Financial Section

Financial Review	38
Five-Year Summary	48
Consolidated Balance Sheets	50
Consolidated Statements of Income	52
Consolidated Statements of Equity	53
Consolidated Statements of Cash Flows	54
Notes to Consolidated Financial Statements	55
Management's Report on Internal Control over Financial Reporting	96
Report of Independent Registered Public Accounting Firm	97

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

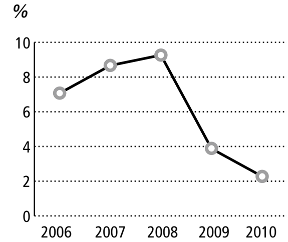
(In this section, the amounts of sales represent sales to the customer in each region.)

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).

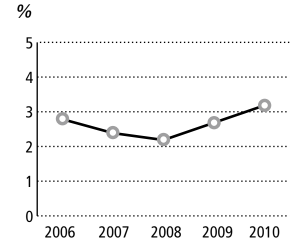
Construction, Mining and Utility Equipment

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

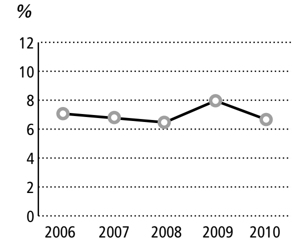
Net Income Attributable to Komatsu Ltd. on Net Sales



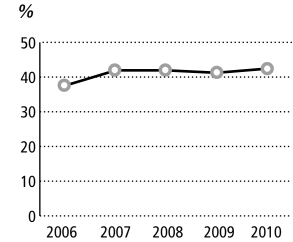
R&D Expenses as a Percentage of Net Sales



Capital Investment as a Percentage of Net Sales



Shareholders' Equity Ratio



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 CO_2 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 CO_2 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 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).

(3) Capital Investment

In the construction, mining and utility equipment business, market demand downturned as affected by the financial crisis triggered in the United Stated in September 2008. While reducing capital investment, Komatsu has reorganized production in Japan and United States in order to establish flexible manufacturing operation and to optimize production capability. In the industrial machinery and others business, Komatsu has promoted investment for rationalization of production.

As a result, Komatsu's capital investment, on a consolidated basis, for the fiscal year ended March 31, 2010 were ¥96,191 million (US$1,034 million), a decrease of ¥66,321 million from the previous fiscal year.

(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 Receive	Pay	Fair value	Total	Expected maturity date 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 Receive	Pay	Fair value	Total	Expected maturity date 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

Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen (except per share amounts)	
	2010	2009
For the fiscal period		
Net sales	**¥1,431,564**	¥2,021,743
Cost of sales	**1,101,559**	1,510,408
Income from continuing operations before income taxes and equity in earnings of affiliated companies	**64,979**	128,782
Net income attributable to Komatsu Ltd.	**33,559**	78,797
As percentage of sales	**2.3%**	3.9%
Capital investment	**96,191**	162,512
At fiscal period-end		
Total assets	**¥1,959,055**	¥1,969,059
Working capital	**398,375**	370,952
Property, plant and equipment	**525,100**	525,462
Long-term debt—less current maturities	**356,985**	292,106
Komatsu Ltd. shareholders' equity	**833,975**	814,941
As percentage of total assets	**42.6%**	41.4%
Per share data		
Net income attributable to Komatsu Ltd. per share:		
Basic	**¥34.67**	¥79.95
Dilute	**34.65**	79.89
Cash dividends per share	**26.00**	44.00
Komatsu Ltd. shareholders' equity per share	**861.51**	842.04

	Yen per U.S. dollar	
	2010	2009
Other information		
Exchange rate into U.S. dollars (per the Federal Reserve Bank of New York):		
At fiscal period-end	**¥ 93**	¥ 99
Average for the fiscal period	**92**	101
Range for the fiscal period:		
High	**99**	109
Low	**86**	90

Millions of yen (except per share amounts)		
2008	2007	2006
¥2,243,023	¥1,893,343	¥1,612,140
1,590,963	1,356,511	1,185,240
322,210	236,491	155,779
208,793	164,638	114,290
9.3%	8.7%	7.1%
145,730	129,680	113,934
¥2,105,146	¥1,843,982	¥1,652,125
412,145	358,565	259,058
491,146	388,393	400,667
235,277	174,340	195,203
887,126	776,717	622,997
42.1%	42.1%	37.7%
¥209.87	¥165.70	¥115.13
209.59	165.40	114.93
38.00	23.00	14.00
891.49	781.57	626.98

Yen per U.S. dollar		
2008	2007	2006
¥ 100	¥ 118	¥ 117
114	117	114
123	121	120
100	112	105

Financial Section

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2010**	2009	**2010**
Current assets			
Cash and cash equivalents (Note 10)	**¥ 82,429**	¥ 90,563	**$ 886,333**
Time deposits	**1,132**	44	**12,172**
Trade notes and accounts receivable, less allowance for doubtful receivables of ¥14,941 million ($160,656 thousand) in 2010 and ¥15,330 million in 2009 (Notes 1, 5 and 26)	**447,693**	373,901	**4,813,903**
Inventories (Notes 1 and 6)	**396,416**	507,357	**4,262,538**
Deferred income taxes and other current assets (Notes 1, 7, 10, 16, 20, 21, 22, 24 and 26)	**112,451**	131,374	**1,209,151**
Total current assets	**1,040,121**	1,103,239	**11,184,097**
Long-term trade receivables (Note 5)	**150,972**	102,969	**1,623,355**
Investments			
Investments in and advances to affiliated companies (Notes 1 and 8)	**24,002**	19,249	**258,086**
Investment securities (Notes 1, 7, 21 and 22)	**60,467**	53,854	**650,183**
Other	**2,399**	12,017	**25,795**
Total investments	**86,868**	85,120	**934,064**
Property, plant and equipment—less accumulated depreciation (Notes 1, 9, 10 and 17)	**525,100**	525,462	**5,646,237**
Goodwill (Notes 1 and 11)	**29,570**	28,661	**317,957**
Other intangible assets (Notes 1 and 11)	**61,729**	60,346	**663,753**
Deferred income taxes and other assets (Notes 1, 16, 20, 21, 22 and 26)	**64,695**	63,262	**695,645**
	¥1,959,055	¥1,969,059	**$21,065,108**

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

Liabilities and Equity	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities			
Short-term debt (Note 12)	**¥ 123,438**	¥ 220,087	**$ 1,327,290**
Current maturities of long-term debt (Notes 10, 12, 17 and 21)	**105,956**	87,662	**1,139,312**
Trade notes, bills and accounts payable	**207,024**	214,375	**2,226,065**
Income taxes payable (Note 16)	**22,004**	10,818	**236,602**
Deferred income taxes and other current liabilities (Notes 1, 16, 20, 21, 22 and 24)	**183,324**	199,345	**1,971,226**
Total current liabilities	**641,746**	732,287	**6,900,495**
Long-term liabilities			
Long-term debt (Notes 10, 12, 17 and 21)	**356,985**	292,106	**3,838,548**
Liability for pension and retirement benefits (Notes 1 and 13)	**46,354**	53,822	**498,430**
Deferred income taxes and other liabilities (Notes 1, 16, 20, 21 and 22)	**37,171**	42,510	**399,689**
Total long-term liabilities	**440,510**	388,438	**4,736,667**
Total liabilities	**1,082,256**	1,120,725	**11,637,162**
Commitments and contingent liabilities (Note 19)			
Equity			
Komatsu Ltd. shareholders' equity (Notes 1 and 14)			
Common stock: Authorized 3,955,000,000 shares in 2010 and 2009 Issued 998,744,060 shares in 2010 and 2009 Outstanding 968,039,976 shares in 2010 and 967,822,292 shares in 2009	**67,870**	67,870	**729,785**
Capital surplus	**140,421**	140,092	**1,509,903**
Retained earnings:			
Appropriated for legal reserve	**31,983**	28,472	**343,903**
Unappropriated	**724,090**	719,222	**7,785,914**
Accumulated other comprehensive income (loss) (Notes 1, 7, 13 and 15)	**(95,634)**	(105,744)	**(1,028,323)**
Treasury stock at cost, 30,704,084 shares in 2010 and 30,921,768 shares in 2009 (Notes 14)	**(34,755)**	(34,971)	**(373,709)**
Total Komatsu Ltd. shareholders' equity	**833,975**	814,941	**8,967,473**
Noncontrolling interests	**42,824**	33,393	**460,473**
Total equity	**876,799**	848,334	**9,427,946**
	¥1,959,055	¥1,969,059	**$21,065,108**

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.

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

Millions of yen

	Common stock	Capital surplus	Retained earnings: Appropriated for legal reserve	Retained earnings: Unappropriated	Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
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: Appropriated for legal reserve	Retained earnings: Unappropriated	Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
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**

Financial Section

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.

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.

(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.

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**

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			
		Gross unrealized holding		
	Cost	Gains	Losses	Fair value
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			
		Gross unrealized holding		
	Cost	Gains	Losses	Fair value
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			

Financial Section

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**
Curtailment	**—**	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**
Curtailment 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.

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

Plan assets

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 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.

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.

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, 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..

	Outstanding						Options Exercisable					
	Number of shares	Weighted average exercise price		Intrinsic value		Weighted average remaining contractual life	Number of shares	Weighted average exercise price		Intrinsic value		Weighted average remaining contractual life
Exercise Prices		Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars	years		Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars	years
¥ 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)**

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.

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.

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 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:

	Millions of yen			Thousands of U.S. dollars		
Year ending March 31	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 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**

20. Derivative Financial Instruments

Risk Management Policy

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

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

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

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

Fair Value Hedges

Komatsu uses derivative financial instruments designated as fair value hedges to manage primarily interest rate and foreign exchange risks associated with debt obligations. Principally interest rate swaps and cross-currency swaps are used to hedge such risk for debt obligations. Changes in fair value of the hedged debt obligations and derivative instruments designated as fair value hedge are offset and recognized in other income (expenses). For the years ended March 31, 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

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

Derivative instruments designated as hedging instruments	Thousands of U.S. dollars **2010**			
	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			
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items
Interest rate swaps, cross-currency swap and interest rate cap agreements	Other income (expenses), net: Other, net	**¥ (270)**	Other income (expenses), net: Other, net	**¥ 355**
Total		**¥ (270)**		**¥ 355**

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

	Thousands of U.S. dollars			
	2010			
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items
Interest rate swaps, cross-currency swap and interest rate cap agreements	Other income (expenses), net: Other, net	**$(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	Amount 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	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	¥790	Other income (expenses), net: Other, net	¥2,892	—	¥ —
Interest rate swaps, cross-currency swap and interest rate cap agreements	65	—	—	—	—
Total	¥855		¥2,892		¥ —

	Thousands of U.S. dollars				
	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	Amount 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.

Financial Section

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			
	Level 1	Level 2	Level 3	Total
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:

Operating segments:

	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
Allowance for doubtful receivables	**2010**	2009	2008	**2010**
Balance at beginning of fiscal period	**¥15,330**	¥11,470	¥11,808	**$164,839**
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
Valuation allowance for deferred tax assets	**2010**	2009	2008	**2010**
Balance at beginning of fiscal period	**¥31,420**	¥22,435	¥30,879	**$337,849**
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

K. Kinoshita

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.

KPMG AZSA & Co.

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

(As of March 31, 2010)

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

Consolidated Subsidiaries

Company	Subscribed capital in millions (except for* in thousands)	Participation (%)	
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
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

Affiliated Companies Accounted for by the Equity Method

Company	Subscribed capital in millions	Participation (%)	
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.

(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
Depositaries (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)

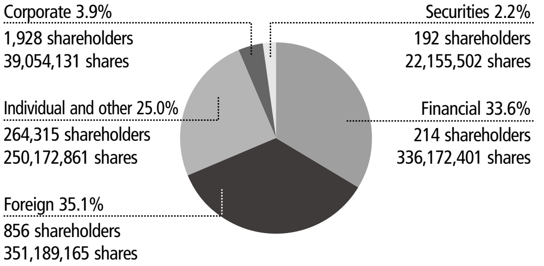
As of March 31, 2010

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

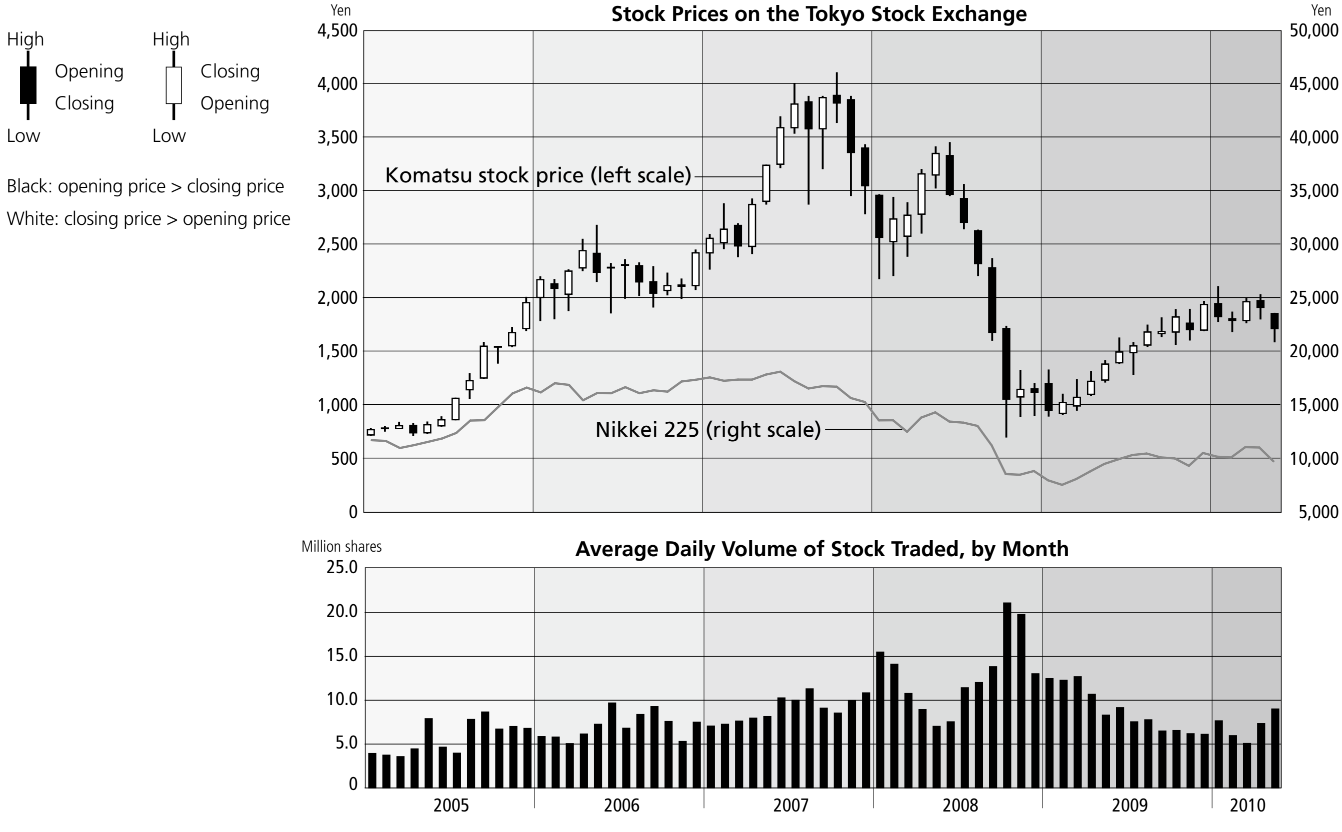
As of March 31, 2010



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

Tokyo Stock Price Range

As of May 31, 2010



Note : Calendar years (January–December)