

# **Business Results for the Three and Nine Months ended December 31, 2009**

**January 28, 2010**

**Corporate Planning  
Komatsu Ltd.**

## 1. Results for the Three Months ended December 31, 2009

## Highlights of the Three Months ended December 31, 2009

1. Sales & profits: While both sales and profits declined from the third quarter a year ago, both increased from the second quarter (July – September 2009) of the current fiscal year.

	Oct. – Dec., 2009	Vs. Oct. – Dec., 2008	Vs. Jul. – Sep., 2009
Net sales	357.9 bil yen	(17.0)%	+10.0%
Operating income	16.3 bil yen	(59.7)%	+41.7%
Operating income ratio	4.6%	(4.8) points	+1.1 point
Net income*	10.1 bil yen	(21.7)%	+195.7%

\* Upon adoption of the FASB Accounting Standards Codification (ASC) 810 (formerly SFAS No.160), "Net income" is equivalent to "Net income attributable to Komatsu Ltd."

2. Performance by business segment:

- Construction, Mining & Utility Equipment

- Sales and segment profit declined by 16.3% and 40.6%, respectively, from the third quarter a year ago, as affected by sluggish demand continuing in Japan, North America and Europe, in addition to the appreciation of the Japanese yen.
- When compared with the second quarter of the current fiscal year, sales and segment profit improved by 11.2% and 74.9%, respectively, reflecting the recovery of demand in some emerging economies, such as Indonesia, India and Brazil in addition to China, and proactive inventory reduction efforts made up through the second quarter. Segment profit ratio improved to 7.4%.

- Industrial Machinery & Others

- Both sales and segment profit (loss) declined from the third quarter a year ago as well as the second quarter of the current fiscal year, as continuously affected by restrained investment by the automobile and other manufacturing industries.

3

## 1. Sales and Profits

Both net sales and profits for the third quarter (October through December 2009) declined from the third quarter a year ago, however, they improved from the second quarter (July through September 2009) of the current fiscal year.

## 2. Performance by Segment

### [Construction, Mining and Utility Equipment]

When compared with the third quarter a year ago, demand remained sluggish in advanced economies and the Japanese yen appreciated in the third quarter under review. Mainly affected by these factors, sales and segment profit declined by 16.3% and 40.6%, respectively, for the third quarter.

When compared with the second quarter of the current fiscal year, demand upturned for recovery in Indonesia, India, Brazil and some other emerging economies in the third quarter, while that in China remained strong. In addition, we had practically completed inventory reduction by the end of the second quarter. As a result, sales and segment profit advanced by 11.2% and 74.9%, respectively. Segment profit ratio also improved to 7.4%.

### [Industrial Machinery & Others]

In the industrial machinery and others business, the automobile and other manufacturing industries continued their restraint of making capital investment. Continuously affected by such challenging factors, both sales and segment profit declined from the third quarter a year ago as well as the second quarter of the current fiscal year.

**Sales and Profits for the Three Months ended December 31, 2009**

	%		Profit ratio		[ ]:Sales after elimination of inter-segment transactions				Billions of yen	
	Oct. - Dec., 2008 (A)	Jul. - Sep., 2009 (B)	Oct. - Dec., 2009 (C)	Vs. Oct. - Dec., 2008 (C-A)		Vs. Jul. - Sep., 2009 (C-B)				
	1USD=95yen 1EUR=126yen	1USD=93yen 1EUR=133yen	1USD=90yen 1EUR=133yen	Increase (decrease)	%	Increase (decrease)	%			
<b>Net sales</b>	<b>431.4</b>	<b>325.5</b>	<b>357.9</b>	<b>(73.4)</b>	<b>(17.0)%</b>	<b>+32.4</b>	<b>+10.0%</b>			
<b>Construction, Mining &amp; Utility Equipment</b>	<b>[378.4] 379.3</b>	<b>[284.9] 285.5</b>	<b>[316.8] 317.5</b>	<b>[(61.5)] (61.8)</b>	<b>[(16.3)%] (16.3)%</b>	<b>[+31.9] +31.9</b>	<b>[+11.2%] +11.2%</b>			
<b>Industrial Machinery &amp; Others</b>	<b>[52.9] 58.8</b>	<b>[40.6] 44.9</b>	<b>[41.0] 44.0</b>	<b>[(11.8)] (14.8)</b>	<b>[(22.5)%] (25.2)%</b>	<b>[+0.4] (0.8)</b>	<b>[+1.1%] (2.0)%</b>			
<b>Elimination</b>	<b>(6.8)</b>	<b>(4.9)</b>	<b>(3.5)</b>	<b>+3.2</b>	<b>-</b>	<b>+1.3</b>	<b>-</b>			
<b>Segment profit</b>	<b>9.6%</b> <b>41.5</b>	<b>4.0%</b> <b>12.9</b>	<b>5.8%</b> <b>20.8</b>	<b>(20.7)</b>	<b>(50.0)%</b>	<b>+7.8</b>	<b>+60.9%</b>			
<b>Construction, Mining &amp; Utility Equipment</b>	<b>10.4%</b> <b>39.3</b>	<b>4.7%</b> <b>13.3</b>	<b>7.4%</b> <b>23.3</b>	<b>(15.9)</b>	<b>(40.6)%</b>	<b>+9.9</b>	<b>+74.9%</b>			
<b>Industrial Machinery &amp; Others</b>	<b>4.0%</b> <b>2.3</b>	<b>1.8%</b> <b>0.7</b>	<b>(3.2)%</b> <b>(1.3)</b>	<b>(3.7)</b>	<b>-</b>	<b>(2.1)</b>	<b>-</b>			
<b>Corporate &amp; elimination</b>	<b>(0.1)</b>	<b>(1.2)</b>	<b>(1.1)</b>	<b>(1.0)</b>	<b>-</b>	<b>+0.0</b>	<b>-</b>			
<b>Other operating income (expenses)</b>	<b>(1.0)</b>	<b>(1.4)</b>	<b>(4.4)</b>	<b>(3.4)</b>	<b>-</b>	<b>(3.0)</b>	<b>-</b>			
<b>Operating income</b>	<b>9.4%</b> <b>40.5</b>	<b>3.5%</b> <b>11.5</b>	<b>4.6%</b> <b>16.3</b>	<b>(24.2)</b>	<b>(59.7)%</b>	<b>+4.8</b>	<b>+41.7%</b>			
<b>Other income (expenses)</b>	<b>(19.1)</b>	<b>(1.7)</b>	<b>(0.0)</b>	<b>+19.0</b>	<b>-</b>	<b>+1.7</b>	<b>-</b>			
<b>Net income before income taxes</b>	<b>21.3</b>	<b>9.7</b>	<b>16.2</b>	<b>(5.1)</b>	<b>(24.0)%</b>	<b>+6.5</b>	<b>+67.0%</b>			
<b>Net income*</b>	<b>12.9</b>	<b>3.4</b>	<b>10.1</b>	<b>(2.8)</b>	<b>(21.7)%</b>	<b>+6.7</b>	<b>+195.7%</b>			

\* Upon adoption of the FASB Accounting Standards Codification (ASC) 810 (formerly SFAS No.160), "Net income" is equivalent to "Net income attributable to Komatsu Ltd."

4

**<Sales and profits for the three months ended December 31, 2009>**

Billions of yen, %

	FY09/3Q	Vs. FY08/3Q	Vs. FY09/2Q
<b>Net sales</b>	<b>357.9</b>	<b>(17.0)%</b>	<b>+10.0%</b>
<b>Segment profit</b>	<b>20.8</b>	<b>(50.0)%</b>	<b>+60.9%</b>
<b>Segment profit ratio</b>	<b>5.8%</b>	<b>(3.8) points</b>	<b>+1.8 points</b>
<b>Operating income</b>	<b>16.3</b>	<b>(59.7)%</b>	<b>+41.7%</b>
<b>Net income</b>	<b>10.1</b>	<b>(21.7)%</b>	<b>+195.7%</b>

Concerning foreign exchange rates, the Japanese yen appreciated moderately from the second quarter of the current fiscal year.

We have been advancing our structural reform program as scheduled. Related expenses incurred for the third quarter are included in other operating expenses (4.4 billion yen).

**<Results by Segment>**
**[Construction, Mining and Utility Equipment]**

Sales: 317.5 billion yen, down 16.3% from FY08/3Q but up 11.2% from FY09/2Q

Segment profit: 23.3 billion yen, down 40.6% from FY08/3Q but up 74.9% from FY09/2Q

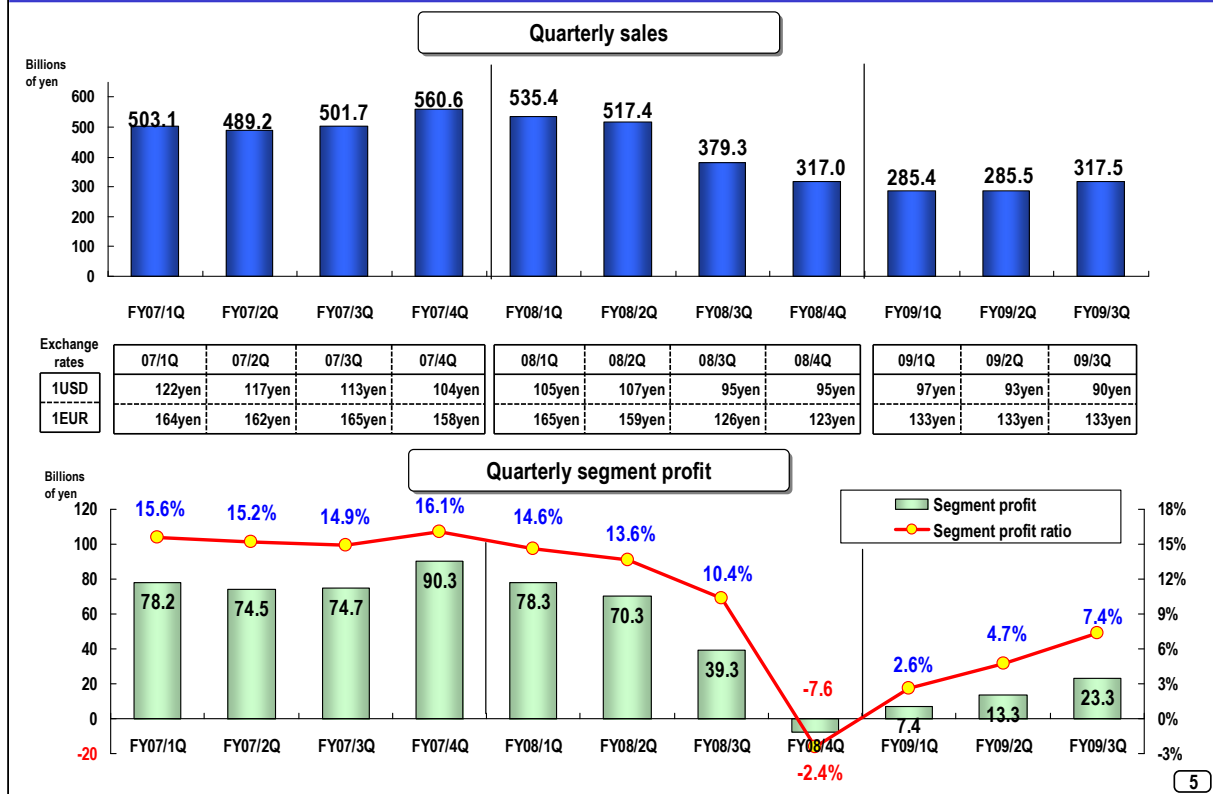
**[Industrial Machinery & Others]**

Sales: 44.0 billion yen, down 25.2% from FY08/3Q and down 2.0% from FY09/2Q

Segment loss: 1.3 billion yen, compared to a segment profit of 2.3 billion yen for FY08/3Q and that of 700 million yen for FY09/2Q

I am going to elaborate on both sales and segment profit next.

**Construction, Mining & Utility Equipment: Quarterly Sales and Segment Profit**



The top graph shows our quarterly sales of construction, mining and utility equipment business and the bottom one, segment profit.

While we recorded strong quarterly sales at around 500 billion yen up through the second quarter of fiscal 2008, sales began dropping in the third quarter of fiscal 2008.

While sales were virtually flat from the first and second quarters of the current fiscal year, sales in the third quarter increased from the second quarter, showing signs of recovery.

We are anticipating that fourth quarter-sales will increase by about 65 billion yen from the third quarter supported by strong demand in China and growth in sales in Asia and some other regions as well as mining equipment and in the parts business.

While segment profit ratio remained at a high level of over 10% from fiscal 2007 to the third quarter of fiscal 2008, it plunged to -2.4% for the fourth quarter of fiscal 2008.

Since the first quarter of the current fiscal year, segment profit ratio has steadily improved, recovering to 7.4% for the third quarter under review.

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

&lt; Three months from October through December, 2009 &gt;

Billions of yen

	Oct. - Dec., 2008 (A)		Jul. - Sep., 2009 (B)		Oct. - Dec., 2009 (C)		Vs. Oct. - Dec., 2008 (C-A)		Vs. Jul. - Sep., 2009 (C-B)	
		Ratio		Ratio		Ratio	Increase (decrease)	Change	Increase (decrease)	Change
Japan	84.4	22.3%	54.7	19.2%	60.6	19.1%	(23.7)	(28.1)%	+5.8	+10.7%
North America	55.0	14.6%	32.3	11.4%	31.6	10.0%	(23.4)	(42.6)%	(0.7)	(2.3)%
Europe	24.6	6.5%	20.7	7.3%	22.9	7.2%	(1.7)	(7.0)%	+2.1	+10.4%
Latin America	47.9	12.7%	38.0	13.4%	44.6	14.1%	(3.3)	(7.0)%	+6.5	+17.2%
CIS	22.4	5.9%	5.9	2.1%	7.2	2.3%	(15.2)	(67.8)%	+1.2	+21.1%
China	23.9	6.3%	49.0	17.2%	55.5	17.5%	+31.5	+131.4%	+6.4	+13.1%
Asia & Oceania	65.1	17.2%	62.9	22.1%	73.5	23.2%	+8.3	+12.8%	+10.5	+16.7%
Middle East & Africa	54.6	14.5%	20.8	7.3%	20.7	6.6%	(33.9)	(62.0)%	(0.1)	(0.6)%
Total	378.4	100.0%	284.9	100.0%	316.8	100.0%	(61.5)	(16.3)%	+31.9	+11.2%

6

This table shows sales (to outside customers) of construction, mining and utility equipment by region in the third quarter (Oct. – Dec. 2009).

**Japan:** Sales improved by 10.7% from the second quarter of the current fiscal year, to 60.6 billion yen, largely reflecting a seasonal factor of snow removal and increased revenues of rental fees for equipment. When these elements are factored out, the business conditions are seen to remain very challenging.

**North America:** Sales declined by 2.3% to 31.6 billion yen, as affected by the Japanese yen's appreciation. Without this foreign exchange effect, sales were about flat from the second quarter.

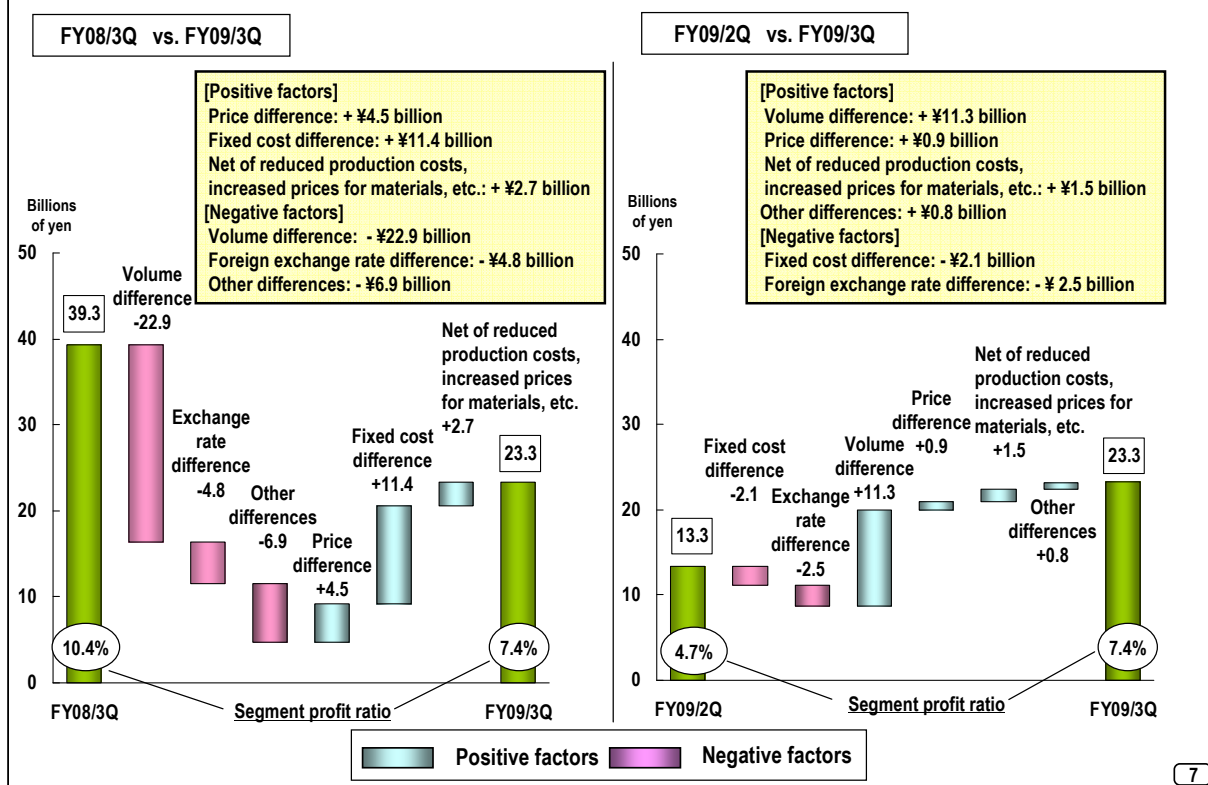
**Europe:** Sales increased by 10.4% to 22.9 billion yen. The increase reflects growth in sales of forest equipment. When this is not included, sales of construction equipment were about flat from the second quarter.

**Latin America:** Sales advanced by 17.2% to 44.6 billion yen, supported by good sales of mining equipment in Chile and other countries with mines as well as improved sales of construction equipment in Brazil. All in all, market demand is heading for recovery in this region.

**China:** Sales increased by 13.1% to 55.5 billion yen. When compared with the third quarter a year ago, sales were up 131.4% or 2.3 times, demonstrating a sound recovery.

**Asia & Oceania:** Sales advanced by 16.7% to 73.5 billion yen. When compared with the third quarter a year ago, sales were up by 12.8%.

**Construction, Mining & Utility Equipment: Causes for Difference in Segment Profit**



<FY08/3Q vs. FY09/3Q>

These two graphs compare the causes of difference in segment profit of the construction, mining and utility equipment business for the third quarter of the current fiscal year with segment profit for the third quarter a year ago and the second quarter of the current fiscal year.

[Positive factors]

1. Price difference reflecting price hikes: +4.5 billion yen
2. Difference in fixed costs reflecting reduction efforts: +11.4 billion yen
3. Net of reduced production costs, increased prices for materials, etc.: +2.7 billion yen

[Negative factors]

1. Volume difference reflecting declined sales: -22.9 billion yen
2. Difference in foreign exchange reflecting the Japanese yen's appreciation: -4.8 billion yen
3. Other differences: -6.9 billion yen

<FY09/2Q vs. FY09/3Q>

[Positive factors]

1. Volume difference reflecting expanded sales: +11.3 billion yen
2. Price difference reflecting price hikes: +900 million yen
3. Net of production costs, increased prices for materials, etc.: +1.5 billion yen
4. Other differences: +800 million yen

[Negative factors]

1. Difference in fixed costs: -2.1 billion yen\*
2. Difference in foreign exchange rates: -2.5 billion yen

\* While fixed costs for the third quarter under review increased from the second quarter having a smaller number of working days in the summer, they were kept on the same level as an average of the first half period of the current fiscal year. Moreover, when compared with the third quarter a year ago, they declined by about 12.5 billion yen. We have been making good progress towards the goal of reducing 50 billion yen for the full year.

**Construction, Mining & Utility Equipment : Sales and Segment Profit by Region (Geographic Origin)**

&lt; Three months from October through December, 2009 &gt;

Billions of yen

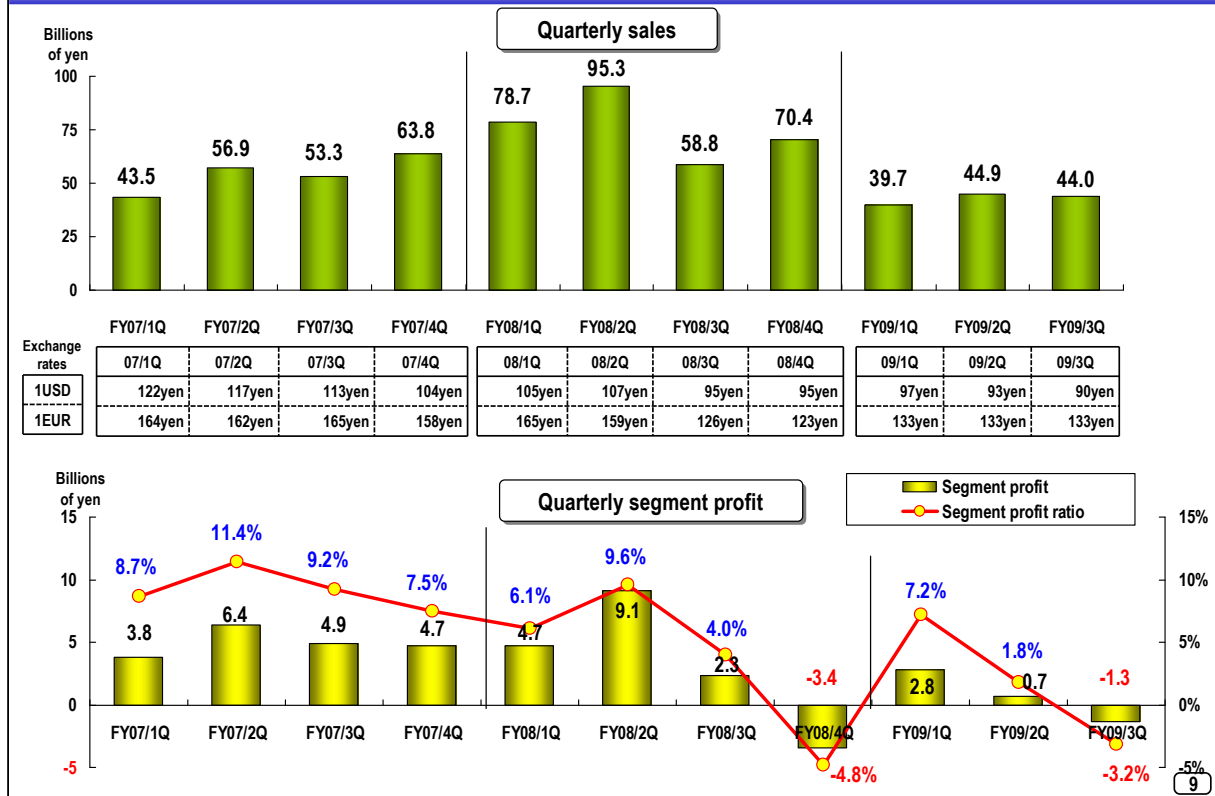
	Oct. - Dec., 2008 (A)		Jul. - Sep., 2009 (B)		Oct.- Dec., 2009 (C)		Vs. Oct.- Dec., 2008 (C-A)		Vs. Jul.- Sep., 2009 (C-B)	
	Sales	Segment profit	Sales	Segment profit	Sales	Segment profit	Sales	Segment profit	Sales	Segment profit
Japan	236.3	(0.9)	115.4	(13.4)	150.3	(2.4)	(85.9)	(1.5)	+34.9	+11.0
Americas	107.3	11.9	79.3	7.0	84.6	8.0	(22.7)	(3.8)	+5.2	+0.9
Europe & CIS	52.4	3.6	38.7	2.8	40.8	3.0	(11.5)	(0.6)	+2.0	+0.2
Others	88.0	9.2	104.1	13.6	115.7	13.7	+27.6	+4.5	+11.5	+0.1
Total	484.1	23.8	337.8	10.1	391.6	22.4	(92.5)	(1.4)	+53.8	+12.2
Elimination	(104.8)	15.4	(52.2)	3.2	(74.1)	0.9	+30.7	(14.5)	(21.8)	(2.2)
Consolidated	379.3	39.3	285.5	13.3	317.5	23.3	(61.8)	(15.9)	+31.9	+9.9

8

This table shows sales and segment profit of the construction, mining and utility equipment business for the third quarter (Oct. - Dec. 2009) by region of geographic origin.

We recorded segment profit in all regions except for Japan. When compared with the second quarter of the current fiscal year, however, third-quarter segment profit in Japan improved by 11.0 billion yen. This is mainly because export of components expanded to China where sales were growing and rental fee revenues increased, reflecting an increase in the amount of rental equipment in use.

**Industrial Machinery & Others: Quarterly Sales and Segment Profit**



These graphs show quarterly sales and segment profit of the industrial machinery and others business. Sales above and segment profit below.

Sales stayed at a low level around 40 billion yen starting in the first quarter of the current fiscal year, as the market conditions remained very challenging.

For the third quarter under review, we recorded a segment loss of 1.3 billion yen. This is mainly due to some shipments of low-margin machinery of the past to a developing country. When this effect is removed, segment profit should be about zero.

While we recorded segment profit of 2.8 billion yen for the first quarter of the current fiscal year, it included a reversal of allowance of about 1.7 billion yen for doubtful accounts as an extraordinary factor.

## **2. Results for the Nine Months ended December 31, 2009 and Projection for the Fiscal Year ending March 31, 2010**

**Sales and Profits for the Nine Months ended December 31, 2009**

	[%] Profit ratio [ ] : Sales after elimination of inter-segment transactions		Billions of yen	
	Apr. - Dec., 2008 1USD=102yen 1EUR=150yen	Apr. - Dec., 2009 1USD = 93yen 1EUR=133yen	Increase (decrease)	
Net sales	1,642.6	1,003.9	(638.7)	(38.9)%
Construction, Mining & Utility Equipment	[1,428.6] 1,432.3	[886.4] 888.5	[(542.1)] (543.7)	[(37.9)%] (38.0)%
Industrial Machinery & Others	[214.0] 232.9	[117.4] 128.7	[(96.6)] (104.2)	[(45.1)%] (44.7)%
Elimination	(22.5)	(13.3)	+9.2	-
Segment profit	12.2% 200.9	4.2% 42.2	(158.7)	(79.0)%
Construction, Mining & Utility Equipment	13.1% 188.0	5.0% 44.1	(143.9)	(76.5)%
Industrial Machinery & Others	7.0% 16.2	1.8% 2.2	(14.0)	(86.1)%
Corporate & elimination	(3.4)	(4.1)	(0.7)	-
Other operating income (expenses)	(0.7)	(6.1)	(5.3)	-
Operating income	12.2% 200.1	3.6% 36.0	(164.0)	(82.0)%
Other income (expenses)	(22.0)	(1.4)	+20.6	-
Net income before income taxes	178.1	34.6	(143.4)	(80.5)%
Net income*	113.3	18.3	(94.9)	(83.8)%

\* Upon adoption of the FASB Accounting Standards Codification (ASC) 810 (formerly SFAS No.160), "Net income" is equivalent to "Net income attributable to Komatsu Ltd."

(11)

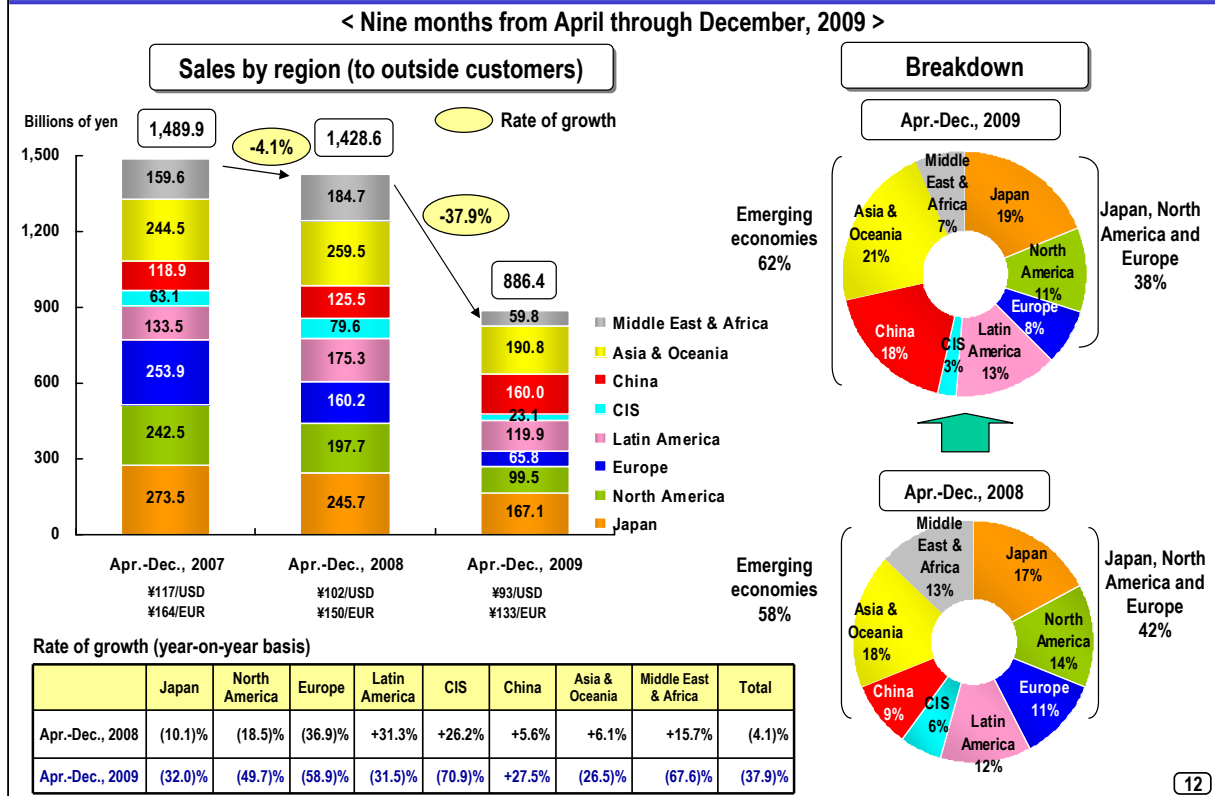
This table shows consolidated sales and profits for the nine months from April through December 2009.

Exchange rates were 93 yen per US dollar and 133 yen per euro for this nine-month period, indicating strong appreciation of the Japanese yen from 102 yen per US dollar and 150 yen per euro for the nine-month period a year ago.

Sales of both the construction, mining and utility equipment business and the industrial machinery and others business declined by about 40%, and similarly, segment profit of two businesses by about 80%. We continued to meet challenging business environments.

I am going to elaborate on nine-month sales and profits by business segment next.

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



The bar graphs show nine-month sales (to outside customers) by region of the construction, mining and utility equipment business, and the pie graphs indicate sales breakdown by region. The table at the bottom of the page shows changes in sales by region from the nine-month period a year ago.

For the nine-month period under review, total sales declined by 37.9% from the corresponding period a year ago. By region, all except for China declined. Meanwhile, sales in China expanded by 27.5% from the nine-month period a year ago, to 160.0 billion yen.

The percentage of nine-month sales in emerging economies increased to 62% of total sales of construction, mining and utility equipment, demonstrating a clear shift to emerging economies when compared to 58% in the nine-month period a year ago.

**Construction, Mining & Utility Equipment : Sales and Segment Profit by Region (Geographic Origin)**

&lt; Nine months from April through December, 2009 &gt;

Billions of yen

	Apr. - Dec., 2008		Apr. - Dec., 2009		Increase (decrease)	
	Net sales	Segment profit	Net sales	Segment profit	Net sales	Segment profit
Japan	811.2	54.8	382.0	(29.5)	(429.1)	(84.3)
Americas	400.9	49.4	245.3	23.3	(155.5)	(26.1)
Europe & CIS	251.9	22.9	120.4	8.0	(131.5)	(14.9)
Others	368.1	50.9	320.6	38.8	(47.5)	(12.1)
Total	1,832.3	178.1	1,068.5	40.5	(763.8)	(137.5)
Elimination	(400.0)	9.9	(180.0)	3.5	+220.0	(6.3)
Consolidated	1,432.3	188.0	888.5	44.1	(543.7)	(143.9)

(13)

This table shows sales and segment profit by region of geographic origin of the construction, mining and utility equipment business for the nine months under review.

With respect to segment profit, we recorded a segment loss only in Japan as in the case of the third quarter of the current fiscal year.

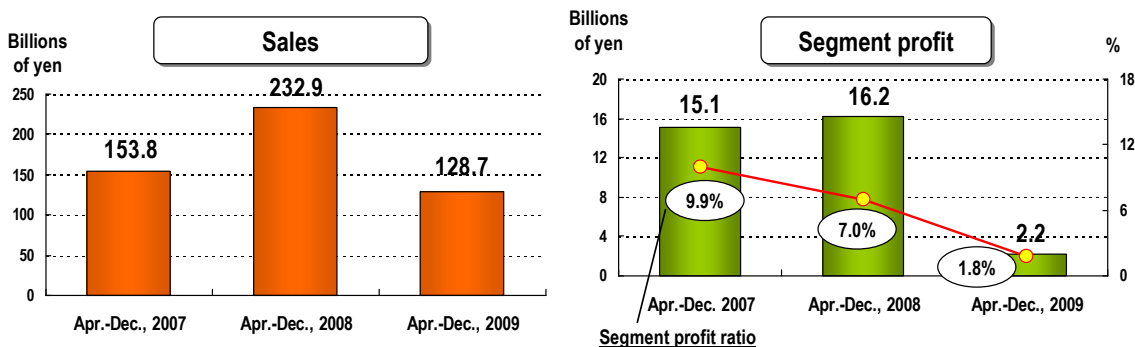
While we recorded segment profit in Europe & CIS, our profitability eroded considerably from the nine-month period a year ago.

In the Americas, while the market conditions remained sluggish in North America, we maintained relatively good profitability, thanks partly to good sales of mining equipment which we make in North America.

In other regions, we recorded a smaller decline in sales and segment profit compared to Japan, North America, Europe and CIS, thanks to good sales in China and recovering demand in other countries of Asia.

**Industrial Machinery & Others: Sales and Segment Profit**

< Nine months from April through December, 2009 >



**Breakdown of sales and segment profit**

Billions of yen

	Apr.-Dec., 2008		Apr.-Dec., 2009		Increase (decrease)	
	Sales	Segment profit	Sales	Segment profit	Sales	Segment profit
Industrial machinery	160.4	12.6	82.6	(1.6)	(77.8)	(14.2)
Consolidation adjustment of Komatsu NTC	14.6	1.2	0.0	0.0	(14.6)	(1.2)
Others	57.9	2.4	46.1	3.8	(11.8)	+1.4
<b>Total</b>	<b>232.9</b>	<b>16.2</b>	<b>128.7</b>	<b>2.2</b>	<b>(104.2)</b>	<b>(14.0)</b>

14

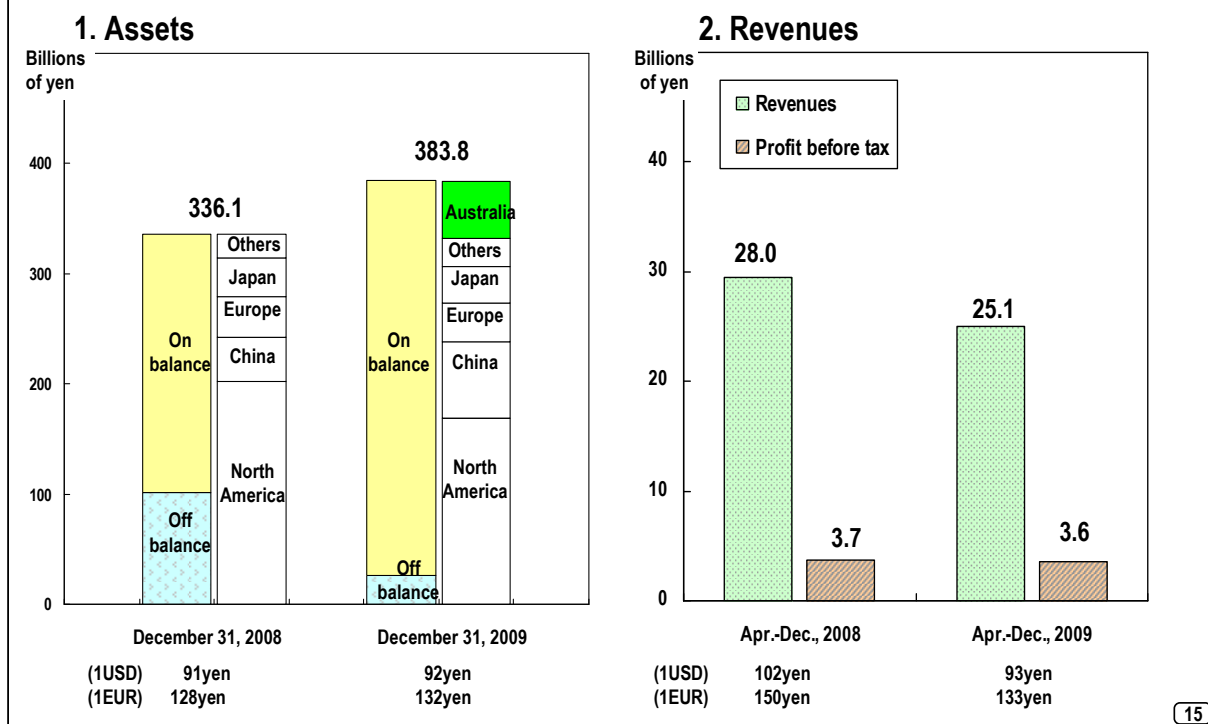
This sheet shows sales and segment profit of the industrial machinery and others business for the nine months under review.

Nine-month sales dropped by about half from the corresponding period a year ago, to 128.7 billion yen.

Segment profit also dropped sharply to 2.2 billion yen, when compared with 15.1 billion yen and 16.2 billion yen, respectively, for the corresponding periods one and two years ago.

**Retail Finance Business**

**Consolidated retail finance subsidiaries (internal-use data)**



These two graphs show assets (on the right), and revenues and profit before tax (left) of our retail finance business.

As of December 31, 2009, total assets of consolidated retail finance companies of the Komatsu Group amounted to 383.8 billion yen, an increase of about 50 billion yen, according to our internal-use data. This increase is mainly due to the addition of Komatsu Australia Corporate Finance Pty. Ltd. (hereinafter “KACF”) as a consolidated subsidiary. When this element is factored out, total assets would remain almost flat from December 31, 2008.

By region, while assets decreased in North America where sales were sluggish, assets have increased in China where sales have been strong.

Nine-month revenues were 25.1 billion yen, a decrease of 2.9 billion yen from the nine-month period a year ago. A positive effect of about 3 billion yen from KACF was outweighed by declined revenues in North America and other regions.

Affected by the additional of KACF, profit before tax was 3.6 billion yen almost on par with nine-month profit a year ago.

**Consolidated Balance Sheets**

	Net D/E ratio		Billions of yen	Effects of Consolidation of Komatsu Australia Corporate Finance Pty. Ltd.
	Mar. 31, 2009 1USD=98yen 1EUR=130yen	Dec. 31, 2009 1USD=92yen 1EUR=132yen		
Cash & deposits (Incl. time deposit) [a]	90.6	94.5	+3.8	
Accounts receivable (Incl. long-term trade receivable) <Excl. accounts receivable of consolidated retail finance subsidiaries>	476.8	552.7	+75.9	←... [+35.4]
Inventories	<308.1>	<299.1>	<(9.0)>	
Tangible fixed assets	507.3	424.8	(82.5)	
Other assets	525.4	527.6	+2.1	←... [+13.4]
Other assets	368.7	347.2	(21.5)	
<b>Total assets</b>	<b>1,969.0</b>	<b>1,947.0</b>	<b>(22.0)</b>	
Accounts payable	214.3	182.9	(31.4)	
Interest-bearing debt [b]	599.8	638.7	+38.8	←... [+44.4]
<Excl. interest-bearing debt of consolidated retail finance subsidiaries>	<450.7>	<401.4>	<(49.3)>	
Other liabilities	306.4	274.1	(32.3)	
<b>Total liabilities</b>	<b>1,120.7</b>	<b>1,095.8</b>	<b>(24.9)</b>	
[% of total assets]	[41.4%]	[41.6%]	[+0.2points]	
Shareholders' equity	814.9	810.8	(4.0)	
Noncontrolling interests (Minority interests)	33.3	40.3	+6.9	
<b>Liabilities &amp; shareholders' equity</b>	<b>1,969.0</b>	<b>1,947.0</b>	<b>(22.0)</b>	
Interest-bearing debt, net [b-a]	0.62 509.2	0.67 544.1	+34.9	
Net D/E ratio excluding cash and interest-bearing debt of consolidated retail finance subsidiaries	0.48	0.42		

(16)

I am going to explain changes in the main items of our consolidated balance sheets as of December 31, 2009 in comparison with those as of March 31, 2009.

Total assets declined by 22.0 billion yen. The addition of KACF as a consolidated subsidiary resulted in an increase of about 50.0 billion yen in total assets. When this factor is eliminated, total assets would decline by about 70.0 billion yen.

Inventories declined by 82.5 billion yen, reflecting our continuous reduction efforts. When compared to September 30, 2009, inventories declined by 11.6 billion yen.

Interest-bearing debt increased by 38.8 billion yen. This increase included 44.4 billion yen resulting from the addition of KACF as a consolidated subsidiary. If this effect were ignored, interest-bearing debt would decline. Furthermore, when interest-bearing debt of all retail finance companies, including KACF, is put aside, it declines by 49.3 billion yen.

When all retail finance companies are excluded, net debt-to-equity ratio improves slightly from 0.48 to 0.42.

**Projection for FY2009, ending March 31, 2010**

Projection for FY2009 ending March 31, 2010 remains unchanged from that announced on October 29, 2009.

% : Profit ratio [ ] : Sales after elimination of inter-segment transaction Billions of yen

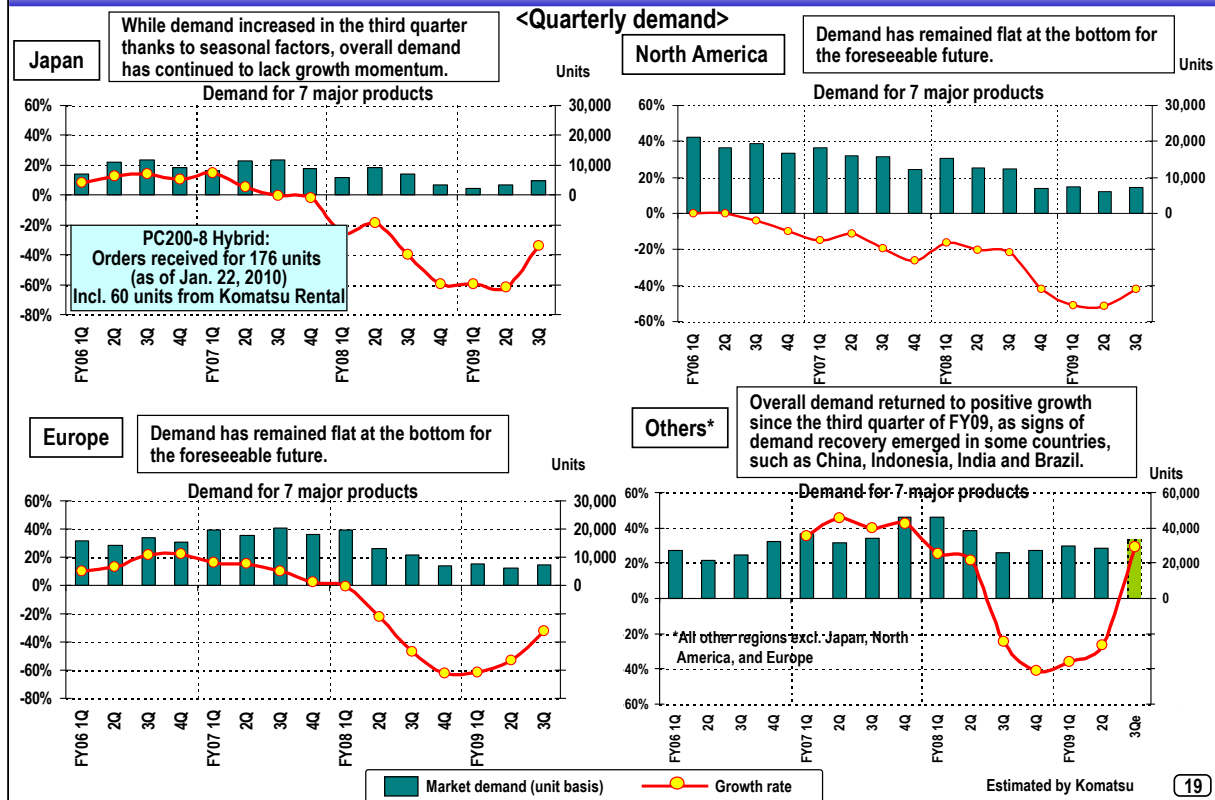
	FY2008 Results		FY2009 Projection		Increase (decrease)	
	1 USD = 101 yen 1 EUR = 143 yen		1 USD = 95 yen 1 EUR = 129 yen			
<b>Net sales</b>	2,021.7		1,430.0		(591.7)	(29.3)%
<b>Construction, Mining &amp; Utility Equipment</b>	[1,744.7]	1,749.3	[1,267.0]	1,270.0	[(477.7)] (479.3)	[(27.4)%] (27.4)%
<b>Industrial Machinery &amp; Others</b>	[277.0]	303.3	[163.0]	180.0	[(114.0)] (123.3)	[(41.2)%] (40.7)%
<b>Elimination</b>	(31.0)		(20.0)		-	-
<b>Segment Profit</b>	9.3%	188.6	6.0%	86.0	(102.6)	(54.4)%
<b>Construction, Mining &amp; utility Equipment</b>	10.3%	180.4	7.0%	89.0	(91.4)	(50.7)%
<b>Industrial Machinery &amp; Others</b>	4.2%	12.8	1.9%	3.5	(9.3)	(72.8)%
<b>Elimination</b>	(4.6)		(6.5)		-	-
<b>Other operating income (expenses)</b>	(36.7)		(14.0)		+ 22.7	-
<b>Operating income</b>	7.5%	151.9	5.0%	72.0	(79.9)	(52.6)%
<b>Other income (expenses)</b>	(23.1)		(10.0)		+ 13.1	-
<b>Income before income tax</b>	128.7		62.0		(66.7)	(51.9)%
<b>Net income*</b>	78.7		35.0		(43.7)	(55.6)%
<b>Cash dividends per share</b>	40 yen		16 yen		(24) yen	

\* Upon adoption of the FASB Accounting Standards Codification (ASC) 810 (formerly SFAS No.160), "Net income" is equivalent to "Net income attributable to Komatsu Ltd." (17)

With respect to our projection for the full year ending March 31, 2010, we have made no change from our announcement of October 29, 2009.

### **3. Market Conditions of Construction & Mining Equipment**

**Construction, Mining & Utility Equipment: Demand Trend in Japan, North America, Europe & Others**



These four graphs show quarterly demand for seven major products of construction equipment in Japan, North America, Europe and Other regions.

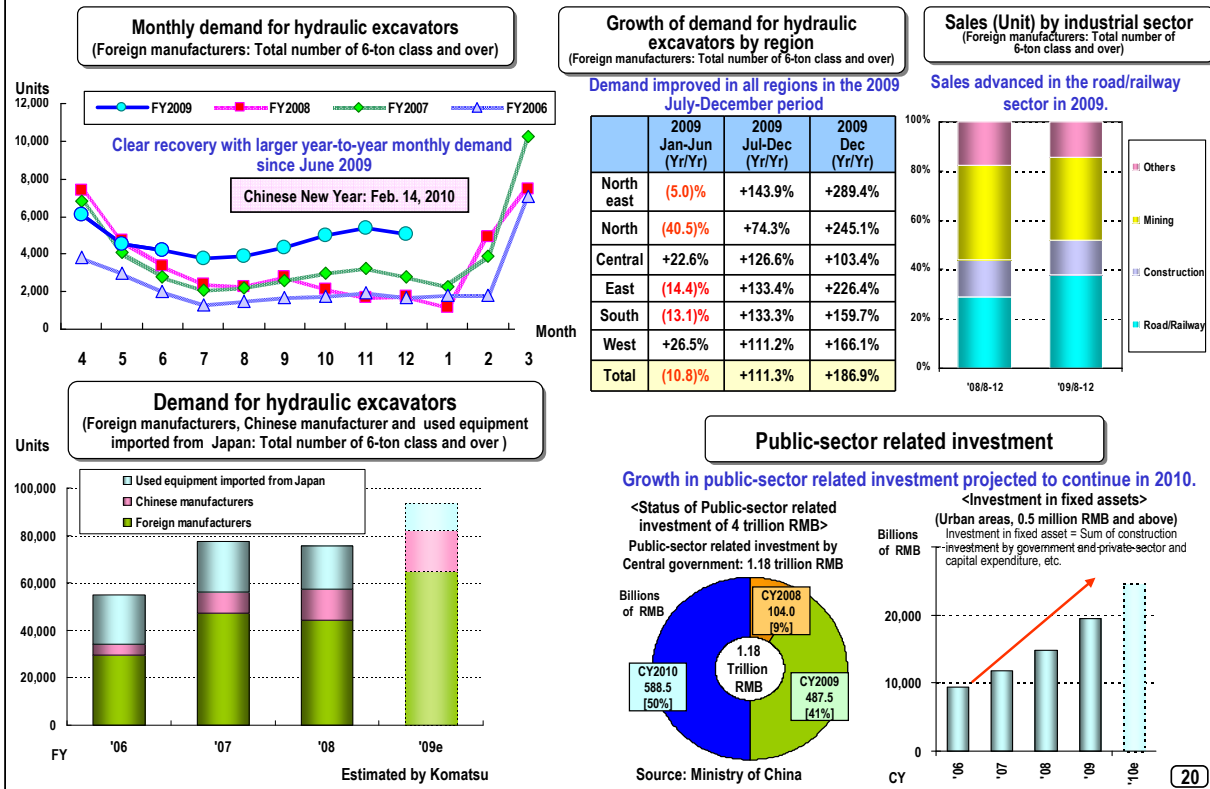
Third-quarter year-on-year demand of the current fiscal year indicates a smaller decline registered in the second quarter in Japan, North America and Europe.

Third-quarter demand increased from the second quarter in Japan. This reflects a seasonal factor of increased sales of snow-removal equipment every winter. When this factor is not counted, the market conditions are seen to remain challenging.

Third-quarter demand has been about flat in North America and Europe, indicating challenging market conditions.

In other regions, demand has recovered in China, Indonesia, India, Brazil and some other emerging economies, and demand upturned for growth in the third quarter from the third quarter a year ago.

**Construction, Mining & Utility Equipment: Demand Trend in China**



Here I am going to discuss the market conditions of China. (Except for the public sector-related investment data at the bottom right of this sheet, all data exclusively reflect hydraulic excavators.)

The line graphs on the top left show monthly unit-based demand for hydraulic excavators. Monthly demand has registered record-highs since June 2009.

As of January 27, 2010, the number of units sold by Komatsu in January expanded over 3.5 times that of January 2009. (Please be advised that this comparison is not made on the same conditions because the Chinese New Year began at the end of January last year.)

The table at the top center shows year-on-year rates of growth in demand by region. While demand decreased in regions other than central and western regions in January through June 2009, demand increased in all regions in July through December 2009.

In December 2009 alone, an overwhelming rate of growth was recorded in all regions. All in all, demand has been thriving.

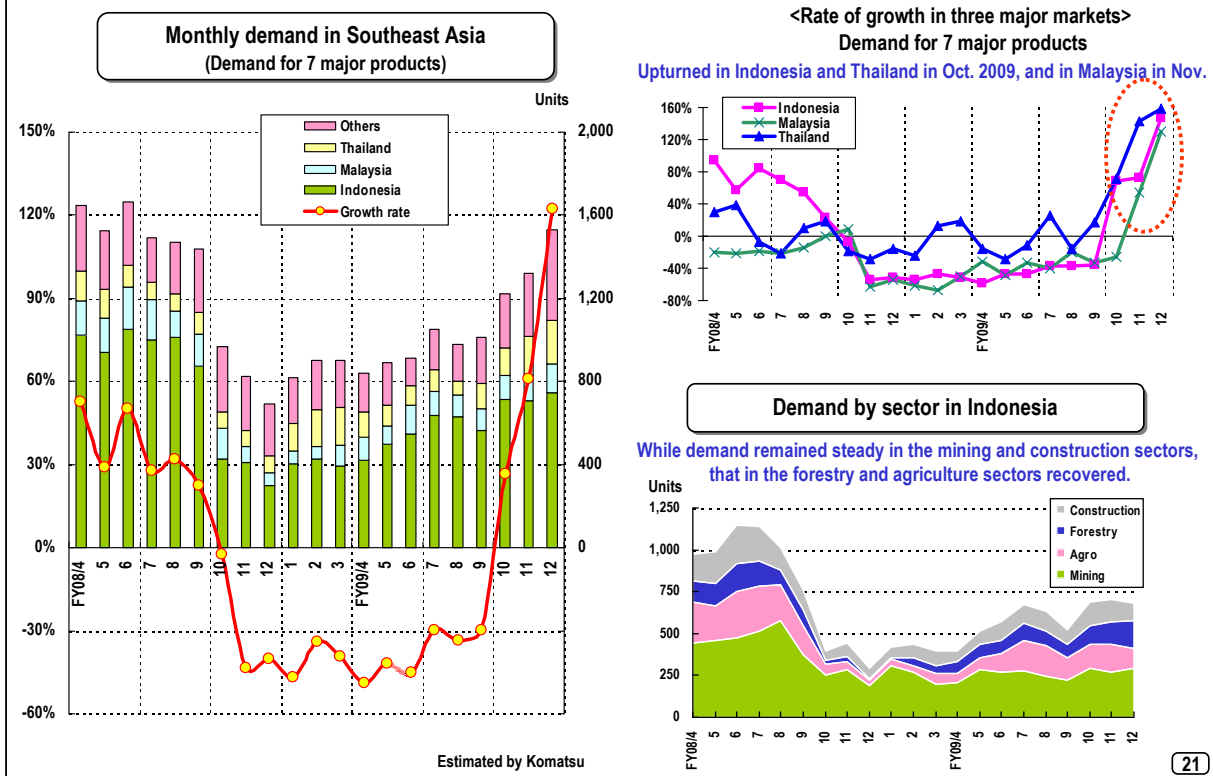
The bar graphs on the top right compare the percentage of units sold by the industrial sector between two periods, that is, August through December 2009 and the corresponding period of 2008. In 2009, the road/railway sector expanded its percentage substantially, mainly reflecting public-sector investment.

The pie graph at the bottom center indicates the status of public-sector investment of 4 trillion RMB by the Chinese government. Of 4 trillion RMB, it is estimated that public-sector investment by the central government represents 1.18 trillion RMB. Half of this amount was already used by 2009. It is also projected that the remaining 588.5 billion RMB, which is more than the amount used in 2009, will be spent in 2010.

The bar graphs at the bottom right show investment in fixed assets. Strong growth has been registered for the last four years, and we are projecting that this trend will continue in 2010.

The bar graphs at the bottom left show combined demand for hydraulic excavators made by foreign and Chinese manufactures as well as used models imported from Japan. Demand for hydraulic excavators is expected to expand considerably in fiscal 2009.

**Construction, Mining & Utility Equipment: Demand Trend in Southeast Asia**



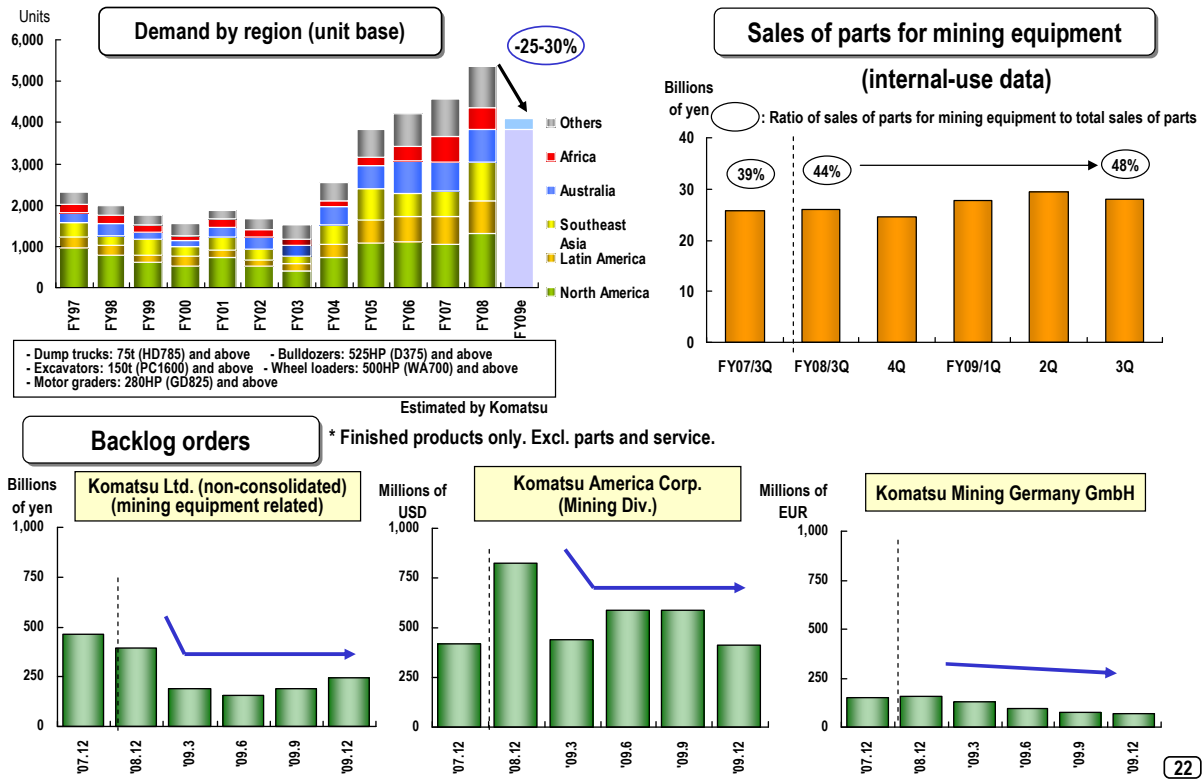
Here I am going to describe the market conditions in Southeast Asia.

The bar graphs on the left show total monthly demand for 7 major products in Southeast Asia. The line graph indicates year-on-year growth rates of monthly demand. In October 2009, the growth rate upturned for positive growth and has remained positive since then.

The line graphs on the top right indicate that year-on-year growth rates upturned positively in Indonesia and Thailand in October 2009, and similarly in Malaysia in November 2009.

The graph at the bottom right shows demand for equipment in Indonesia by industrial sector. Demand in the mining sector has been steady. Also in the agricultural, forestry and construction sectors, demand has gained recovery momentum since around the middle of 2009.

**Construction, Mining & Utility Equipment: Mining Equipment**



Here I am going to talk about the conditions of mining equipment business.

The bar graphs on the top left show unit-based demand by region. As I explained when we announced our interim results, we are projecting that demand will decline by 25 to 30% in fiscal 2009.

The bar graphs on the top right show sales of parts for mining equipment. As sales of mining equipment remained strong, sales of parts for mining equipment have increased their share in total sales of parts. Their sales in value have also increased slowly.

With respect to backlog orders, Komatsu Ltd.'s mining equipment-related operation, Komatsu America Corp. and Komatsu Mining Germany GmbH have maintained an appropriate level of backlog orders, and we are expecting that these backlog orders will be recorded as sales from now on.

## Cautionary Statement

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

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



PC200-8 hybrid hydraulic excavator operating in China

Corporate Planning, Komatsu Ltd.

TEL: +81-3-5561-2687

FAX: +81-3-3582-8332

E-MAIL: [ir@komatsu.co.jp](mailto:ir@komatsu.co.jp)

<http://www.komatsu.com/>

23