



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.





The Evolution of AHS

We led the world by commercializing the Autonomous Haulage System (AHS) in 2008. The idea goes back to the 1970s. Needless to say, there were ups and downs in the course of 30 years. The man who was there virtually from the start looks back at the evolutionary path.



The 1970s: The idea was already there.

“When I joined Komatsu Ltd. in 1974, the idea of developing an Autonomous Haulage System was there at Komatsu. At quarries and mines in Japan, they were projecting a shortage of drivers for dump trucks in the near future. A strong demand for autonomous dump trucks was there. In the 1990s we conducted tests jointly with customers at their quarry and mine, where we learned that the Autonomous Haulage System was not cost effective for Japanese small-scale mines and thus determined that we should give up commercialization in Japan but start looking into the possibility at large-scale mines overseas.”

1995 on: Starts tests at large-scale mines overseas

“In 1995 we conducted our first test at a large-scale coal mine in Australia, and later at another mine. At that time, our system was only able to manage no more than four driverless dump trucks. To increase the number of units in control, we needed to develop a fleet management system, but we had almost no experience of developing such software at Komatsu. Our efforts resulted in trials and errors.”

1996 on: Succeeds in the development of a fleet management system

“When we were having a hard time, Modular Mining Systems, Inc. (MMS) of the United States, with expertise in the DISPATCH® fleet management system for mining equipment, was looking for a business partner and approached us as well. MMS was keenly interested in our development of AHS, and joined the Komatsu Group in 1996. Ever since, MMS has played an increasingly important role in the commercialization of AHS.”

2002 on: Accelerates the pace of development with an eye to the world’s first commercialization

“In 2002, we got the official “go” in the company for our development plan for AHS, and kicked off the development of AHS for use in large mines. After developing and testing for

about three years, in December 2005, we began testing a fleet of five 930E-AT driverless dump trucks at CODELCO’s Radomiro Tomic mine. In January 2008, we formally delivered 11 driverless dump trucks to CODELCO’s Gaby copper mine, marking the world’s first commercialization of AHS. On December 9, 2008, they held the opening ceremony by inviting Dr. Michelle Bachelet, then President of Chile. Under stable operation, 11 units transported 48.5 million tons of material (24.5 million tons of ore), and contributed to the production of 148,000 tons of copper for the fiscal year ended March 31, 2009. When I heard this news, I felt all our hard work was totally paid off. [As of June 30, 2010, 12 driverless dump trucks were working there.]”

2010 on: How we can get our AHS up to human levels of intelligence and skills

“One of the demanding tasks of future development calls for how closely we can get our AHS up to human levels of intelligence and skills. Veteran drivers can get the best possible performance of dump trucks with their superior driving skills, whereas we need to make a number of limitations to driverless dump trucks, such as speed, mainly to ensure sufficient safety. While driverless dump trucks offer significant advantages over man-driven trucks such as the precision of machinery, we are taking up the challenge of developing a system that can compete with human levels of intelligence and skills in addition to making the fullest use of existing advantages.”

“We are taking up the challenge of developing a system that can offer human levels of intelligence and skills in addition to the precision of machinery.”

Takao Nagai

General Manager, AHS Planning & Coordination Dept.,
ICT Business, Construction & Mining Equipment
Marketing Division
Komatsu Ltd.

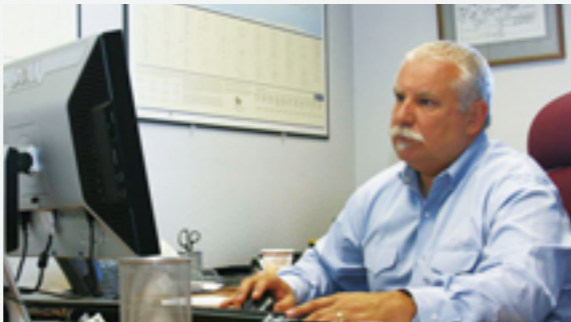
Global Teamwork supporting AHS

AHS incorporates the latest ICT; nevertheless, it is the people that support the stable operation of AHS. To ensure high-precision and safe operation for many hours, our people in charge of AHS from the Komatsu Group including a distributor are committed to demonstrating global teamwork, transcending countries and organizations and engaging in close-knit communications in order to deepen our understanding of mining operations and improve them day by day.



“Close-knit communications and teamwork are crucial for operating the AHS.”

Peter Carter
President and CEO, Modular Mining Systems, Inc. (MMS)



“MMS is responsible for the development of the supervisory software component in the AHS project. Specifically, we develop the application software for the central control computer and the communications infrastructure that transmits the information between the autonomous dump trucks and the central computer.”

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“When operating the AHS, it is very important for the Komatsu Group and customers to have close-knit communications and teamwork. In this regard, the AHS users forum in Western Australia, organized by Komatsu Head Office in December last year, was the most impressive of all. It was attended by more than 30 representatives from AHS customers, Komatsu Ltd., Komatsu America Corp. and Komatsu Chile S.A. We all exchanged experience, knowledge and ideas and our key challenges were jointly identified and agreed upon by all. The group discussion was very open and a common conclusion was reached to set the priority of product improvement tasks and initiatives. It was simply a very productive meeting for MMS. We are now working on a continuous improvement program based on the results of the forum.”

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“We are now moving toward the most challenging aspect of our work, that is, developing software that is intelligent enough to enable our driverless trucks to understand how to interact with the other heavy earthmoving equipment, such as shovels, bulldozers, motor graders and water trucks while operating in the normal production cycle. If they can respond flexibly to different situations, which will eliminate accidents and other risks, they should be able to offer the performance very close to that of their operator-driven counterparts. It’s a surmounting task, but I feel very confident that we can make it.”

“Twelve Komatsu AHS trucks are transporting ore at CODELCO’s Gaby copper mine. Komatsu Chile S.A. [the distribution operation of Komatsu Cummins Chile Ltda.] must ensure that the AHS trucks and their systems operate correctly so that our customer can achieve their daily production targets. Therefore, our efforts must center on the AHS productivity, involving close teamwork with members from our customer’s mine planning, maintenance and operations departments, our maintenance and AHS specialists, and our MMS specialists, all working together for continuous improvement. To establish a very close relationship with the customer, it is important for us to be more intimately involved in mine operations, not just equipment maintenance.”

.....

“Working at an AHS mine is quite different from a normal mining environment. Our product support group has developed, together with MMS, a comprehensive training program. This training program covers not only the operators (Gaby personnel) of the support equipment which operates together with the AHS trucks, but all the Pit Patrollers (Gaby personnel) who supervise the AHS operation in the field, and also the Central Controllers (Komatsu personnel) who supervise the AHS operation from the central control room.”

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“The AHS operation at Gaby is based on a true trust relationship between the Komatsu Group and CODELCO, as we develop this cutting edge technology for our mutual benefit. I feel proud to be a part of this “super DANTOTSU” project, and I’m sure there is still a lot more we can do for them as we continue to learn from each other.”



“We can do a lot for our customer as we are more intimately involved in their operation and learn from them.”

Jeffrey Dawes
President, Komatsu Cummins Chile Ltda.

Moving into a new business frontier with AHS

This new frontier we have pioneered with ICT-driven AHS and KOMTRAX represents an evolutionary shift in the source of our added values, that is, from our manufacturing plants to customers' operations. That's why we are working to create new added values by innovating our customers' business processes jointly with them as their trusted partner.

Shifting from manufacturing plants to customers' jobsites

"AHS is a totally new business model for Komatsu. While we have a competitive manufacturing edge in construction and mining equipment, with AHS we are expected to take part in mining and create added values by leading innovations in mining operations jointly with our customers. Rather than creating added values through manufacturing at our plants, we are creating them through proposals and service in customers' operations. This business poses a big challenge for Komatsu."

Creating added values by using ICT

"It's ICT that supports AHS technologically. Since around 1990, we have looked into a future of construction and mining equipment by conducting research in ICT applications such as GPS and wireless communication under the leadership of our laboratory. Our past efforts have brought about AHS and **KOMTRAX** for construction equipment.

In AHS, we ensure the optimal operation of dump trucks on a network of ICT applications, such as a GPS function to gain geographical position information, a fleet management system which instructs the trucks where to go, and a high-speed wireless communication infrastructure. Further, we are also engaging in the fleet management of man-operated mining equipment with driverless dump trucks, thereby realizing optimal operation in the entire mine. By taking advantage of ICT we can offer new added values to customers."

Key to success: Innovating the business process

"In addition to ICT applications, the most important factor of succeeding in this business is to understand the customer's operations and innovate the ongoing business process jointly with them. Through this change, we can

Kazunori Kuromoto

Executive Officer
President, ICT Business,
Construction & Mining Equipment Marketing Division
Komatsu Ltd.

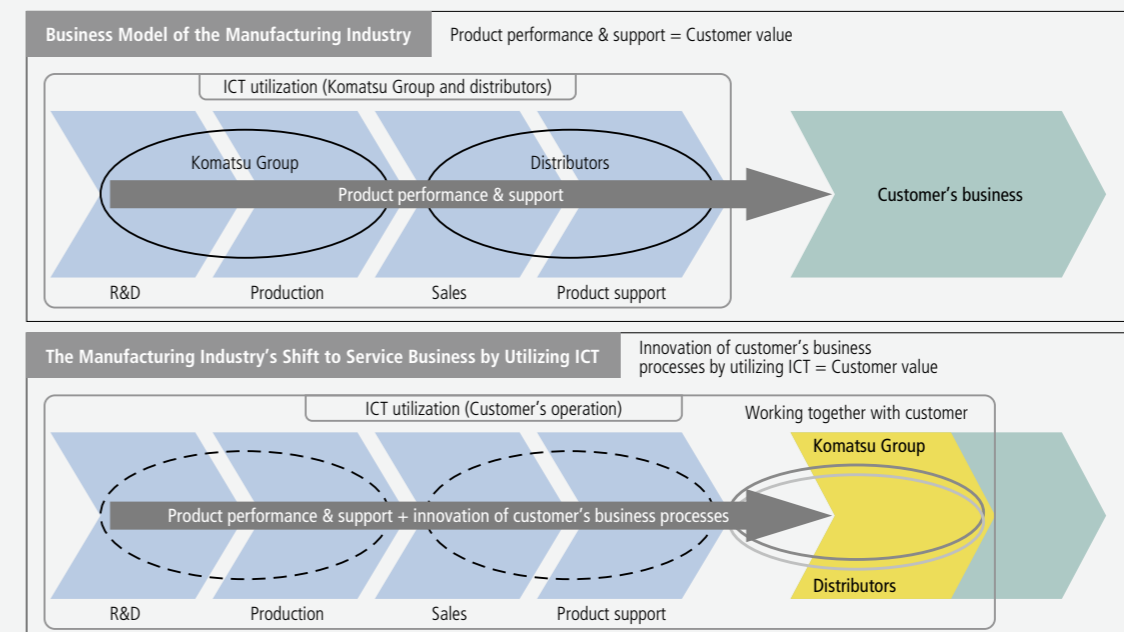
Feature Story: Autonomous Haulage System (AHS)



provide them with new added values, such as improved productivity and safety as well as reduced environmental impact. For ourselves, we can strengthen our relationship with them by playing a certain role in their value chain. In this continuous relationship, we can look forward to generating new business opportunities as we propose new services, rather than limit ourselves to selling hardware products only."

Working toward sustainable growth by strengthening the relationship with customers

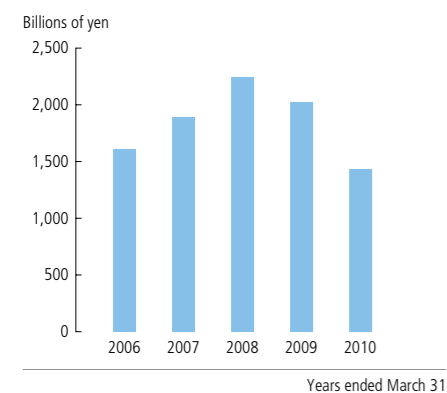
"A key to success in AHS, KOMTRAX and other ICT-deployed businesses lies in working closely with customers and innovating the business process together. To this end, it's very important for us to strengthen our relationship with them and become an indispensable partner for them. This kind of relationship is a valuable asset, which cannot be obtained overnight. As we continue to build on our relationship with customers through AHS and KOMTRAX, as well as achievements, and advance this relationship further, we are working toward sustainable growth in this new frontier of ICT applications."



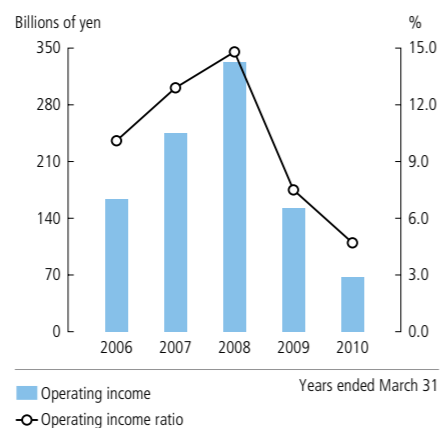
Financial Highlights

	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
For the Fiscal Period	2010	2009	2008	2010
Net sales	¥1,431,564	¥2,021,743	¥2,243,023	\$15,393,161
Operating income	67,035	151,948	332,850	720,806
Income from continuing operations before income taxes and equity in earnings of affiliated companies	64,979	128,782	322,210	698,699
Net income attributable to Komatsu Ltd.	33,559	78,797	208,793	360,849
Capital investment	96,191	162,512	145,730	1,034,312
Depreciation and amortization	90,215	97,241	74,628	970,054
Research and development expenses	46,449	53,736	49,673	499,452
Net cash provided by operating activities	182,161	78,775	160,985	1,958,720
Net cash used in investing activities	(72,967)	(145,368)	(128,182)	(784,591)
Net cash provided by (used in) financing activities	(116,363)	57,219	(17,422)	(1,251,215)
At Fiscal Period-End				
Total assets	¥1,959,055	¥1,969,059	¥2,105,146	\$21,065,108
Komatsu Ltd. shareholders' equity	833,975	814,941	887,126	8,967,473
Per Share Data				
Net income attributable to Komatsu Ltd. per share - basic	¥ 34.67	¥ 79.95	¥ 209.87	37.28¢
- diluted	34.65	79.89	209.59	37.26
Komatsu Ltd. shareholders' equity per share	861.51	842.04	891.49	926.35
Cash dividends per share	16	40	42	17.20
Major Indicators				
Operating income ratio (%)	4.7	7.5	14.8	—
ROE (%)	4.1	9.3	25.1	—
ROA (%)	3.3	6.3	16.3	—
Komatsu Ltd. shareholders' equity ratio (%)	42.6	41.4	42.1	—
Net debt-to-equity ratio	0.60	0.62	0.39	—
Number of employees	38,518	39,855	39,267	—

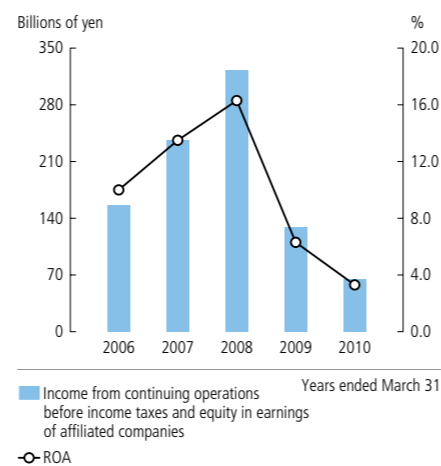
Net sales



Operating income and operating income ratio



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



Sales by Operation

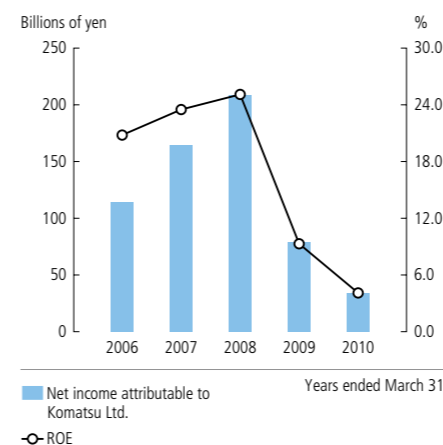
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Construction, Mining and Utility Equipment	¥1,268,575	¥1,744,733	¥2,048,711	\$13,640,591
Industrial Machinery and Others	162,989	277,010	194,312	1,752,570
Net sales	¥1,431,564	¥2,021,743	¥2,243,023	\$15,393,161

Sales by Region

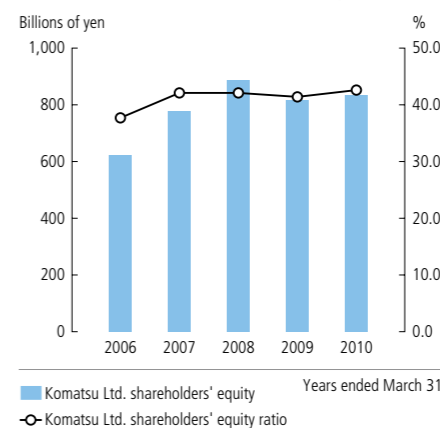
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Japan	¥ 323,813	¥ 452,172	¥ 505,185	\$ 3,481,860
North America	142,575	282,002	352,503	1,533,065
Europe	92,863	194,907	341,492	998,527
Latin America	181,409	221,448	188,657	1,950,634
CIS	34,514	89,122	86,187	371,118
China	270,870	236,226	189,902	2,912,581
Asia (excluding Japan and China) and Oceania	299,864	335,574	348,462	3,224,344
Middle East and Africa	85,656	210,292	230,635	921,032
Net sales	¥1,431,564	¥2,021,743	¥2,243,023	\$15,393,161

- Notes: 1. "Net income attributable to Komatsu Ltd." is equivalent to "Net income" for the fiscal year ended March 31, 2009 and preceding fiscal years.
2. 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.
3. Sales by operation and sales by region represent sales to outside customers, respectively.
4. The United States dollar amounts represent translations of Japanese yen amounts at the rate of \$1=¥93. See Note 1 of Notes to Consolidated Financial Statements.
5. Cash dividends per share represent the amount based on the resolution by the ordinary general meeting of shareholders.
6. Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders' equity
7. ROE = Net income attributable to Komatsu Ltd. / [(Komatsu Ltd. shareholders' equity at the beginning of the fiscal year + Komatsu Ltd. shareholders' equity at the end of the fiscal year) / 2]
8. ROA = Income from continuing operations before income taxes 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]

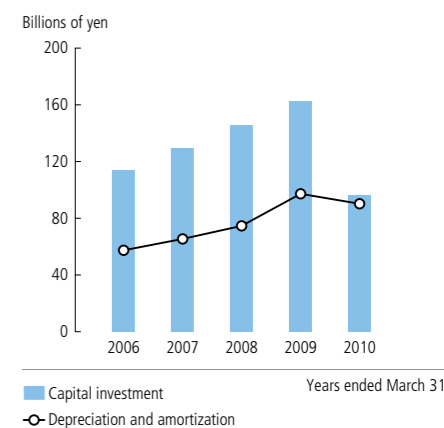
Net income attributable to Komatsu Ltd. and ROE



Komatsu Ltd. shareholders' equity and Komatsu Ltd. shareholders' equity ratio

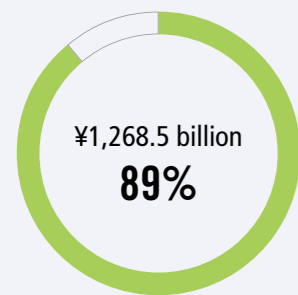


Capital investment and depreciation and amortization



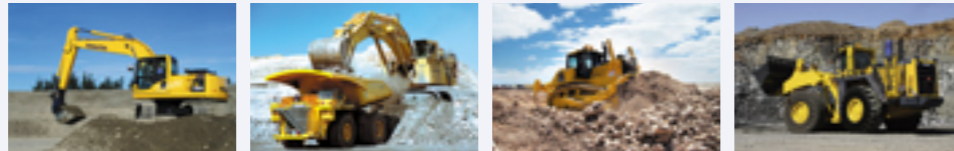
The Komatsu Group consists of Komatsu Ltd., 143 consolidated subsidiaries and 40 companies accounted for by the equity method around the world. Centering on the construction and mining equipment business domain, which enjoys a leading international market position, the Komatsu Group provides a wide range of products and services globally in utility equipment, forestry equipment, industrial machinery and other

Construction, Mining and Utility Equipment

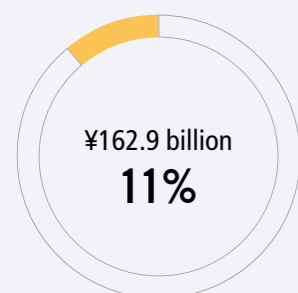


Sales and Percentage Share of Sales in Consolidated Net Sales for 2010 (To Outside Customers)

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



Sales and Percentage Share of Sales in Consolidated Net Sales for 2010 (To Outside Customers)

Metal Forging and Stamp-ing 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

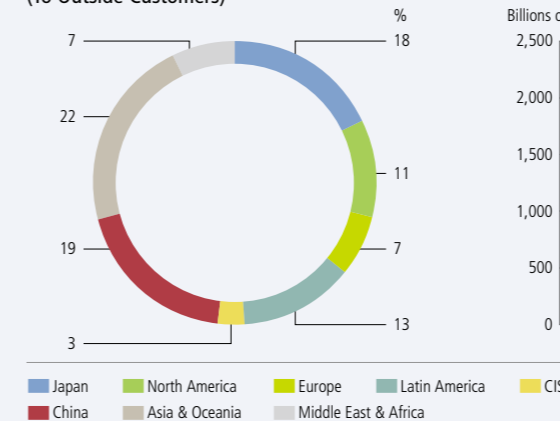


Business Segments at a Glance

business domains.

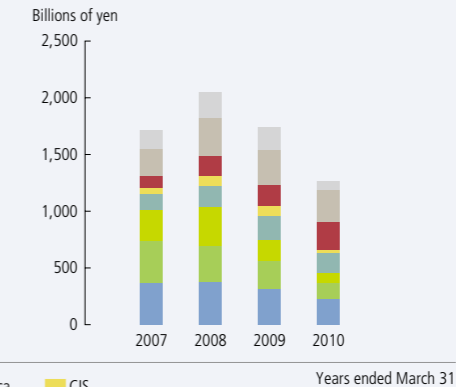
As of March 31, 2010

Percentage Share of Sales by Region for 2010 (To Outside Customers)



Note: 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.

Sales by Region (To Outside Customers)



Segment Profit and Ratio

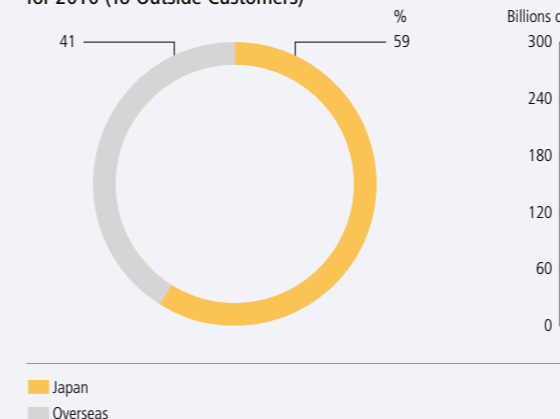


Sales by Region (To Outside Customers)

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Japan	¥ 228,505	¥ 309,895	¥ 370,744	\$ 2,457,043
North America	135,550	247,846	322,658	1,457,527
Europe	90,276	184,137	340,843	970,710
Latin America	170,585	214,559	187,894	1,834,247
CIS	31,742	89,122	86,186	341,312
China	244,509	179,221	181,468	2,629,129
Asia (excluding Japan and China) and Oceania	281,878	309,721	328,725	3,030,946
Middle East and Africa	85,530	210,232	230,193	919,677
Net sales	¥1,268,575	¥1,744,733	¥2,048,711	\$13,640,591

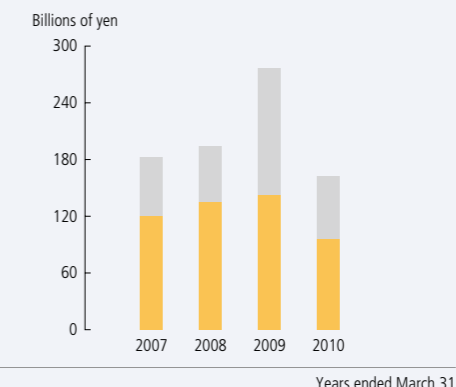
Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of \$1=¥93. See Note 1 of Notes to Consolidated Financial Statements.

Percentage Share of Sales in Japan and Overseas for 2010 (To Outside Customers)

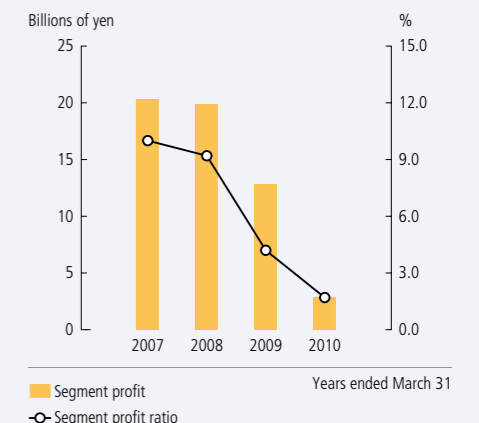


Note: Starting in the fiscal year ended March 31, 2009, Komatsu changed its business segmentation. Accordingly, the related figures for the previous fiscal years are stated after retrospectively reclassifying them.

Sales in Japan and Overseas (To Outside Customers)



Segment Profit and Ratio



Global Teamwork



Masahiro Sakane, Chairman of the Board

Kunio Noji, President and CEO

Business Results

During the fiscal year, ended March 31, 2010, i.e., from April 1, 2009 to March 31, 2010, some economies of the world generated signs of recovery, reflecting positive effects of the economic stimulus packages of their respective governments. In particular, leading other economies, the Chinese economy upturned for full-momentum growth in the first half, supported by the government’s massive economic stimulus measures. The positive effects of the Chinese economic growth are reaching to surrounding Asian countries and those with natural resources, helping their economic recovery. However, the pace of economic recovery was dull in Japan, North America and Europe, bringing about a challenging overall business environment.

We, at the Komatsu Group, engaged in production adjustment around the world and achieved an appropriate level of inventories in the first half. We also reorganized production of businesses of both the Construction, Mining and Utility Equipment and the Industrial Machinery and Others, while realigning sales of construction equipment and forklift trucks in Japan. At the same time, we worked to substantially cut down fixed costs. To ensure sales and profits, we reinforced ICT-deployed businesses, such as the KOMTRAX (Komatsu Machine Tracking System), strengthened operations in China and mining equipment, in which business was expanding, and worked to strengthen the parts and service busi-

Consolidated Results for the Year

U.S. GAAP	Results for the year	Change (2010/2009)
Net sales	¥ 1,431.5 billion	Down 29.2%
Operating income	¥ 67.0 billion	Down 55.9%
Operating income ratio	4.7%	-2.8 pts
Income before income taxes and equity in earnings of affiliated companies	¥ 64.9 billion	Down 49.5%
Net income attributable to Komatsu Ltd.	¥ 33.5 billion	Down 57.4%

Note: “Net income attributable to Komatsu Ltd.” is equivalent to “Net income” for the fiscal year ended March 31, 2009 and preceding fiscal years.

ness. However, as affected by global demand, which did not come back to the level of the pre-financial meltdown and the Japanese yen’s appreciation against major currencies, both sales and profits declined from the previous fiscal year.

Mid-Range Management Strategies and Goals

Today, market demand for construction and mining equipment has upturned for recovery in China and other emerging countries in Asia and Latin America. We anticipate that economic growth in these emerging countries will drive global demand upward. In April this year, we kicked off the new mid-range management plan

We have positioned China, Asia, Oceania, Latin America, Africa and some other emerging economies as “Strategic Markets,” and we are working to drive further growth.

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.

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

July 2010

M. Sakane
Masahiro Sakane
Chairman of the Board

K. Noji
Kunio Noji
President and CEO

Global Teamwork for Tomorrow

Numerical Targets and Activities of Importance
of the New Mid-Range Management Plan (April 2010 – March 2013)



Numerical Targets

	Targets for 2013	Results for 2010
Operating income ratio	15% or above	4.7%
ROE*1	20%	4.1%
Net debt-to-equity ratio [Excluding retail finance companies]	0.4 or below [0.2 or below]	0.60 [0.36]
Consolidated payout ratio	20–40% (stably)	38%*2

*1. ROE = Net income attributable to Komatsu Ltd. / [(Komatsu Ltd. shareholders' equity at the beginning of the fiscal year + Komatsu Ltd. shareholders' equity at the end of the fiscal year) / 2]

*2. Before structural reform expenses

Preconditions

		Guideline for 2013	Results for 2010
Net sales (Billions of yen)		2,000 (+/- 100)	1,431.5
Foreign exchange rates	USD (Yen)	90	93
	EUR (Yen)	125	131
	RMB (Yen)	13.5	13.6

Years ended March 31

I. Activities of Importance in Management

Activities	Aims
Promotion of brand management efforts	To develop human resources through activities designed to build and strengthen relationships with customers and the Komatsu Group (Komatsu and distributors).
TQM*3 in Strategic Markets (especially in China)	To promote the growth of national staff members through their work so that they will become able to manage operations independently in growth markets.

*3. TQM: Total Quality Management

II. Activities of Importance in Business Operations

Activities	Aims
Promotion of ICT*4 applications to products and parts	To enhance added value of products and parts by applying ICT.
Product development for improved environmental friendliness and safety	To upgrade environmental responses with next-generation technologies as an industry-leading company.
Expansion of sales and service operations in Strategic Markets	To further reinforce operations in growth markets to meet the structural change of market demand.
Promotion of continuous improvement by strengthening workplace capability	To sustain and improve organizational capability for continuous improvement in order to win the global competition.

*4. ICT: Information and Communication Technology

Face to Face

Interview with Kunio Noji, President and CEO

“We are working for further growth by expanding business in our Strategic Markets through global teamwork.”



Q₁

Let me start this interview by asking you about accomplishments of the “Global Teamwork for 15” management plan which was completed in the fiscal year just ended.

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A₁

Under the three-year “Global Teamwork for 15” plan from April 2007 to March 2010, we concerted our main efforts to improve profitability, strengthen our financial position and enhance our market position in Greater Asia. We can divide this three-year period into two stages in light of changes in the business environment and the measures which we executed.

The first stage was between April 2007 and the end of September 2008. In addition to making aggressive efforts, including the development of DANTOTSU products, we enjoyed a good tailwind of the expanding market. For the fiscal year ended March 31, 2008, we recorded an operating income ratio of 14.8%, practically attaining the target of 15%, and we kept a similar, high level of profitability into the first half of the following fiscal year.

The second stage began in October 2008, with the onset of the financial crisis triggered in the United States in September 2008. As economies recessed around the world, demand in all our business domains plummeted suddenly and drastically, as represented by quarterly global demand for construction equipment dropping to half from the peak of April through June 2008. In response to such a drastic change in the business environment, we promptly worked on structural reforms, including the reorganization of production and consolidation of sales on a global basis, and reduction of inventories and fixed costs. As a result, we were able to make our corporate foundation leaner and more muscular.

• • •

Previous Mid-Range Management Plan “Global Teamwork for 15”: Numerical Targets and Achievements

	Targets for 2010	Results for 2007	Results for 2008	Results for 2009	Results for 2010
Operating income ratio	15% or above	12.9%	14.8%	7.5%	4.7%
ROE	20% level	23.5%	25.1%	9.3%	4.1%
Net debt-to-equity ratio [Excluding retail finance companies]	0.2 or below	0.33 [0.22]	0.39 [0.29]	0.62 [0.48]	0.60 [0.36]
Consolidated payout ratio* [] Before structural reform expenses	20% or above	20.1%	20.5%	[40.0%]	[38.0%]

* Based on income from continuing operations attributable to Komatsu Ltd.

Preconditions and Achievements

		Guideline	Results for 2007	Results for 2008	Results for 2009	Results for 2010
Net sales (Billions of yen)		2,400 (+/-100)	1,893.3	2,243.0	2,021.7	1,431.5
Foreign exchange rates	USD (Yen)	110	117	114	101	93
	EUR (Yen)	145	151	162	143	131

Years ended March 31

Q₂

Now, please describe the new three-year management plan “Global Teamwork for Tomorrow” from April 2010 to March 2013.

.....

A₂

This name expresses our determination to generate further growth through teamwork among all employees and with distributors and suppliers around the world, as we look and move ahead.

In the new management plan, we have defined as Strategic Markets the regions other than Japan*, North America* and Europe,* such as China, Asia, CIS, the Middle East, Latin America, Africa and Oceania, where we are going to incorporate our competitive edge, such as ICT applications, development and manufacturing of key components, global sales and service networks, and flexible procurement and manufacturing, into our efforts on activities of importance. We are determined to advance these strengths and generate positive results. We are also continuing our all-out efforts around the world to disseminate and anchor The KOMATSU Way among all employees through improvement activities of their work. All of us are also focusing efforts on brand management activities in which Komatsu will build on its relationship with customers and ultimately Komatsu and customers will enjoy future growth together. We are going to translate these initiatives into human resource development needed for our global business growth. With all these efforts, we are working to attain the industry's top level profitability and financial position.

* We have defined Japan, North America and Europe as Traditional Markets.

• • •

New Mid-Range Management Plan “Global Teamwork for Tomorrow”: Numerical Targets

	Targets for 2013	Results for 2010
Operating income ratio	15% or above	4.7%
ROE	20%	4.1%
Net debt-to-equity ratio [Excluding retail finance companies]	0.4 or below [0.2 or below]	0.60 [0.36]
Consolidated payout ratio	20–40% (stably)	38%*

* Before structural reform expenses

Preconditions

		Guideline for 2013	Results for 2010
Net sales (Billions of yen)		2,000 (+/-100)	1,431.5
Foreign exchange rates	USD (Yen)	90	93
	EUR (Yen)	125	131
	RMB (Yen)	13.5	13.6

Years ended March 31

Q₃

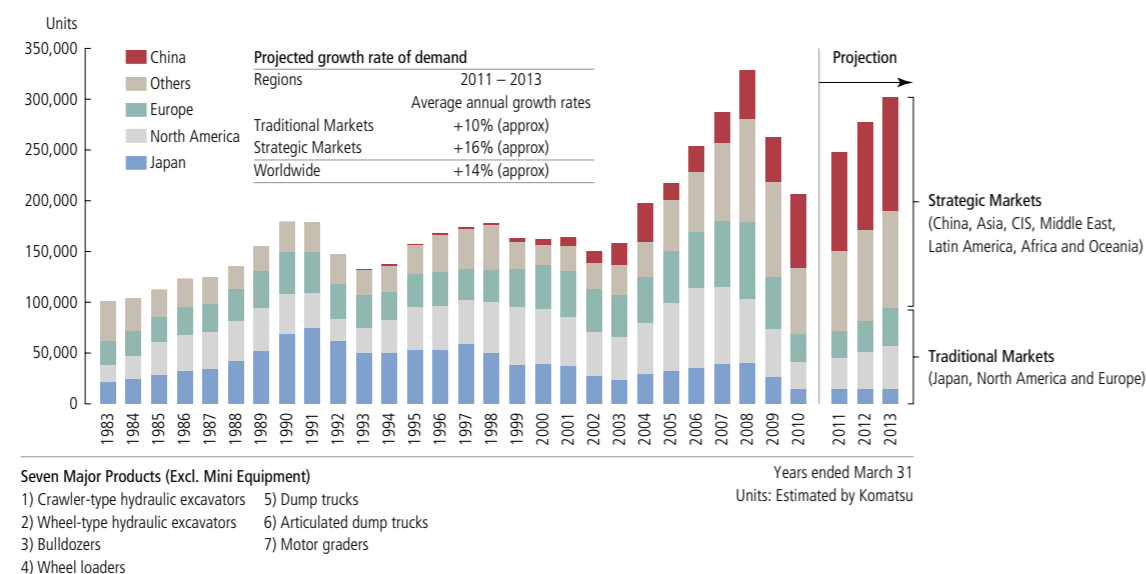
Could you share your projection of future market conditions of construction and mining equipment, which must be the preconditions for the new mid-range management plan?

A₃

Global demand for seven major products of construction and mining equipment expanded by a year-on-year average rate of about 15% from the fiscal year ended March 31, 2004 through the fiscal year ended March 31, 2008. It was driven by growth of demand centering on emerging economies. However, the market environment has drastically deteriorated since the financial crisis of September 2008 was triggered in the United States. Global demand for seven major products in the fiscal year ended March 31, 2010 dropped to a level comparable to that in the fiscal year ended March 31, 2004.

We are anticipating that global demand for construction and mining equipment will upturn for growth again centering on our Strategic Markets, fueled by the growth of infrastructure development projects resulting from advancing urbanization as well as the expansion of demand for commodities and energy sources resulting from an increasing population. For the three-year period of the new mid-range management plan, we are projecting an average year-on-year growth rate of about 14%. In our Traditional Markets, we are anticipating that North American demand will upturn for growth in the second half of the current fiscal year. Meanwhile, we are expecting that demand in Japan and Europe will remain generally flat for the foreseeable future. Therefore, all in all, demand will be confined to an average year-on-year increase of about 10% in our Traditional Markets. In our Strategic Markets, we are projecting that demand will expand by an average year-on-year growth rate of about 16%, driven by China with a big market size, Indonesia, India, Brazil and other commodity exporting countries. With respect to percentage share of demand in our Traditional Markets and Strategic Markets in global demand, they were 33% and 67%, respectively, in the fiscal year ended March 31, 2010. We are projecting that the percentage of the Strategic Markets will become over 70% in the current fiscal year ending March 31, 2011. As we have established a solid market position in China and Asia, we are determined to expand our business in our Strategic Markets by taking advantage of our market position there.

Demand for Construction & Mining Equipment by Region [Seven major products on a unit basis]

Q₄

Now, could you tell us about your plans concerning the promotion of ICT applications to products and parts, which is the first activity of importance?

A₄

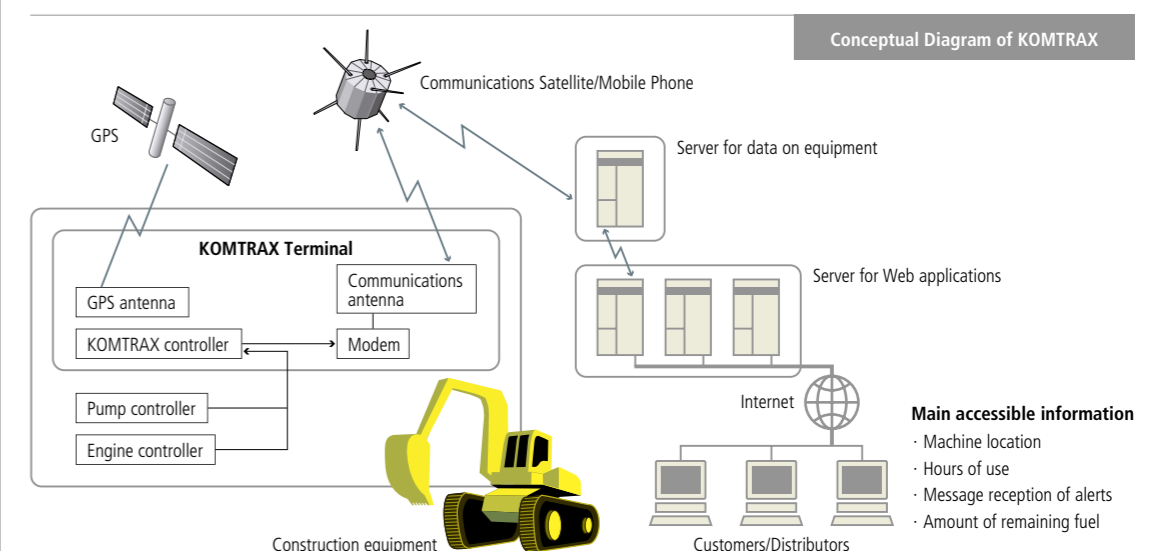
Certainly. We have led the industry by commercializing ICT-applied products and systems, like KOMTRAX [Komatsu Machine Tracking System] and AHS [Autonomous Haulage System] for dump trucks, and have gained an excellent market response.

Back in 2001, we made the KOMTRAX a standard feature of our construction equipment. As of June 30, 2010, there were over 170,000 KOMTRAX-mounted units operating in some 60 countries around the world. Information concerning their operating conditions has resulted in our decisive advantage over competitors. By analyzing this information, we are supporting our distributors to improve their operational efficiency and to assist our customers to enhance their work productivity. To monitor the operating conditions of mining equipment, we have conventionally offered the Vehicle Health Monitoring System, but we have recently advanced it as the KOMTRAX Plus. Now able to monitor the operating conditions of mining equipment on the same KOMTRAX screen, we are going to expand applications of the KOMTRAX Plus. Furthermore, we are also promoting the installation of KOMTRAX in our industrial machinery and forklift trucks.

In 2008 we led the world by commercializing our AHS. Today the AHS is in operation in two mines, one each, in Chile and Australia. By utilizing our know-how accumulated at the jobsites, we are advancing the system and expanding the scope of the business.

We are well positioned to apply our technological experience and know-how gained from actual operations of ICT-applied systems to machine operation management, maneuver controls, jobsite management and other fields to increase our added values.

KOMTRAX (Komatsu Machine Tracking System)



Q₅

The second activity of importance calls for product development for improved environmental friendliness and safety. Could you tell us about your future plans?

A₅

Sure. We have successfully worked to develop and launch DANTOTSU products which feature unrivaled performance in environmental friendliness [fuel economy], safety and/or ICT. We are continuing our focus on **the product development for improved environmental friendliness and safety** in the new mid-range management plan and thus are working to reduce CO₂ emissions from our products and to improve their safety.

With respect to construction equipment, we are going to launch our hybrid hydraulic excavators around the world while working to broaden the range of hybrid products and models. In April 2009, we embarked on full-scale sales of the PC200-8 Hybrid hydraulic excavator in Japan and sold over 200 units in the fiscal year ended March 31, 2010. In March 2010 we launched their full-scale sales in China, and we are planning worldwide sales, including North America, Europe and Asia during the current fiscal year. We are working to develop 30-ton class hybrid hydraulic excavators and wheel loaders as well.

It's very important for us to meet next emission regulations which will start in Japan, the United States and Europe in 2011. We have already developed new diesel engines and are continuing efforts to develop machines for a timely market introduction.

With respect to mining equipment, we are working to reduce CO₂ emissions from mining trucks in the biodiesel fuel project in Indonesia. We feel confident about positive outcomes. We are also working to enhance the safety of large dump trucks by developing a surrounding area monitoring system, drowsy-driving detection system and other devices.

Concerning our forklift trucks, we are focusing efforts on the development of capacitor hybrid models and hydrostatic transmission-equipped models to enhance their product competitiveness. For our industrial machinery, we are allocating our development resources exclusively for AC Servo presses, which feature less power consumption, superior productivity and super low noise compared to their mechanical counterparts, thereby promoting the development of next-generation high-performance, compact and energy-saving AC Servo presses.



PC200-8 Hybrid in operation in China



New diesel engine developed by the Komatsu Group in response to next emission regulations in Japan, the United States and Europe

This image was created by computer graphics.

Q₆

Although it's projected that Strategic Markets are promising for growth, I think that you will face intensifying market competition with the emergence of local makers. Could you tell us how you are planning to expand business there?

A₆

Of course. One of our strengths is our global sales, service and production networks which we have built up over a period of 50 some years of overseas business. As of June 30, 2010, we have 205 distributors in 148 countries, covering 99% of global demand in units. Forty-five production facilities of our construction, mining and utility equipment business are in operation in Japan, Asia, China, the Americas, Europe and CIS. With Mother plants equipped with product development capabilities in the center, we have worked to reinforce our manufacturing competitiveness. In the Strategic Markets with strong growth potential, we are well prepared to capitalize on business opportunities as we take full advantage of these existing strengths and continue efforts to reinforce operations there.

Specifically, we will make a decisive difference from competitors with no downtime of customers' machines by not only providing products with superior QCDS, that is, quality, cost, delivery and safety but also ensuring prompt spare parts delivery and service. To this end, in addition to fostering the growth of our distributors and reinforcing their capabilities, we are working to improve our sales and service operations by expanding our product support capability, strengthening our parts and Reman businesses and applying ICT to customer support activities.

To prepare for market competition with emerging local manufacturers, we are going to strengthen our workplace capability* and are continuing to enhance our cost competitiveness. We are strengthening manufacturing cost reduction activities in China and thereby further improving the cost competitiveness of our products. At the same time, we are also working to continuously cut down fixed costs by reforming and improving back-office work in order to make our operations strong enough to win the global competition.

* Workplace capability: Continuous improvement in our capability to identify and solve tasks by groups.

Production Bases: Construction, Mining and Utility Equipment Business (As of June 30, 2010)

	Americas	Europe & CIS	Asia	China	Japan	Total
Assembly	4	6	4	3	6	23
Components, parts and applied products	3	3	5	5	6	22
Total	7	9	9	8	12	45
Mother plants (equipped with product development capability)	1	4	0	0	4	9

Q₇

Please tell us about your projection for the current fiscal year, which is the first year of the “Global Teamwork for Tomorrow” mid-range management plan.

A₇

We are projecting the upturn of our sales and profits for growth again. For the current fiscal year, ending March 31, 2011, we are expecting consolidated net sales of 1 trillion 660 billion yen, up 16.0% from the fiscal year we have just finished; operating income of 157 billion yen, up 134.2%; operating income ratio of 9.5%, up 4.8 percentage points; and net income attributable to Komatsu Ltd. of 90 billion yen, up 168.2%.



In the construction, mining and utility equipment business, while we are going to capitalize on demand growth centering on the Strategic Markets, we are also working to increase selling prices by enhancing product competitiveness and reinforcing product support capability, and to ensure the thorough reduction of manufacturing costs, thereby increasing profitability. Through these efforts, we are anticipating sales of 1 trillion 500 billion yen, up 18.0%, segment profit of 170 billion yen, a little more than double or up 104.7%, and segment profit ratio of 11.3%, up 4.8 percentage points.

In the industrial machinery and others business, we are projecting that a challenging environment will continue throughout the fiscal year, although orders for large presses from automakers are beginning to recover in emerging economies, such as China and India. Therefore, we are anticipating sales of 180 billion yen, about flat or up 0.8%; segment profit of 1 billion yen, down 66.6%; and segment profit ratio of 0.6%, down 1.1 percentage point.

Projection for Business Results for 2011 (Announced on April 27, 2010)

Billions of yen

U.S. GAAP	Projection for 2011 USD 1 = JPY 90 EUR 1 = JPY 125 RMB 1 = JPY 13.5	Change (2011 / 2010)
Net sales	1,660	Up 16.0%
Construction, Mining and Utility Equipment	1,500	Up 18.0%
Industrial Machinery and Others	180	Up 0.8%
Elimination	(20)	—
Segment profit	165	Up 104.4%
Construction, Mining and Utility Equipment	170	Up 104.7%
Industrial Machinery and Others	1	Down 66.6%
Corporate and elimination	(6)	—
Other operating income (expenses)	(8)	—
Operating income	157	Up 134.2%
Operating income ratio (%)	9.5	+4.8pts
Income before income taxes and equity in earnings of affiliated companies	149	Up 129.3%
Net income attributable to Komatsu Ltd.	90	Up 168.2%

Years ended March 31

Q₈

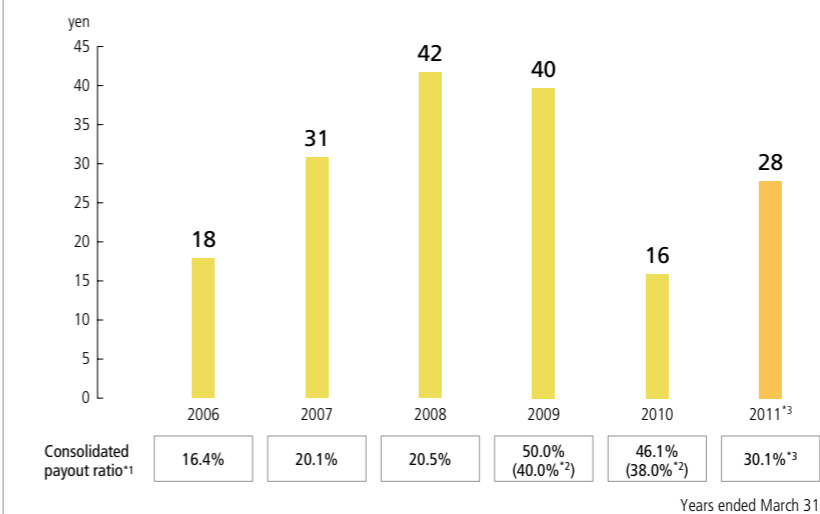
As you are going to shift your strategies to growth, please tell us about your thoughts on redistribution of profits to shareholders, investment for growth and reinforcement of financial position.

A₈

We are committed to building a sound financial position and flexible and agile corporate strengths to increase our corporate value. As our business environment has drastically deteriorated since October 2008, and our performance worsened temporarily, we worked on structural reforms including the reorganization of production and consolidation of distributorship, inventory reduction and substantial reduction of fixed costs. As a result, we have been able to build our corporate muscle leaner and stronger. Under the ongoing mid-range management plan for the fiscal year ending March 31, 2013, we are going to shift our strategies to growth. To enhance our profitability further, at the same time, we are continuing to thoroughly ensure our commitment to the separation of costs from growth by clearly defining strategic investments for growth and cost reduction through improvement activities. With respect to profits generated from expanded sales and profits, we will redistribute them to our shareholders, allocate them to further strengthen our financial position and invest for growth in a well balanced manner for the goal of continuously enhancing our corporate value.

With respect to cash dividends, we maintain the basic policy of redistributing profits by considering consolidated business results and continuing stable dividends. Specifically, we have also set the policy of a consolidated payout ratio of 20% or higher and will not decrease dividends, as long as the consolidated payout ratio does not surpass 40%, as stated among the numerical targets of the mid-range management plan. Annual cash dividends for the fiscal year ended March 31, 2010 were 16 yen per share, and the consolidated payout ratio was 38% based on profits before the structural reform expenses. With respect to annual cash dividends for the current fiscal year, ending March 31, 2011, based on these policies, we are planning 28 yen per share with an increase of 12 yen from the previous fiscal year. This should translate into a consolidated payout ratio of 30%. We would like to maintain stable dividends through business growth into the future.

Annual Cash Dividends per Share



Notes: ^{*1} Consolidated payout ratio is based on income from continuing operations attributable to Komatsu Ltd.
^{*2} Before structural reform expenses
^{*3} Projection announced on April 27, 2010

Environmental and Social Efforts

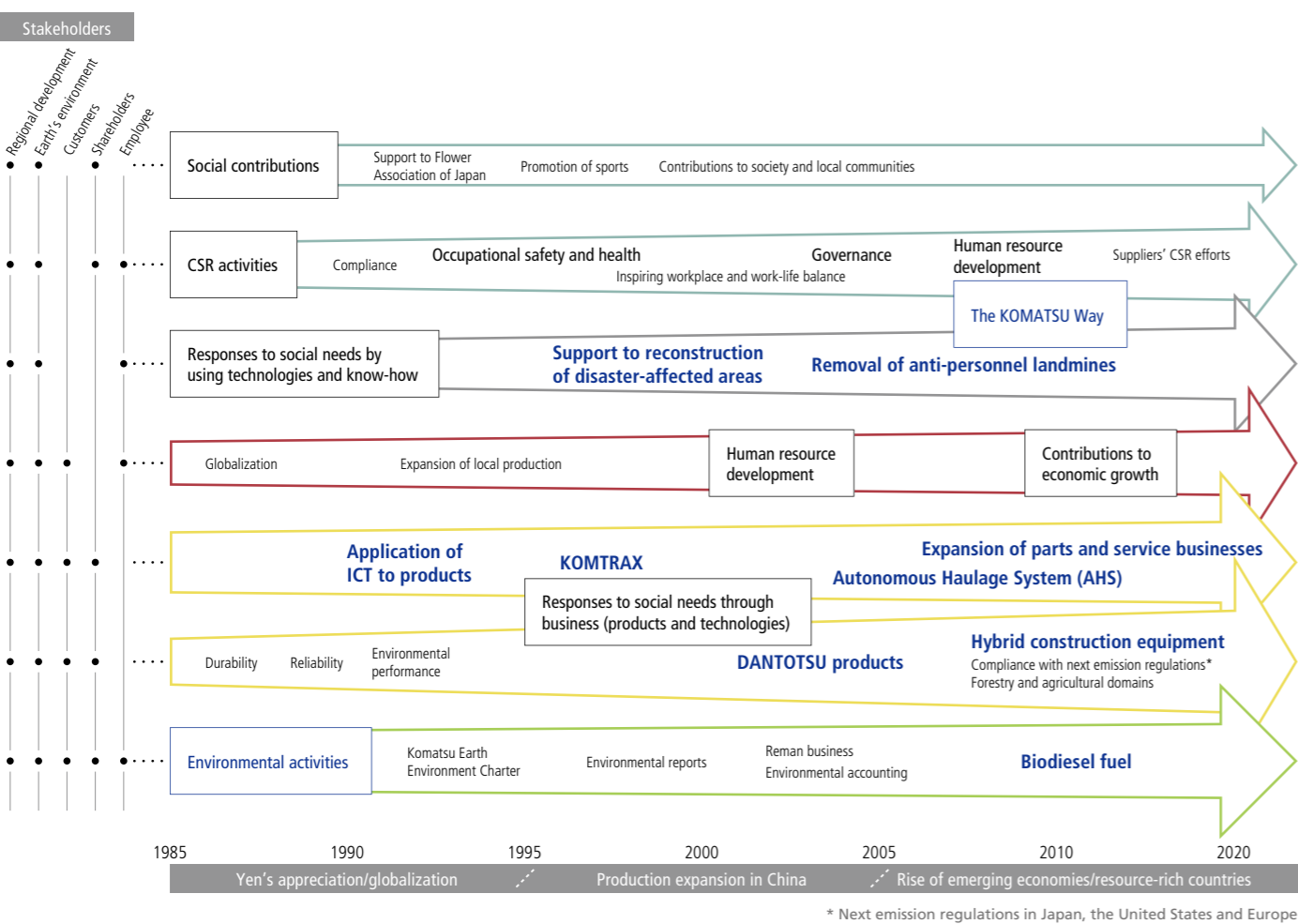
By positioning environmental issues as one of its top-priority management tasks, the Komatsu Group has worked to reduce environmental impact over the years. We also believe that we will be able to enhance our corporate value in the long term by promoting harmony with society and making social contributions as a good corporate citizen. Based on this belief, we are proactively involved in social contribution activities. To ensure the further reduction of environmental impact and the sustainable growth of society, we remain committed to doing what we can and must do, and promote our own sustainable growth and enhance our corporate value.



Komatsu's Business and Management Activities and CSR

Today, the definition of corporate social responsibility (CSR) is changing from the conventional, narrow meaning centering on "social contribution activities" to a broader one which implies "what kind of values a given company offers to society." We at Komatsu believe that our business activities themselves are CSR activities. Therefore, in addition to conventional social contribution activities, we are working to contribute to the reduction of environmental impact, growth of world economies, and improvement of living standards by delivering our products and services to customers. In this manner, we hope to remain as a company needed by our customers and society.

Komatsu's Business and Management Activities and CSR: Conceptual Diagram



Note: For details on Komatsu Group's environmental and social efforts, read the *Environmental and Social Report 2010*.
(URL) <http://www.komatsu.com/CompanyInfo/csr/>

Reduction of Environmental Impact

We strive to reduce our environmental impact through the entire range of our business activities from R&D and production of products for lower consumption of fuel to logistics.

Major Efforts in Reduction of Environmental Impact in 2010

	Efforts	Results
R&D	<ul style="list-style-type: none">Development of products compliant with next emission regulations in Japan, the United States and EuropeCommercial production of hybrid hydraulic excavators	Developed new engine technologies. Reduced CO ₂ emissions by 30 to 40% (field tests by customers)
Production	<ul style="list-style-type: none">Reduction of CO₂ emissions per unit of manufacturing value in the fiscal year ending March 31, 2011 by 20% or more from the fiscal year ended March 31, 2001	Reduced by 29.6% from the fiscal year ended March 31, 2001
Logistics	<ul style="list-style-type: none">Promotion of modal shift from trucking to marine and railway	Improved by 4.5 pts for marine and railway as a percentage of total transportation modes used by the Komatsu Group. (19.7% → 24.2%)

Reduction of CO₂ Emissions in Manufacturing: Next Mid-range Targets for 2016

	In Japan	Overseas
Per unit of manufacturing value	Down 40% from the fiscal year ended March 31, 1991	Down 41% from the fiscal year ended March 31, 2006

Social Contribution Efforts

Removing anti-personnel landmines and engaging in community reconstruction in Angola

Our joint efforts with the non-profit organization, Japan Mine Action Service (JMAS) in anti-personnel landmine removal and community reconstruction have been advancing as planned in Angola, following our work in Cambodia.

It is estimated that millions of landmines were placed in the ground in Angola during its civil wars between 1975 and 2002, after its independence from Portugal. With the support of government organizations of Japan and Angola, our joint project with JMAS began in April 2009 with the additional members of Sumitomo Corporation and Toyota Tsusho Corporation of Japan.



Commencement ceremony held in Angola on April 20, 2009

Product Development for Improved Environmental Friendliness and Safety

We are converging our efforts to develop products that are designed to reduce their environmental impact and demonstrate superior functionality and safety when customers use them. In our new mid-range management plan, "Global Teamwork for Tomorrow," we are keeping "product development for improved environmental friendliness and safety" as one of the activities of importance, and are also working to reduce environmental impact by cutting down fuel consumption and promoting electrical energy savings, and the improvement of safety.

Reducing CO₂ emissions from construction equipment

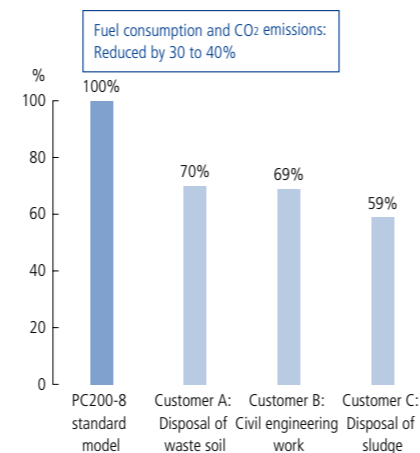
PC200-8 Hybrid

In June 2008, we launched the world's first hybrid hydraulic excavator, PC200-8 Hybrid, on the Japanese market. It has proven possible the reduction of 30 to 40%* in fuel consumption or CO₂ emissions compared to the standard model of the same class. In March 2010, we began full-scale market introduction in China, following Japan. We are now promoting worldwide launchings, while working to broaden the hybrid model range. * Based on field tests with customers



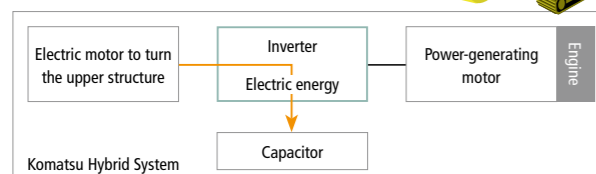
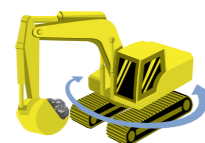
PC200-8 Hybrid in operation in China

Field Tests with Customers



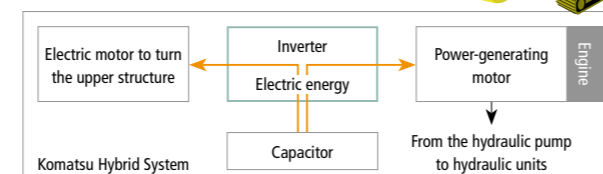
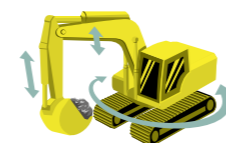
Energy Collection

Our proprietary Komatsu Hybrid System converts kinetic energy, which is conventionally lost as heat energy when the upper structure reduces its speed while turning, into electric energy and stores it in the capacitor.



Use of Stored Electric Energy

Our hybrid system uses electric energy stored in the capacitor to assist the electric motor to turn the upper structure and the power of the engine when it accelerates.



Development of Leading-Edge Engine Technologies to Meet Next Emission Regulations in Japan, the United States and Europe

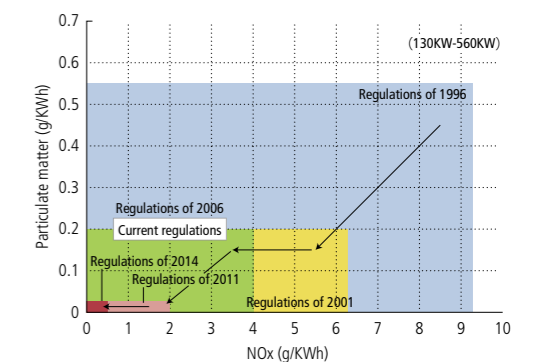
We have developed new engine technologies in response to next emission regulations in Japan, the United States and Europe, which will be enforced in phases starting in 2011. The new regulations require the reduction of nitrogen oxides (NOx) and particulate matter (PM), each to one tenth of the current amount in the final phase starting in 2014. High technological standards are called for to meet this requirement. In addition to meeting the new regulations, we are also working to reduce CO₂ emissions by 10%* from the existing models by equipping new engines with new models.

We will continue our efforts to develop diesel engines that reduce their environmental impact and improve fuel economy simultaneously by incorporating leading-edge technologies to our proprietary engine technologies accumulated over the years.

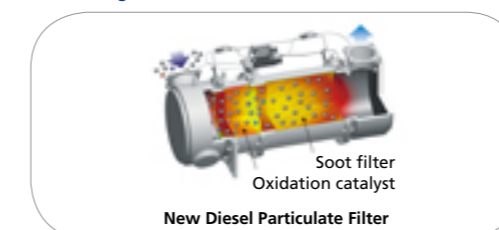
* Applicable to hydraulic excavators

Regulations on Emissions from Nonroad Diesel Engines

Next emission regulations: To become effective in 2011 (Interim) and 2014 (Final).

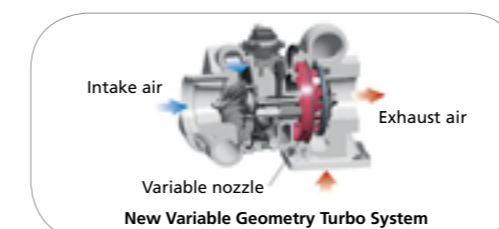


Outstanding Reduction of PM and Noise

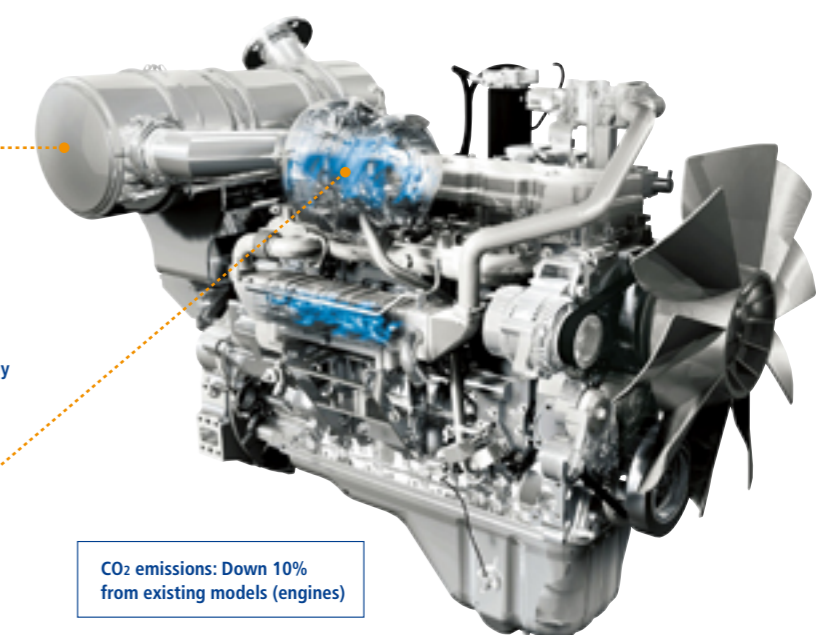


The new filter burns and removes PM deposited inside by combining a special catalyst and fuel injection, thus purifying exhaust gas.

Achievement of Both Purification of Exhaust Gas and Fuel Economy



We have developed a new turbo charger which features our proprietary hydraulic technology for variable controls of air-flow and volume and supplies air optimally according to load conditions, thus achieving both purification of exhaust gas and fuel economy.



CO₂ emissions: Down 10% from existing models (engines)

New diesel engine in compliance with next emission regulations in Japan, the United States and Europe

These images were created by computer graphics.

Product Development for Improved Environmental Friendliness and Safety

Mining Equipment: Reduction of CO₂ emissions and development of safety technology

Biodiesel fuel project in full-scale operation

In November 2009, we reached a basic agreement with PT Adaro Energy Tbk, a customer of our mining equipment and PT United Tractors Tbk, our exclusive distributor in Indonesia, to jointly promote a biodiesel fuel (BDF) project in Adaro's mine in Indonesia. Current plans call for running some 100 dump trucks on BDF in 2012 on. This will translate into a reduction of about 20,000 tons of CO₂ emissions annually, comparable to about 10% of CO₂ emissions per year from our manufacturing plants in Japan. Jatropha is already planted and the construction of a production facility of BDF is underway. Through this project, we are working to realize mining with a low environmental impact.

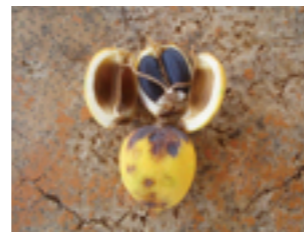


Planted Jatropha saplings



Top: Jatropha

Bottom left: Refinery tanks (reactors)



Bottom right: Jatropha seeds

Improving safety of large dump trucks for use in mines

Safety improvement in mines is one of the most urgent tasks for our customers. For our large dump trucks for use in mines, we are conducting R&D in safety technologies, such as a surrounding-area monitor and drowsy-driving detection system, in order to prevent accidents.

Conceptual image of our infrared camera-incorporated drowsy-driving detection device in the research and development stage

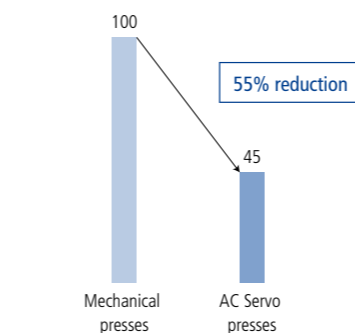


Industrial Machinery

Developing next-generation AC Servo presses

Compared to conventional mechanical counterparts, AC Servo presses use less electricity, while offering higher productivity and producing lower noise. By anticipating a growing demand in the future, we are concentrating our resources on the development and market introduction of next-generation AC Servo presses which will feature high functionality, compact size and larger energy savings.

Reduction Effect of CO₂ Emissions by AC Servo Press
(when CO₂ emissions by mechanical presses are set at 100)



* Lifecycle (30yrs) comparison with small presses (pressing capacity: 45 tons)

H1F110 AC Servo Press
made by Komatsu Industries Corp.

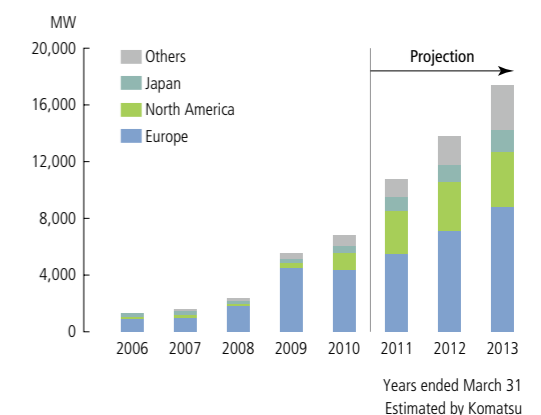
Developing wire saws

Solar cells have been attracting keen attention as a new environment-friendly energy source in recent years, and their production is rapidly expanding. Komatsu NTC Ltd. is an international leader of wire saw manufacturing for use in making silicon wafers for solar cells. In response to accelerating demand for solar cells, Komatsu NTC contributes to the reduction of CO₂ emissions by continuing to develop and introduce high-performance wire saws.



PV800S Wire Saw made by Komatsu NTC Ltd.

Worldwide Production Volume of Solar Cells



Basic Stance

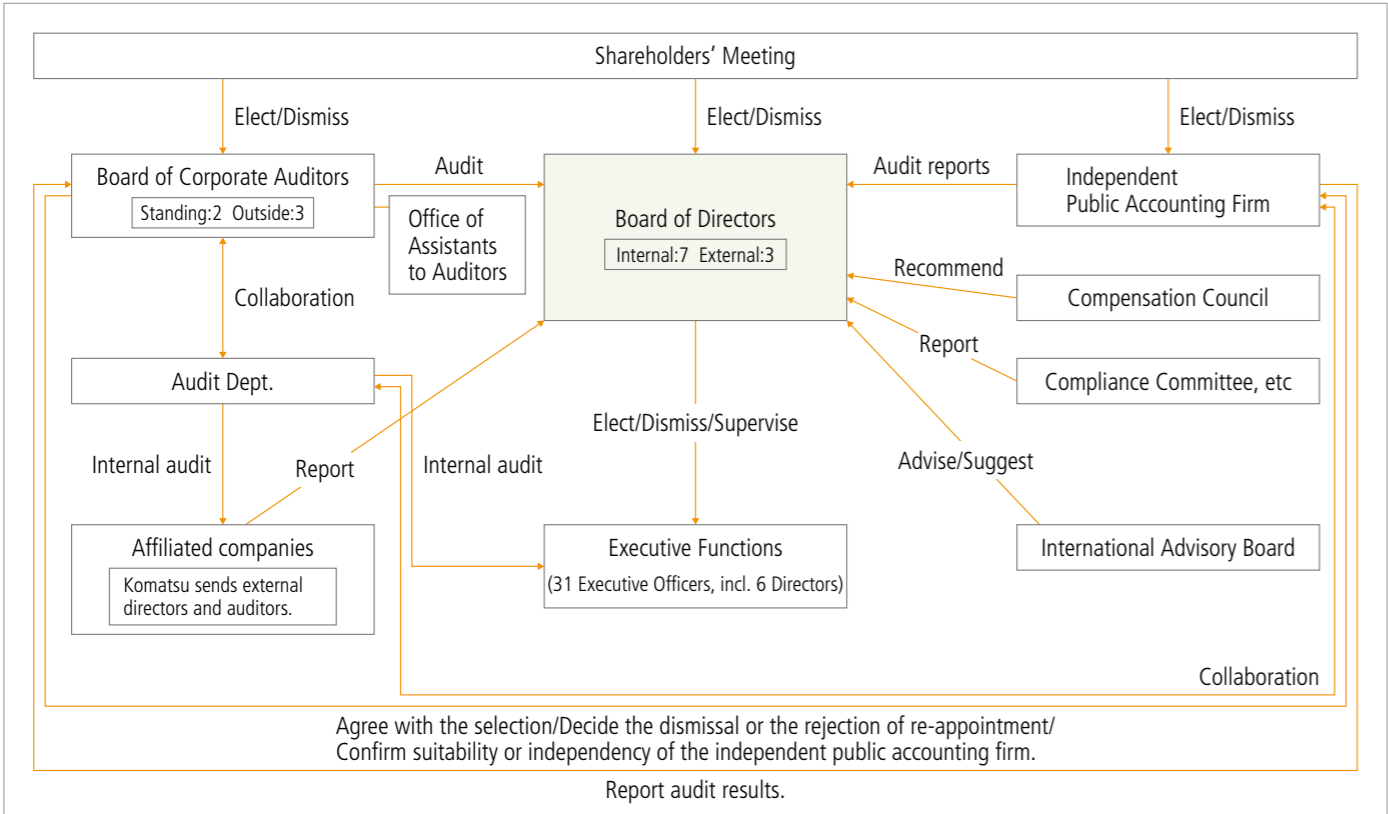
We, at Komatsu Ltd., believe our corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate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

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

Establishment and Improvement of Corporate Governance

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

Corporate Governance of Komatsu



Note: Figures in the diagram are as of June 23, 2010

Organizational Profile

Board of Directors

Komatsu Ltd. holds Board of Directors’ meetings every month. The Board of Directors reviews and resolves important management matters, makes decisions on management policies of the Komatsu Group, and strictly controls and supervises the execution of management duties by all executive management personnel including the representative directors. Of the 10 directors on the Board, there are three outside directors to ensure transparent and sound management.

Board of Corporate Auditors

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

Compliance

We have established the Compliance Committee as the group to oversee compliance, and it regularly reports its reviews and activities to the Board of Directors. We have also established a framework to ensure thorough compliance with business rules by all directors, executive officers and employees of the Komatsu Group. Related specific measures include the provision of *KOMATSU’S CODE OF WORLDWIDE BUSINESS CONDUCT* (revised 6 times since its establishment in 1998) which stipulates the business rules to be strictly followed by all directors, executive officers and employees, appointment of the executive officer in charge of compliance, and establishment of the Compliance Department. Through these measures, we are working to supervise, educate and train all members of the Komatsu Group.

We have also established the internal reporting system for employees to consult with or report questionable actions in light of the laws and business rules. This internal reporting system guarantees that no employees will be penalized by using the system.

International Advisory Board (IAB)

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



The 27th meeting held in May 2010

Outside Advisors of the Fifth Session of IAB

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

(As of July 1, 2010)

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Board of Directors

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Chairman of the Board
- Kunio Noji**
President and Chief Executive Officer
- Yoshinori Komamura**
Executive Vice President
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 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
- Kensuke Hotta**
Outside Director
Chairman and Representative Director,
Greenhill & Co. Japan Ltd.
- Noriaki Kano**
Outside Director
Professor Emeritus,
Tokyo University of Science
- Kouichi Ikeda**
Outside Director
Advisor, Asahi Breweries, Ltd.

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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

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Senior Executive Officer
Vice President, Industrial Machinery Division
President, Komatsu NTC Ltd.
- 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**
Senior Executive Officer
President, Japanese Domestic Marketing,
Construction & Mining Equipment
Marketing Division
President, Komatsu Construction Equipment
Sales and Service Japan Ltd.
- Fusao Seki**
Senior Executive Officer
General Manager, CSR
Supervising Corporate Communications and
General Affairs
- Kazuhiko Iwata**
Senior Executive Officer
President, Global Mining Business,
Construction & Mining Equipment
Marketing Division
- Mikio Fujitsuka**
Senior Executive Officer
General Manager, Corporate Planning
President, Global Retail Finance Business
Division
Supervising Audit
- Fujitoshi Takamura**
Senior Executive Officer
President, Development Division
- Ichiro Sasaki**
Executive Officer
Awazu Plant Manager, Production Division
- Noriyuki Sudo**
Executive Officer
President, Rental and Used Equipment
Business, Construction & Mining Equipment
Marketing Division
President, Komatsu Used Equipment Corp.
- Yoshisada Takahashi**
Executive Officer
Vice President, Production Division
Osaka Plant Manager
- Tadashi Okada**
Executive Officer
Vice President, Industrial Machinery Division
President, Komatsu Industries Corporation
- Masahiro Uegaki**
Executive Officer
President, Procurement Division
- Kazunori Kuromoto**
Executive Officer
President, ICT Business,
Construction & Mining Equipment
Marketing Division

- Mitsuru Ueno**
Executive Officer
President, Engines Business Division
President, Industrial Power Alliance, Ltd.
- Kikuo Ejima**
Executive Officer
President, Research Division
- Shuji Yamashita**
Executive Officer
Oyama Plant Manager, Production Division
President, Komatsu Cummins Engine Co., Ltd.
- Masanao Mori**
Executive Officer
General Manager, Human Resources
- Ichiro Nakano**
Executive Officer
General Manager,
System Development Center, Development Division
- Hidetaka Kita**
Executive Officer
President, Product Support, Construction &
Mining Equipment Marketing Division
- Noboru Sato**
Executive Officer
President, Overseas Marketing, Construction &
Mining Equipment Marketing Division
- Yuichi Iwamoto**
Executive Officer
General Manager, Construction Equipment
Technical Center 2, Development Division
- Masayuki Moriyama**
Executive Officer
General Manager, Construction Equipment
Technical Center 1, Development Division
- Hiroyuki Ogawa**
Executive Officer
Ibaraki Plant Manager, Production Division
- Yasuhiro Inagaki**
Executive Officer
General Manager, Business Development
General Manager, Legal

Representatives of Region

- Taizo Kayata**
Senior Executive Officer
Representative of All China Operations
- Nobukazu Kotake**
Senior Executive Officer
Deputy Representative of All China Operations
(Responsible for Development, Product
Planning and Quality Assurance)
- Tetsuro Kajiya**
Senior Executive Officer
Deputy Representative of All China Operations
(Responsible for Production and Procurement)
- Koji Yamada**
Senior Executive Officer
Representative of All India Operations
- Nobuki Hasegawa**
Executive Officer
Representative of All Indonesia Operations
(Responsible for Development, Product
Planning and Quality Assurance)
- Masao Fujita**
Executive Officer
Representative of All CIS Operations

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Results of Operations

(1) General

During the fiscal year, ended March 31, 2010, i.e., from April 1, 2009 to March 31, 2010, some economies of the world generated signs of recovery, reflecting positive effects of the economic stimulus packages of their respective governments. In particular, leading other economies, the Chinese economy upturned for full-momentum growth in the first half, supported by the government's massive economic stimulus measures. The positive effects of the Chinese economic growth are reaching to surrounding Asian countries and those with natural resources, helping their economic recovery. However, the pace of economic recovery was dull, bringing about a challenging overall business environment.

Komatsu Ltd. and its subsidiaries (hereinafter "Komatsu") engaged in production adjustment around the world and achieved an appropriate level of inventories in the first half. Komatsu also reorganized production of businesses of both the Construction, Mining and Utility Equipment and the Industrial Machinery and Others, while realigning sales of construction equipment and forklift trucks in Japan. At the same time, Komatsu worked to substantially cut down fixed costs. To ensure sales and profits, Komatsu reinforced ICT-deployed businesses, such as the KOMTRAX (Komatsu Machine Tracking System), strengthened operations in China and mining equipment, in which business was expanding, and worked to strengthen the parts and service business. However, as affected by global demand, which did not come back to the level of the pre-financial meltdown and the Japanese yen's appreciation against major currencies, consolidated net sales for the year declined 29.2% from the previous fiscal year, to JPY1,431,564 million (US\$15,393 million, at US\$1=JPY93). With respect to profits, operating income decreased 55.9% to JPY67,035 million (US\$721 million). Income before income taxes and equity in earnings of affiliated companies amounted to JPY64,979 million (US\$699 million), down 49.5%. Net income attributable to Komatsu Ltd. declined 57.4% to JPY33,559 million (US\$361 million).

	Results for the Year	Increase (Decrease)
Net Sales	1,431,564 million yen	(29.2)%
Operating income	67,035 million yen	(55.9)%
Income before income taxes and equity in earnings of affiliated companies	64,979 million yen	(49.5)%
Net income attributable to Komatsu Ltd.	33,559 million yen	(57.4)%

Note: "Net income attributable to Komatsu Ltd." is equivalent to "Net income" for the fiscal year ended March 31, 2009 and preceding fiscal years.

(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 ¥34.9 billion from the previous year.

The impact of currency fluctuations is determined as the sum of the amounts obtained by multiplying foreign 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 29.2% over the previous year, to ¥1,431,564 million (US\$15,393 million). Sales in Japan decreased 28.4% over the previous year, to ¥323,813 million (US\$3,482 million). Sales in overseas countries decreased 29.4% over the previous year, to ¥1,107,751 million (US\$11,911 million).

Construction, Mining and Utility Equipment

In addition to China, with full-scale recovery in demand, in some emerging economies, such as Indonesia, India and Brazil, demand headed for recovery. Meanwhile, demand remained slack

in Japan, North America, Europe and other regions, reducing global demand to a level lower than that in the previous fiscal year. While global demand dropped, Komatsu reduced production in order to attain an appropriate level of inventories, including those of distributors, and the Japanese yen appreciated against major currencies. Adversely affected by these factors, consolidated net sales of construction, mining and utility equipment declined 27.3% from the previous fiscal year, to JPY1,268,575 million (US\$13,641 million). In response to growing concerns over global warming and the need to reduce CO₂ emissions around the world, Komatsu launched hybrid hydraulic excavators in China during the year under review, following their launching in Japan two years ago, in order to reduce CO₂ emissions from Komatsu equipment being used by customers. Hybrid models are expected to cut down fuel consumption substantially. In Indonesia, Komatsu embarked on a new joint project with a mining equipment customer and a Komatsu distributor. This project calls for the production of biodiesel fuel from Jatropha* and other feedstock plants grown on the customer's reclamation areas and the use of biodiesel fuel to power Komatsu dump trucks at the customer's mine.

* Jatropha is considered to be one of the ideal feedstock plants that produces oil from its inedible seeds and grows even on dry and less fertile soil.

<Japan>

While public-sector investment was firm, as supported by the effects of a supplementary budget, private-sector capital investment and residential investment remained slack. As a result, overall demand sharply receded from the previous fiscal year, and sales also declined from the previous fiscal year. During the year under review, Komatsu concerted efforts to further enhance the efficiency of production and sales operations by closing down its Mooka Plant in Tochigi Prefecture and transferring production to Ibaraki and other plants and by restructuring its distributors. Meanwhile, by anticipating future market growth for hybrid hydraulic excavators in Japan and overseas, Komatsu expanded the production capacity for electric motors and other key components for hybrid hydraulic excavators at its Shonan Plant in Kanagawa Prefecture.

<Americas>

In North America, the operating rate of construction equipment showed signs of bottoming out, but fell short of increasing market demand against the backdrop of uncertainty over prolonged economic recovery. As a result, the business environment remained challenging. In Latin America, market demand upturned for recovery in Brazil and some other countries from being affected by market deterioration caused by the financial meltdown. However, overall demand in the Americas declined from the previous fiscal year. Sales in the Americas decreased from the previous fiscal year, reflecting Komatsu's proactive efforts to reduce distributors' inventory to an appropriate level, in addition to the sluggish market conditions. In these conditions, Komatsu promoted the reorganization of its production and sales operations in North America, while reinforcing its sales and service operations in Latin America by establishing a new subsidiary in Chile and opening a service support center in Mexico.

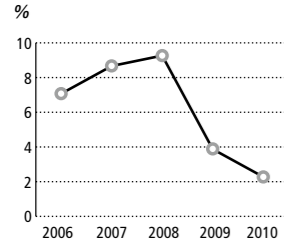
<Europe & CIS>

A sharp drop in demand continued during the fiscal year under review, against the backdrop of sluggish economies in Europe and CIS. Komatsu doubled sales promotion and other efforts in collaboration with its distributors in Europe, while reinforcing its product support capability for mines in CIS. However, sales declined from the previous fiscal year, reflecting its focused efforts to reduce distributors' inventory to an appropriate level and to narrow down the models of local production in Europe while demand plunged in both regions.

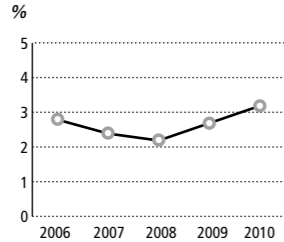
<China>

The Chinese government's economic stimulus measures advanced large-scale infrastructure developments, such as railways and highways and upturned year-on-year monthly demand in June last year and following months, renewing record highs by a big margin after the Chinese New Year in February this year. By capitalizing on this market recovery, Komatsu advanced sales from the previous fiscal year by strengthening production and teaming up with its distributors for aggressive sales efforts. As

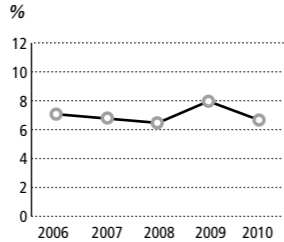
Net Income Attributable to Komatsu Ltd. on Net Sales



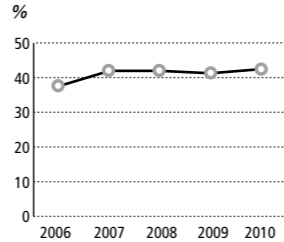
R&D Expenses as a Percentage of Net Sales



Capital Investment as a Percentage of Net Sales



Shareholders' Equity Ratio



a result, sales in China increased to account for 19.3% of total sales of the construction, mining and utility equipment business. Furthermore, by anticipating further market expansion, Komatsu (Changzhou) Construction Machinery Corp. is relocating its head office and is building a new plant, while Komatsu (China) Ltd. is building the KC Techno Center. The latter is designed to reinforce its machine demonstration capability for customers and to train service engineers.

<Asia & Oceania>

In Indonesia and India, year-on-year monthly demand upturned for recovery in the second half of the fiscal year under review. Demand remained firm for mining-related equipment in Australia. Against this backdrop, while sales picked up quickly in Asia in and after the third quarter, sales in Asia & Oceania for the full fiscal year declined from the previous fiscal year. Komatsu worked to reinforce operations further by enhancing a global Reman capability in Indonesia and reorganizing its distributors in Thailand.

<Middle East & Africa>

Although commodity prices upturned for an increase from the drastic plunge in 2008, market demand failed short of recovery in the Middle East and Africa, as affected by recessionary economies. Affected also by efforts to reduce distributors’ inventories, sales in both regions declined from the previous fiscal year. To prepare for future recovery of demand in new mines and infrastructure development, Komatsu worked to strengthen its product support capability. For example, it opened a new training center in Dakar, Senegal and a new product support center in Tanzania.

Industrial Machinery and Others

As the automobile and many other industries continued the restraint of making capital investment, resulting in a sharp drop in new orders received, consolidated net sales of industrial machinery and other operations for the fiscal year under review declined 41.2% from the previous fiscal year, to JPY162,989 million (US\$1,753 million).

While the business environment remained challenging, Komatsu worked to reorganize production centering on the closure of the Komatsu Plant and production transfer to the Kanazawa Plant, in addition to continuing to cut down fixed costs. In order to further streamline the press business, develop new markets and expand business in China and other

emerging economies, Komatsu embarked on the integration of development, as well as sales and service operations of the large press business, into Komatsu Industries Corp. By anticipating growth of the solar cell market, Komatsu also worked to enhance the product competitiveness of wire saws made by Komatsu NTC Ltd. Komatsu also commenced sales of industrial machinery, such as small and medium-sized presses, equipped with the KOMTRAX as a standard feature. KOMTRAX is a Komatsu-original system that monitors operating conditions of construction equipment. It has been well received on the market.

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

In accordance with the decrease in sales, cost of sales decreased by 27.1% from the previous year to ¥1,101,559 million (US\$ 11,845 million) for the current year. Its ratio to sales was 76.9% up by 2.2 percentage points from the previous year. Selling, general and administrative expenses (SG&A) decreased by 22.7% over the previous year to ¥249,286 million (US\$ 2,680 million). This decrease was primarily due to the decreased capacity cost and the decreased direct selling cost in accordance with the decrease in sales. Research and development (R&D) expenses, which are included in cost of sales and SG&A, decreased by 13.6% from the previous year to ¥46,449 million (US\$499 million).

(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 ¥97,394 million from the previous year to ¥83,061 million (US\$ 893 million). This decrease was primarily due to the decrease in sales and the appreciation of the Japanese yen, which fully offset our efforts such as higher price realizations and cost reductions.

With regards to the industrial machinery and others segment, the segment profit decreased by ¥9,893 million from the previous year to ¥2,998 million (US\$ 32 million) mainly due to the decrease in profit of major companies such as Komatsu Ltd., Komatsu Industries Corp., Komatsu NTC Ltd.

Consequently, overall consolidated segment profit decreased by ¥107,939 million from the previous year to ¥80,719 million (US\$868 million).

(6) Impairment Loss on Long-lived Assets

Impairment loss on long-lived assets held for use was ¥3,332 million (US\$36 million) for the current year decreased by ¥13,082 million as compared to ¥16,414 million for the previous year. The impairment loss of the tangible assets caused by the determination of the closing down of the Mooka Plant and the Komatsu Plant and transferring production to other plants was recognized for previous year.

(7) Impairment Loss on Goodwill

Impairment loss on goodwill was nothing for the current year as compared to ¥2,003 million for the previous year.

(8) Other Operating Income (Expenses)

Other operating income (expenses) was ¥10,352 million (US\$ 111 million) of expense for the current year down by ¥7,941 million as compared to ¥18,293 million of expense for the previous year.

(9) Operating Income

As a result discussed above, operating income was ¥67,035 million (US\$ 721 million) for the current year decreased by ¥84,913 million as compared to ¥151,948 million for the previous year.

(10) Other Income (Expenses)

Interest and dividend income was ¥6,158 million (US\$ 66 million) decreased by ¥2,463 million for the current year as compared to ¥8,621 million for the previous year. Interest expense was ¥8,502 million (US\$ 91 million) for the current year decreased by ¥6,074 million as compared to ¥14,576 million for the previous year.

(11) Income Before Income Taxes and Equity in Earnings of Affiliated Companies

As a result of the above factors, income before income taxes and equity in earnings of affiliated companies for the current year was ¥64,979 million (US\$699 million) decreased by ¥63,803 million as compared to ¥128,782 million for the previous year.

(12) Income Taxes

Income taxes was ¥25,364 million (US\$273 million) for the current year decreased by ¥16,929 million as compared to ¥42,293 million for the previous year. The actual effective tax rate for the current year increased by 6.2% to 39.0% from 32.8% for

the previous year. This increase is primarily due to an increase in the valuation allowance of consolidated subsidiaries. The difference between the Japanese statutory tax rate of 40.8% and the actual effective tax rate of 39.0% 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 an increase in valuation allowance and non-deductible expenses.

(13) Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies was ¥1,588 million (US\$17 million) for the current year increased from ¥396 million for the previous year. This increase was mainly due to the increased profit recorded by L&T-Komatsu Ltd, Gigaphoton Inc and other subsidiaries.

(14) Net Income

Net income was ¥41,203 million (US\$ 443 million) for the current year decreased by ¥45,682 million as compared to ¥86,885 million for the previous year.

(15) Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests was ¥7,644 million (US\$82 million) loss for the current year decreased by ¥444 million as compared to ¥8,088 million loss for the previous year. This decrease was mainly due to declined earnings recorded by Komatsu Australia Pty Ltd and other subsidiaries.

(16) Net Income Attributable to Komatsu Ltd.

(“Net income attributable to Komatsu Ltd.” is equivalent to “Net income” for the previous year)

Net income attributable to Komatsu Ltd for the current year decreased by 57.4% to ¥33,559 million (US\$361 million) as compared to ¥78,797 million for the previous year. Accordingly, basic net income attributable to Komatsu Ltd per share dropped to ¥34.67 for the current year from ¥79.95 for the previous year. Diluted net income attributable to Komatsu Ltd per share dropped to ¥34.65 for the current year from ¥79.89 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, 2010, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥50,082 million (US\$539 million) with financial institutions to secure liquidity. As of March 31, 2010, ¥23,741 million (US\$255 million) was available to be used under such credit line agreements. In addition, the Company has a ¥160,000 million (US\$1,720 million) commercial paper program, ¥129,000 million (US\$1,387 million) of which was unused as of March 31, 2010.

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\$1,075million) of variable-term bonds in November 2008. The principal amount of bonds outstanding issued under the bond program was ¥40,000 million (US\$430 million) by March 31, 2010 and ¥60,000 million (US\$645million) was unused as of March 31, 2010. The principal amount of bonds outstanding issued under the past bond program was ¥50,000 million (US\$538million) as of March 31, 2010. 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, 2010, the principal amount of notes outstanding under the EMTN program was ¥68,142 million (US\$733million).

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, 2010, the balance of such off-balance sheet securitized receivables was ¥22,004 million (US\$237 million).

Komatsu’s short-term debt as of March 31, 2010, which primarily consisted of short-term bank loans and commercial paper decreased by ¥96,649 million to ¥123,438 million (US\$1,327 million) from March 31, 2009. Such short-term debt was used as working capital.

Komatsu’s long-term debt, including debt that was scheduled to mature as of March 31, 2011, increased by ¥83,173 million to ¥462,941 million (US\$4,978 million) in the fiscal year ended March 31, 2010 as compared to the fiscal year ended March 31, 2009. As of March 31, 2010, Komatsu’s long-term debt excluding market value adjustment consisted of (1)¥231,848 million in loans from banks, insurance companies and other financial institutions, and so on, (2)¥68,142 million in EMTN, (3)¥90,000 million in unsecured bonds and (4)¥72,951 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, 2010, including its capital lease obligations, decreased by ¥13,476 million to ¥586,379 million (US\$6,305 million) as compared to that of March 31, 2009. Net interest-bearing debt after deducting cash and deposits also decreased by ¥6,430 million to ¥502,818 million (US\$5,407 million) in the fiscal year ended March 31, 2010. As a result, Komatsu’s net debt-to-equity ratio as of March 31, 2010 was 0.60, compared to 0.62 as of March 31, 2009.

As of March 31, 2010, current assets decreased by ¥63,118 million to ¥1,040,121 million (US\$11,184 million), while current liability decreased by ¥90,541 million to ¥641,746 million (US\$6,900 million). As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2010, was 162.1%, which reflected an increase of 11.4 percentage points from the fiscal year ended March 31, 2009.

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 Ratings Services (“S&P”), Moody’s Investors Services, Inc. (“Moody’s”) and Rating and Investment Information, Inc. (“R&I”). As of March 31, 2010, the Company’s long-term debt ratings were: S&P: A; Moody’s: A2; and R&I: AA-(long-term), a-1+ (short-term).

* Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders’ equity

(2) Cash Flows

Net cash provided by operating activities for the fiscal year ended March 31, 2010 amounted to ¥182,161 million (US\$1,959

million), an increase of ¥103,386 million from the fiscal year ended March 31, 2009, mainly due to decreased inventories.

Net cash used in investing activities for the fiscal year ended March 31, 2010 decreased by ¥72,401 million from the fiscal year ended March 31, 2009, to ¥72,967 million (US\$785 million) mainly due to a reduction of investments made in Japan and overseas.

Net cash used in financing activities for the fiscal year ended March 31, 2010 increased by ¥173,582 million from the fiscal year ended March 31, 2009, to ¥116,363 million (US\$1,251 million) mainly due to repayments on short-term debt.

As a result, cash and cash equivalents, as of March 31, 2010, decreased by ¥8,134 million, to ¥82,429 million (US\$886 million).

(4) Contractual Obligations

The following table sets forth Komatsu’s contractual obligations as of March 31, 2010.

	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	123,438	123,438	—	—	—
Long-term debt obligations (excluding Capital lease obligations)	382,819	82,521	198,158	101,065	1,075
Capital (Finance) lease obligations	72,951	21,590	41,255	8,860	1,246
Operating lease obligations	13,426	4,783	4,847	1,719	2,077
Interest on interest-bearing debt (including Capital lease obligations)	14,836	8,664	5,033	1,113	26
Pension and other postretirement obligations	4,384	4,384	—	—	—
Total	611,854	245,380	249,293	112,757	4,424

	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	1,327	1,327	—	—	—
Long-term debt obligations (excluding Capital lease obligations)	4,116	886	2,131	1,087	12
Capital (Finance) lease obligations	784	232	444	95	13
Operating lease obligations	144	52	52	18	22
Interest on interest-bearing debt (including Capital lease obligations)	160	94	54	12	0
Pension and other postretirement obligations	47	47	—	—	—
Total	6,578	2,638	2,681	1,212	47

- 1. Long-term debt obligations exclude market value adjustments of ¥7,171 million (US\$77 million).
- 2. Interest on interest-bearing debt is based on rates in effect at March 31, 2010.
- 3. Pension and other postretirement obligations reflect contributions expected to be made in the year ending March 31, 2011 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, 2010 aggregated approximately ¥4,700 million (US\$51 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 of such regions. 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.

In recent years, Komatsu has derived a greater percentage of its business from newly-developing markets, such as China, India, Russia, the Middle East and Africa. In line with such increase in business, Komatsu has been making capital investments in such markets. Particularly in China, Komatsu has been making aggressive investments to expand the production capacity of its subsidiaries and reinforce its sales and service operations. If a temporary confusion or stagnation were to occur in the Chinese economy, Komatsu's business results would be adversely affected. In addition, in the other newly-developing markets, Komatsu constantly pays careful attention to the changes in demand for its products. However, their economies depend upon a number of unstable factors, such as commodity prices and considerable reliance on exports to economically advanced countries, and thus, changes in these factors could adversely affect Komatsu's business results.

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

These changes in the economic and market conditions and the business environment in which Komatsu operates may lead to a decline in sales, and inefficient inventory levels and/or production capacities, thereby causing Komatsu to record lower profitability and incur additional expenses and losses. As a result, 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 JPY590 billion as of March 31, 2010. Although Komatsu has strived to reduce the effect of interest rate fluctuations by promoting the procurement of 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, Komatsu may be required to bear increased expenses in order to comply with such regulations. With respect to transfer pricing between Komatsu and its affiliated companies, Komatsu is careful to comply with applicable taxation laws of Japan and the

concerned foreign governments. Nevertheless, it is possible that Komatsu may be viewed by the concerned tax authorities as having used inappropriate pricing. If intergovernmental negotiations were to fail, Komatsu may be charged with double or additional taxation. Such developments could have an unfavorable impact on Komatsu's business results.

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 and quality liability

While Komatsu endeavors to sustain and improve the quality and reliability of its operations and products based on its stringent standards established internally, Komatsu may face product and quality liability claims or become exposed to other liabilities if unexpected defects in its products result in recalls or accidents. If the costs for addressing such claims or other liabilities are not covered by Komatsu's existing insurance policies or other protective means, such claims 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 fluctuations in commodity prices, mainly in the price of steel materials. Price increases in commodities may increase the cost 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 the cost of materials, Komatsu strives to reduce other costs and pass on any increase in the cost of materials to its customers through price adjustments of its products. Komatsu strives to minimize the effects of possible procurement or manufacturing issues by securing new suppliers or promoting closer collaboration among 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 safeguards 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 Komatsu were held liable for infringing on a third party's intellectual property rights, Komatsu's business results 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 such as fires and explosions, unforeseeable criticism or interference by third parties or computer virus infections in regions in which Komatsu operates were to occur and cause extensive damage to one or more of its facilities that then could not 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 nonperformance 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 31,2010, 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, 2010. As of March 31, 2010, the notional amount of option contracts is ¥949million (US\$10,204 thousand).

Millions of yen (except average contractual rates)							
Forwards to sell foreign currencies:	US\$/Yen	EUR/Yen	US\$/EUR	—	—	Others	Total
Contract amounts	¥ 32,530	¥ 3,227	¥ 1,813	—	—	¥ 2,639	¥ 40,209
Average contractual rates	90.50Yen/US\$	127.51Yen/EUR	0.72EUR/US\$	—	—	—	—
Forwards to buy foreign currencies:	Yen/Yuan	GBP/EUR	US\$/CLP	US\$/Yuan	US\$/ZAR	Others	Total
Contract amounts	¥ 17,668	¥ 6,069	¥ 4,407	¥ 3,019	¥ 2,593	¥ 15,053	¥ 48,809
Average contractual rates	13.26Yen/Yuan	0.89GBP/EUR	0.0019US\$/CLP	0.14US\$/Yuan	0.13US\$/ZAR	—	—

Thousands of U.S. dollars							
Forwards to sell foreign currencies:	US\$/Yen	EUR/Yen	US\$/EUR	—	—	Others	Total
Contract amounts	\$349,785	\$34,699	\$19,495	—	—	\$ 28,376	\$432,355
Forwards to buy foreign currencies:	Yen/Yuan	GBP/EUR	US\$/CLP	US\$/Yuan	US\$/ZAR	Others	Total
Contract amounts	\$189,978	\$65,258	\$47,387	\$32,462	\$27,882	\$161,861	\$524,828

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					
				2011	2012	2013	2014	2015	Thereafter
Japanese yen bonds	1.45%	¥ 88,974	¥ 90,000	¥ —	¥ —	¥ 30,000	¥ 30,000	¥ 30,000	¥ —
Euro medium-term notes (relating to variable interest rate)	0.72%	68,142	60,971	25,073	23,489	10,630	1,779	—	—
Loans, principally from banks (relating to variable interest rate)	2.81%	65,950	65,950	15,425	22,028	24,513	3,098	28	858
Loans, principally from banks (relating to fixed interest rate)	2.05%	164,899	165,898	42,023	48,101	39,397	15,362	20,798	217
Total		¥ 387,965	¥ 382,819	¥ 82,521	¥ 93,618	¥ 104,540	¥ 50,239	¥ 50,826	¥ 1,075

Annual maturities of long-term debt exclude market value adjustments for balances subject to ¥7,171 million.

Interest rate swaps, cross-currency swaps and interest caps	Millions of yen									
	Average interest rate				Expected maturity date					
	Receive	Pay	Fair value	Total	2011	2012	2013	2014	2015	Thereafter
U.S. dollar interest rate swap	0.30%	3.01%	¥ (1,176)	¥ 61,821	¥ 34,050	¥ 18,443	¥ 8,629	¥ 227	¥ 75	¥ 397
Yen/US\$ cross-currency swap	1.00%	0.58%	6,926	49,251	18,500	22,686	8,065	—	—	—
Euro interest rate swap	0.98%	3.93%	(774)	22,772	10,006	7,078	4,144	1,223	321	—
Yen/Euro cross-currency swap	0.84%	1.04%	2,050	12,922	—	10,922	—	2,000	—	—
Euro interest cap	—	5.00%	0	6,246	6,246	—	—	—	—	—
AUD interest rate swap	4.13%	6.08%	(358)	30,471	7,366	7,436	7,221	4,714	1,904	1,830
Others	—	—	(46)	1,004	664	137	66	18	119	—
Total			¥ 6,622	¥ 184,487	¥ 76,832	¥ 66,702	¥ 28,125	¥ 8,182	¥ 2,419	¥ 2,227

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					
				2011	2012	2013	2014	2015	Thereafter
Japanese yen bonds	1.45%	\$ 956,710	\$ 967,743	\$ —	\$ —	\$ 322,581	\$322,581	\$322,581	\$ —
Euro medium-term notes (relating to variable interest rate)	0.72%	732,710	655,602	269,602	252,570	114,301	19,129	—	—
Loans, principally from banks (relating to variable interest rate)	2.81%	709,140	709,140	165,860	236,860	263,581	33,312	301	9,226
Loans, principally from banks (relating to fixed interest rate)	2.05%	1,773,108	1,783,849	451,860	517,215	423,624	165,183	223,634	2,333
Total		\$4,171,668	\$4,116,334	\$887,322	\$1,006,645	\$1,124,087	\$540,205	\$546,516	\$11,559

Annual maturities of long-term debt exclude market value adjustments for balances subject to US\$77,108 thousand.

Interest rate swaps, cross-currency swaps and interest caps	Thousands of U.S. dollars									
	Average interest rate				Expected maturity date					
	Receive	Pay	Fair value	Total	2011	2012	2013	2014	2015	Thereafter
U.S. dollar interest rate swap	0.30%	3.01%	\$ (12,645)	\$ 664,742	\$366,129	\$ 198,312	\$ 92,785	\$ 2,441	\$ 806	\$ 4,269
Yen/US\$ cross-currency swap	1.00%	0.58%	74,473	529,581	198,926	243,935	86,720	—	—	—
Euro interest rate swap	0.98%	3.93%	(8,323)	244,860	107,590	76,108	44,559	13,151	3,452	—
Yen/Euro cross-currency swap	0.84%	1.04%	22,043	138,946	—	117,441	—	21,505	—	—
Euro interest cap	—	5.00%	0	67,161	67,161	—	—	—	—	—
AUD interest rate swap	4.13%	6.08%	(3,849)	327,645	79,205	79,957	77,645	50,688	20,473	19,677
Others	—	—	(495)	10,796	7,139	1,473	710	194	1,280	—
Total			\$ 71,204	\$1,983,731	\$826,150	\$ 717,226	\$ 302,419	\$ 87,979	\$ 26,011	\$ 23,946

Five-Year Summary

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen (except per share amounts)		Millions of yen (except per share amounts)	
	2010	2009	2008	2007
For the fiscal period				
Net sales	¥1,431,564	¥2,021,743	¥2,243,023	¥1,893,343
Cost of sales	1,101,559	1,510,408	1,590,963	1,356,511
Income from continuing operations before income taxes and equity in earnings of affiliated companies	64,979	128,782	322,210	236,491
Net income attributable to Komatsu Ltd.	33,559	78,797	208,793	164,638
As percentage of sales	2.3%	3.9%	9.3%	8.7%
Capital investment	96,191	162,512	145,730	129,680
At fiscal period-end				
Total assets	¥1,959,055	¥1,969,059	¥2,105,146	¥1,843,982
Working capital	398,375	370,952	412,145	358,565
Property, plant and equipment	525,100	525,462	491,146	388,393
Long-term debt—less current maturities	356,985	292,106	235,277	174,340
Komatsu Ltd. shareholders' equity	833,975	814,941	887,126	776,717
As percentage of total assets	42.6%	41.4%	42.1%	42.1%
Per share data				
Net income attributable to Komatsu Ltd. per share:				
Basic	¥34.67	¥79.95	¥209.87	¥165.70
Dilute	34.65	79.89	209.59	165.40
Cash dividends per share	26.00	44.00	38.00	23.00
Komatsu Ltd. shareholders' equity per share	861.51	842.04	891.49	781.57
	Yen per U.S. dollar		Yen per U.S. dollar	
	2010	2009	2008	2007
Other information				
Exchange rate into U.S. dollars (per the Federal Reserve Bank of New York):				
At fiscal period-end	¥ 93	¥ 99	¥ 100	¥ 118
Average for the fiscal period	92	101	114	117
Range for the fiscal period:				
High	99	109	123	121
Low	86	90	100	112

Komatsu Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

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

Consolidated Statements of Income

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
Net sales (Notes 1 and 8)	¥1,431,564	¥2,021,743	¥2,243,023	\$15,393,161
Cost of sales (Notes 17 and 25)	1,101,559	1,510,408	1,590,963	11,844,720
Selling, general and administrative expenses (Notes 17 and 25)	249,286	322,677	317,474	2,680,495
Impairment loss on long-lived assets (Note 1, 9 and 25)	3,332	16,414	2,447	35,828
Impairment loss on goodwill (Note 1 and 11)	—	2,003	2,870	—
Other operating income (expenses), net (Note 25)	(10,352)	(18,293)	3,581	(111,312)
Operating income	67,035	151,948	332,850	720,806
Other income (expenses), net (Note 25)	(2,056)	(23,166)	(10,640)	(22,107)
Interest and dividend income	6,158	8,621	10,265	66,215
Interest expense	(8,502)	(14,576)	(16,699)	(91,419)
Other, net	288	(17,211)	(4,206)	3,097
Income from continuing operations before income taxes and equity in earnings of affiliated companies	64,979	128,782	322,210	698,699
Income taxes (Notes 1 and 16)				
Current	32,722	60,511	104,142	351,849
Deferred	(7,358)	(18,218)	11,652	(79,118)
Total	25,364	42,293	115,794	272,731
Income from continuing operations before equity in earnings of affiliated companies	39,615	86,489	206,416	425,968
Equity in earnings of affiliated companies	1,588	396	6,845	17,075
Income from continuing operations	41,203	86,885	213,261	443,043
Income from discontinued operations less applicable income taxes (Note 4)	—	—	4,967	—
Net income	41,203	86,885	218,228	443,043
Less net income attributable to noncontrolling interests	(7,644)	(8,088)	(9,435)	(82,194)
Net income attributable to Komatsu Ltd.	¥ 33,559	¥ 78,797	¥ 208,793	\$ 360,849

	Yen			U.S. cents
Per share data (Notes 1 and 18):				
Income from continuing operations attributable to Komatsu Ltd.:				
Basic	¥ 34.67	¥ 79.95	¥ 204.88	¢ 37.28
Diluted	34.65	79.89	204.61	37.26
Income from discontinued operations attributable to Komatsu Ltd.:				
Basic	—	—	4.99	—
Diluted	—	—	4.98	—
Net income attributable to Komatsu Ltd.:				
Basic	34.67	79.95	209.87	37.28
Diluted	34.65	79.89	209.59	37.26
Cash dividends per share (Note 1)	26.00	44.00	38.00	27.96

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

Consolidated Statements of Equity

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
	Appropriated for legal reserve	Unappropriated							
Balance at March 31, 2007	¥67,870	¥137,155	¥24,267	¥517,450	¥33,501	¥(3,526)	¥776,717	¥19,774	¥796,491
Cash dividends				(37,810)			(37,810)	(4,156)	(41,966)
Transfer to retained earnings appropriated for legal reserve			2,447	(2,447)			—		—
Other changes							—	7,416	7,416
Comprehensive income (loss)									
Net income				208,793			208,793	9,435	218,228
Other comprehensive income (loss), for the period, net of tax (Note15)									
Foreign currency translation adjustments					(43,661)		(43,661)	(2,225)	(45,886)
Net unrealized holding gains (losses) on securities available for sale					(15,071)		(15,071)	(7)	(15,078)
Pension liability adjustments					(3,908)		(3,908)	2	(3,906)
Net unrealized holding gains on derivative instruments					360		360	—	360
Comprehensive income							146,513	7,205	153,718
Issuance and exercise of stock acquisition rights (Notes 1 and 14)		598					598		598
Purchase of treasury stock						(340)	(340)		(340)
Sales of treasury stock		417				1,031	1,448		1,448
Balance at March 31, 2008	¥67,870	¥138,170	¥26,714	¥685,986	¥(28,779)	¥(2,835)	¥887,126	¥30,239	¥917,365
Cash dividends				(43,803)			(43,803)	(3,939)	(47,742)
Transfer to retained earnings appropriated for legal reserve			1,758	(1,758)			—		—
Other changes							—	3,335	3,335
Comprehensive income (loss)									
Net income				78,797			78,797	8,088	86,885
Other comprehensive income (loss), for the period, net of tax (Note15)									
Foreign currency translation adjustments					(49,695)		(49,695)	(4,333)	(54,028)
Net unrealized holding gains (losses) on securities available for sale					(16,090)		(16,090)	4	(16,086)
Pension liability adjustments					(10,027)		(10,027)	(1)	(10,028)
Net unrealized holding gains (losses) on derivative instruments					(1,153)		(1,153)	—	(1,153)
Comprehensive income							1,832	3,758	5,590
Issuance and exercise of stock acquisition rights (Notes 1 and 14)		352					352		352
Purchase of treasury stock						(33,090)	(33,090)		(33,090)
Sales of treasury stock		1,570				954	2,524		2,524
Balance at March 31, 2009	¥67,870	¥140,092	¥28,472	¥719,222	¥(105,744)	¥(34,971)	¥814,941	¥33,393	¥848,334
Cash dividends				(25,180)			(25,180)	(3,368)	(28,548)
Transfer to retained earnings appropriated for legal reserve			3,511	(3,511)			—		—
Other changes							—	2,531	2,531
Comprehensive income (loss)									
Net income				33,559			33,559	7,644	41,203
Other comprehensive income (loss), for the period, net of tax (Note15)									
Foreign currency translation adjustments					(904)		(904)	1,897	993
Net unrealized holding gains on securities available for sale					5,480		5,480	—	5,480
Pension liability adjustments					4,920		4,920	2	4,922
Net unrealized holding gains on derivative instruments					614		614	725	1,339
Comprehensive income							43,669	10,268	53,937
Issuance and exercise of stock acquisition rights (Notes 1 and 14)		413					413		413
Purchase of treasury stock						(40)	(40)		(40)
Sales of treasury stock		(84)				256	172		172
Balance at March 31, 2010	¥67,870	¥140,421	¥31,983	¥724,090	¥(95,634)	¥(34,755)	¥833,975	¥42,824	¥876,799

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Unappropriated					
Balance at March 31, 2009	\$729,785	\$1,506,366	\$306,151	\$7,733,570	\$(1,137,033)	\$(376,032)	\$8,762,807	\$359,065	\$9,121,872
Cash dividends				(270,753)			(270,753)	(36,216)	(306,969)
Transfer to retained earnings appropriated for legal reserve			37,752	(37,752)			—	—	—
Other changes							—	27,214	27,214
Comprehensive income (loss)									
Net income				360,849			360,849	82,194	443,043
Other comprehensive income (loss), for the period, net of tax (Note15)									
Foreign currency translation adjustments					(9,720)		(9,720)	20,398	10,678
Net unrealized holding gains on securities available for sale					58,925		58,925	—	58,925
Pension liability adjustments					52,903		52,903	22	52,925
Net unrealized holding gains on derivative instruments					6,602		6,602	7,796	14,398
Comprehensive income							469,559	110,410	579,969
Issuance and exercise of stock acquisition rights (Notes 1 and 14)		4,441					4,441		4,441
Purchase of treasury stock						(430)	(430)		(430)
Sales of treasury stock		(904)				2,753	1,849		1,849
Balance at March 31, 2010	\$729,785	\$1,509,903	\$343,903	\$7,785,914	\$(1,028,323)	\$(373,709)	\$8,967,473	\$460,473	\$9,427,946

Consolidated Statements of Cash Flows

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
Operating activities				
Net income	¥ 41,203	¥ 86,885	¥ 218,228	\$ 443,043
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	91,319	98,354	75,664	981,925
Deferred income taxes	(7,358)	(18,218)	15,016	(79,118)
Net loss (gain) from sale of investment securities and subsidiaries	(679)	3,543	(8,045)	(7,301)
Net gain on sale of property	(373)	(269)	(3,169)	(4,011)
Loss on disposal of fixed assets	2,244	5,561	3,313	24,129
Impairment loss on long-lived assets	3,332	16,414	2,447	35,828
Impairment loss on goodwill	—	2,003	2,870	—
Pension and retirement benefits, net	(55)	3,378	(10,782)	(592)
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	(71,459)	103,355	(83,855)	(768,376)
Decrease (increase) in inventories	117,707	(22,307)	(65,884)	1,265,666
Increase (decrease) in trade payables	(8,354)	(148,655)	12,586	(89,828)
Increase (decrease) in income taxes payable	11,311	(40,507)	(2,913)	121,624
Other, net	3,323	(10,762)	5,509	35,731
Net cash provided by operating activities	182,161	78,775	160,985	1,958,720
Investing activities				
Capital expenditures	(92,401)	(145,670)	(117,571)	(993,559)
Proceeds from sale of property	11,212	6,414	19,425	120,559
Proceeds from sale of available for sale investment securities	1,005	703	601	10,806
Purchases of available for sale investment securities	(4,826)	(6,785)	(4,663)	(51,892)
Proceeds from sale of subsidiaries, net of cash disposed	661	—	16,372	7,108
Acquisition of subsidiaries and equity investees, net of cash acquired	1,107	(223)	(42,717)	11,903
Collection of loan receivables	11,559	7,736	7,778	124,290
Disbursement of loan receivables	(667)	(6,381)	(6,315)	(7,172)
Decrease in time deposits, net	(617)	(1,162)	(1,092)	(6,634)
Net cash used in investing activities	(72,967)	(145,368)	(128,182)	(784,591)
Financing activities				
Proceeds from long-term debt	155,641	129,327	82,791	1,673,559
Repayments on long-term debt	(73,052)	(88,058)	(48,868)	(785,505)
Increase (decrease) in short-term debt, net	(139,067)	127,589	634	(1,495,344)
Repayments of capital lease obligations	(31,240)	(30,770)	(15,168)	(335,914)
Sale (purchase) of treasury stock, net	132	(32,685)	691	1,419
Dividends paid	(25,180)	(43,803)	(37,810)	(270,753)
Other, net	(3,597)	(4,381)	308	(38,677)
Net cash provided by (used in) financing activities	(116,363)	57,219	(17,422)	(1,251,215)
Effect of exchange rate change on cash and cash equivalents	(965)	(2,073)	(5,570)	(10,376)
Net increase (decrease) in cash and cash equivalents	(8,134)	(11,447)	9,811	(87,462)
Cash and cash equivalents, beginning of year	90,563	102,010	92,199	973,795
Cash and cash equivalents, end of year	¥ 82,429	¥ 90,563	¥ 102,010	\$ 886,333

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

Notes to Consolidated Financial Statements

Komatsu Ltd. and Consolidated Subsidiaries

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

Description of Business

Komatsu Ltd. (“Company”) and 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, 2010, consisted of the following: Construction, Mining and Utility Equipment – 88.6%, Industrial Machinery and Others – 11.4%.

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, 2010, 77.4% were generated outside Japan, with 22.7% in the Americas, 8.9% in Europe and CIS, 18.9% in China, 20.9% in Asia (excluding Japan and China) and Oceania, and 6.0% 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 Statement Presentation

The accompanying consolidated financial statements are prepared and presented in accordance with generally accepted accounting principals in the United States of America.

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, 2010, is included solely for the convenience of readers and has been made at the rate of ¥93 to \$1, the approximate rate of exchange prevailing at the Federal Reserve Bank of New York on March 31, 2010. 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.

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”) Accounting Standard Codification™ (“ASC”) 810, “Consolidation” 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, 2010 and 2009, include assets of ¥29,601 million (\$318,290 thousand) and ¥32,866 million, respectively, of consolidated variable interest entities, which engage in equipment leasing in Europe. The majority of these assets are trade notes and accounts receivable, and 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) Foreign Currency Translation and Transactions

Assets and liabilities of foreign operations are translated at the exchange rates in effect at each fiscal year-end, and income and expenses of foreign operations 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 allowance 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. Cost of materials and supplies is stated at average cost.

(5) Investment 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 initial

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, 2010, 2009 and 2008, were as follows:

	2010	2009	2008
Buildings	9%	9%	9%
Machinery and equipment	23%	25%	26%

Certain leased machinery and equipment are accounted for as capital leases. The aggregate cost included in property, plant and equipment and related accumulated amortization as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Aggregate cost	¥136,171	¥124,198	\$1,464,204
Accumulated amortization	49,512	37,417	532,387

Accumulated amortization related to capital leases are included in accumulated depreciation.

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 uses the acquisition method of accounting for business combinations. Goodwill is tested for impairment at least annually. Intangible assets with useful life are amortized over

their respective estimated useful lives and reviewed for impairment whenever there is an indicator of possible impairment. 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 assets determined to have an indefinite useful life are 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) collectability 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. 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 consolidated subsidiaries rent construction equipment 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

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.

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. For the years ended March 31, 2010, 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

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.

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

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 attributable to Komatsu Ltd. per share has been computed by dividing net income attributable to Komatsu Ltd. by the weighted-average number of common shares outstanding during each fiscal year, after deducting treasury shares. Diluted net income attributable to Komatsu Ltd. 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.

All derivatives, including derivatives embedded in other financial instruments, are 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 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

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 several areas where it believes estimates and assumptions are particularly critical to the financial statements. These are the determination of the useful lives of Property, Plant and Equipment, the allowance for doubtful receivables, impairment of long-lived assets and goodwill, pension liabilities and expenses, product warranty liabilities, fair value of financial instruments, realization of deferred tax assets, securitization of trade notes and accounts receivable, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates.

2. Supplemental Cash Flow Information

Additional cash flow information and noncash investing and financing activities for the years ended March 31, 2010, 2009 and 2008, are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Additional cash flow information:				
Interest paid	¥ 8,533	¥ 14,403	¥ 16,639	\$ 91,753
Income taxes paid	9,797	111,508	110,674	105,344
Noncash investing and financing activities:				
Capital lease obligations incurred	¥14,285	¥ 29,762	¥ 28,159	\$153,602

(18) Recently Adopted Accounting Standards

In the fiscal year ended March 31, 2010, Komatsu adopted ASC 805, "Business Combinations". ASC 805 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. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. The adoption of ASC 805 did not have a material impact on our consolidated results of operations and financial condition.

In the fiscal year ended March 31, 2010, Komatsu adopted ASC 810, "Consolidation". ASC 810 establishes accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. ASC 810 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. Komatsu has retrospectively applied the presentation and disclosure requirements of ASC 810.

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)
Noncontrolling interests	(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 attributable to Komatsu Ltd.	¥ 211,975

	Yen
	2008
Net income attributable to Komatsu Ltd. per share	
Basic	¥213.07
Diluted	¥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 occurred on April 1, 2007.

(2) BIGRENTAL Co., Ltd.

During February 2008 the Company acquired 57.9% of the shares in BIGRENTAL Co., Ltd (hereinafter "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)
Noncontrolling 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 attributable to Komatsu Ltd. 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. (hereinafter “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 occurred on April 1, 2007. BR was merged with KR in April 2009.

(3) Komatsu Australia Corporate Finance Pty. Ltd.

In May, 2009, Komatsu acquired the additional shares of Komatsu Australia Corporate Finance Pty. Ltd. (hereinafter “KACF”) according to a capital increase of KACF at ¥1,684 million (\$18,107 thousand), 3,144,898 shares out of 3,489,796 shares.

Prior to the additional acquisition, Komatsu held a 50.0% equity interest in KACF and accounted for the investment by

the equity method. As a result of the additional investment, Komatsu’s ownership increased to 60.0% and KACF became a consolidated subsidiary of Komatsu.

Komatsu expects the acquisition will expand its business in relation to construction and mining equipment in the entire value chain including retail finance in Oceania strengthening its control and governance to KACF.

Following is a summary of the consideration paid for KACF and the assets acquired and liabilities assumed adjusted to reflect purchase price allocation as of the date of acquisition as well as the fair value at the acquisition date of the noncontrolling interest:

	Millions of yen	Thousands of U.S. dollars
Consideration		
Cash and cash equivalents	¥ 1,684	\$ 18,107
Fair value of total consideration transferred	1,684	18,107
Fair value of Komatsu’s equity interest in KACF held before the business combination	696	7,484
	¥ 2,380	\$ 25,591
Recognized amounts of identifiable assets and liabilities assumed		
Current assets	¥ 34,478	\$ 370,731
Property, plant and equipment	15,692	168,731
Intangible assets	2	22
Other assets	232	2,495
Total assets acquired	50,404	541,979
Current liabilities	(33,174)	(356,710)
Long-term liabilities	(13,999)	(150,527)
Total liabilities assumed	(47,173)	(507,237)
Net assets acquired	3,231	34,742
Noncontrolling interest	(1,587)	(17,065)
Goodwill	736	7,914
	¥ 2,380	\$ 25,591

The goodwill of ¥736 million (\$7,914 thousand) was assigned to the construction, mining and utility equipment segment. The goodwill is not deductible for tax purposes.

Remeasurement to fair value its 50% equity interest in KACF held before the business combination did not have a material impact on consolidated income statement for the year ended March 31, 2010.

The amounts of KACF’s sales and net income attributable to Komatsu Ltd. included in Komatsu’s consolidated income statement for the year ended March 31, 2010 were immaterial. The sales and net income attributable to Komatsu Ltd. of the combined entity had the acquisition date been April 1, 2009 or April 1, 2008 would not also differ materially from the amounts reported in the consolidated financial statements for the fiscal years ended March 31, 2010 and 2009.

4. Discontinued Operations

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. The gain on sale of the OPE business of

Komatsu Zenoah Co. is included in “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 year ended March 31, 2008 is as follows:

	Millions of yen
	2008
Net sales	¥ —
Income before income taxes, and equity in earnings of affiliated companies (only gain on sale of the OPE business of Komatsu Zenoah Co.)	8,331
Income taxes	3,364
Income from discontinued operations less applicable income taxes	¥4,967

5. Trade Notes and Accounts Receivable

Receivables at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Trade notes	¥ 82,954	¥ 70,807	\$ 891,978
Accounts receivable	379,680	318,424	4,082,581
Total	462,634	389,231	4,974,559
Less: allowance	(14,941)	(15,330)	(160,656)
Net trade receivables-current	¥447,693	¥373,901	\$4,813,903
Long-term trade receivables	¥150,972	¥102,969	\$1,623,355

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. Equipment sales revenue from sales-type leases are recognized at the inception of the lease.

At March 31, 2010 and 2009, lease receivables comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Minimum lease payments receivable	¥166,983	¥111,158	\$1,795,516
Unearned income	(16,078)	(9,979)	(172,882)
Net lease receivables	¥150,905	¥101,179	\$1,622,634

The residual values of leased assets at March 31, 2010 and 2009 were not material.

Cash flows received from the sale of trade notes and accounts receivable for the years ended March 31, 2010, 2009 and 2008 were ¥13,072 million (\$140,559 thousand), ¥243,495 million and ¥343,457 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 provisions 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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total amount of trade receivables that are managed and securitized	¥635,610	¥ 595,968	\$6,834,516
Assets transferred	(22,004)	(103,768)	(236,602)
Total amount of trade receivable on balance sheet	¥613,606	¥ 492,200	\$6,597,914

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, 2010 and 2009 were as follows:

	2010	2009
Weighted-average life	23 months	28 months
Prepayment speed over the life	0.6%	0.6%
Expected credit losses over the life	5.6%	2.4%

The carrying amount of retained interest was ¥1,378 million (\$14,817 thousand) liability and ¥919 million asset as of March 31, 2010 and 2009, respectively. The impacts of 10% and 20% changes of the key assumptions on the fair value of retained interest as of March 31, 2010 are immaterial.

6. Inventories

At March 31, 2010 and 2009, inventories comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished products, including finished parts held for sale	¥254,157	¥328,643	\$2,732,871
Work in process	102,096	128,345	1,097,807
Materials and supplies	40,163	50,369	431,860
Total	¥396,416	¥507,357	\$4,262,538

7. Investment Securities

Investment securities at March 31, 2010 and 2009, 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, 2010 and 2009, are as follows:

	Millions of yen			
	Cost	Gross unrealized holding		Fair value
		Gains	Losses	
At March 31, 2010				
Investment securities:				
Marketable equity securities available for sale	¥24,988	¥22,235	¥ 45	¥47,178
Other investment securities at cost	13,289			
Other	—			
	¥38,277			

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			

	Thousands of U.S. dollars			
	Cost	Gross unrealized holding		Fair value
		Gains	Losses	
At March 31, 2010				
Investment securities:				
Marketable equity securities available for sale	\$268,688	\$239,086	\$484	\$507,290
Other investment securities at cost	142,893			
Other	—			
	\$411,581			

Other investment securities primarily include non-marketable equity securities. The fair value of other investment securities was not estimated as it was not practicable 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 sale of investment securities available for sale were ¥1,005 million (\$10,806 thousand), ¥703 million and ¥601 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Net realized gains or losses on impairment or sale of investment securities available for sale during the years ended March 31, 2010, 2009 and 2008, amounted to gains of ¥679 million (\$7,301 thousand), losses of ¥9,188 million and losses of ¥289 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 ASC 325, “Investments – Other,” a non-cash gain of ¥6,148 million 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 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. Gross unrealized holding gain of its investment in SUMCO CORPORATION was ¥3,478 million (\$37,398 thousand) at March 31, 2010.

8. Investments in and Advances to Affiliated Companies

At March 31, 2010 and 2009, investments in and advances to affiliated companies comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investments in capital stock	¥21,688	¥16,348	\$233,204
Advances	2,314	2,901	24,882
Total	¥24,002	¥19,249	\$258,086

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 ¥329 million (\$3,538 thousand), ¥869 million and ¥286 million during the years ended March 31, 2010, 2009 and 2008, respectively.

Trade notes and accounts receivable from affiliated companies at March 31, 2010 and 2009, were ¥17,838 million (\$191,806 thousand) and ¥14,954 million, respectively.

Short-term loans receivable from affiliated companies at March 31, 2010 and 2009, were ¥2,222 million (\$23,892 thousand) and ¥2,994 million, respectively.

Trade notes and accounts payable to affiliated companies at March 31, 2010 and 2009, were ¥10,180 million (\$109,462 thousand) and ¥5,242 million, respectively.

Net sales for the years ended March 31, 2010, 2009 and 2008, included net sales to affiliated companies in the amounts of ¥37,058 million (\$398,473 thousand), ¥41,821 million and ¥61,128 million, respectively.

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

As of March 31, 2010 and 2009, consolidated unappropriated retained earnings included Komatsu’s share of undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥9,379 million (\$100,849 thousand) and ¥9,743 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, 2010 and 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 was ¥401 million. The quoted market value of the equity securities at March 31, 2009 was ¥469 million. There were no such investments in affiliated companies at March 31, 2010.

Summarized financial information for affiliated companies at March 31, 2010 and 2009, and for the years ended March 31, 2010, 2009 and 2008, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets	¥107,097	¥142,366	\$1,151,581
Net property, plant and equipment—less accumulated depreciation	42,207	40,403	453,839
Investments and other assets	22,246	21,991	239,204
Total assets	¥171,550	¥204,760	\$1,844,624
Current liabilities	¥ 79,894	¥104,734	\$ 859,075
Noncurrent liabilities	35,156	48,161	378,022
Equity	56,500	51,865	607,527
Total liabilities and equity	¥171,550	¥204,760	\$1,844,624

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Net sales	¥168,418	¥205,798	¥333,505	\$1,810,946
Net income	¥ 3,229	¥ 1,300	¥ 16,731	\$ 34,720

9. Property, Plant and Equipment

The major classes of property, plant and equipment at March 31, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land	¥ 92,355	¥ 93,864	\$ 993,065
Buildings	329,554	315,518	3,543,591
Machinery and equipment	710,511	682,241	7,639,903
Construction in progress	24,653	23,468	265,086
Total	1,157,073	1,115,091	12,441,645
Less: accumulated depreciation	(631,973)	(589,629)	(6,795,408)
Net property, plant and equipment	¥ 525,100	¥ 525,462	\$ 5,646,237

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. Impairment

losses were recorded ¥4,728 million for Mooka plant, ¥1,808 million for Komatsu plant for the year ended March 31, 2009. Impairment losses were insignificant for the year ended March 31, 2010.

10. Pledged Assets

At March 31, 2010, assets pledged as collateral for long-term debt and guarantees for debt are as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 2	\$ 21
Other current assets	1,887	20,290
Property, plant and equipment—less accumulated depreciation	4,660	50,108
Total	¥6,549	\$70,419

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	¥4,660	\$50,107
Guarantees for debt	1,889	20,312
Total	¥6,549	\$70,419

11. Goodwill and Other Intangible Assets

The information for intangible assets other than goodwill at March 31, 2010 and 2009 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2010			2009			2010		
	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	¥26,059	¥ (4,640)	¥21,419	¥23,386	¥ (3,031)	¥20,355	\$280,204	\$ (49,892)	\$230,312
Other	39,242	(11,629)	27,613	36,262	(9,179)	27,083	421,957	(125,043)	296,914
Total	65,301	(16,269)	49,032	59,648	(12,210)	47,438	702,161	(174,935)	527,226
Other intangible assets not subject to amortization			12,697			12,908			136,527
Total other intangible assets			¥61,729			¥60,346			\$663,753

At March 31, 2010, 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, 2008.

For the fiscal year ended March 31, 2009, Komatsu recognized an impairment loss of ¥2,831 million 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, 2010, 2009 and 2008 were ¥8,633 million (\$92,828 thousand), ¥12,611 million and ¥5,487 million, respectively. The future estimated amortization expenses for each of five years relating to intangible assets currently recorded in the consolidated balance sheet are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥8,358	\$89,871
2012	7,883	84,763
2013	6,782	72,925
2014	4,538	48,796
2015	3,143	33,796

The changes in carrying amounts of goodwill for the year ended March 31, 2010 and 2009 were as follow:

	Millions of yen		
	Construction, Mining and Utility Equipment segment	Industrial Machinery and Others segment	Total
Balance at March 31, 2008			
Goodwill	¥25,194	¥13,355	¥38,549
Accumulated impairment losses	(6,176)	(540)	(6,716)
	¥19,018	¥12,815	¥31,833
Goodwill acquired during the year	628	588	1,216
Impairment losses	(2,003)	—	(2,003)
Foreign exchange impact	(2,318)	—	(2,318)
Other	(67)	—	(67)
Balance at March 31, 2009			
Goodwill	23,437	13,943	37,380
Accumulated impairment losses	(8,179)	(540)	(8,719)
	¥15,258	¥13,403	¥28,661
Goodwill acquired during the year	736	—	736
Foreign exchange impact	173	—	173
Balance at March 31, 2010			
Goodwill	24,346	13,943	38,289
Accumulated impairment losses	(8,179)	(540)	(8,719)
	¥16,167	¥13,403	¥29,570

	Thousands of U.S. dollars		
	Construction, Mining and Utility Equipment segment	Industrial Machinery and Others segment	Total
Balance at March 31, 2009			
Goodwill	\$252,011	\$149,925	\$401,936
Accumulated impairment losses	(87,946)	(5,807)	(93,753)
	\$164,065	\$144,118	\$308,183
Goodwill acquired during the year	7,914	—	7,914
Foreign exchange impact	1,860	—	1,860
Balance at March 31, 2010			
Goodwill	261,785	149,925	411,710
Accumulated impairment losses	(87,946)	(5,807)	(93,753)
	\$173,839	\$144,118	\$317,957

For the fiscal year ended March 31, 2009, Komatsu recognized an impairment loss of ¥2,003 million, 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. This impairment loss was recognized based on the difference by which the carrying value of the goodwill of the reporting unit exceeded

its implied fair value as determined based on estimated future discounted cash flow.

Goodwill acquired during the fiscal year ended March 31, 2010 resulted from the acquisition of additional shares of KACF. Goodwill acquired during the fiscal year ended March 31, 2009 principally resulted from the acquisition of additional shares of NTC and acquisition of shares of BR.

12. Short-Term and Long-Term Debt

Short-term debt at March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Banks, insurance companies and other financial institutions	¥ 92,438	¥125,087	\$ 993,957
Commercial paper	31,000	95,000	333,333
Short-term debt	¥123,438	¥220,087	\$1,327,290

The weighted-average annual interest rates applicable to short-term debt outstanding at March 31, 2010 and 2009, were 1.9% and 3.2%, respectively. Certain consolidated subsidiaries have entered into contracts for committed credit lines totaling ¥50,082 million (\$538,516 thousand) and have unused committed lines of credit amounting to ¥23,741 million (\$255,280 thousand) with certain financial institutions at March 31, 2010, which are

available for full and immediate borrowings. The Company is party to a committed ¥160,000 million (\$1,720,430 thousand) commercial paper program and unused committed commercial paper program amounting to ¥129,000 million (\$1,387,097 thousand) at March 31, 2010, is available upon the satisfaction of certain customary procedural requirements. Long-term debt at March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Long-term debt with collateral (Note 10): Banks, insurance companies and other financial institutions, maturing in 2010, weighted-average rate 1.8%	¥ 50	¥ 1,400	\$ 538
Long-term debt without collateral: Banks, insurance companies and other financial institutions, maturing serially through 2010–2025, weighted-average rate 2.3%	228,311	162,261	2,454,957
Euro Medium-Term Notes maturing serially through 2010–2013, weighted-average rate 0.7%	68,142	63,332	732,710
1.45% Unsecured Bonds due 2009	—	10,000	—
0.98% Unsecured Bonds due 2010	—	200	—
1.66% Unsecured Bonds due 2012	20,000	20,000	215,054
0.85% Unsecured Bonds due 2012	10,000	—	107,527
1.53% Unsecured Bonds due 2013	30,000	30,000	322,580
1.19% Unsecured Bonds due 2014	30,000	—	322,580
Capital lease obligations (Note 17)	72,951	86,399	784,419
Other	3,487	6,176	37,495
Total	462,941	379,768	4,977,860
Less: current maturities	(105,956)	(87,662)	(1,139,312)
Long-term debt	¥ 356,985	¥292,106	\$ 3,838,548

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\$1.2 billion. 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, 2010, 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 ¥25,856 million (\$278,022 thousand) during the fiscal year ended March 31,2010, and ¥10,000 million during the fiscal year ended March 31,2009 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 (\$1,075,269 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, 2010, excluding market value adjustments of ¥7,171 million (¥77,108 thousand) are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥104,111	\$1,119,473
2012	120,638	1,297,183
2013	118,775	1,277,150
2014	57,678	620,194
2015	52,247	561,796
2016 and thereafter	2,321	24,957
Total	¥455,770	\$4,900,753

13. Liability for Pension and Other Retirement Benefits

The Company's employees, with certain minor exceptions, are covered by a severance payment and a 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
	2010	2009	2010
Change in benefit obligation:			
Benefit obligation, beginning of year	¥139,569	¥143,214	\$1,500,742
Service cost	7,224	8,460	77,677
Interest cost	3,745	3,885	40,269
Actuarial loss (gain)	4,048	462	43,527
Plan participants' contributions	49	98	527
Acquisition	—	348	—
Plan amendment	208	—	2,236
Curtailement	—	330	—
Benefits paid	(17,446)	(13,234)	(187,591)
Foreign currency exchange rate change	55	(3,994)	591
Benefit obligation, end of year	¥137,452	¥139,569	\$1,477,978
Change in plan assets:			
Fair value of plan assets, beginning of year	¥ 88,252	¥107,183	\$ 948,946
Actual return on plan assets	10,329	(12,044)	111,065
Employer contributions	6,465	4,549	69,516
Plan participants’ contributions	49	98	527
Acquisition	—	66	—
Benefits paid	(10,788)	(8,496)	(116,000)
Foreign currency exchange rate change	96	(3,104)	1,032
Fair value of plan assets, end of year	¥ 94,403	¥ 88,252	\$1,015,086
Funded status, end of year	¥ (43,049)	¥ (51,317)	\$ (462,892)
Prepaid benefit cost	¥ 22	¥ 184	\$ 237
Other current liability	(89)	(623)	(957)
Accrued benefit liability	(42,982)	(50,878)	(462,172)
	¥ (43,049)	¥ (51,317)	\$ (462,892)
Amounts recognized in accumulated other comprehensive income (loss):			
Actuarial loss	¥ 34,979	¥ 41,258	\$ 376,118
Prior service cost	1,370	1,341	14,731
	¥ 36,349	¥ 42,599	\$ 390,849

The accumulated benefit obligations for all defined benefit plans were ¥130,571 million (\$1,403,989 thousand) and ¥131,620 million, respectively, at March 31, 2010 and 2009.

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
	2010	2009	2010
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	¥119,363	¥127,171	\$1,283,473
Plan assets	82,806	82,868	890,387
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	¥134,348	¥139,506	\$1,444,602
Plan assets	91,255	88,182	981,237

Components of net periodic pension cost

Net periodic cost of the companies’ defined benefit plans for the years ended March 31, 2010, 2009 and 2008, consisted of the following components:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service cost–Benefits earned during the year	¥ 7,224	¥ 8,460	¥ 6,390	\$ 77,677
Interest cost on projected benefit obligation	3,745	3,885	3,776	40,269
Expected return on plan assets	(2,452)	(3,029)	(3,210)	(26,366)
Amortization of actuarial loss	2,478	1,622	570	26,645
Amortization of prior service cost	179	535	825	1,925
Curtailement and settlement loss (gain)	(28)	475	—	(301)
Net periodic cost	¥11,146	¥11,948	¥ 8,351	\$119,849

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current year actuarial loss	¥(3,829)	¥15,870	\$(41,172)
Amortization of actuarial loss	(2,450)	(2,031)	(26,344)
Current year prior service cost	208	(5)	2,237
Amortization of prior service cost	(179)	(601)	(1,925)
	¥(6,250)	¥13,233	\$(67,204)

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

	Millions of yen	Thousands of U.S. dollars
Actuarial loss	¥2,203	\$23,688
Prior service cost	182	1,957

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	
	2010	2009	2010	2009
Discount rate	2.0%	2.0%	6.0%	6.9%
Assumed rate of increase in future compensation levels (Point-based benefit system)	3.8%	3.9%	—	—
Assumed rate of increase in future compensation levels	2.6%	2.4%	4.4%	4.1%

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

	Domestic plans			Foreign plans		
	2010	2009	2008	2010	2009	2008
Discount rate	2.0%	2.0%	1.9%	6.9%	6.7%	5.6%
Assumed rate of increase in future compensation levels (Point-based benefit system)	3.9%	3.9%	3.7%	—	—	—
Assumed rate of increase in future compensation levels	2.4%	2.0%	2.3%	4.1%	4.4%	4.1%
Expected long-term rate of return on plan assets	1.9%	1.9%	1.9%	7.6%	7.5%	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.

Plan assets

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.

Komatsu’s basic portfolio for plan assets consists of three major components: approximately 35 % is invested in equity securities, approximately 30 % is invested in debt securities, and

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.

approximately 35% is invested in other investment assets, primarily consisting of investments in life insurance company general accounts.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, Komatsu has investigated the business condition of the investee companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds and municipal bonds, and corporate bonds. Prior investing, Komatsu has investigated the quality of the issue, including rating, interest rate and repayment dates, and has appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity described above. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. With respect to investments in foreign investment assets, Komatsu has investigated the stability of the underlying governments and economies, the market characteristics such as settlement systems and the taxation systems. For each such investment, Komatsu has selected the appropriate investment country and currency. There is no significant concentration of risk within the portfolio of investments.

The three levels of input used to measure fair value are more full described in Note 22.

The fair values of benefit plan assets at March 31, 2010, by asset class are as follows:

	Millions of yen			
	2010			
	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	¥ 4,486	¥ —	¥ —	¥ 4,486
Equity securities				
Japanese equities	13,730	—	—	13,730
Foreign equities	17,358	—	—	17,358
Pooled funds	2,650	—	—	2,650
Debt securities				
Government bonds and municipal bonds	20,030	1,245	—	21,275
Corporate bonds	—	4,698	—	4,698
Other assets				
Life insurance company general accounts	—	29,638	—	29,638
Other	145	—	423	568
Total	¥58,399	¥35,581	¥423	¥94,403

	Thousands of U.S. dollars			
	2010			
	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	\$48,237	\$ —	\$ —	\$ 48,237
Equity securities				
Japanese equities	147,634	—	—	147,634
Foreign equities	186,645	—	—	186,645
Pooled funds	28,495	—	—	28,495
Debt securities				
Government bonds and municipal bonds	215,376	13,387	—	228,763
Corporate bonds	—	50,516	—	50,516
Other assets				
Life insurance company general accounts	—	318,688	—	318,688
Other	1,559	—	4,549	6,108
Total	\$627,946	\$382,591	\$4,549	\$1,015,086

- (1) The plan’s equity securities include common stock of the Company in the amount of ¥48 million (\$516 thousand) (0.08% of the Company’s total plan assets) and ¥21 million (0.03% of the Company’s total plan assets) at March 31, 2010 and 2009, respectively.
- (2) The plan’s pooled funds which are primarily hold by the U.S. subsidiaries include listed foreign equity securities primarily consisting U.S. equity.
- (3) The plan’s government bonds and municipal bonds include approximately 50% Japanese bonds and 50% foreign bonds.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not indicate the risks of the assets.

Level 1 assets are comprised principally of equity and debt securities, which are valued using quoted prices in active markets. Level 2 assets are comprised of debt securities and investments in life insurance company general accounts. Debt securities are valued using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or

indirectly. Investments in life insurance company general accounts are valued at conversion value.

The fair value of level 3 assets, consisting of the investment trusts hold by foreign subsidiaries, was ¥423 million (\$4,549 thousand) and ¥377 million (\$4,054 thousand) at March 31, 2010 and 2009, respectively. Amounts of actual returns on, and purchases and sales of, these assets during the year ended March 31, 2010 are not material to Komatsu’s consolidated financial position or results of operations.

Cash flows

(1) Contributions

The Company and certain subsidiaries expect to contribute ¥4,346 million (\$46,731 thousand) to their benefit plans in the year ending March 31, 2011.

(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
2011	¥13,379	\$143,860
2012	14,039	150,957
2013	11,998	129,011
2014	7,863	84,548
2015	8,805	94,677
Through 2016-2020	¥44,270	\$476,022

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
	2010	2009	2010
Change in accumulated postretirement benefit obligation:			
Accumulated postretirement benefit obligation, beginning of year	¥ 9,069	¥ 9,555	\$ 97,516
Service cost	231	311	2,484
Interest cost	528	575	5,677
Actuarial loss (gain)	979	150	10,527
Plan amendment	—	(393)	—
Curtailment	(456)	—	(4,903)
Plan participants’ contributions	2	—	22
Medicare Part D	68	74	731
Benefits paid	(659)	(839)	(7,086)
Foreign currency exchange rate change	(346)	(364)	(3,721)
Accumulated postretirement benefit obligation, end of year	¥ 9,416	¥ 9,069	\$101,247
Change in plan assets:			
Fair value of plan assets, beginning of year	¥ 6,579	¥ 7,521	\$ 70,742
Actual return on plan assets	1,156	(821)	12,430
Employer contributions	657	837	7,065
Plan participants’ contributions	2	—	22
Benefits paid	(1,894)	(839)	(20,366)
Foreign currency exchange rate change	(348)	(119)	(3,742)
Fair value of plan assets, end of year	¥ 6,152	¥ 6,579	\$ 66,151
Funded status, end of year	¥(3,264)	¥(2,490)	\$ (35,096)
Prepaid benefit cost	¥ 700	¥ 677	\$ 7,527
Other current liabilities	(38)	(37)	(408)
Accrued benefit liability	(3,926)	(3,130)	(42,215)
	¥(3,264)	¥(2,490)	\$ (35,096)
Amounts recognized in accumulated other comprehensive income (loss):			
Actuarial loss	¥ 3,502	¥ 3,945	\$ 37,656
Prior service cost	616	686	6,624
	¥ 4,118	¥ 4,631	\$ 44,280

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, 2010, 2009 and 2008, included the following components:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service cost	¥ 231	¥ 311	¥ 340	\$ 2,484
Interest cost	528	575	597	5,677
Expected return on plan assets	(324)	(400)	(232)	(3,484)
Amortization of actuarial loss	250	201	160	2,688
Amortization of prior service cost	70	128	144	753
Curtailment and settlement loss (gain)	(116)	—	—	(1,247)
Net periodic postretirement benefit cost	¥ 639	¥ 815	¥1,009	\$ 6,871

Other changes in plan assets and accumulated postretirement benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current year actuarial (gain) loss	¥(309)	¥1,371	\$ (3,322)
Amortization of actuarial loss	(134)	(201)	(1,441)
Current year prior service cost	—	(393)	—
Amortization of prior service cost	(70)	(128)	(753)
	¥(513)	¥ 649	\$ (5,516)

The estimated actuarial loss and prior service cost for the postretirement benefit plans that will be amortized from accumulated other comprehensive income (loss) 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	¥234	\$2,516
Prior service cost	70	753

Information with respect to the plans is as follows:

Assumptions

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

	2010	2009
Discount rate	5.4%	6.4%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Current healthcare cost trend rate	7.8%	7.8%
Ultimate healthcare cost trend rate	4.8%	4.8%
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:

	2010	2009	2008
Discount rate	6.4%	5.9%	5.5%
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%	5.5%
Current healthcare cost trend rate	7.8%	7.7%	9.0%
Ultimate healthcare cost trend rate	4.8%	4.8%	5.0%
Number of years to ultimate healthcare cost trend rate	7	6	5

At March 31, 2010 and 2009, the impact of 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 U.S. subsidiaries’ investment policies are to provide returns that will maximize principal growth while accepting only moderate risk.

The U.S. subsidiaries’ asset portfolio will be invested in a manner that emphasizes safety of capital while achieving total returns consistent with prudent levels of risk. The basic portfolio for the plan assets are comprised approximately of 35% equity securities and 65% debt securities.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, Komatsu has investigated the business condition of the invested

companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds and municipal bonds, and corporate bonds. Prior investing, Komatsu has investigated the quality of the issue, including rating, interest rate and repayment dates, and has appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity described above. There is no significant concentration of risk within the portfolio of investments.

The three levels of input used to measure fair value are more full described in Note 22.

Cash flows

(1) Contributions

The U.S. subsidiaries expect to contribute ¥38 million (\$409 thousand) to their post retirement benefit plans in the year ending March 31, 2011.

(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
2011	¥ 738	\$ 7,935
2012	765	8,226
2013	786	8,452
2014	807	8,677
2015	825	8,871
Through 2016-2020	¥4,481	\$48,183

Directors of the Company and domestic subsidiaries are primarily covered by unfunded retirement allowance plans. At March 31, 2010, 2009 and 2008, 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. Komatsu Ltd. 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, 2010, would have been increased by ¥103,189 million (\$1,109,559 thousand) with a corresponding decrease in unappropriated retained earnings. At March 31, 2010 and 2009, affiliated companies owned 1,094,600 and 1,127,100 shares which represent 0.11% and 0.12% 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 ¥271,404 million (\$2,918,323 thousand), included in the Company's general books of account as of March 31, 2010 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 23, 2010,

The fair values of postretirement benefit plan assets at March 31, 2010, by asset class are as follows:

	Millions of yen			
	2010			
	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	¥ 155	¥ —	¥ —	¥ 155
Equity securities				
Foreign equities	959	—	—	959
Pooled funds	1,113	—	—	1,113
Debt securities				
Government bonds	—	2,936	—	2,936
Corporate bonds	—	989	—	989
Total	¥2,227	¥3,925	¥ —	¥6,152

	Thousands of U.S. dollars			
	2010			
	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	\$ 1,667	\$ —	\$ —	\$ 1,667
Equity securities				
Foreign equities	10,312	—	—	10,312
Pooled funds	11,968	—	—	11,968
Debt securities				
Government bonds	—	31,570	—	31,570
Corporate bonds	—	10,634	—	10,634
Total	\$23,947	\$42,204	\$ —	\$66,151

(1) The plan's pooled funds include listed foreign equity securities primarily consisting U.S. equity.
(2) The plan's government bonds are U.S. government bonds.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not indicate the risks of the assets.

Level 1 assets are comprised principally of equity securities,

which are valued using quoted prices in active markets. Level 2 assets are comprised of debt securities, which are valued using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

payment of a cash dividend totaling ¥7,748 million (\$83,312 thousand) to shareholders of record on March 31, 2010. In accordance with the Act, the approved dividend has not been reflected in the consolidated financial statements as of March 31, 2010. Dividends are reported in the consolidated statements of 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) 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, 2009, June 24, 2008 and June 22, 2007 and the Board of Directors on July 14, 2009, July 15, 2008 and July 10, 2007, the Company issued 642 rights, 463 rights and 562 rights of its share acquisition rights during the years ended March 31, 2010, 2009 and 2008, 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, 2010, September 1, 2009 and September 1, 2008, September 3, 2008, respectively.

Komatsu recognizes compensation expense using the fair value method. Compensation expenses during the years ended March 31, 2010, 2009 and 2008 were ¥413 million (\$4,441 thousand), ¥376 million and ¥711 million, respectively, and were recoded in selling, general and administrative expenses. Compensation expenses after tax during the years ended March 31, 2010, 2009 and 2008 were ¥246 million (\$2,645 thousand), ¥224 million and ¥423 million, respectively.

The following table summarizes information about stock option activity for the years ended March 31, 2010, 2009 and 2008:

	2010			2009		2008	
	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	2,891,000	¥2,022	\$21.74	2,844,000	¥1,784	3,648,000	¥1,182
Granted	642,000	1,729	18.59	463,000	2,499	562,000	3,661
Exercised	(200,000)	595	6.40	(416,000)	926	(1,366,000)	947
Outstanding at end of year	3,333,000	2,051	22.05	2,891,000	2,022	2,844,000	1,784
Exercisable at end of year	2,691,000	2,128	22.88	2,428,000	1,931	2,282,000	1,322

The intrinsic values of options exercised were ¥153 million (\$1,645 thousand), ¥722 million and ¥3,023 million for the years ended March 31, 2010, 2009 and 2008.

The information for options outstanding and options exercisable at March 31, 2010 are as follows..

Exercise Prices	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
		Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars			Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars	
¥ 651 - 900	330,000	¥ 673	\$ 7.24	¥ 425	\$ 4,570	2.3	330,000	¥ 673	\$ 7.24	¥ 425	\$ 4,570	2.3
¥ 901 - 1,350	680,000	1,126	12.11	567	6,097	3.3	680,000	1,126	12.11	567	6,097	3.3
¥1,351 - 2,325	1,298,000	2,030	21.83	148	1,591	5.9	656,000	2,325	25.00	—	—	2.2
¥2,326 - 3,700	1,025,000	3,136	33.72	—	—	5.9	1,025,000	3,136	33.72	—	—	5.9
¥ 651 - 3,700	3,333,000	2,051	22.05	1,140	12,258	5.0	2,691,000	2,128	22.88	992	10,667	4.4

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.

	2010	2009	2008
Grant-date fair value	¥643 (\$6.91)	¥813	¥1,266
Expected term	7 years	7 years	7 years
Risk-free rate	0.17%–1.35%*	0.60%–1.48%*	0.76%–1.66%*
Expected volatility	44.00%	39.00%	38.00%
Expected dividend yield	2.07%	1.32%	1.36%

* 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
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%
2010	0.17%	0.24%	0.32%	0.48%	0.63%	0.74%	0.88%	1.03%	1.19%	1.35%

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 equity of the consolidated balance sheets.

Each component of accumulated other comprehensive income (loss) at March 31, 2010, 2009 and 2008, is as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Foreign currency translation adjustments:				
Balance, beginning of year	¥ (84,152)	¥ (34,457)	¥ 9,204	\$ (904,861)
Adjustment for the year	(904)	(49,695)	(43,661)	(9,720)
Balance, end of year	¥ (85,056)	¥ (84,152)	¥(34,457)	\$ (914,581)
Net unrealized holding gains (losses) on securities available for sale:				
Balance, beginning of year	¥ 8,646	¥ 24,736	¥ 39,807	\$ 92,967
Net increase (decrease)	5,480	(16,090)	(15,071)	58,925
Balance, end of year	¥ 14,126	¥ 8,646	¥ 24,736	\$ 151,892
Pension liability adjustments:				
Balance, beginning of year	¥ (29,235)	¥ (19,208)	¥(15,300)	\$ (314,355)
Adjustment for the year	4,920	(10,027)	(3,908)	52,903
Balance, end of year	¥ (24,315)	¥ (29,235)	¥(19,208)	\$ (261,452)
Net unrealized holding gains (losses) on derivative instruments:				
Balance, beginning of year	¥ (1,003)	¥ 150	¥ (210)	\$ (10,785)
Net increase (decrease)	614	(1,153)	360	6,602
Balance, end of year	¥ (389)	¥ (1,003)	¥ 150	\$ (4,183)
Total accumulated other comprehensive income (loss)				
Balance, beginning of year	¥(105,744)	¥ (28,779)	¥ 33,501	\$ (1,137,033)
Other comprehensive income (loss) for the year, net of tax	10,110	(76,965)	(62,280)	108,710
Balance, end of year	¥ (95,634)	¥(105,744)	¥(28,779)	\$ (1,028,323)

Notes to Consolidated Financial Statements

Komatsu Ltd. and Consolidated Subsidiaries

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
2010:			
Foreign currency translation adjustments	¥ (1,196)	¥ 292	¥ (904)
Net unrealized holding gains (losses) on securities available for sale:			
Unrealized holding gains or (losses) arising during the year	9,124	(3,843)	5,281
Less: reclassification adjustment for (gains) or losses included in net income attributable to Komatsu Ltd.	336	(137)	199
Net unrealized gains (losses)	9,460	(3,980)	5,480
Pension liability adjustments			
Unrealized holding gains or (losses) arising during the year	3,930	(1,224)	2,706
Less: reclassification adjustment for (gains) or losses included in net income attributable to Komatsu Ltd.	2,833	(619)	2,214
Net unrealized gains (losses)	6,763	(1,843)	4,920
Net unrealized holding gains (losses) on derivative instruments:			
Changes in fair value of derivatives	2,121	(1,138)	983
Net (gains) or losses reclassified into earnings	(621)	252	(369)
Net unrealized gains (losses)	1,500	(886)	614
Other comprehensive income	¥ 16,527	¥ (6,417)	¥ 10,110
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 attributable to Komatsu Ltd.	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 attributable to Komatsu Ltd.	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 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 attributable to Komatsu Ltd.	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 attributable to Komatsu Ltd.	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 loss	¥(79,768)	¥17,488	¥(62,280)

	Thousands of U.S. dollars		
	Pretax amount	Tax (expense) or benefit	Net of tax amount
2010:			
Foreign currency translation adjustments	\$ (12,860)	\$ 3,140	\$ (9,720)
Net unrealized holding gains (losses) on securities available for sale:			
Unrealized holding gains or (losses) arising during the year	98,108	(41,323)	56,785
Less: reclassification adjustment for (gains) or losses included in net income attributable to Komatsu Ltd.	3,613	(1,473)	2,140
Net unrealized gains (losses)	101,721	(42,796)	58,925
Pension liability adjustments			
Unrealized holding gains or (losses) arising during the year	42,258	(13,161)	29,097
Less: reclassification adjustment for (gains) or losses included in net income attributable to Komatsu Ltd.	30,462	(6,656)	23,806
Net unrealized gains (losses)	72,720	(19,817)	52,903
Net unrealized holding gains (losses) on derivative instruments:			
Changes in fair value of derivatives	22,806	(12,236)	10,570
Net (gains) or losses reclassified into earnings	(6,677)	2,709	(3,968)
Net unrealized gains (losses)	16,129	(9,527)	6,602
Other comprehensive income	\$177,710	\$(69,000)	\$108,710

16. Income Taxes

The sources of income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies and the sources of income taxes for the years ended March 31, 2010, 2009 and 2008, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies:				
Domestic	¥ (35,965)	¥ 5,426	¥151,878	\$ (386,720)
Foreign	100,944	123,356	170,332	1,085,419
	¥ 64,979	¥128,782	¥322,210	\$ 698,699
Income taxes:				
Current—				
Domestic	¥ 5,254	¥ 22,854	¥ 53,954	\$ 56,495
Foreign	27,468	37,657	50,188	295,354
	32,722	60,511	104,142	351,849
Deferred—				
Domestic	(6,272)	(17,008)	7,779	(67,441)
Foreign	(1,086)	(1,210)	3,873	(11,677)
	(7,358)	(18,218)	11,652	(79,118)
Total	¥ 25,364	¥ 42,293	¥115,794	\$ 272,731

Total income taxes recognized for the years ended March 31, 2010, 2009 and 2008 were applicable to the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Income from continuing operations	¥25,364	¥ 42,293	¥115,794	\$272,731
Income from discontinued operations	—	—	3,364	—
Other comprehensive income (loss):				
Foreign currency translation adjustments	(292)	(548)	—	(3,140)
Net unrealized holding gains (losses) on securities available for sale	3,980	(10,185)	(15,089)	42,796
Pension liability adjustments	1,843	(3,855)	(2,647)	19,817
Net unrealized holding gains (losses) on derivative instruments	886	(884)	248	9,527
Total income taxes	¥31,781	¥ 26,821	¥101,670	\$341,731

Temporary differences and tax loss carryforwards which gave rise to deferred tax assets and liabilities at March 31, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Allowances provided, not yet recognized for tax	¥ 3,332	¥ 1,587	\$ 35,828
Accrued expenses	43,835	52,054	471,345
Property, plant and equipment	13,289	14,117	142,892
Inventories	8,551	8,902	91,946
Net operating loss carryforwards	51,543	26,618	554,226
Research and development expenses	690	461	7,419
Other	31,536	21,854	339,097
Total gross deferred tax assets	152,776	125,593	1,642,753
Less valuation allowance	(49,081)	(31,420)	(527,753)
Total deferred tax assets	¥103,695	¥ 94,173	\$1,115,000
Deferred tax liabilities:			
Unrealized holding gains on securities available for sale	¥ 7,829	¥ 4,213	\$ 84,183
Deferral of profit from installment sales	104	213	1,118
Property, plant and equipment	11,519	11,807	123,860
Intangible assets	17,503	17,544	188,204
Undistributed earnings of foreign subsidiaries and affiliated companies accounted for by the equity method	3,847	3,080	41,366
Total deferred tax liabilities	¥ 40,802	¥ 36,857	\$ 438,731
Net deferred tax assets	¥ 62,893	¥ 57,316	\$ 676,269

Net deferred tax assets and liabilities as of March 31, 2010 and 2009 are reflected on the consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred income taxes and other current assets	¥ 43,390	¥ 37,749	\$ 466,559
Deferred income taxes and other assets	36,467	36,397	392,118
Deferred income taxes and other current liabilities	(128)	(228)	(1,376)
Deferred income taxes and other liabilities	(16,836)	(16,602)	(181,032)
	¥ 62,893	¥ 57,316	\$ 676,269

The valuation allowances were ¥22,435 million and ¥30,879 million as of March 31, 2008 and 2007, respectively. The net changes in the total valuation allowance for the years ended March 31, 2010, 2009 and 2008 were an increase of ¥17,661 million (\$189,903 thousand), an increase of ¥8,985 million and a decrease of ¥8,444 million, respectively. The increase for the year ended March 31, 2010 was mainly a result of additional valuation allowances recorded on deferred tax assets for net operating loss carryforwards at certain subsidiaries.

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 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 is 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 in which the deferred tax assets, net of the existing valuation allowances at March 31, 2010 and 2009, are deductible, management believes it is more likely than not that the companies will realize the benefits of these deductible differences and net operating loss carryforwards. 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, 2010, 2009 and 2008, are summarized as follows:

	2010	2009	2008
Japanese statutory tax rate	40.8%	40.8%	40.8%
Increase (decrease) in tax rates resulting from:			
Increase in valuation allowance	25.2	7.1	0.8
Expenses not deductible for tax purposes	6.8	2.9	2.0
Realization of tax benefits on operating losses of subsidiaries	(0.8)	(1.4)	(1.5)
Income of foreign subsidiaries taxed at lower than Japanese normal rate	(22.6)	(11.3)	(5.1)
Tax credit for research and development expenses	—	(0.7)	(0.8)
Realization of loss for investment in a subsidiary	(10.2)	—	—
Other, net	(0.2)	(4.6)	(0.3)
Effective tax rate	39.0%	32.8%	35.9%

Foreign subsidiaries are subject to income taxes of the countries in which they operate. At March 31, 2010 and 2009, undistributed earnings of foreign subsidiaries aggregated ¥431,834 million (\$4,643,376 thousand) and ¥392,766 million, respectively. Komatsu has a policy to distribute a certain portion of undistributed earnings of foreign subsidiaries. As of March 31, 2010 and 2009, Komatsu recognized deferred tax liabilities of ¥601 million (\$6,462 thousand) and ¥386 million, respectively, associated with those earnings. As of March 31, 2010 and 2009, Komatsu has not recognized deferred tax

liabilities of ¥14,077 million (\$151,366 thousand) and ¥13,782 million, respectively, for such portion of undistributed earnings of foreign subsidiaries that the Company intends to reinvest indefinitely. At March 31, 2010, the Company and certain subsidiaries had net operating loss carryforwards aggregating approximately ¥133,798 million (\$1,438,688 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:

Year ending March 31, 2010	Millions of yen	Thousands of U.S. dollars
Within 5 years	¥ 9,476	\$ 101,893
6 to 20 years	121,267	1,303,946
Indefinite periods	3,055	32,849
Total	¥133,798	\$1,438,688

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, 2010, Komatsu does not expect significant changes to the unrecognized tax benefits within the next twelve months.

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 ¥13,823 million (\$148,634 thousand), ¥14,625

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 before and in the fiscal year ended March 31, 2007. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities before and in the fiscal year ended March 31, 2005 with few exceptions.

million and ¥15,911 million, respectively, for the years ended March 31, 2010, 2009 and 2008. At March 31, 2010, the future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

Notes to Consolidated Financial Statements

Komatsu Ltd. and Consolidated Subsidiaries

Year ending March 31	Millions of yen			Thousands of U.S. dollars		
	Capital leases	Operating lease commitments	Total	Capital leases	Operating lease commitments	Total
2011	¥23,307	¥ 4,783	¥28,090	\$250,613	\$ 51,430	\$302,043
2012	28,149	2,994	31,143	302,677	32,194	334,871
2013	14,746	1,853	16,599	158,559	19,925	178,484
2014	7,627	1,022	8,649	82,011	10,989	93,000
2015	1,476	697	2,173	15,871	7,495	23,366
Thereafter	1,264	2,077	3,341	13,591	22,333	35,924
Total minimum lease payments	¥76,569	¥13,426	¥89,995	\$823,322	\$144,366	\$967,688
Less: amounts representing interest	(3,618)			(38,903)		
Present value of net minimum capital lease payments	¥72,951			\$784,419		

18. Net Income attributable to Komatsu Ltd. per Share

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to Komatsu Ltd. per share computations is as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Income from continuing operations attributable to Komatsu Ltd.	¥33,559	¥78,797	¥203,826	\$360,849
Income from discontinued operations attributable to Komatsu Ltd.	—	—	4,967	—
Net income attributable to Komatsu Ltd.	¥33,559	¥78,797	¥208,793	\$360,849

	Number of shares		
	2010	2009	2008
Weighted average common shares outstanding, less treasury stock	968,013,328	985,585,385	994,844,955
Dilutive effect of:			
Stock options	449,531	731,973	1,335,586
Weighted average diluted common shares outstanding	968,462,859	986,317,358	996,180,541

	Yen			U.S. cents
	2010	2009	2008	2010
Income from continuing operations attributable to Komatsu Ltd.:				
Basic	¥34.67	¥79.95	¥204.88	¢37.28
Diluted	34.65	79.89	204.61	37.26
Income from discontinued operations attributable to Komatsu Ltd.:				
Basic	¥ —	¥ —	¥ 4.99	¢ —
Diluted	—	—	4.98	—
Net income attributable to Komatsu Ltd.:				
Basic	¥34.67	¥79.95	¥209.87	¢37.28
Diluted	34.65	79.89	209.59	37.26

19. Commitments and Contingent Liabilities

At March 31, 2010, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥9,850 million (\$105,914 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 ¥88,379 million (\$950,312 thousand) at March 31, 2010. The fair value of the liabilities recognized for Komatsu’s obligations as guarantors under those guarantees at March 31, 2010 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, 2010, aggregated approximately ¥4,700 million (\$50,538 thousand).

Komatsu is involved in certain legal actions and claims arising

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.

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 statements.

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, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Balance at beginning of year	¥ 28,256	¥ 31,890	\$ 303,828
Addition	21,149	25,288	227,409
Utilization	(25,477)	(26,369)	(273,946)
Other	(170)	(2,553)	(1,829)
Balance at end of year	¥ 23,758	¥ 28,256	\$ 255,462

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, 2010, 2009 and 2008, 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 ¥186 million (\$2,000 thousand) of existing income included in accumulated other comprehensive income (loss) at March 31, 2010 will be reclassified into earnings within twelve months from that date. No cash flow hedges were discontinued during the years ended March 31, 2010 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 ASC 815, “Derivatives and Hedging” 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 ASC815 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, 2010 and 2009 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Forwards and options:			
Sale of foreign currencies	¥ 40,209	¥ 30,868	\$ 432,355
Purchase of foreign currencies	48,809	48,424	524,828
Option contracts (purchased)	949	1,011	10,204
Interest rate swap, cross-currency swap and interest rate cap agreements	184,487	226,754	1,983,731

Fair value of derivative instruments at March 31, 2010 and 2009 on the consolidated balance sheets are as follows:

	Millions of yen			
	2010			
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	¥ 73	Deferred income taxes and other current liabilities	¥ 830
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	354	Deferred income taxes and other current liabilities	734
	Deferred income taxes and other assets	99	Deferred income taxes and other liabilities	—
Total		¥ 526		¥ 1,564
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	¥ 90	Deferred income taxes and other current liabilities	¥ 1,248
Option contracts	Deferred income taxes and other current assets	18	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	1,730	Deferred income taxes and other current liabilities	915
	Deferred income taxes and other assets	6,989	Deferred income taxes and other liabilities	901
Total		¥ 8,827		¥ 3,064
Total Derivative Instruments		¥ 9,353		¥ 4,628

	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

	Thousands of U.S. dollars			
	2010			
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	\$ 785	Deferred income taxes and other current liabilities	\$ 8,925
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	3,806	Deferred income taxes and other current liabilities	7,892
	Deferred income taxes and other assets	1,065	Deferred income taxes and other liabilities	—
Total		\$ 5,656		\$16,817
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	\$ 968	Deferred income taxes and other current liabilities	\$13,419
Option contracts	Deferred income taxes and other current assets	194	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	18,602	Deferred income taxes and other current liabilities	9,839
	Deferred income taxes and other assets	75,150	Deferred income taxes and other liabilities	9,688
Total		\$ 94,914		\$32,946
Total Derivative Instruments		\$100,570		\$49,763

The effects of derivative instruments on the consolidated statements of income for the year ended March 31, 2010 and 2009 are as follows:

Derivative instruments designated as fair value hedging relationships

	Millions of yen			
	2010			
	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
Interest rate swaps, cross-currency swap and interest rate cap agreements	Other income (expenses), net: Other, net	¥ (270)	Other income (expenses), net: Other, net	¥ 355
Total		¥ (270)		¥ 355

	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
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			
	2010			
	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
Interest rate swaps, cross-currency swap and interest rate cap agreements	Other income (expenses), net: Other, net	\$(2,903)	Other income (expenses), net: Other, net	\$3,817
Total		\$(2,903)		\$3,817

Derivative instruments designated as cash flow hedging relationships

	Millions of yen			
	2010			
	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
Forwards contracts	¥ 363	Other income (expenses), net: Other, net	¥ 532	¥ —
Interest rate swaps, cross-currency swap and interest rate cap agreements	1,758	Other income (expenses), net: Other, net	89	—
Total	¥2,121		¥ 621	¥ —

	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
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			
	2010			
	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
Forwards contracts	\$3,903	Other income (expenses), net: Other, net	\$5,720	\$ —
Interest rate swaps, cross-currency swap and interest rate cap agreements	18,903	Other income (expenses), net: Other, net	957	—
Total	\$22,806		\$6,677	\$ —

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

	Millions of yen	
	2010	
	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	¥ (972)
Option contracts	Other income (expenses), net: Other, net	3
Interest rate swaps, cross-currency swap and interest rate cap agreements	Cost of sales	(580)
	Other income (expenses), net: Other, net	1,900
Total		¥ 351

	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	
	2010	
	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	\$ (10,452)
Option contracts	Other income (expenses), net: Other, net	32
Interest rate swaps, cross-currency swap and interest rate cap agreements	Cost of sales	(6,236)
	Other income (expenses), net: Other, net	20,430
Total		\$ 3,774

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 Payables, and Other Current Liabilities

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

(2) Investment Securities, Marketable Equity 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) Long-Term Trade Receivables, Including Current Portion

The fair values of long-term trade 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, Including Current Portion

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) Derivatives

The fair values of derivative financial instruments, consisting principally of foreign exchange 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, 2010 and 2009, are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Investment securities, marketable equity securities	¥ 47,178	¥ 47,178	¥ 37,066	¥ 37,066	\$ 507,290	\$ 507,290
Long-term debt, including current portion	462,941	460,916	379,768	376,108	4,977,860	4,956,086
Derivatives:						
Forwards and options						
Assets	181	181	1,321	1,321	1,947	1,947
Liabilities	2,078	2,078	1,817	1,817	22,344	22,344
Interest rate swap, cross-currency swap and interest rate cap agreements						
Assets	9,172	9,172	10,530	10,530	98,623	98,623
Liabilities	2,550	2,550	4,038	4,038	27,419	27,419

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

ASC 820, “Fair Value Measurements and Disclosures” 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. ASC 820 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

Assets and liabilities that are measured at fair value on a recurring basis

The fair value hierarchy levels of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2010 and 2009 are as follows:

At March 31, 2010	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale				
Manufacturing industry	¥26,147	¥ —	¥ —	¥26,147
Financial service industry	18,935	—	—	18,935
Other	2,096	—	—	2,096
Derivatives				
Forward contracts	—	163	—	163
Option contracts	—	18	—	18
Interest rate swaps, cross currency swap and interest rate cap agreements	—	9,172	—	9,172
Other	—	—	—	—
Total Assets	¥47,178	¥ 9,353	¥ —	¥56,531
Liabilities				
Derivatives				
Forward contracts	¥ —	¥ 2,078	¥ —	¥ 2,078
Interest rate swaps, cross currency swap and interest rate cap agreements	—	2,550	—	2,550
Other	—	22,839	2,280	25,119
Total Liabilities	¥ —	¥27,467	¥ 2,280	¥29,747

At March 31, 2009	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 Assets	¥37,066	¥11,851	¥ 919	¥49,836
Liabilities				
Derivatives	¥ —	¥ 5,855	¥ —	¥ 5,855
Other	—	—	—	—
Total Liabilities	¥ —	¥ 5,855	¥ —	¥ 5,855

	Thousands of U.S. dollars			Total
	Level 1	Level 2	Level 3	
Assets				
Investment securities available for sale				
Manufacturing industry	\$281,150	\$ —	\$ —	\$281,150
Financial service industry	203,602	—	—	203,602
Other	22,538	—	—	22,538
Derivatives				
Forward contracts	—	1,753	—	1,753
Option contracts	—	194	—	194
Interest rate swaps, cross currency swap and interest rate cap agreements	—	98,623	—	98,623
Other	—	—	—	—
Total Assets	\$507,290	\$100,570	\$ —	\$607,860
Liabilities				
Derivatives				
Forward contracts	\$ —	\$ 22,344	\$ —	\$ 22,344
Interest rate swaps, cross currency swap and interest rate cap agreements	—	27,419	—	27,419
Other	—	245,581	24,516	270,097
Total Liabilities	\$ —	\$295,344	\$ 24,516	\$319,860

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. The fair value of foreign exchange contracts is based on a valuation model that discounts cash flows resulting from the differential between contract rate and the market-based forward rate and is classified in Level 2 in the fair value hierarchy. The fair value of interest rate swap agreements is based on a valuation model that discounts cash flows based on the terms of the contract and the swap curves and is 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. The fair value of retained interest in securitizations of accounts receivables is based on a valuation model using the present value of expected future cash flows using discount, prepayment and loss rates based on current market conditions and the historical performance of comparable receivables and is classified in Level 3 in the fair value hierarchy. The fair value of loans is based on a valuation model based on market yield curve data and credit spread data and is classified in Level 2 in the fair value hierarchy. The credit spread data was obtained through use of credit default swaps for each counterparty.

The following table summarizes information about changes of Level 3 for the year ended March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Balance at beginning of year	¥ 919	¥ 3,015	\$ 9,882
Total gains or losses (realized/unrealized)	1,543	355	16,591
Included in earnings	1,605	349	17,258
Included in other comprehensive income (loss)	(62)	6	(667)
Purchases, issuances and settlements	(4,742)	(2,451)	(50,989)
Balance at end of year	¥(2,280)	¥ 919	\$ (24,516)

The amount of unrealized losses on classified in Level 3 assets recognized in earnings for the year ended March 31, 2010 and 2009 related to assets still held at March 31, 2010 and 2009 were

gains of ¥1,605 million (\$17,258 thousand) and losses of ¥678 million, respectively. These gains and losses were reported in other income (expense), net of the consolidated statement of income.

Assets and liabilities that are measured at fair value on a non-recurring basis

Komatsu measured certain long-lived assets at fair value, which is classified as Level 2 in the fair value hierarchy, as of March 31, 2010. As a result, Komatsu recognized impairment loss of ¥3,332 million (\$35,828 thousand) for the year ended March 31, 2010, which is reported in impairment loss on long-lived assets of the consolidated statement of income.

23. Business Segment Information

Komatsu has two operating segments: 1) Construction, Mining and Utility Equipment 2) Industrial Machinery and Others.

Segment profit is determined by Management 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 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, 2010, 2009 and 2008, and for the years then ended:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Net sales:				
Construction, Mining and Utility Equipment—				
Customers	¥1,268,575	¥1,744,733	¥2,048,711	\$13,640,591
Intersegment	2,690	4,653	6,127	28,925
Total	1,271,265	1,749,386	2,054,838	13,669,516
Industrial Machinery and Others—				
Customers	162,989	277,010	194,312	1,752,570
Intersegment	15,619	26,389	23,376	167,946
Total	178,608	303,399	217,688	1,920,516
Elimination	(18,309)	(31,042)	(29,503)	(196,871)
Consolidated	¥1,431,564	¥2,021,743	¥2,243,023	\$15,393,161
Segment profit:				
Construction, Mining and Utility Equipment	¥ 83,061	¥ 180,455	¥ 317,895	\$ 893,129
Industrial Machinery and Others	2,998	12,891	19,947	32,237
Total	86,059	193,346	337,842	925,366
Corporate expenses and elimination	(5,340)	(4,688)	(3,256)	(57,420)
Consolidated segment profit	80,719	188,658	334,586	867,946
Impairment loss on long-lived assets	3,332	16,414	2,447	35,828
Impairment loss on goodwill	—	2,003	2,870	—
Other operating income (expenses)	(10,352)	(18,293)	3,581	(111,312)
Operating income	67,035	151,948	332,850	720,806
Interest and dividend income	6,158	8,621	10,265	66,215
Interest expense	(8,502)	(14,576)	(16,699)	(91,419)
Other, net	288	(17,211)	(4,206)	3,097
Consolidated income from continuing operations before income taxes and equity in earnings of affiliated companies	¥ 64,979	¥ 128,782	¥ 322,210	\$ 698,699
Segment assets:				
Construction, Mining and Utility Equipment	¥1,682,542	¥1,639,720	¥1,738,481	\$18,091,850
Industrial Machinery and Others	207,551	254,200	283,427	2,231,731
Corporate assets and elimination	68,962	75,139	83,238	741,527
Consolidated	¥1,959,055	¥1,969,059	¥2,105,146	\$21,065,108
Depreciation and amortization:				
Construction, Mining and Utility Equipment	¥ 82,508	¥ 87,260	¥ 69,738	\$ 887,183
Industrial Machinery and Others	7,707	9,981	4,890	82,871
Consolidated	¥ 90,215	¥ 97,241	¥ 74,628	\$ 970,054
Capital investment:				
Construction, Mining and Utility Equipment	¥ 92,979	¥ 152,803	¥ 141,184	\$ 999,774
Industrial Machinery and Others	3,212	9,709	4,546	34,538
Consolidated	¥ 96,191	¥ 162,512	¥ 145,730	\$ 1,034,312

Business categories and principal products and services included in each operating segment are as follows:

- a) Construction, Mining and Utility Equipment
Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, recycling equipment, industrial vehicles, other equipment, engines and components, casting products and logistics
- b) Industrial Machinery and Others
Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment and others

Transfers between segments are made at estimated arm’s length prices.

Segment 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, 2010, 2009 and 2008 does not include amortization of long-term prepaid expenses of ¥1,104 million (\$11,871 thousand), ¥1,113 million and ¥1,036 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.

Impairment loss on long-lived assets and goodwill included in each segment asset for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Impairment loss on long-lived assets				
Construction, Mining and Utility Equipment	¥3,063	¥13,998	¥1,282	\$32,936
Industrial Machinery and Others	269	2,416	1,165	2,892
Total	¥3,332	¥16,414	¥2,447	\$35,828
Impairment loss on goodwill				
Construction, Mining and Utility Equipment	¥ —	¥ 2,003	¥2,870	\$ —
Industrial Machinery and Others	—	—	—	—
Total	¥ —	¥ 2,003	¥2,870	\$ —

Geographic information:

Net sales to customers recognized by sales destination for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Net sales to customers:				
Japan	¥ 323,813	¥ 452,172	¥ 505,185	\$ 3,481,860
The Americas	323,984	503,450	541,160	3,483,699
Europe and CIS	127,377	284,029	427,679	1,369,645
China	270,870	236,226	189,902	2,912,581
Asia (excluding Japan, China) and Oceania	299,864	335,574	348,462	3,224,344
Middle East and Africa	85,656	210,292	230,635	921,032
Consolidated net sales	¥1,431,564	¥2,021,743	¥2,243,023	\$15,393,161

Net sales recognized by geographic origin and property, plant and equipment at March 31, 2010, 2009 and 2008, and for the years then ended are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Net sales to customers:				
Japan	¥ 498,568	¥ 831,569	¥ 813,198	\$ 5,360,946
U.S.A.	311,170	469,047	526,821	3,345,914
Europe and CIS	141,510	269,139	420,778	1,521,613
Others	480,316	451,988	482,226	5,164,688
Total	¥1,431,564	¥2,021,743	¥2,243,023	\$15,393,161
Property, plant and equipment:				
Japan	¥ 380,592	¥ 400,554	¥ 363,646	\$ 4,092,387
U.S.A.	62,637	68,170	65,225	673,516
Europe and CIS	35,811	28,207	36,664	385,065
Others	46,060	28,531	25,611	495,269
Total	¥ 525,100	¥ 525,462	¥ 491,146	\$ 5,646,237

Other than in Japan, U.S.A. and China, no individual country had a material impact on net sales to customers. Net sales to customers in China for the years ended March 31, 2010, 2009 and 2008 are ¥238,102 million (\$2,560,237 thousand),

¥174,466 million and ¥169,399 million, respectively, which are included in others area.

There were no sales to a single major external customer for the years ended March 31, 2010, 2009 and 2008.

The following information shows net sales and segment profit recognized by geographic origin for the years ended March 31, 2010, 2009 and 2008. The following supplemental information is provided to comply with 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
	2010	2009	2008	2010
Net sales:				
Japan—				
Customers	¥ 498,568	¥ 831,569	¥ 813,198	\$ 5,360,946
Intersegment	218,151	380,880	479,116	2,345,710
Total	716,719	1,212,449	1,292,314	7,706,656
The Americas—				
Customers	311,170	469,047	526,821	3,345,914
Intersegment	36,547	42,774	40,422	392,978
Total	347,717	511,821	567,243	3,738,892
Europe and CIS—				
Customers	141,510	269,139	420,778	1,521,613
Intersegment	21,100	25,259	31,444	226,882
Total	162,610	294,398	452,222	1,748,495
Others—				
Customers	480,316	451,988	482,226	5,164,688
Intersegment	9,940	29,262	35,661	106,882
Total	490,256	481,250	517,887	5,271,570
Elimination	(285,738)	(478,175)	(586,643)	(3,072,452)
Consolidated	¥1,431,564	¥2,021,743	¥2,243,023	\$15,393,161

Segment profit (loss):

Japan	¥ (19,783)	¥ 37,876	¥ 173,063	\$ (212,721)
The Americas	33,982	52,133	56,667	365,398
Europe and CIS	10,460	22,279	44,088	112,473
Others	60,151	61,008	68,204	646,785
Corporate and elimination	(4,091)	15,362	(7,436)	(43,989)
Consolidated	¥ 80,719	¥ 188,658	¥ 334,586	\$ 867,946

Segment assets:

Japan	¥1,129,391	¥1,194,694	¥1,282,182	\$12,143,989
The Americas	417,423	426,772	441,499	4,488,420
Europe and CIS	196,469	206,955	290,008	2,112,570
Others	482,424	350,822	328,741	5,187,355
Corporate assets and elimination	(266,652)	(210,184)	(237,284)	(2,867,226)
Consolidated	¥1,959,055	¥1,969,059	¥2,105,146	\$21,065,108

Overseas sales:

The Americas	¥ 323,984	¥ 503,450	¥ 541,160	\$ 3,483,699
Europe and CIS	127,377	284,029	427,679	1,369,645
Others	656,390	782,092	768,999	7,057,957
Total	¥1,107,751	¥1,569,571	¥1,737,838	\$11,911,301

Transfers between segments are made at estimated arm’s length prices. Segment 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.

24. Supplementary Information to Balance Sheets

At March 31, 2010 and 2009, deferred income taxes and other current assets were comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Prepaid expenses	¥ 3,804	¥ 4,253	\$ 40,904
Short-term loans receivable:			
Affiliated companies	2,222	2,994	23,892
Other	914	766	9,828
Total	¥ 3,136	¥ 3,760	\$ 33,720
Deferred income taxes	43,390	37,749	466,559
Other	62,121	85,612	667,968
Total	¥112,451	¥131,374	\$1,209,151

At March 31, 2010 and 2009, deferred income taxes and other current liabilities were comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Accrued expenses	¥ 82,449	¥ 81,133	\$ 886,548
Deferred income taxes	128	228	1,376
Other	100,747	117,984	1,083,302
Total	¥183,324	¥199,345	\$1,971,226

25. Supplementary Information to Statements of Income

The following information shows research and development expenses and advertising costs, for the years ended March 31, 2010, 2009 and 2008. 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
	2010	2009	2008	2010
Research and development expenses	¥46,449	¥53,736	¥49,673	\$499,452
Advertising costs	2,417	4,678	4,410	25,989

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2010, 2009 and 2008, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Shipping and handling costs	¥25,697	¥46,264	¥51,827	\$276,312

For the fiscal year ended March 31, 2010 and 2009, Komatsu recognized an impairment loss of ¥3,332 million (\$35,828 thousand) and ¥16,414 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 for Mooka plant in the construction, mining and utility equipment segment and ¥1,808 million for Komatsu plant in the industrial machinery and others, due to reorganization and shut down of plants.

Other operating income (expenses), net for the years ended March 31, 2010, 2009 and 2008, were comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Gain on sale of property	¥ 1,036	¥ 630	¥ 3,169	\$ 11,140
Loss on disposal or sale of fixed assets	(2,907)	(5,922)	(3,313)	(31,258)
Other*	(8,481)	(13,001)	3,725	(91,194)
Total	¥(10,352)	¥(18,293)	¥ 3,581	\$ (111,312)

* For the fiscal year ended March 31, 2010 and 2009, the Company and certain subsidiaries recognized expenses associated with structural reforms of production and sales operations. Out of the expenses, reorganization costs of ¥8,883 million (\$95,516 thousand) and 13,926 million 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, 2010, 2009 and 2008, were comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Interest income–				
Installment receivables	¥ 1,206	¥ 1,843	¥ 2,107	\$ 12,968
Other	3,785	5,242	6,659	40,699
Dividends	1,167	1,536	1,499	12,548
Interest expense	(8,502)	(14,576)	(16,699)	(91,419)
Net gain (loss) from sale of investment securities	679	(3,543)	(289)	7,301
Exchange gain (loss), net	1,066	(11,802)	(3,467)	11,462
Other	(1,457)	(1,866)	(450)	(15,666)
Total	¥ (2,056)	¥(23,166)	¥(10,640)	\$ (22,107)

26. Valuation and Qualifying Accounts

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

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Allowance for doubtful receivables	¥15,330	¥11,470	¥11,808	\$164,839
Balance at beginning of fiscal period				
Additions				
Charged to costs and expenses	7,457	7,091	3,003	80,183
Charged to other accounts	957	23	208	10,290
Deductions	8,803	3,254	3,549	94,656
Balance at end of fiscal period	¥14,941	¥15,330	¥11,470	\$160,656

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

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Valuation allowance for deferred tax assets	¥31,420	¥22,435	¥30,879	\$337,849
Balance at beginning of fiscal period				
Additions				
Charged to costs and expenses	21,784	19,784	2,743	234,237
Charged to other accounts	8	587	945	86
Deductions	4,131	11,386	12,132	44,419
Balance at end of fiscal period	¥49,081	¥31,420	¥22,435	\$527,753

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, 2010. 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.

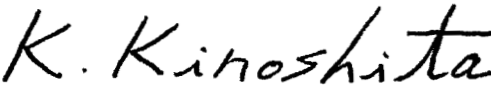
Based on its assessment, management concluded that, as of March 31, 2010, Komatsu's internal control over financial reporting was effective.

Komatsu acquired Komatsu Australia Corporate Finance Pty. Ltd. (KACF) during the fiscal year ended March 31, 2010, and management excluded from its assessment of the effectiveness of the internal control over financial reporting of Komatsu as of March 31, 2010, the internal control over financial reporting of KACF associated with total assets of 55,059 million yen and total revenues of 7,693 million yen included in the consolidated financial statements of Komatsu as of and for the fiscal year ended March 31, 2010.

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, 2010. The audit of internal control over financial reporting of Komatsu by KPMG AZSA & Co., also excluded an evaluation of the internal control over financial reporting of KACF.



Kunio Noji
President and CEO



Kenji Kinoshita
Director and Senior Executive Officer
CFO

June 29, 2010

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, 2010 and 2009, and the related consolidated statements of income, equity and cash flows for each of the years in the three-year period ended March 31, 2010. 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.

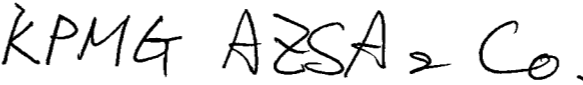
We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2010, in conformity with U.S. generally accepted accounting principles.

As described in Note 1 to the consolidated financial statements, the Company adopted retrospectively the presentation and disclosure provisions of FASB Accounting Standards Codification Topic 810, "Consolidation" in the fiscal year ended March 31, 2010.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Komatsu Ltd's internal control over financial reporting as of March 31, 2010, 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 29, 2010 expressed an unqualified opinion on the effectiveness of Komatsu Ltd's internal control over financial reporting.

The accompanying consolidated financial statements as of and for the year ended March 31, 2010 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.



Tokyo, Japan
June 29, 2010

The Board of Directors and Shareholders
Komatsu Ltd.:

We have audited the internal control over financial reporting of Komatsu Ltd. as of March 31, 2010, 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. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company acquired Komatsu Australia Corporate Finance Pty. Ltd. (KACF) during the year ended March 31,2010, and the Company's management excluded from its assessment of the effectiveness of the internal control over financial reporting of Komatsu Ltd. as of March 31, 2010, the internal control over financial reporting of KACF associated with total assets of 55,059 million yen and total revenues of 7,693 million yen included in the consolidated financial statements of Komatsu Ltd. and subsidiaries as of and for the year ended March 31, 2010. Our audit of internal control over financial reporting of Komatsu Ltd. also excluded an evaluation of the internal control over financial reporting of KACF.

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, 2010 and 2009, and the related consolidated statements of income, equity and cash flows for each of the years in the three-year period ended March 31, 2010, expressed in Japanese yen, and our report dated June 29, 2010 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2010

Komatsu Group Investment Holdings

(As of March 31, 2010)

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

Consolidated Subsidiaries

Komatsu Construction Equipment Sales and Service Japan Ltd.		
	¥950	100.0
Komatsu Utility Co.,Ltd.	¥13,033	100.0
Komatsu Forklift Japan Ltd.	¥500	(100.0) 100.0
Komatsu Rental Japan Ltd.	¥1,034	79.0
Komatsu Castex Ltd.	¥4,979	100.0
Komatsu Used Equipment Corp.	¥290	(11.3) 100.0
Komatsu Diesel Co.,Ltd.	¥50	100.0
Komatsu Cabtec Co.,Ltd.	¥300	100.0
Komatsu Logistics Corp.	¥1,080	100.0
Komatsu Business Support Ltd.	¥1,770	(11.8) 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 Finance America Inc. (KFA)	US\$140	(100.0) 100.0
Komatsu do Brasil Ltda. (KDB)	BRL73	(100.0) 100.0
Komatsu Brasil International Ltda. (KBI)	BRL27	(100.0) 100.0
Komatsu Holding South America Ltda. (KHSA)		
	US\$100*	(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 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 Financial Limited Partnership (KFLP)	—	(100.0) 100.0
Komatsu Europe International N.V. (KEISA)	Euro45	100.0
Komatsu Europe Coordination Center N.V. (KECC)		
	Euro141	(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.S. (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)	RUB5,301	100.0
Komatsu Manufacturing Rus, LLC (KMR)	RUB3,640	(93.2) 93.2
Komatsu Financial Europe N.V. (KFE)	Euro40	(100.0) 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

Company	Subscribed capital in millions (except for* in thousands)	Participation (%)
Bangkok Komatsu Co.,Ltd. (BKC)	BHT620	(74.8) 74.8
Komatsu India Private Limited (KIPL)	Rp4,645	(100.0) 100.0
Komatsu Australia Pty.Ltd. (KAL)	A\$21	(40.0) 60.0
Komatsu Australia Corporate Finance Pty. Ltd.		
	A\$49	(60.0) 60.0
Komatsu (China) Ltd. (KC)	US\$135	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)		
	RMB780	(100.0) 100.0
Komatsu Southern Africa (Pty) Ltd. (KSAf)	ZAR1*	80.0
Komatsu Middle East FZE (KME)	AED2	100.0

Company	Subscribed capital in millions	Participation (%)
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Affiliated Companies Accounted for by the Equity Method

Komatsu Saitama Ltd.	¥635	(40.0) 40.0
Sanuki Lease Ltd.	¥765	(35.0) 35.0
Komatsu Cummins Engine Co.,Ltd. (KCEC)	¥1,400	50.0
Qualica Inc.	¥1,234	20.0
Gigaphoton,Inc.	¥5,000	50.0
Cummins Komatsu Engine Company (CKEC)	—	(50.0) 50.0
L&T-Komatsu Limited (LTK)	Rp1,200	(50.0) 50.0
PT Komatsu Astra Finance (KAF)	US\$24	(50.0) 50.0

- Notes:
1. In addition to the above list, there are 87 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\$327 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 Holding South America Ltd, Komatsu Manufacturing Rus LLC and Komatsu Australia Corporate Finance Pty. Ltd became consolidated subsidiaries in the year ended March 31, 2010.
 7. In April 2009, Komatsu Tokyo Ltd. merged with 11 consolidated subsidiaries consisting of distributors including Komatsu Kinki Ltd. and Komatsu Nishinihon Ltd., as well as Komatsu All Parts Support Ltd. by absorption-type merger. In the same month, the Company transferred its sales and service business for construction equipment (excluding underground construction equipment) in Japan to Komatsu Tokyo Ltd. by absorption-type company split. As a result, Komatsu Tokyo Ltd. changed its trade name to Komatsu Construction Equipment Sales and Service Japan Ltd. in the same month.
 8. In April 2009, Komatsu Rental Ltd. merged with BIGRENTAL Co., Ltd., its wholly-owned subsidiary, by absorption-type merger.
 9. Nine consolidated subsidiaries consisting of distributors of forklift trucks have merged in October 2009 and changed its trade name to Komatsu Forklift Japan Ltd.
 10. In April 2010, the Company transferred a portion of the large press business (product development and sales and service operations) to Komatsu Industries Corporation by absorption-type company split.

Corporate Information

(As of March 31, 2010)

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\$730 million) based on U.S. GAAP Non-consolidated: ¥70,120 million (US\$754 million)
Number of Employees	Consolidated: 38,518 Non-consolidated: 8,142

Shareholder Information

Shares of Common Stock Issued and Outstanding	998,744,060 shares
Number of Shareholders	267,505
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
Depositories (ADRs)	The Bank of New York Mellon 101 Barclay Street, New York, NY 10286, U.S.A. Non-U.S. Callers: +1-(201)-680-6825 U.S. Callers: 1-888-269-2377 (888-BNY-ADRS) URL: http://www.adrbnymellon.com Ticker Symbol: KMTUY

Major Shareholders (Top Ten)

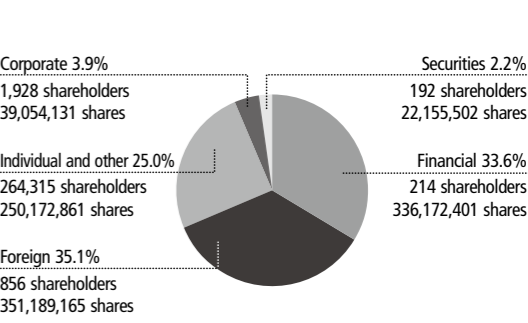
As of March 31, 2010

Name of shareholders	Number of shares held (in thousands)	Equity ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	51,931	5.3
Taiyo Life Insurance Company	42,000	4.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	39,468	4.0
Nippon Life Insurance Company	33,283	3.4
JPMorgan Chase Bank 380055	23,344	2.4
State Street Bank and Trust Company	22,950	2.3
CBNY-IVY Funds Inc Asset Stratgy Fund	20,661	2.1
Sumitomo Mitsui Banking Corporation	17,835	1.8
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	16,818	1.7
NIPPONKOA Insurance Co., Ltd.	13,962	1.4

Notes: 1. Equity ratio is calculated by subtracting treasury stock.
2. Although Komatsu Ltd. holds 30,157 thousand shares of treasury stock, it is excluded from the Major Shareholders list above.

Percentage of Shareholders

As of March 31, 2010



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

Tokyo Stock Price Range

As of May 31, 2010

