and approval before presentation to the shareholders. Komatsu has never received such a request.

Annual maturities of long-term debt subsequent to March 31, 2009, excluding market value adjustments for balances subject to qualifying fair value hedges of ¥7,314 million ($73,879 thousand) are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 85,035	$ 858,939
2011	89,426	903,293
2012	97,721	987,081
2013	45,120	455,758
2014	52,486	530,162
2015 and thereafter	2,666	26,929
Total	¥372,454	$3,762,162

13. Liability for Pension and Other Retirement Benefits

The Company's employees, with certain minor exceptions, are covered by a severance payment and defined benefit cash balance pension plan. The plan provides that approximately 60% of the employee benefits are payable as a pension payment, commencing upon retirement at age 60 (mandatory retirement age) and that the remaining benefits are payable as a lump-sum severance payment based on remuneration, years of service and certain other factors at the time of retirement. The plan also provides for lump-sum severance payments, payable upon earlier termination of employment.

Under the cash balance pension plan, each employee has an account which is credited yearly based on the current rate of pay and market-related interest rate.

Certain subsidiaries have various funded pension plans and/or unfunded severance payment plans for their employees, which are based on years of service and certain other factors. The Company and certain subsidiaries' funding policy is to contribute the amounts to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets of the defined benefit plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Change in benefit obligation:			
Benefit obligation, beginning of year	**¥143,214**	¥146,759	**$1,446,606**
Service cost	**8,460**	6,390	**85,455**
Interest cost	**3,885**	3,776	**39,242**
Actuarial loss (gain)	**462**	918	**4,667**
Plan participants' contributions	**98**	—	**990**
Acquisition	**348**	4,179	**3,515**
Divestiture	**—**	(1,974)	**—**
Curtailment	**330**	—	**3,333**
Benefits paid	**(13,234)**	(12,897)	**(133,677)**
Foreign currency exchange rate change	**(3,994)**	(3,937)	**(40,343)**
Benefit obligation, end of year	**¥139,569**	¥143,214	**$1,409,788**
Change in plan assets:			
Fair value of plan assets, beginning of year	**¥107,183**	¥120,193	**$1,082,657**
Actual return on plan assets	**(12,044)**	(7,940)	**(121,657)**
Employer contributions	**4,549**	3,403	**45,949**
Plan participants' contributions	**98**	—	**990**
Acquisition	**66**	4,227	**667**
Divestiture	**—**	(1,228)	**—**
Benefits paid	**(8,496)**	(7,755)	**(85,818)**
Foreign currency exchange rate change	**(3,104)**	(3,717)	**(31,354)**
Fair value of plan assets, end of year	**¥ 88,252**	¥107,183	**$ 891,434**
Funded status, end of year	**¥ (51,317)**	¥ (36,031)	**$ (518,354)**
Prepaid benefit cost	**¥ 184**	¥ 736	**$ 1,859**
Other current liability	**(623)**	(248)	**(6,293)**
Accrued benefit liability	**(50,878)**	(36,519)	**(513,920)**
	¥ (51,317)	¥ (36,031)	**$ (518,354)**
Amounts recognized in accumulated other comprehensive income (loss):			
Actuarial loss	**¥ 41,258**	¥ 27,419	**$ 416,748**
Prior service cost	**1,341**	1,947	**13,545**
	¥ 42,599	¥ 29,366	**$ 430,293**

The accumulated benefit obligations for all defined benefit plans were ¥131,620 million ($1,329,495 thousand) and ¥136,624 million, respectively, at March 31, 2009 and 2008.

Information for pension plans with accumulated benefit obligations in excess of plan assets and pension plans with projected benefit obligations in excess of plan assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**¥127,171**	¥120,875	**$1,284,556**
Plan assets	**82,868**	88,011	**837,051**
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥139,506**	¥133,541	**$1,409,152**
Plan assets	**88,182**	96,883	**890,727**

Components of net periodic pension cost

Net periodic cost of the companies' defined benefit plans for the years ended March 31, 2009, 2008 and 2007, consisted of the following components:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Service cost–Benefits earned during the year	**¥ 8,460**	¥ 6,390	¥ 7,081	**$ 85,455**
Interest cost on projected benefit obligation	**3,885**	3,776	3,770	**39,242**
Expected return on plan assets	**(3,029)**	(3,210)	(3,339)	**(30,596)**
Amortization of actuarial loss	**1,622**	570	373	**16,384**
Amortization of prior service cost	**535**	825	814	**5,404**
Curtailment loss	**475**	—	—	**4,798**
Net periodic cost	**¥11,948**	¥ 8,351	¥ 8,699	**$120,687**

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current year actuarial loss	**¥15,870**	¥11,927	**$160,304**
Amortization of actuarial loss	**(2,031)**	(570)	**(20,515)**
Current year prior service cost	**(5)**	141	**(51)**
Amortization of prior service cost	**(601)**	(825)	**(6,071)**
	¥13,233	¥10,673	**$133,667**

The estimated actuarial loss and prior service cost for the defined benefit plans that will be amortized from accumulated other comprehensive income into net periodic cost over the next fiscal year are summarized as follows.

	Millions of yen	Thousands of U.S. dollars
Actuarial loss	¥2,655	$26,818
Prior service cost	171	1,727

Information with respect to the defined benefit plans is as follows:

Assumptions

Weighted-average assumptions used to determine benefit obligations at March 31:

	Domestic plans		Foreign plans	
	2009	2008	**2009**	2008
Discount rate	**2.0%**	2.0%	**6.9%**	6.7%
Assumed rate of increase in future compensation levels (Point-based benefit system)	**3.9%**	3.9%	**—**	—
Assumed rate of increase in future compensation levels	**2.4%**	2.0%	**4.1%**	4.4%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended March 31:

	Domestic plans			Foreign plans		
	2009	2008	2007	**2009**	2008	2007
Discount rate	**2.0%**	1.9%	2.0%	**6.7%**	5.6%	5.3%
Assumed rate of increase in future compensation levels (Point-based benefit system)	**3.9%**	3.7%	3.7%	**—**	—	—
Assumed rate of increase in future compensation levels	**2.0%**	2.3%	2.4%	**4.4%**	4.1%	4.3%
Expected long-term rate of return on plan assets	**1.9%**	1.9%	2.0%	**7.5%**	7.6%	7.6%

The Company and a certain domestic subsidiary have defined benefit cash balance pension plans. These companies adopt the assumed rate of increase in future compensation levels under the point-based benefit system.

The Company and certain subsidiaries determine the expected long-term rate of return on plan assets based on the consideration of the current expectations for future returns and actual historical returns of each plan asset category.

Plan assets

The benefit plan weighted-average asset allocations at March 31, 2009 and 2008 are as follows:

	2009	2008
Equity securities	**25.2%**	31.3%
Debt securities	**43.8%**	47.9%
Life insurance company general accounts	**29.7%**	19.6%
Others	**1.3%**	1.2%
Total	**100.0%**	100.0%

In order to secure long-term comprehensive earnings, the Company and certain subsidiaries' investment policies are designed to ensure adequate plan assets to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company and certain subsidiaries formulate a basic portfolio comprised of the judged optimum combination of equity and debt securities. Plan assets are principally invested in equity securities, debt securities and life insurance company general accounts in accordance with the guidelines of the basic portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. The Company and certain subsidiaries evaluate the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the basic portfolio. The Company and certain subsidiaries revise the basic portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

The "Pension and Retirement Benefit Committee" is organized in the Company in order to periodically monitor the employment of such plan assets.

Equity securities include common stock of the Company in the amount of ¥21 million (0.03% of the Company's total plan assets) and ¥48 million (0.07% of the Company's total plan assets) at March 31, 2009 and 2008, respectively.

Cash flows

(1) Contributions

The Company and certain subsidiaries expect to contribute ¥4,660 million ($47,071 thousand) to their benefit plans in the year ending March 31, 2010.

(2) Estimated future benefit payments

The benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter which reflect estimated future employee service are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥14,678	$148,263
2011	12,673	128,010
2012	13,553	136,899
2013	11,369	114,838
2014	7,261	73,343
Through 2015-2019	¥41,257	$416,737

Other postretirement benefit plan

Some U.S. subsidiaries provide certain postretirement health care and life insurance benefits for substantially all of their employees. The plans are contributory, with contributions indexed to salary levels. Employee contributions are adjusted to provide for any costs of the plans in excess of those paid for by the subsidiaries. The policy is to fund the cost of these benefits as claims and premiums are paid. In the fiscal year ended March 31, 2008 certain U.S. subsidiaries established a Voluntary Employees' Beneficiary Association ("VEBA") trust to hold assets and pay substantially all of these subsidiaries' self-funded post employment benefit plan obligations. The VEBA trust arrangement provides for segregation and legal restriction of the plan assets to satisfy plan obligations, and tax deductibility for contributions to the trust, subject to certain tax code limitations.

The reconciliation of beginning and ending balances of the accumulated postretirement benefit obligations and the fair value of the plan assets of the U.S. subsidiaries' plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Change in accumulated postretirement benefit obligation:			
Accumulated postretirement benefit obligation, beginning of year	**¥ 9,555**	¥11,614	**$ 96,515**
Service cost	**311**	340	**3,142**
Interest cost	**575**	597	**5,808**
Actuarial loss (gain)	**150**	(636)	**1,515**
Plan amendment	**(393)**	—	**(3,970)**
Medicare Part D	**74**	81	**748**
Benefits paid	**(839)**	(829)	**(8,475)**
Foreign currency exchange rate change	**(364)**	(1,612)	**(3,677)**
Accumulated postretirement benefit obligation, end of year	**¥ 9,069**	¥ 9,555	**$ 91,606**
Change in plan assets:			
Fair value of plan assets, beginning of year	**¥ 7,521**	¥ —	**$ 75,970**
Actual return on plan assets	**(821)**	(213)	**(8,293)**
Employer contributions	**837**	9,584	**8,455**
Benefits paid	**(839)**	(829)	**(8,475)**
Foreign currency exchange rate change	**(119)**	(1,021)	**(1,202)**
Fair value of plan assets, end of year	**¥ 6,579**	¥ 7,521	**$ 66,455**
Funded status, end of year	**¥(2,490)**	¥ (2,034)	**$(25,151)**
Prepaid benefit cost	**¥ 677**	¥ 1,105	**$ 6,838**
Other current liabilities	**(37)**	(33)	**(374)**
Accrued benefit liability	**(3,130)**	(3,106)	**(31,615)**
	¥(2,490)	¥ (2,034)	**$(25,151)**
Amounts recognized in accumulated other comprehensive income (loss):			
Actuarial loss	**¥ 3,945**	¥ 2,775	**$ 39,849**
Prior service cost	**686**	1,207	**6,929**
	¥ 4,631	¥ 3,982	**$ 46,778**

Accumulated postretirement benefit obligations exceed plan assets for each of the U.S. subsidiaries' plans.

Components of net periodic postretirement benefit cost

Net periodic postretirement benefit cost of the U.S. subsidiaries' plans for the years ended March 31, 2009, 2008 and 2007, included the following components:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Service cost	**¥ 311**	¥ 340	¥ 329	**$ 3,141**
Interest cost	**575**	597	608	**5,808**
Expected return on plan assets	**(400)**	(232)	—	**(4,040)**
Amortization of actuarial loss	**201**	160	247	**2,030**
Amortization of prior service cost	**128**	144	172	**1,293**
Net periodic postretirement benefit cost	**¥ 815**	¥1,009	¥1,356	**$ 8,232**

Other changes in plan assets and accumulated postretirement benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current year actuarial (gain) loss	**¥1,371**	¥(155)	**$13,849**
Amortization of actuarial loss	**(201)**	(160)	**(2,030)**
Current year prior service cost	**(393)**	(36)	**(3,970)**
Amortization of prior service cost	**(128)**	(144)	**(1,293)**
	¥ 649	¥(495)	**$ 6,556**

The estimated actuarial loss and prior service cost for the postretirement benefit plans that will be amortized from accumulated other comprehensive income into net periodic postretirement benefit cost over the next fiscal year are summarized as follows.

	Millions of yen	Thousands of U.S. dollars
Actuarial loss	¥305	$3,081
Prior service cost	77	778

Information with respect to the plans is as follows:

Assumptions

Weighted-average assumptions used to determine accumulated postretirement benefit obligations at March 31:

	2009	2008
Discount rate	**6.4%**	5.9%
Assumed rate of increase in future compensation levels	**4.0%**	4.0%
Current healthcare cost trend rate	**7.8%**	8.0%
Ultimate healthcare cost trend rate	**4.8%**	5.0%
Number of years to ultimate healthcare cost trend rate	**7**	7

Weighted average assumptions used to determine net periodic postretirement benefit cost for the years ended March 31:

	2009	2008	2007
Discount rate	**5.9%**	5.5%	5.3%
Assumed rate of increase in future compensation levels	**4.0%**	4.0%	4.0%
Expected long-term rate of return on plan assets	**5.5%**	5.5%	—
Current healthcare cost trend rate	**7.7%**	9.0%	10.0%
Ultimate healthcare cost trend rate	**4.8%**	5.0%	5.0%
Number of years to ultimate healthcare cost trend rate	**6**	5	5

At March 31, 2009 and 2008, the impact of a one percentage point change in the assumed health care cost trend rates was not material to Komatsu's consolidated financial position or results of operations.

Plan assets

The postretirement benefit plan weighted-average asset allocations at March 31, 2009 and 2008 were follows:

	VEBA–Non Union		VEBA–Union	
	2009	2008	**2009**	2008
Equity securities	**33.0%**	32.1%	**32.0%**	32.0%
Debt securities	**63.0%**	38.9%	**62.0%**	58.2%
Others	**4.0%**	29.0%	**6.0%**	9.8%
Total	**100.0%**	100.0%	**100.0%**	100.0%

The U.S. subsidiaries' investment strategies are to provide returns that will maximize principal growth while accepting only moderate risk. The portfolio will be invested in a manner that emphasizes safety of capital while achieving total returns consistent with prudent levels of risk.

Cash flows

(1) Contributions

The U.S. subsidiaries expect to contribute ¥34 million ($343 thousand) to their post retirement benefit plans in the year ending March 31, 2010.

(2) Estimated future benefit payments

The benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter which reflect estimated future employee service are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 792	$ 8,000
2011	818	8,263
2012	839	8,475
2013	852	8,606
2014	882	8,909
Through 2015-2019	¥4,763	$48,111

Financial Section

In addition to the aforementioned plans, certain other subsidiaries provide retirement benefits to certain employees. At March 31, 2009, 2008 and 2007, these subsidiaries have fully provided for the benefits. Such amounts are not material to Komatsu's consolidated financial position or results of operations for any of the periods presented. Directors of the Company and domestic subsidiaries are primarily covered by unfunded retirement allowance plans. At March 31, 2009, 2008 and 2007, the amounts required if all directors covered by the plans had terminated their service have been fully accrued. Such amounts are not material to Komatsu's consolidated financial position or results of operations for any of the periods presented.

Certain subsidiaries maintain various defined contribution plans covering certain employees. The amount of cost recognized for all periods presented is not material to Komatsu's consolidated financial position or results of operations.

14. Shareholders' Equity

(1) Common Stock and Capital Surplus

The Commercial Code of Japan ("the Code") permitted, upon approval of the Board of Directors, transfer of amounts from capital surplus to common stock. Prior to October 2001, the Company from time to time made free share distributions that were accounted for by a transfer from capital surplus to common stock of the aggregate par value of shares issued. Effective on October 2001, the Code requires no accounting recognition for such free share distribution. Publicly owned corporations in the United States issuing shares in similar transactions would be required to account for them as stock dividends as of the shareholders' record date by reducing retained earnings and increasing appropriate capital accounts by an amount equal to the fair value of the shares issued.

If such United States practice had been applied to the cumulative free distributions made by the Company, capital surplus at March 31, 2009, would have been increased by ¥103,189 million ($1,042,313 thousand) with a corresponding decrease in unappropriated retained earnings. At March 31, 2009 and 2008, affiliated companies owned 1,127,100 and 850,100 shares which represent 0.12% and 0.09% of the Company's common stock outstanding, respectively.

The Corporate Act, which has been in force since May 1, 2006 (the Act), requires a company to obtain the approval of shareholders for transferring an amount between common stock and capital surplus. Common stock and capital surplus also are available for being transferred to other capital surplus or being used to reduce a deficit mainly upon an approval of shareholders.

(2) Retained Earnings Appropriated for Legal Reserve

The Act provides that an amount equal to 10% of retained earnings distributed each fiscal period shall be appropriated as a capital surplus or a legal reserve until the total amount of capital surplus and legal reserve becomes equal to 25% of the amount of common stock.

Legal reserve is available for being transferred to other retained earnings or being used to reduce a deficit mainly upon an approval of shareholders.

(3) Retained Earnings and Dividends

The amount of retained earnings available for dividends under the Act is based on the amount recorded in the Company's general books of account maintained in accordance with accounting principles generally accepted in Japan. In addition to the Act provision requiring an appropriation for capital surplus or legal reserve as discussed above, the Act imposes certain limitations on the amount of retained earnings available for dividends. Accordingly, total shareholders' equity of ¥295,514 million ($2,984,990 thousand), included in the Company's general books of account as of March 31, 2009 is available for dividends under the Act.

The Board of Directors recommended to and approved by the shareholders, at the general meeting held on June 24, 2009, payment of a cash dividend totaling ¥17,431 million ($176,071 thousand) to shareholders of record on March 31, 2009. In accordance with the Act, the approved dividend has not been reflected in the consolidated financial statements as of March 31, 2009. Dividends are reported in the consolidated statements of shareholders' equity when approved and paid.

The Act provides that a company can make dividends of earnings anytime with resolution of the shareholders. It also provides that a company can declare an interim dividend once a fiscal year according to its charter of corporation.

(4) Treasury Stock

The Company repurchased 28,382,963 shares of its common stock mainly from market place for ¥33,090 million ($334,242thousand) and sold 1,101,408 shares of its treasury stock mainly for a share exchange with Komatsu NTC and stock option plan for ¥954 million ($9,636thousand).

(5) Stock Option Plan

The Company intends to transfer treasury shares to directors and certain employees and certain directors of subsidiaries and affiliated companies under an agreement granting the right for them to request such transfers at a predetermined price. The purchase price is the amount calculated by taking the average of the closing prices applicable to ordinary transactions of shares of the Company on the Tokyo Stock Exchange on all days for a month immediately preceding the month in which the date of grant of the right falls and multiplying by 1.05, provided that the exercise price shall not be less than the closing price of the shares of the Company on the Tokyo Stock Exchange on the date of the grant. Based on the resolutions of the shareholders' meeting on June 24, 2008, June 22, 2007 and June 23, 2006 and the Board of Directors on July 15, 2008, July 10, 2007 and July 11, 2006, the Company issued 463 rights, 562 rights and 833 rights of its share acquisition rights during the years ended March 31, 2009, 2008 and 2007, respectively (The number of shares subject to be issued to one stock acquisition right shall be 1,000 shares.). The options vest 100% on each of the grant dates and are exercisable from September 1, 2009, September 1, 2008, September 3, 2008, and August 1, 2007, respectively.

For periods prior to April 1, 2006, Komatsu accounted for stock options using the intrinsic value method prescribed by APB opinion No. 25. Effective April 1, 2006, Komatsu adopted SFAS No. 123R for the year ended March 31, 2007 using the modified prospective method.

In accordance with SFAS No. 123R, Komatsu recognizes compensation expense using the fair value method. Compensation expenses during the years ended March 31, 2009, 2008 and 2007 were ¥376 million ($3,798 thousand), ¥711 million and ¥663 million, respectively, and were recoded in selling, general and administrative expenses. Compensation expenses after tax during the years ended March 31, 2009, 2008 and 2007 were ¥224 million ($2,263 thousand), ¥423 million and ¥394 million, respectively.

The following table summarizes information about stock option activity for the years ended March 31, 2009, 2008 and 2007:

	2009			2008		2007	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		Yen	U.S. dollars		Yen		Yen
Outstanding at beginning of year	**2,844,000**	**¥1,784**	**$18.02**	3,648,000	¥1,182	3,665,000	¥ 848
Granted	**463,000**	**2,499**	**25.24**	562,000	3,661	833,000	2,325
Exercised	**(416,000)**	**926**	**9.35**	(1,366,000)	947	(845,000)	855
Cancelled or Expired	**—**	**—**	**—**	—	—	(5,000)	2,325
Outstanding at end of year	**2,891,000**	**2,022**	**20.42**	2,844,000	1,784	3,648,000	1,182
Exercisable at end of year	**2,428,000**	**1,931**	**19.51**	2,282,000	1,322	2,820,000	846

The intrinsic values of options exercised were ¥722 million ($7,293 thousand), ¥3,023 million and ¥1,180 million for the years ended March 31, 2009, 2008 and 2007.

The information for options outstanding and options exercisable at March 31, 2009 are as follows.

	Outstanding						Options Exercisable					
	Number of shares	Weighted average exercise price		Intrinsic value		Weighted average remaining contractual life	Number of shares	Weighted average exercise price		Intrinsic value		Weighted average remaining contractual life
Exercise Prices		Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars	years		Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars	years
¥ 445 - 650	200,000	¥ 595	$ 6.01	¥ 95	$ 960	0.3	200,000	¥ 595	$ 6.01	¥ 95	$ 960	0.3
¥ 651 - 900	330,000	673	6.80	131	1,323	3.3	330,000	673	6.80	131	1,323	3.3
¥ 901 - 1,350	680,000	1,126	11.37	—	—	4.3	680,000	1,126	11.37	—	—	4.3
¥1,351 - 2,325	656,000	2,325	23.48	—	—	5.3	656,000	2,325	23.48	—	—	5.3
¥2,326 - 3,700	1,025,000	3,136	31.68	—	—	6.9	562,000	3,661	36.98	—	—	6.4
¥ 445 - 3,700	2,891,000	2,022	20.42	226	2,283	5.1	2,428,000	1,931	19.51	226	2,283	4.6

The fair value of each share option award is estimated on the date of grant using a discrete-time model (a binomial model) based on the assumptions noted in the following table. Because a discrete-time model incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on implied volatilities from historical volatility of the Company's shares.

The Company uses historical data to estimate share option exercise and employee departure behavior used in the discrete-time model. The expected term of share options granted represents the period of time that share options granted are expected to be outstanding. The risk-free rate for periods within the contractual term of the share option is based on the Japanese government bond yield curve in effect at the time of grant.

	2009	2008	2007
Grant-date fair value	**¥813 ($8.21)**	¥1,266	¥801
Expected term	**7 years**	7 years	6 years
Risk-free rate	**0.60%–1.48%***	0.76%–1.66%*	0.52%–2.00%*
Expected volatility	**39.00%**	38.00%	39.00%
Expected dividend yield	**1.32%**	1.36%	1.27%

* Interest rate corresponding to discount periods is applied to risk-free rate, that is as follows:

	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
2007	0.52%	0.79%	1.03%	1.26%	1.44%	1.60%	1.72%	1.83%	1.94%	2.00%
2008	0.76%	0.87%	0.98%	1.08%	1.19%	1.29%	1.39%	1.48%	1.57%	1.66%
2009	0.60%	0.71%	0.82%	0.94%	1.02%	1.07%	1.07%	1.16%	1.33%	1.48%

15. Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of changes in foreign currency translation adjustments, net unrealized holding gains (losses) on securities available for sale, pension liability adjustments and net unrealized holding gains (losses) on certain derivative instruments, and is included in shareholder's equity of the consolidated balance sheets.

Accumulated other comprehensive income (loss) at March 31, 2009, 2008 and 2007, is as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Foreign currency translation adjustments:				
Balance, beginning of year	**¥ (34,457)**	¥ 9,204	¥ (2,240)	**$ (348,050)**
Adjustment for the year	**(49,695)**	(43,661)	11,444	**(501,970)**
Balance, end of year	**¥ (84,152)**	¥(34,457)	¥ 9,204	**$ (850,020)**
Net unrealized holding gains (losses) on securities available for sale:				
Balance, beginning of year	**¥ 24,736**	¥ 39,807	¥ 36,910	**$ 249,858**
Net increase (decrease)	**(16,090)**	(15,071)	2,897	**(162,525)**
Balance, end of year	**¥ 8,646**	¥ 24,736	¥ 39,807	**$ 87,333**
Pension liability adjustments:				
Balance, beginning of year	**¥ —**	¥ —	¥(11,299)	**$ —**
Adjustment for the year	**—**	—	5,856	**—**
Adjustment to initially apply SFAS No. 158	**—**	—	5,443	**—**
Balance, end of year	**¥ —**	¥ —	¥ —	**$ —**
Pension liability adjustments—After application of SFAS No. 158:				
Balance, beginning of year	**¥ (19,208)**	¥(15,300)	¥ —	**$ (194,020)**
Adjustment for the year	**(10,027)**	(3,908)	—	**(101,283)**
Adjustment to initially apply SFAS No. 158	**—**	—	(15,300)	**—**
Balance, end of year	**¥ (29,235)**	¥(19,208)	¥(15,300)	**$ (295,303)**
Net unrealized holding gains (losses) on derivative instruments:				
Balance, beginning of year	**¥ 150**	¥ (210)	¥ (276)	**$ 1,515**
Net increase (decrease)	**(1,153)**	360	66	**(11,646)**
Balance, end of year	**¥ (1,003)**	¥ 150	¥ (210)	**$ (10,131)**
Total accumulated other comprehensive income (loss)				
Balance, beginning of year	**¥ (28,779)**	¥ 33,501	¥ 23,095	**$ (290,697)**
Other comprehensive income for the year, net of tax	**(76,965)**	(62,280)	20,263	**(777,424)**
Adjustment to initially apply SFAS No. 158	**—**	—	(9,857)	**—**
Balance, end of year	**¥(105,744)**	¥(28,779)	¥ 33,501	**$(1,068,121)**

Tax effects allocated to each component of other comprehensive income (loss) and adjustments are as follows:

	Millions of yen		
	Pretax amount	Tax (expense) or benefit	Net of tax amount
2009:			
Foreign currency translation adjustments	**¥(50,243)**	**¥ 548**	**¥(49,695)**
Net unrealized holding gains (losses) on securities available for sale:			
Unrealized holding gains or (losses) arising during the year	**(29,333)**	**11,432**	**(17,901)**
Less: reclassification adjustment for (gains) or losses included in net income	**3,058**	**(1,247)**	**1,811**
Net unrealized gains (losses)	**(26,275)**	**10,185**	**(16,090)**
Pension liability adjustments			
Unrealized holding gains or (losses) arising during the year	**(16,843)**	**4,420**	**(12,423)**
Less: reclassification adjustment for (gains) or losses included in net income	**2,961**	**(565)**	**2,396**
Net unrealized gains (losses)	**(13,882)**	**3,855**	**(10,027)**
Net unrealized holding gains (losses) on derivative instruments:			
Changes in fair value of derivatives	**855**	**(306)**	**549**
Net (gains) or losses reclassified into earnings	**(2,892)**	**1,190**	**(1,702)**
Net unrealized gains (losses)	**(2,037)**	**884**	**(1,153)**
Other comprehensive income (loss)	**¥(92,437)**	**¥15,472**	**¥(76,965)**
2008:			
Foreign currency translation adjustments	¥(43,661)	¥ —	¥(43,661)
Net unrealized holding gains (losses) on securities available for sale:			
Unrealized holding gains or (losses) arising during the year	(30,182)	15,098	(15,084)
Less: reclassification adjustment for (gains) or losses included in net income	22	(9)	13
Net unrealized gains (losses)	(30,160)	15,089	(15,071)
Pension liability adjustments			
Unrealized holding gains or (losses) arising during the year	(8,254)	3,337	(4,917)
Less: reclassification adjustment for (gains) or losses included in net income	1,699	(690)	1,009
Net unrealized gains (losses)	(6,555)	2,647	(3,908)
Net unrealized holding gains (losses) on derivative instruments:			
Changes in fair value of derivatives	1,726	(704)	1,022
Net (gains) or losses reclassified into earnings	(1,118)	456	(662)
Net unrealized gains (losses)	608	(248)	360
Other comprehensive income (loss)	¥(79,768)	¥17,488	¥(62,280)
2007:			
Foreign currency translation adjustments	¥11,444	¥ —	¥11,444
Net unrealized holding gains (losses) on securities available for sale:			
Unrealized holding gains or (losses) arising during the year	5,014	(2,000)	3,014
Less: reclassification adjustment for (gains) or losses included in net income	(199)	82	(117)
Net unrealized gains (losses)	4,815	(1,918)	2,897
Pension liability adjustments	9,900	(4,044)	5,856
Net unrealized holding gains (losses) on derivative instruments:			
Changes in fair value of derivatives	(826)	337	(489)
Net (gains) or losses reclassified into earnings	937	(382)	555
Net unrealized gains (losses)	111	(45)	66
Other comprehensive income (loss)	¥26,270	¥ (6,007)	¥20,263

	Thousands of U.S. dollars		
	Pretax amount	Tax (expense) or benefit	Net of tax amount
2009:			
Foreign currency translation adjustments	**$(507,505)**	**$ 5,535**	**$(501,970)**
Net unrealized holding gains (losses) on securities available for sale:			
Unrealized holding gains or (losses) arising during the year	**(296,293)**	**115,475**	**(180,818)**
Less: reclassification adjustment for (gains) or losses included in net income	**30,889**	**(12,596)**	**18,293**
Net unrealized gains (losses)	**(265,404)**	**102.879**	**(162,525)**
Pension liability adjustments			
Unrealized holding gains or (losses) arising during the year	**(170,131)**	**44,646**	**(125,485)**
Less: reclassification adjustment for (gains) or losses included in net income	**29,909**	**(5,707)**	**24,202**
Net unrealized gains (losses)	**(140,222)**	**38,939**	**(101,283)**
Net unrealized holding gains (losses) on derivative instruments:			
Changes in fair value of derivatives	**8,636**	**(3,091)**	**5,545**
Net (gains) or losses reclassified into earnings	**(29,212)**	**12,021**	**(17,191)**
Net unrealized gains (losses)	**(20,576)**	**8,930**	**(11,646)**
Other comprehensive income (loss)	**$(933,707)**	**$156,283**	**$(777,424)**

16. Income Taxes

Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies and income taxes for the years ended March 31, 2009, 2008 and 2007, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Income from continuing operations before income taxes , minority interests and equity in earnings of affiliated companies:				
Domestic	**¥ 5,426**	¥151,878	¥111,220	**$ 54,808**
Foreign	**123,356**	170,332	125,271	**1,246,020**
	¥128,782	¥322,210	¥236,491	**$1,300,828**
Income taxes:				
Current—				
Domestic	**¥ 22,854**	¥ 53,954	¥ 44,295	**$ 230,848**
Foreign	**37,657**	50,188	31,807	**380,374**
	60,511	104,142	76,102	**611,222**
Deferred—				
Domestic	**(17,008)**	7,779	681	**(171,798)**
Foreign	**(1,210)**	3,873	2,962	**(12,222)**
	(18,218)	11,652	3,643	**(184,020)**
Total	**¥ 42,293**	¥115,794	¥ 79,745	**$ 427,202**

Total income taxes recognized for the years ended March 31, 2009, 2008 and 2007 were applicable to the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Income from continuing operations	**¥ 42,293**	¥115,794	¥79,745	**$ 427,202**
Income from discontinued operations	**—**	3,364	14,566	**—**
Other comprehensive income (loss):				
Foreign currency translation adjustments	**(548)**	—	—	**(5,536)**
Net unrealized holding gains (losses) on securities available for sale	**(10,185)**	(15,089)	1,918	**(102,879)**
Pension liability adjustments	**(3,855)**	(2,647)	4,044	**(38,939)**
Net unrealized holding gains (losses) on derivative instruments	**(884)**	248	45	**(8,929)**
Amount credited directly to accumulated other comprehensive income (loss) upon adoption of SFAS No. 158	**—**	—	(5,560)	**—**
Total income taxes	**¥ 26,821**	¥101,670	¥94,758	**$ 270,919**

Temporary differences and tax loss carryforwards which gave rise to deferred tax assets and liabilities at March 31, 2009 and 2008, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Allowances provided, not yet recognized for tax	**¥ 1,587**	¥ 3,399	**$ 16,030**
Accrued expenses	**52,054**	49,662	**525,798**
Property, plant and equipment	**14,117**	2,798	**142,596**
Inventories	**8,902**	7,685	**89,919**
Net operating loss carryforwards	**26,618**	8,047	**268,869**
Research and development expenses	**461**	309	**4,657**
Other	**21,854**	23,432	**220,747**
Total gross deferred tax assets	**125,593**	95,332	**1,268,616**
Less valuation allowance	**(31,420)**	(22,435)	**(317,374)**
Total deferred tax assets	**¥ 94,173**	¥ 72,897	**$ 951,242**
Deferred tax liabilities:			
Unrealized holding gains on securities available for sale	**¥ 4,213**	¥ 13,172	**$ 42,556**
Deferral of profit from installment sales	**213**	240	**2,152**
Property, plant and equipment	**11,807**	11,734	**119,263**
Intangible assets	**17,544**	16,153	**177,212**
Undistributed earnings of foreign subsidiaries and affiliated companies accounted for by the equity method	**3,080**	5,280	**31,110**
Total deferred tax liabilities	**¥ 36,857**	¥ 46,579	**$ 372,293**
Net deferred tax assets	**¥ 57,316**	¥ 26,318	**$ 578,949**

Net deferred tax assets and liabilities as of March 31, 2009 and 2008 are reflected on the consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred income taxes and other current assets	**¥ 37,749**	¥ 40,141	**$ 381,303**
Deferred income taxes and other assets	**36,397**	16,483	**367,646**
Deferred income taxes and other current liabilities	**(228)**	(133)	**(2,303)**
Deferred income taxes and other liabilities	**(16,602)**	(30,173)	**(167,697)**
	¥ 57,316	¥ 26,318	**$ 578,949**

The valuation allowance was ¥35,490 million as of March 31, 2006. The net changes in the total valuation allowance for the years ended March 31, 2009, 2008 and 2007 were an increase of ¥8,985 million ($90,758 thousand), a decrease of ¥8,444 million and a decrease of ¥4,611 million, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and net operating losses available to be utilized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the companies will realize the benefits of these deductible differences and net operating loss carryforwards, net of the existing valuation allowances at March 31, 2009 and 2008. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company and its domestic subsidiaries are subject to a National Corporate tax rate of 30%, an inhabitant tax of approximately 6% and a deductible Enterprise tax of approximately 8%, which in the aggregate resulted in a Japanese statutory income tax rate of approximately 40.8%. The inhabitant tax rate and Enterprise tax rate vary by local jurisdiction.

The differences between the Japanese statutory tax rates and the effective tax rates for the years ended March 31, 2009, 2008 and 2007, are summarized as follows:

	2009	2008	2007
Japanese statutory tax rate	**40.8%**	40.8%	**40.8%**
Increase (decrease) in tax rates resulting from:			
Increase (decrease) in valuation allowance	**7.1**	0.8	**0.7**
Expenses not deductible for tax purposes	**2.9**	2.0	**2.4**
Realization of tax benefits on operating losses of subsidiaries	**(1.4)**	(1.5)	**(2.2)**
Income of foreign subsidiaries taxed at lower than Japanese normal rate	**(11.3)**	(5.1)	**(6.2)**
Tax credit for research and development expenses	**(0.7)**	(0.8)	**(1.5)**
Other, net	**(4.6)**	(0.3)	**(0.3)**
Effective tax rate	**32.8%**	35.9%	**33.7%**

Foreign subsidiaries are subject to income taxes of the countries in which they operate. At March 31, 2009 and 2008, undistributed earnings of foreign subsidiaries aggregated ¥392,766 million ($3,967,333 thousand) and ¥332,451 million, respectively. Komatsu has a policy to distribute a certain portion of undistributed earnings of foreign subsidiaries. As of March 31, 2009 and 2008, Komatsu recognized deferred tax liabilities of ¥386 million ($ 3,899 thousand) and ¥1,140 million, respectively, associated with those earnings. As of March 31, 2009 and 2008, Komatsu has not recognized deferred tax liabilities of ¥13,782 million ($139,212 thousand) and ¥28,331 million, respectively, for such portion of undistributed earnings of foreign subsidiaries that the Company intends to reinvest indefinitely. At March 31, 2009, the Company and certain subsidiaries had net operating loss carryforwards aggregating approximately ¥66,811 million ($674,859 thousand), which may be used as a deduction in determining taxable income in future periods. The period available to offset future taxable income varies in each tax jurisdiction as follows:

At March 31, 2009	Millions of yen	Thousands of U.S. dollars
Within 5 years	¥ 8,353	$ 84,374
6 to 20 years	58,417	590,071
Indefinite periods	41	414
Total	¥66,811	$674,859

On April 1, 2007, Komatsu adopted FASB Interpretation No. 48 ("FIN48"), "Accounting for Uncertainty in Income Taxes - an interpretation of SFAS No. 109, Accounting for Income Taxes." For the years ended March 31, 2008 and 2009, Komatsu did not have a material impact on consolidated results of operations and financial condition.

Although Komatsu believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in the future periods. Based on the information available as of March 31, 2009, Komatsu does not expect significant changes to the unrecognized tax benefits within the next twelve months.

Komatsu files income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authority for the fiscal years before 2007. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for the fiscal years before 2005 with few exceptions.

17. Rent Expenses

Komatsu leases office space and equipment and employee housing under cancelable and non-cancelable lease agreements. Rent expenses under cancelable and non-cancelable operating leases amounted to ¥14,625 million ($147,727 thousand), ¥15,911 million and ¥15,035 million, respectively, for the years ended March 31, 2009, 2008 and 2007. Lease contracts for equipment that qualify as capital leases in conformity with SFAS No. 13 have been capitalized. At March 31, 2009, the future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

Year ending March 31	Millions of yen: Capital leases	Operating lease commitments	Total	Thousands of U.S. dollars: Capital leases	Operating lease commitments	Total
2010	¥26,493	¥ 3,760	¥ 30,253	$267,606	$ 37,980	$ 305,586
2011	21,675	2,312	23,987	218,940	23,353	242,293
2012	25,197	1,298	26,495	254,515	13,111	267,626
2013	12,476	821	13,297	126,020	8,293	134,313
2014	4,450	594	5,044	44,950	6,000	50,950
Thereafter	1,172	2,683	3,855	11,838	27,101	38,939
Total minimum lease payments	¥91,463	¥11,468	¥102,931	$923,869	$115,838	$1,039,707
Less: amounts representing interest	(5,064)			(51,152)		
Present value of net minimum capital lease payments	¥86,399			$872,717		

18. Net Income per Share

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations is as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Income from continuing operations	**¥78,797**	¥203,826	¥153,264	**$795,929**
Income from discontinued operations less applicable income taxes	**—**	4,967	11,374	**—**
Net income	**¥78,797**	¥208,793	¥164,638	**$795,929**

	Number of shares		
	2009	2008	2007
Weighted average common shares outstanding, less treasury stock	**985,585,385**	994,844,955	993,597,436
Dilutive effect of:			
Stock options	**731,973**	1,335,586	1,788,951
Weighted average diluted common shares outstanding	**986,317,358**	996,180,541	995,386,387

	Yen			U.S. cents
	2009	2008	2007	**2009**
Income from continuing operations:				
Basic	**¥79.95**	¥204.88	¥154.25	**¢80.76**
Diluted	**79.89**	204.61	153.97	**80.70**
Income from discontinued operations:				
Basic	**¥ —**	¥ 4.99	¥ 11.45	**¢ —**
Diluted	**—**	4.98	11.43	**—**
Net income:				
Basic	**¥79.95**	¥209.87	¥165.70	**¢80.76**
Diluted	**79.89**	209.59	165.40	**80.70**

19. Commitments and Contingent Liabilities

At March 31, 2009, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥14,480 million ($146,263 thousand) (Note 5).

Komatsu provides guarantees to third parties of loans of the employees, affiliated companies and other companies. The guarantees relating to the employees are mainly made for their housing loans. The guarantees of loans relating to the affiliated companies and other companies are made to enhance the credit of those companies.

For each guarantee provided, Komatsu would have to perform under a guarantee, if the borrower defaults on a payment within the contract terms. The contract terms are from 10 years to 30 years in the case of employees with housing loans, and from 1 year to 10 years in the case of loans relating to the affiliated companies and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default is ¥65,478 million ($661,394 thousand) at March 31, 2009. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at March 31, 2009 were insignificant. Certain of those guarantees were secured by collateral and insurance issued to the Company.

Management of Komatsu believes that losses from those contingent liabilities, if any, would not have a material effect on the consolidated financial statements.

Commitments for capital investment outstanding at March 31, 2009, aggregated approximately ¥24,000 million ($242,424 thousand).

Komatsu is involved in certain legal actions and claims arising in the ordinary course of its business. It is the opinion of management and legal counsel that such litigation and claims will be resolved without material effect on Komatsu's financial position.

Komatsu has business activities with customers, dealers and associates around the world and its trade receivables from such parties are well diversified to minimize concentrations of credit risks. Management does not anticipate incurring losses on its trade receivables in excess of established allowances.

Komatsu also issues contractual product warranties under which it generally guarantee the performance of products delivered and services rendered for a certain period or term. Change in accrued product warranty cost for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Balance at beginning of year	**¥ 31,890**	¥ 28,999	**$ 322,121**
Addition	**25,288**	27,879	**255,434**
Utilization	**(26,369)**	(22,933)	**(266,353)**
Other	**(2,553)**	(2,055)	**(25,788)**
Balance at end of year	**¥ 28,256**	¥ 31,890	**$ 285,414**

Financial Section

20. Derivative Financial Instruments

Risk Management Policy

Komatsu is exposed to market risk primarily from changes in foreign currency exchange and interest rates with respect to debt obligations, international operations and foreign currency denominated credits and debts. In order to manage these risks that arise in the normal course of business, Komatsu enters into various derivative transactions for hedging pursuant to its policies and procedures. Komatsu does not enter into derivative financial transactions for trading or speculative purposes.

Komatsu has entered into interest rate swap and cap agreements, partly concurrent with currency swap agreements for the purpose of managing the risk resulting from changes in cash flow or fair value that arise in their interest rate and foreign currency exposure with respect to certain short-term and long-term debts.

Komatsu operates internationally which expose Komatsu to the foreign exchange risk against existing assets and liabilities and transactions denominated in foreign currencies (principally the U.S. dollar and the Euro). In order to reduce these risks, Komatsu executes forward exchange contracts and option contracts based on its projected cash flow in foreign currencies.

Komatsu is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments, but Komatsu does not expect any counterparties to fail to meet their obligations because of the high credit rating of the counterparties. Komatsu has not held any derivative instruments which consisted credit-risk-related contingent features.

Fair Value Hedges

Komatsu uses derivative financial instruments designated as fair value hedges to manage primarily interest rate and foreign exchange risks associated with debt obligations. Principally interest rate swaps and cross-currency swaps are used to hedge such risk for debt obligations. Changes in fair value of the hedged debt obligations and derivative instruments designated as fair value hedge are offset and recognized in other income (expenses). For the years ended March 31, 2009, 2008 and 2007, hedge ineffectiveness resulting from fair value hedging activities was not material to Komatsu's result of operations. During the same period, no fair value hedges were discontinued.

Cash Flow Hedges

Komatsu uses derivative financial instruments designated as cash flow hedges to manage Komatsu's foreign exchange risks associated with forecasted transactions and Komatsu's interest risks associated with debt obligations. For transactions denominated in foreign currencies, Komatsu typically hedges forecasted and firm commitment exposures to the variability in cash flow basically up to one year. For the variable rate debt obligations, Komatsu enters into interest rate swap contracts to manage the changes in cash flows. Komatsu records the changes in fair value of derivative instruments designated as cash flow hedges in other comprehensive income (loss). These amounts are reclassified into earnings through other income (expenses) when the hedged items impact earnings. Approximately ¥86 million ($869 thousand) of existing income included in accumulated other comprehensive income (loss) at March 31, 2009 will be reclassified into earnings within twelve months from that date. No cash flow hedges were discontinued during the years ended March 31, 2009 as a result of anticipated transactions that are no longer probable of occurring.

Undesignated Derivative Instruments

Komatsu has entered into interest rate swap contracts not designated as hedging instruments under SFAS No. 133 as a means of managing Komatsu's interest rate exposures for short-term and long-term debts. Forward contracts and option contracts not designated as hedging instruments under SFAS No. 133 are also used to hedge certain foreign currency exposures. The changes in fair value of such instruments are recognized currently in earnings.

Notional Principal Amounts of Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at March 31, 2009 and 2008 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Forwards and options:			
Sale of foreign currencies	**¥ 30,868**	¥ 89,531	**$ 311,798**
Purchase of foreign currencies	**48,424**	68,460	**489,131**
Option contracts (purchased)	**1,011**	6,071	**10,212**
Option contracts (sold)	**—**	3,009	**—**
Interest rate swap, cross-currency swap and interest rate cap agreements	**226,754**	263,458	**2,290,444**

Fair values of derivative instruments at March 31, 2009 on the consolidated balance sheets are as follows:

	Millions of yen			
	2009			
Derivative instruments designated as hedging instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	**¥ 278**	Deferred income taxes and other current liabilities	**¥ 430**
	Deferred income taxes and other assets	**8**	Deferred income taxes and other liabilities	**—**
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	**2,351**	Deferred income taxes and other current liabilities	**—**
	Deferred income taxes and other assets	**5,709**	Deferred income taxes and other liabilities	**—**
Total		**¥ 8,346**		**¥ 430**
Undesignated derivative instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	**¥ 1,016**	Deferred income taxes and other current liabilities	**¥1,387**
Option contracts	Deferred income taxes and other current assets	**19**	Deferred income taxes and other current liabilities	**—**
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	**766**	Deferred income taxes and other current liabilities	**980**
	Deferred income taxes and other assets	**1,704**	Deferred income taxes and other liabilities	**3,058**
Total		**¥ 3,505**		**¥5,425**
Total Derivative Instruments		**¥11,851**		**¥5,855**

Derivative instruments designated as hedging instruments	Derivative Assets: Location on the consolidated Balance Sheets	Derivative Assets: Estimated fair value	Derivative Liabilities: Location on the consolidated Balance Sheets	Derivative Liabilities: Estimated fair value
	Thousands of U.S. dollars			
	2009			
Forwards contracts	Deferred income taxes and other current assets	**$ 2,808**	Deferred income taxes and other current liabilities	**$ 4,344**
	Deferred income taxes and other assets	**81**	Deferred income taxes and other liabilities	**—**
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	**23,748**	Deferred income taxes and other current liabilities	**—**
	Deferred income taxes and other assets	**57,667**	Deferred income taxes and other liabilities	**—**
Total		**$ 84,304**		**$ 4,344**

Undesignated derivative instruments	Derivative Assets: Location on the consolidated Balance Sheets	Derivative Assets: Estimated fair value	Derivative Liabilities: Location on the consolidated Balance Sheets	Derivative Liabilities: Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	**$ 10,262**	Deferred income taxes and other current liabilities	**$14,010**
Option contracts	Deferred income taxes and other current assets	**192**	Deferred income taxes and other current liabilities	**—**
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	**7,737**	Deferred income taxes and other current liabilities	**9,899**
	Deferred income taxes and other assets	**17,212**	Deferred income taxes and other liabilities	**30,888**
Total		**$ 35,403**		**$54,797**
Total Derivative Instruments		**$119,707**		**$59,141**

The effect of derivative instruments on the consolidated statements of income for the year ended March 31, 2009 are follows:

Derivative instruments designated as fair value hedging relationships

	Millions of yen			
	2009			
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items
Interest rate swaps, cross-currency swap and interest rate cap agreements	Other income (expenses), net: Other, net	**¥7,910**	Other income (expenses), net: Other, net	**¥(6,958)**
Total		**¥7,910**		**¥(6,958)**

	Thousands of U.S. dollars			
	2009			
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items
Interest rate swaps, cross-currency swap and interest rate cap agreements	Other income (expenses), net: Other, net	**$79,899**	Other income (expenses), net: Other, net	**$(70,283)**
Total		**$79,899**		**$(70,283)**

Derivative instruments designated as cash flow hedging relationships

	Millions of yen				
	2009				
	Effective portion			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	**¥790**	Other income (expenses), net: Other, net	**¥2,892**	—	¥ —
Interest rate swaps, cross-currency swap and interest rate cap agreements	**65**	—	**—**	—	—
Total	**¥855**		**¥2,892**		¥ —

	Thousands of U.S. dollars				
	2009				
	Effective portion			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	**$7,980**	Other income (expenses), net: Other, net	**$29,212**	—	$ —
Interest rate swaps, cross-currency swap and interest rate cap agreements	**656**	—	**—**	—	—
Total	**$8,636**		**$29,212**		$ —

* OCI stands for Other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

	Millions of yen	
	2009	
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net	**¥ 846**
Option contracts	Other income (expenses), net: Other, net	**(7)**
Interest rate swaps, cross-currency swap and interest rate cap agreements	Cost of sales	**94**
	Other income (expenses), net: Other, net	**(2,771)**
Total		**¥(1,838)**

	Thousands of U.S. dollars	
	2009	
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net	**$ 8,545**
Option contracts	Other income (expenses), net: Other, net	**(71)**
Interest rate swaps, cross-currency swap and interest rate cap agreements	Cost of sales	**949**
	Other income (expenses), net: Other, net	**(27,989)**
Total		**$(18,566)**

21. The Fair Value of Financial Instruments

(1) Cash and Cash Equivalents, Time Deposits, Trade Notes and Accounts Receivable, Other Current Assets, Short-Term Debt, Trade Notes, Bills and Accounts Payable, and Other Current Liabilities

The carrying amount approximates fair value because of the short maturity of these instruments.

(2) Investment Securities

The fair values of investment securities available for sale for which it is practicable to estimate fair value are based on quoted market prices and are recognized on the accompanying consolidated balance sheets.

(3) Installment Receivables

The fair values of installment receivables are based on the present value of future cash flows through maturity, discounted using estimated current interest rates. The fair values computed on such a basis approximate the carrying amounts (Note 5).

(4) Long-Term Debt

The fair values of each of the long-term debts are based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the current borrowing rate for similar debt of comparable maturity.

(5) Derivative Financial Instruments

The fair values of derivative financial instruments, consisting principally of foreign currency contracts and interest swap agreements, are estimated by obtaining quotes from brokers and are recognized on the accompanying consolidated balance sheets.

The carrying amounts and the estimated fair values of the financial instruments, including financial instruments not qualifying as hedge, as of March 31, 2009 and 2008, are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		**2009**	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Investment securities, marketable equity securities	**¥ 37,066**	**¥ 37,066**	¥ 66,728	¥ 66,728	**$ 374,404**	**$ 374,404**
Long-term debt, including current portion	**379,768**	**376,108**	343,205	342,195	**3,836,040**	**3,799,071**
Derivatives:						
Forwards and options						
Assets	**1,321**	**1,321**	7,314	7,314	**13,343**	**13,343**
Liabilities	**1,817**	**1,817**	1,295	1,295	**18,354**	**18,354**
Interest rate swap, cross-currency swap and interest rate cap agreements						
Assets	**10,530**	**10,530**	9,064	9,064	**106,364**	**106,364**
Liabilities	**4,038**	**4,038**	4,619	4,619	**40,787**	**40,787**

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could affect the estimates.

22. Fair value measurements

Komatsu adopted SFAS 157, "Fair Value Measurements," which establishes a new framework for measuring fair value and expands related disclosures on April 1, 2008. SFAS 157 defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 – Unobservable inputs for the assets or liabilities

Komatsu adopted the provisions of FSP 157-2, "Effective Date of SFAS 157." FSP 157-2 defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

Assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2009 are as follows:

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale	¥37,066	¥ —	¥ —	¥37,066
Derivatives	—	11,851	—	11,851
Other	—	—	919	919
Total	37,066	11,851	919	49,836
Liabilities				
Derivatives	—	5,855	—	5,855
Other	—	46,946	—	46,946
Total	—	52,801	—	52,801

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale	$374,404	$ —	$ —	$374,404
Derivatives	—	119,707	—	119,707
Other	—	—	9,283	9,283
Total	374,404	119,707	9,283	503,394
Liabilities				
Derivatives	—	59,141	—	59,141
Other	—	474,202	—	474,202
Total	—	533,343	—	533,343

Investment securities available for sale

Marketable equity securities are classified Level 1 in the fair value hierarchy. Marketable equity securities are measured using a market approach based on the quoted market prices in active markets.

Derivatives

Derivatives primarily represent foreign exchange contracts and interest rate swap agreements. Derivatives are measured based on market observable market data in active markets and are classified in Level 2 in the fair value hierarchy.

Other

Other primarily represents the retained interests in securitizations of accounts receivables and loans which are measured at fair value. Assets or liabilities which are measured based on market observable data are classified in Level 2 in the fair value hierarchy. Because of unobserved inputs, assets or liabilities which are measured by the assumption of Komatsu are classified in Level 3 in the fair value hierarchy.

The following table summarizes information about changes of Level 3 for the year ended March 31, 2009:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ 3,015	$ 30,455
Total gains or losses (realized / unrealized)	355	3,586
Included in earnings	349	3,525
Included in other comprehensive income (loss)	6	61
Purchases, issuances and settlements	(2,451)	(24,758)
Balance at end of year	¥ 919	$ 9,283

The amount of unrealized losses on classified in Level 3 assets recognized in earnings for the year ended March 31, 2009 related to assets still held at March 31, 2009 were ¥678 million ($6,848 thousand). These losses were reported in other income (expenses), net of the consolidated statements of income.

23. Business Segment Information

Under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and in assessing performance. The operating segments are managed separately because each operating segment represents a strategic business unit that offers different products and services.

Komatsu operates on a worldwide basis with two operating segments: 1) Construction, Mining and Utility Equipment 2) Industrial Machinery and Others.

From the fiscal year ended March 31, 2009, after the reassessment of its management decision-making units, Komatsu changed its operating segments from two operating segments: 1) Construction and mining equipment, 2) Industrial Machinery, Vehicles and Others. The business segment information as of March 31, 2008 and 2007 and for the fiscal years then ended have been reclassified according to the presentation as of March 31, 2009 and for the fiscal year then ended.

Segment profit is determined in a manner that is consistent with Japanese accounting principles by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment. Segment profit is used by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and excludes certain general corporate administration and finance expenses, such as costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations. Segment profit also excludes certain non-recurring charges which may otherwise relate to operating segments, including impairments of long lived assets and goodwill.

The following tables present certain information regarding Komatsu's operating segments and geographic information at March 31, 2009, 2008 and 2007, and for the years then ended:

Operating segments:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net sales:				
Construction, Mining and Utility Equipment—				
Customers	**¥1,744,733**	¥2,048,711	¥1,711,275	**$17,623,566**
Intersegment	**4,653**	6,127	7,821	**47,000**
Total	**1,749,386**	2,054,838	1,719,096	**17,670,566**
Industrial Machinery and Others—				
Customers	**277,010**	194,312	182,068	**2,798,080**
Intersegment	**26,389**	23,376	22,385	**266,556**
Total	**303,399**	217,688	204,453	**3,064,636**
Elimination	**(31,042)**	(29,503)	(30,206)	**(313,556)**
Consolidated	**¥2,021,743**	¥2,243,023	¥1,893,343	**$20,421,646**
Segment profit:				
Construction, Mining and Utility Equipment	**¥ 180,455**	¥ 317,895	¥ 232,653	**$ 1,822,778**
Industrial Machinery and Others	**12,891**	19,947	20,399	**130,212**
Total	**193,346**	337,842	253,052	**1,952,990**
Corporate expenses and elimination	**(4,688)**	(3,256)	(3,306)	**(47,354)**
Consolidated segment profit	**188,658**	334,586	249,746	**1,905,636**
Impairment loss on long-lived assets	**16,414**	2,447	81	**165,798**
Impairment loss on goodwill	**2,003**	2,870	—	**20,232**
Other operating income (expenses)	**(18,293)**	3,581	(4,924)	**(184,778)**
Operating income	**151,948**	332,850	244,741	**1,534,828**
Interest and dividend income	**8,621**	10,265	8,532	**87,081**
Interest expense	**(14,576)**	(16,699)	(15,485)	**(147,232)**
Other, net	**(17,211)**	(4,206)	(1,297)	**(173,849)**
Consolidated income from continuing operations before income taxes	**¥ 128,782**	¥ 322,210	¥ 236,491	**$ 1,300,828**
Identifiable assets:				
Construction, Mining and Utility Equipment	**¥1,639,720**	¥1,738,481	¥1,541,607	**$16,562,828**
Industrial Machinery and Others	**254,200**	283,427	183,461	**2,567,677**
Corporate assets and elimination	**75,139**	83,238	118,914	**758,980**
Consolidated	**¥1,969,059**	¥2,105,146	¥1,843,982	**$19,889,485**
Depreciation and amortization:				
Construction, Mining and Utility Equipment	**¥ 87,260**	¥ 69,738	¥ 61,812	**$ 881,414**
Industrial Machinery and Others	**9,981**	4,890	3,609	**100,818**
Consolidated	**¥ 97,241**	¥ 74,628	¥ 65,421	**$ 982,232**
Capital investment:				
Construction, Mining and Utility Equipment	**¥ 152,803**	¥ 141,184	¥ 119,114	**$ 1,543,464**
Industrial Machinery and Others	**9,709**	4,546	10,566	**98,071**
Consolidated	**¥ 162,512**	¥ 145,730	¥ 129,680	**$ 1,641,535**

Transfers between segments are made at estimated arm's-length prices. Identifiable assets are those assets used in the operations of each segment. Unallocated corporate assets consist primarily of cash and cash equivalents and marketable investment securities maintained for general corporate purposes. Amortization for the years ended March 31, 2009, 2008 and 2007 do not include amortization of long-term prepaid expenses of ¥1,113 million ($11,242 thousand), ¥1,036 million and ¥913 million. Further depreciation and amortization for the year ended March 31, 2007 does not include those for discontinued operations of ¥6,375 million. The term "Capital investment" should be distinguished from the term "Capital expenditures" as used in the consolidated statements of cash flows. The term "Capital investment" is defined to refer to the acquisition of property, plant and equipment including properties under capital leases on an accrual basis which reflects the effects of timing differences between acquisition dates and payment dates.

Geographic information:

Net sales to customers recognized by sales destination for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net sales to customers:				
Japan	**¥ 452,172**	¥ 505,185	¥ 487,103	**$ 4,567,394**
The Americas	**503,450**	541,160	537,836	**5,085,353**
Europe and CIS	**284,029**	427,679	324,071	**2,868,980**
China	**236,226**	189,902	129,443	**2,386,121**
Asia (excluding Japan, China) and Oceania	**335,574**	348,462	252,768	**3,389,636**
Middle East and Africa	**210,292**	230,635	162,122	**2,124,162**
Consolidated net sales	**¥2,021,743**	¥2,243,023	¥1,893,343	**$20,421,646**

Net sales recognized by geographic origin and property, plant and equipment at March 31, 2009, 2008 and 2007, and for the years then ended are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net sales to customers:				
Japan	**¥ 831,569**	¥ 813,198	¥ 739,206	**$ 8,399,687**
U.S.A.	**469,047**	526,821	527,680	**4,737,848**
Europe and CIS	**269,139**	420,778	298,509	**2,718,576**
Others	**451,988**	482,226	327,948	**4,565,535**
Total	**¥2,021,743**	¥2,243,023	¥1,893,343	**$20,421,646**
Property, plant and equipment:				
Japan	**¥ 400,554**	¥ 363,646	¥ 282,050	**$ 4,046,000**
U.S.A.	**68,170**	65,225	60,609	**688,586**
Europe and CIS	**28,207**	36,664	25,808	**284,919**
Others	**28,531**	25,611	19,926	**288,192**
Total	**¥ 525,462**	¥ 491,146	¥ 388,393	**$ 5,307,697**

No individual country within Europe and CIS or other areas had a material impact on net sales to customers or property, plant and equipment.

There were no sales to a single major external customer for the years ended March 31, 2009, 2008 and 2007.

Financial Section

The following information shows net sales and segment profit recognized by geographic origin for the years ended March 31, 2009, 2008 and 2007. In addition to the disclosure requirements under SFAS No. 131, Komatsu discloses this information as supplemental information in light of the disclosure requirements of the Japanese Financial Instruments and Exchange Law, which a Japanese public company is subject to:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net sales:				
Japan—				
Customers	**¥ 831,569**	¥ 813,198	¥ 739,206	**$ 8,399,687**
Intersegment	**380,880**	479,116	396,361	**3,847,273**
Total	**1,212,449**	1,292,314	1,135,567	**12,246,960**
The Americas—				
Customers	**469,047**	526,821	527,792	**4,737,848**
Intersegment	**42,774**	40,422	38,221	**432,061**
Total	**511,821**	567,243	566,013	**5,169,909**
Europe and CIS—				
Customers	**269,139**	420,778	298,509	**2,718,576**
Intersegment	**25,259**	31,444	34,450	**255,141**
Total	**294,398**	452,222	332,959	**2,973,717**
Others—				
Customers	**451,988**	482,226	327,836	**4,565,535**
Intersegment	**29,262**	35,661	20,678	**295,576**
Total	**481,250**	517,887	348,514	**4,861,111**
Elimination	**(478,175)**	(586,643)	(489,710)	**(4,830,051)**
Consolidated	**¥2,021,743**	¥2,243,023	¥1,893,343	**$20,421,646**
Segment profit:				
Japan	**¥ 37,876**	¥ 173,063	¥ 140,193	**$ 382,586**
The Americas	**52,133**	56,667	51,842	**526,596**
Europe and CIS	**22,279**	44,088	32,104	**225,040**
Others	**61,008**	68,204	38,033	**616,242**
Corporate and elimination	**15,362**	(7,436)	(12,426)	**155,172**
Consolidated	**¥ 188,658**	¥ 334,586	¥ 249,746	**$ 1,905,636**
Identifiable assets:				
Japan	**¥1,194,694**	¥1,282,182	¥1,065,487	**$12,067,616**
The Americas	**426,772**	441,499	481,144	**4,310,828**
Europe and CIS	**206,955**	290,008	221,012	**2,090,455**
Others	**350,822**	328,741	237,839	**3,543,657**
Corporate assets and elimination	**(210,184)**	(237,284)	(161,500)	**(2,123,071)**
Consolidated	**¥1,969,059**	¥2,105,146	¥1,843,982	**$19,889,485**
Overseas sales:				
The Americas	**¥ 503,450**	¥ 541,160	¥ 537,836	**$ 5,085,354**
Europe and CIS	**284,029**	427,679	324,071	**2,868,980**
Others	**782,092**	768,999	544,333	**7,899,919**
Total	**¥1,569,571**	¥1,737,838	¥1,406,240	**$15,854,253**

Transfers between segments are made at estimated arm's-length prices. Identifiable assets are those assets used in the operations of each segment. Unallocated corporate assets consist primarily of cash and cash equivalents and investment securities maintained for general corporate purposes.

24. Supplementary Information to Balance Sheets

At March 31, 2009 and 2008, deferred income taxes and other current assets were comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Prepaid expenses	**¥ 4,253**	¥ 4,444	**$ 42,960**
Short-term loans receivable:			
Affiliated companies	**2,994**	4,314	**30,243**
Other	**766**	1,198	**7,737**
Total	**¥ 3,760**	¥ 5,512	**$ 37,980**
Deferred income taxes	**37,749**	40,141	**381,303**
Other	**85,612**	79,408	**864,767**
Total	**¥131,374**	¥129,505	**$1,327,010**

At March 31, 2009 and 2008, deferred income taxes and other current liabilities were comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Accrued expenses	**¥ 81,133**	¥ 91,624	**$ 819,525**
Deferred income taxes	**228**	133	**2,303**
Other	**117,984**	113,400	**1,191,758**
Total	**¥199,345**	¥205,157	**$2,013,586**

25. Supplementary Information to Statements of Income

The following information shows research and development expenses and advertising costs, for the years ended March 31, 2009, 2008 and 2007. Research and development expenses, and advertising costs are charged to expense as incurred and are included in cost of sales and selling, general and administrative expenses in consolidated statements of income.

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Research and development expenses	**¥53,736**	¥49,673	¥46,306	**$542,788**
Advertising costs	**4,678**	4,410	4,482	**47,253**

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2009, 2008 and 2007, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Shipping and handling costs	**¥46,264**	¥51,827	¥44,065	**$467,313**

For the fiscal year ended March 31, 2009 and 2008, Komatsu recognized an impairment loss of ¥16,414 million ($165,798 thousand) and ¥2,447 million, related to property, plant and equipment and intangible assets subject to amortization at the Company and certain subsidiaries, as profitability of the assets of each subsidiary was expected to be low in the future and Komatsu estimated the carrying amounts would not be recovered by the future cash flows. For the fiscal year ended March 31, 2009, an impairment loss recognized is mainly ¥4,730 million ($47,778 thousand) for Mooka plant in the construction, mining and utility equipment segment and ¥1,808 million ($18,263 thousand) for Komatsu plant in the industrial machinery and others, due to reorganization and shut down of plants. Komatsu has a plan to transfer the production capacity of these plants to other plants in the fiscal year ending March 31, 2010.

Other operating income (expense), net for the years ended March 31, 2009, 2008 and 2007, were comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Gain on sale of property	**¥ 630**	¥ 3,169	¥ —	**$ 6,363**
Loss on disposal or sale of fixed assets	**(5,922)**	(3,313)	(2,015)	**(59,818)**
Other*	**(13,001)**	3,725	(2,909)	**(131,323)**
Total	**¥(18,293)**	¥ 3,581	¥(4,924)	**$(184,778)**

* For the fiscal year ended March 31, 2009, the Company and certain subsidiaries recognized expenses associated with structural reforms of production and sales operations. Out of the expenses, reorganization costs of ¥13,926 million ($140,667 thousand) such as wind down and relocation costs related to the integration of facilities were included in other, except the expenses included in impairment loss on long-lived assets and impairment loss on goodwill of the consolidated statements of income.

Other income (expenses), net for the years ended March 31, 2009, 2008 and 2007, were comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Interest income–				
Installment receivables	**¥ 1,843**	¥ 2,107	¥ 945	**$ 18,616**
Other	**5,242**	6,659	6,729	**52,949**
Dividends	**1,536**	1,499	858	**15,515**
Interest expense	**(14,576)**	(16,699)	(15,485)	**(147,232)**
Net gain (loss) from sale of investment securities	**(3,543)**	(289)	344	**(35,788)**
Exchange loss, net	**(11,802)**	(3,467)	(903)	**(119,212)**
Other	**(1,866)**	(450)	(738)	**(18,848)**
Total	**¥(23,166)**	¥(10,640)	¥ (8,250)	**$(234,000)**

26. Valuation and Qualifying Accounts

Valuation and qualifying accounts deducted from assets to which they apply:

	Millions of yen			Thousands of U.S. dollars
Allowance for doubtful receivables	**2009**	2008	2007	**2009**
Balance at beginning of fiscal period	**¥11,470**	¥11,808	¥11,786	**$115,859**
Additions				
Charged to costs and expenses	**7,091**	3,003	2,653	**71,626**
Charged to other accounts	**23**	208	—	**232**
Deductions	**3,254**	3,549	2,631	**32,869**
Balance at end of fiscal period	**¥15,330**	¥11,470	¥11,808	**$154,848**

Deductions were principally uncollectible accounts and notes charged to the allowance.

	Millions of yen			Thousands of U.S. dollars
Valuation allowance for deferred tax assets	**2009**	2008	2007	**2009**
Balance at beginning of fiscal period	**¥22,435**	¥30,879	¥35,490	**$226,616**
Additions				
Charged to costs and expenses	**19,784**	2,743	1,715	**199,839**
Charged to other accounts	**587**	945	341	**5,929**
Deductions	**11,386**	12,132	6,667	**115,010**
Balance at end of fiscal period	**¥31,420**	¥22,435	¥30,879	**$317,374**

Deductions were principally realization or expiration of net operating loss carryforwards.

The management of Komatsu is responsible for establishing and maintaining adequate internal control over financial reporting. Komatsu's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Komatsu's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Komatsu, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of Komatsu are being made only in accordance with authorizations of management and directors of Komatsu and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Komatsu's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Komatsu's internal control over financial reporting as of March 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework.

Based on its assessment, management concluded that, as of March 31, 2009, Komatsu's internal control over financial reporting was effective.

Komatsu's independent registered public accounting firm, KPMG AZSA & Co., has issued an audit report on the effectiveness of Komatsu's internal control over financial reporting as of March 31, 2009.

Kunio Noji
President and CEO

K. Kinoshita

Kenji Kinoshita
Director and Senior Executive Officer
CFO

June 30, 2009

The Board of Directors and Shareholders
Komatsu Ltd.:

We have audited the accompanying consolidated balance sheets of Komatsu Ltd. and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2009 expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Komatsu Ltd. and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 30, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

The accompanying consolidated financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars solely for convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements, expressed in yen, have been translated into dollars on the basis set forth in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 30, 2009

The Board of Directors and Shareholders
Komatsu Ltd.:

We have audited the internal control over financial reporting of Komatsu Ltd. and subsidiaries as of March 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Komatsu Ltd. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Komatsu Ltd. and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2009, expressed in Japanese yen, and our report dated June 30, 2009 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 30, 2009

Directors, Auditors and Officers

(As of June 24, 2009)

Board of Directors

Masahiro Sakane
Chairman of the Board

Kunio Noji
President and Chief Executive Officer

Yoshinori Komamura
Director and Senior Executive Officer
President, Construction & Mining Equipment Marketing Division

Yasuo Suzuki
Director and Senior Executive Officer
President, Industrial Machinery Division

Kenji Kinoshita
Director and Senior Executive Officer
Chief Financial Officer
Supervising CSR and Corporate Communications & Investor Relations

Masao Fuchigami
Director and Senior Executive Officer
Supervising Environment, Research, Design & Development and Quality Assurance

Tetsuji Ohashi
Director and Senior Executive Officer
President, Production Division
Supervising Production and e-KOMATSU

Morio Ikeda
Outside Director
Advisor, Shiseido Company, Limited

Kensuke Hotta
Outside Director
Chairman and Representative Director, Greenhill & Co. Japan Ltd.

Noriaki Kano
Outside Director
Professor Emeritus, Tokyo University of Science

Corporate Auditors

Masaji Kitamura
Standing Corporate Auditor

Kyoji Torii
Standing Corporate Auditor

Makoto Okitsu
Outside Corporate Auditor
Advisor, Teijin Limited

Hiroyuki Kamano
Outside Corporate Auditor
Partner, Kamano Sogo Law Offices

Kunihiro Matsuo
Outside Corporate Auditor
Attorney at law

Executive Officers

Hiroyuki Horii
Senior Executive Officer
Vice President, Industrial Machinery Division
President, Komatsu NTC Ltd.

Mamoru Hironaka
Senior Executive Officer
Vice President, Construction & Mining Equipment Marketing Division
President, Product Support Division

Taizo Kayata
Senior Executive Officer
President, Overseas Marketing, Construction & Mining Equipment Marketing Division
Representative of All China Operations

Nobukazu Kotake
Senior Executive Officer
President, Development Division

Susumu Yamanaka
Senior Executive Officer
President, Defense Systems Division

Masakatsu Hioki
Senior Executive Officer
Supervising Compliance, Legal Affairs, Human Resources, Education and Safety & Health Care

Shinichiro Komiya
Executive Officer
President, Japanese Domestic Marketing, Construction & Mining Equipment Marketing Division

Fusao Seki
Executive Officer
General Manager, Corporate Communications and CSR
Supervising General Affairs

Tetsuro Kajiya
Executive Officer
President, Procurement Division

Kazuhiko Iwata
Executive Officer
President, Global Mining Business, Construction & Mining Equipment Marketing Division

Nobuki Hasegawa
Executive Officer
General Manager, Construction Equipment Technical Center 2, Development Division

Mikio Fujitsuka
Executive Officer
General Manager, Corporate Planning Division
President, Global Retail Finance Business Division
Supervising Audit

Ichiro Sasaki
Executive Officer
Awazu Plant Manager, Production Division

Noriyuki Sudo
Executive Officer
President, Rental and Used Equipment Business, Construction & Mining Equipment Marketing Division

Fujitoshi Takamura
Executive Officer
Vice President, Development Division
General Manager, Construction Equipment Technical Center 1

Yoshisada Takahashi
Executive Officer
Vice President, Production Division
Osaka Plant Manager

Tadashi Okada
Executive Officer
Vice President, Industrial Machinery Division
President, Press & Machine Tools Business

Masahiro Uegaki
Executive Officer
Mooka Plant Manager and Ibaraki Plant Manager, Production Division

Kazunori Kuromoto
Executive Officer
President, IT Construction Business, Construction & Mining Equipment Marketing Division

Mitsuru Ueno
Executive Officer
President, Engines & Hydraulics Business Division

Kikuo Ejima
Executive Officer
President, Research Division

Shuji Yamashita
Executive Officer
Oyama Plant Manager, Engines & Hydraulics Business Division

Masanao Mori
Executive Officer
General Manager, Human Resources

Ichiro Nakano
Executive Officer
General Manager, System Development Center, Development Division

Komatsu Group Investment Holdings

(As of March 31, 2009)

Company	Subscribed capital in millions		Participation (%)
Komatsu Ltd.	**¥67,870**		**—**

Consolidated Subsidiaries

Company	Subscribed capital in millions (except for* in thousands)		Participation (%)
Komatsu Hokkaido Ltd.	¥400		100.0
Komatsu Niigata Ltd.	¥80		100.0
Komatsu Tokyo Ltd.	¥950		100.0
Komatsu Tokai Ltd.	¥50		100.0
Komatsu Kinki Ltd.	¥1,700		100.0
Komatsu Chugoku Ltd.	¥984		100.0
Komatsu Nishi-Nihon Ltd.	¥200		100.0
Komatsu Castex Ltd.	¥4,979		100.0
Komatsu Used Equipment Corp.	¥290	(11.3)	100.0
Komatsu Rental Japan Ltd.	¥1,034		79.0
BIGRENTAL Co., Ltd.	¥1,000	(100.0)	100.0
Komatsu Diesel Co.,Ltd.	¥50		100.0
Komatsu Business Support Ltd.	¥1,770	(11.8)	100.0
Komatsu Cabtec Co.,Ltd.	¥300		100.0
Komatsu All Parts Support Ltd.	¥30		100.0
Komatsu Utility Co.,Ltd.	¥13,033		100.0
Komatsu Logistics Corp.	¥1,080		100.0
Komatsu Industries Corporation	¥990		100.0
Komatsu Machinery Corporation	¥600		100.0
Komatsu NTC Ltd.	¥6,014		100.0
Komatsu House Ltd.	¥1,436	(1.8)	100.0
Komatsu General Services Ltd.	¥160		100.0
Komatsu Engineering Corp.	¥140		100.0
Komatsu America Corp. (KAC)	US$1,027		100.0
Komatsu Latin-America Corp.(KLC)	US$18	(100.0)	100.0
Komatsu do Brasil Ltda. (KDB)	BRL73	(100.0)	100.0
Komatsu Cummins Chile Ltda. (KCC)	US$13	(81.8)	81.8
Komatsu Cummins Chile Arrienda S.A.	US$18	(100.0)	100.0
Komatsu Financial Limited Partnership (KFLP)	—	(100.0)	100.0
Komatsu Equipment Company (KEC)	US$1	(100.0)	100.0
Modular Mining Systems,Inc. (MMS)	US$16*	(100.0)	100.0
Hensley Industries, Inc.	US$2*	(100.0)	100.0
Komatsu Europe International N.V. (KEISA)	Euro45		100.0
Komatsu Europe Coordination Center N.V. (KECC)	Euro141,250*	(100.0)	100.0
Komatsu Capital Europe S.A. (KCE)	Euro1	(100.0)	100.0
Komatsu UK Ltd. (KUK)	£23	(50.0)	100.0
Komatsu Hanomag GmbH (KOHAG)	Euro19	(49.3)	100.0
Komatsu Mining Germany GmbH (KMG)	Euro5		100.0
Komatsu Deutschland GmbH (KDG)	Euro6	(100.0)	100.0
Komatsu France S.A. (KFSA)	Euro5	(100.0)	100.0
Komatsu Utility Europe S.p.A. (KUE)	Euro6	(90.0)	100.0
Komatsu Italia S.p.A. (KIT)	Euro4	(100.0)	100.0
Komatsu Forest AB (KFAB)	SKR397		100.0
Komatsu CIS LLC (KCIS)	RUB3,242		100.0
Komatsu Financial Europe N.V. (KFE)	Euro40	(100.0)	100.0
Komatsu Southern Africa (Pty) Ltd. (KSAf)	ZAR1*		80.0
Komatsu Middle East FZE (KME)	AED2		100.0
Komatsu Asia & Pacific Pte Ltd. (KAP)	S$28		100.0
PT Komatsu Indonesia (KI)	RP192,780		94.9
PT Komatsu Undercarriage Indonesia (KUI)	US$8	(100.0)	100.0
PT Komatsu Marketing & Support Indonesia (KMSI)	US$5	(100.0)	100.0
Bangkok Komatsu Co.,Ltd. (BKC)	BHT620	(74.8)	74.8
Komatsu India Private Limited (KIPL)	Rp2,245	(100.0)	100.0
Komatsu Australia Pty.Ltd. (KAL)	A$21	(40.0)	60.0
Komatsu (China) Ltd. (KC)	US$79		100.0
Komatsu (Changzhou) Construction Machinery Corp. (KCCM)	US$41	(10.0)	85.0
Komatsu Shantui Construction Machinery Co.,Ltd. (KSC)	US$21	(30.0)	60.0
Komatsu (Shanghai) Ltd. (KSL)	US$7	(9.8)	100.0
Komatsu Financial Leasing China Ltd. (KFLC)	RMB380	(100.0)	100.0
Komatsu Forklift U.S.A. Inc. (KFI)	US$44	(100.0)	100.0
Komatsu Finance America Inc. (KFA)	US$140	(100.0)	100.0

Company	Subscribed capital in millions	Participation (%)	

Affiliated Companies Accounted for by the Equity Method

Komatsu Saitama Ltd.	¥635		40.0
Sanuki Lease Ltd.	¥765	(1.0)	35.0
Komatsu Cummins Engine Co.,Ltd. (KCEC)	¥1,400		50.0
Qualica Inc.	¥1,234		20.0
Gigaphoton,Inc.	¥5,000		50.0
L&T-Komatsu Limited (LTK)	Rp1,200	(50.0)	50.0
Cummins Komatsu Engine Company (CKEC)	—	(50.0)	50.0
PT Komatsu Astra Finance	US$25	(50.0)	50.0
Komatsu Australia Corporate Finance Pty. Ltd.	A$20	(50.0)	50.0

Notes:
1. In addition to the above list, there are 103 consolidated subsidiaries.
2. Similarly, there are 32 additional affiliated companies accounted for by the equity method.
3. Participation represents the percentage of voting stock concerning consolidated subsidiaries. The figures contained in parentheses represent the percentage of indirect ownership by other Komatsu Group companies and are included in the overall participation percentage.
4. Komatsu Financial Limited Partnership is a limited partnership in compliance with the regulations of the U.S. state of Delaware. Net assets equivalent of common stock in the company totals US$343 million. Investment was made through our subsidiary Komatsu America Corp.
5. Cummins Komatsu Engine Company is a general partnership in compliance with the regulations of the U.S. state of Indiana. Our cumulative investment in the company totals US$2 million through our subsidiary Komatsu America Corp.
6. Komatsu Capital Europe S.A. and Komatsu India Private Limited became consolidated subsidiaries in the year ended March 31, 2009.
7. Komatsu Hokkaido Ltd., Komatsu Niigata Ltd., Komatsu Tokyo Ltd., Komatsu Tokai Ltd., Komatsu Kinki Ltd., Komatsu Chugoku Ltd., Komatsu Nishi-Nihon Ltd., Komatsu All Ports Support Ltd. and other five companies were merged to establish Komatsu Construction Equipment Sales and Service Japan Ltd. in April 2009.
8. BIGRENTAL Co., Ltd. was merged with Komatsu Rental Japan Ltd. in April 2009.

Corporate Information

(As of March 31, 2009)

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 (US$686 million) based on U.S. GAAP Non-consolidated: ¥70,120 million (US$708 million)
Number of Employees	Consolidated: 39,855 Non-consolidated: 7,818

Shareholder Information

Shares of Common Stock Issued and Outstanding	998,744,060 shares
Number of Shareholders	305,176
Number of Shares per Trading Unit	100
Securities Code	6301 (Japan)
Stock Listings	Tokyo and Osaka
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 U.S.TollFree: 1-888-269-2377 (888-BNY-ADRS) URL: http://www.adrbnymellon.com Ticker Symbol: KMTUY

Major Shareholders (Top Ten)

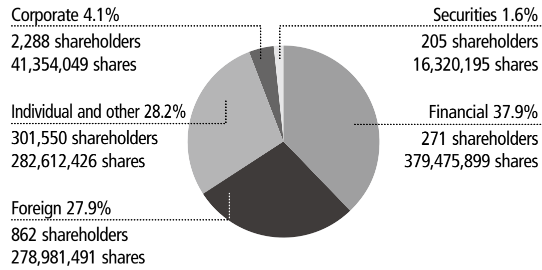
As of March 31, 2009

Name of shareholders	Number of shares held (in thousands)	Equity ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	62,830	6.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	51,689	5.3
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	49,046	5.0
Taiyo Life Insurance Company	42,000	4.3
Nippon Life Insurance Company	33,283	3.4
Sumitomo Mitsui Banking Corporation	17,835	1.8
JPMorgan Chase Bank 380055	17,593	1.8
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	14,785	1.5
NIPPONKOA Insurance Co., Ltd.	13,962	1.4
Komatsu Employees Shareholding Association	11,175	1.1

Notes: 1. Equity ratio is calculated by subtracting treasury stock.
2. Although Komatsu Ltd. holds 30,340 thousand shares of treasury stock, it is excluded from the Major Shareholders list above.

Percentage of Shareholders

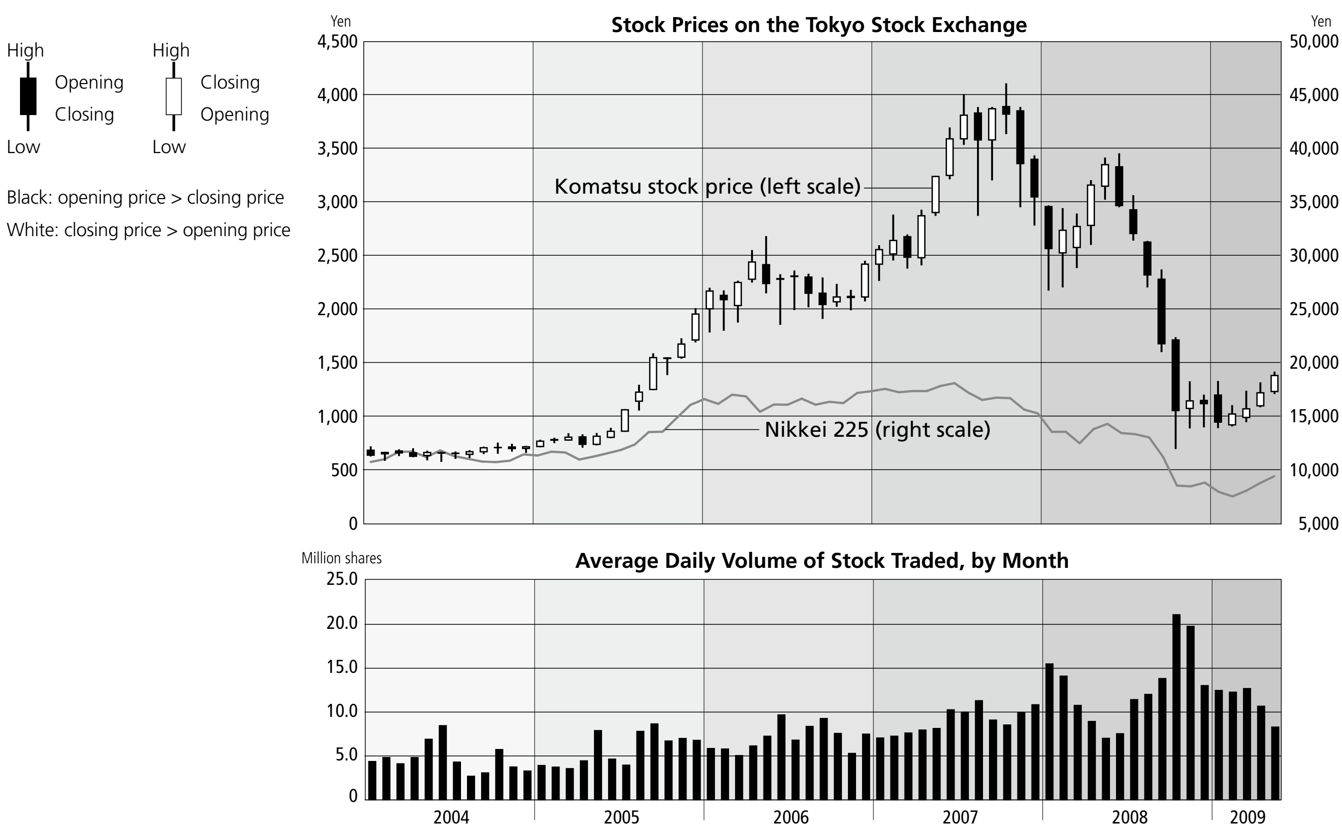
As of March 31, 2009



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

Tokyo Stock Price Range

As of May 31, 2009



Note : Calendar years (January–December)

PRINTED WITH SOY INK ™
Trademark of American Soybean Association

This report is printed with soybean ink certified as being environment-friendly
by the American Soybean Association.
Printed in Japan

Form No. AEN00001-04 HEAR090706

KOMATSU

Komatsu Ltd.
2-3-6 Akasaka, Minato-ku Tokyo 107-8414, Japan
http://www.komatsu.com/

Corporate Planning Division
TEL : 81-3-5561-2687
FAX : 81-3-3582-8332
E-mail: ir@komatsu.co.jp

Corporate Controlling Department
TEL : 81-3-5561-2604
FAX : 81-3-3586-0374