

**KOMATSU FINANCE AMERICA, INC.**

Financial Statements

March 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

## KOMATSU FINANCE AMERICA, INC.

### Table of Contents

|   | <b>Page(s)</b> |
|---|----------------|
| Independent Auditors' Report                  | 1-2            |
| Financial Statements:                         |                |
| Balance Sheets                                | 3-4            |
| Statements of Operations                      | 5              |
| Statements of Changes in Stockholder's Equity | 6              |
| Statements of Cash Flows                      | 7              |
| Notes to Financial Statements                 | 8-12           |



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## **Independent Auditors' Report**

The Board of Directors  
Komatsu Finance America, Inc.:

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Komatsu Finance America, Inc. (the Company), which comprise the balance sheets as of March 31, 2024 and March 31, 2023, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and March 31, 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*KPMG LLP*

Chicago, Illinois  
June 26, 2024

**KOMATSU FINANCE AMERICA, INC.**

## Balance Sheets

(In thousands)

|                                 | <b>Assets</b> | <b>Fiscal years ended</b> |             |
|---------------------------------|---------------|---------------------------|-------------|
|                                 |               | <b>March 31</b>           |             |
|                                 |               | <b>2024</b>               | <b>2023</b> |
| Current assets:                 |               |                           |             |
| Loans receivable from affiliate |               | \$ 1,344,000              | 1,150,000   |
| Total current assets            |               | 1,344,000                 | 1,150,000   |
| Other assets:                   |               |                           |             |
| Loans receivable from affiliate |               | 1,165,421                 | 1,551,294   |
| Total assets                    |               | \$ 2,509,421              | 2,701,294   |

**KOMATSU FINANCE AMERICA, INC.**

## Balance Sheets

(In thousands, except share data)

| <b>Liabilities and Stockholder's Equity</b>   | <b>Fiscal years ended<br/>March 31</b> |             |
|---|--|-------------|
|   | <b>2024</b>                            | <b>2023</b> |
| Current liabilities:  |  |             |
| Commercial Paper  | \$ 950,000                             | 800,000     |
| Current maturities of Bonds and Euro Medium Term Notes,<br>net of unamortized debt issuance costs | 393,971                                | 349,801     |
| Accrued interest expense  | 18,134                                 | 20,853      |
| Accrued income tax payable and other  | 2,746                                  | 1,106       |
| Total current liabilities   | 1,364,851                              | 1,171,760   |
| Noncurrent liabilities:   |  |             |
| Bonds payable, less current maturities, net of unamortized<br>debt issuance costs                 | 598,530                                | 598,110     |
| Euro Medium Term Notes, less current maturities, net of<br>unamortized debt issuance costs        | 335,849                                | 729,685     |
| Other noncurrent liabilities  | 2,981                                  | 3,831       |
| Total noncurrent liabilities  | 937,360                                | 1,331,626   |
| Total liabilities   | 2,302,211                              | 2,503,386   |
| Stockholder's equity:   |  |             |
| Common stock, \$1 par value. Authorized, 3,000 shares;<br>issued and outstanding, 1,000 shares    | 1                                      | 1           |
| Additional paid-in capital  | 140,199                                | 140,199     |
| Retained earnings   | 67,010                                 | 57,708      |
| Total stockholder's equity  | 207,210                                | 197,908     |
| Total liabilities and stockholder's equity  | \$ 2,509,421                           | 2,701,294   |

See accompanying notes to financial statements.

**KOMATSU FINANCE AMERICA, INC.**

## Statements of Operations

(In thousands)

|   | <b>Fiscal years ended</b> |             |
|---|---------------------------|-------------|
|   | <b>March 31</b>           |             |
|   | <b>2024</b>               | <b>2023</b> |
| Interest income from loans to affiliate | \$ 115,150                | 74,410      |
| Interest expense                        | 99,456                    | 64,359      |
| Amortization of debt issuance costs     | 754                       | 860         |
| Net interest income                     | 14,940                    | 9,191       |
| General and administrative expenses     | 1,560                     | 5,295       |
| Operating income                        | 13,380                    | 3,896       |
| Income tax expense                      | 2,678                     | 751         |
| Net income                              | \$ 10,702                 | 3,145       |

See accompanying notes to financial statements.

**KOMATSU FINANCE AMERICA, INC.**

## Statements of Stockholder's Equity

(In thousands, except share data)

|                            | <b>Common stock</b> |               | <b>Additional</b>      | <b>Retained</b> |              |
|----------------------------|---------------------|---------------|------------------------|-----------------|--------------|
|                            | <b>Shares</b>       | <b>Amount</b> | <b>paid-in capital</b> | <b>earnings</b> | <b>Total</b> |
| Balance, March 31, 2022    | 1,000               | \$ 1          | 140,199                | 54,563          | 194,763      |
| Net income                 | —                   | —             | —                      | 3,145           | 3,145        |
| Balance, March 31, 2023    | 1,000               | 1             | 140,199                | 57,708          | 197,908      |
| Net income                 | —                   | —             | —                      | 10,702          | 10,702       |
| Dividend paid to affiliate | —                   | —             | —                      | (1,400)         | (1,400)      |
| Balance, March 31, 2024    | 1,000               | \$ 1          | 140,199                | 67,010          | 207,210      |

See accompanying notes to financial statements.



# KOMATSU FINANCE AMERICA, INC.

## Statements of Cash Flows

(In thousands)

|   | Fiscal years ended<br>March 31 |           |
|---|--------------------------------|-----------|
|   | 2024                           | 2023      |
| Cash flow from operating activities:  |                                |           |
| Net income  | \$ 10,702                      | 3,145     |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                |           |
| Increase (decrease) in accrued interest expense                                   | (2,719)                        | 12,293    |
| Amortization of debt issuance costs   | 754                            | 860       |
| Other changes, net  | 790                            | 296       |
| Net cash provided by operating activities   | 9,527                          | 16,594    |
| Cash flow from investing activities:  |                                |           |
| Collection of principal from affiliate  | 347,334                        | 451,691   |
| Proceeds loaned to affiliates   | (155,461)                      | (809,482) |
| Net cash provided by (used in) investing activities                               | 191,873                        | (357,791) |
| Cash flow from financing activities:  |                                |           |
| Proceeds from commercial paper, net   | 150,000                        | 439,000   |
| Repayments – Bonds and Euro Medium Term Notes                                     | (350,000)                      | (700,000) |
| Proceeds from issuance of Bonds   | —                              | 600,000   |
| Proceeds from settlement of cash flow hedges                                      | —                              | 4,258     |
| Debt issuance costs   | —                              | (2,061)   |
| Dividend paid to affiliate  | (1,400)                        | —         |
| Net cash provided by (used in) financing activities                               | (201,400)                      | 341,197   |
| Cash and cash equivalents, beginning of year                                      | —                              | —         |
| Cash and cash equivalents, end of year  | \$ —                           | —         |
| Cash payments during the year for:  |                                |           |
| Interest  | \$ 102,175                     | 52,066    |
| Income taxes  | 818                            | 432       |

See accompanying notes to financial statements.

## KOMATSU FINANCE AMERICA, INC.

### Notes to Financial Statements

March 31, 2024 and 2023

(In thousands)

#### **(1) Organization and Business**

Komatsu Finance America, Inc. (the Company) was incorporated under the laws of the State of Delaware on March 18, 1996, as a wholly owned subsidiary of Komatsu America Corp. (the Parent). The Parent is a wholly owned subsidiary of Komatsu, Ltd.

The Company's primary business is raising funds through the issuance of debt obligations, including Commercial Paper, Bonds and the Euro Medium Term Note Programme (the Programme). Under the Programme, the Company, Komatsu, Ltd. and certain of its subsidiaries may from time to time issue notes denominated in any agreed upon currency, not exceeding \$2.2 billion or its equivalent in other currencies in aggregate nominal amount. The \$2.2 billion represents the borrowing availability for the year ended March 31, 2024. The Company has made application to the Financial Conduct Authority for notes issued under the Programme to be admitted to trading on the London Stock Exchange's Professional Securities Market. There are no notes issued by the Company listed as of March 31, 2024.

The Company, in turn, loans the funds received from issuing bonds and notes to the Parent at mutually agreed rates of interest. The interest earned on these loans is the primary source of the Company's income.

#### **(2) Significant Accounting Policies**

##### ***(a) Basis of Preparation of the Financial Statements***

The financial statements of the Company are prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP).

##### ***(b) Cash and Cash Equivalents***

Cash consists of cash deposits and cash equivalents maintained in banks. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company did not maintain any cash and cash equivalent balances as of March 31, 2024 or 2023.

##### ***(c) Loans Receivable from Affiliate***

Loans receivable from affiliate are stated at the outstanding principal balance as the Company has the intent and ability to hold the loans for the foreseeable future or until maturity or payoff. The Company's loans receivable are presented in current and other assets in the balance sheet based on the maturities of the Company's outstanding debt, as the Company uses these funds to repay the debt. The Company's loans receivable are owed by the Parent, and the Parent makes payments to the Company as the Company's debt matures.

##### ***(d) Income Taxes***

The Company is included in the consolidated federal and state income tax returns of the Parent. The provision for income taxes reflected in the financial statements has been computed as if the Company was a stand-alone entity and filed separate tax returns.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. A valuation allowance is

## KOMATSU FINANCE AMERICA, INC.

### Notes to Financial Statements

March 31, 2024 and 2023

(In thousands)

established whenever management believes that it is more likely than not that deferred tax assets may not be realizable.

GAAP requires management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken by the Company, and has concluded that as of March 31, 2024, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions with March 31, 2018 to March 31, 2023 potentially open to examination.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes.

#### **(e) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **(f) General and Administrative Expenses**

General and administrative expenses consist primarily of professional fees and services related to the issuance of the Euro Medium Term Notes, Commercial Paper, and the Bond issuances. The Company's ongoing operations are supported by employees of the Parent.

### **(3) Transactions with Related Parties**

The Company engages in transactions with its Parent in the normal course of business. The Company loans funds on a revolving basis to the Parent at mutually agreed rates of interest. The Parent uses the proceeds from these loans in its operations, as well as to fund other affiliates based on operational needs. For the year ended March 31, 2024, the Company paid a dividend to the Parent of \$1,400. No dividend was paid for the year ended March 31, 2023.

There are significant related party transactions included within loans receivable from its affiliate and interest income from loans to its affiliate.

The loans receivable due from the Parent bear interest at weighted average rates, which ranged from 3.94% to 4.70% during the year ended March 31, 2024 and 1.84% to 3.90% during the year ended March 31, 2023. As the receivable balance is due from the Parent, management believes that there are no significant credit risks involved. Therefore, no allowance for credit losses was maintained as of March 31, 2024 or 2023.

**KOMATSU FINANCE AMERICA, INC.**

## Notes to Financial Statements

March 31, 2024 and 2023

(In thousands)

**(4) Income Taxes**

The results from the Company's operations are included in the consolidated income tax returns of the Parent. The Company has a tax-sharing agreement with the Parent, whereby the Company shares in income tax liabilities and benefits of the Parent's consolidated tax filing group based primarily on separate taxable income calculations and allocations of any excess tax credits utilized on a consolidated basis. The income tax provision in the accompanying statements of operations was computed as if the Company filed a separate income tax return. Total income tax expense was \$2,678 and \$751 for the years ended March 31, 2024, and 2023, respectively. The primary reason for the difference between the statutory federal income tax rate of 21.0% and the Company's effective tax rate is the effect of state income taxes.

**(5) Short-Term Debt**

Short-term debt consisted of the following as of March 31, 2024 and 2023:

|                       | <u>2024</u>       | <u>2023</u>    |
|-----------------------|-------------------|----------------|
| Commercial Paper      | \$ 950,000        | 800,000        |
| Total short-term debt | <u>\$ 950,000</u> | <u>800,000</u> |

In May 2018, the Company established a \$1.0 billion U.S. Commercial Paper Note Program with Komatsu, Ltd. as the guarantor, and began issuing commercial paper notes. To provide the necessary liquidity backstop for such commercial paper program, the Company established a \$500 million, 364-day revolving credit facility and a \$500 million, five-year revolving credit facility in May 2018, both of which are also guaranteed by Komatsu, Ltd. In May 2021, the program was increased to \$1.1 billion. In May 2022, the Company renewed the 364-day revolving credit facility with a limit of \$600 million and the five-year revolving credit facility with a limit of \$500 million. In May 2023, the Company renewed the 364-day revolving credit facility with a limit of \$600 million. As of March 31, 2024, \$950,000 of U.S. commercial paper notes of the Company are issued and outstanding under its U.S. Commercial Paper Note Program.

**(6) Long-Term Debt**

Long-term debt consisted of the following as of March 31, 2024 and 2023:

|  | <u>2024</u>       | <u>2023</u>      |
|--|-------------------|------------------|
| Bond payable                                   | \$ 600,000        | 900,000          |
| Euro Medium Term Notes                         | <u>730,000</u>    | <u>780,000</u>   |
| Total debt                                     | 1,330,000         | 1,680,000        |
| Less:  |                   |                  |
| Current maturities, net of debt issuance costs | 393,971           | 349,801          |
| Unamortized debt issuance costs                | <u>1,650</u>      | <u>2,404</u>     |
| Long-term debt                                 | <u>\$ 934,379</u> | <u>1,327,795</u> |

**KOMATSU FINANCE AMERICA, INC.**

## Notes to Financial Statements

March 31, 2024 and 2023

(In thousands)

**(a) Bonds**

As of March 31, 2024, the open bonds are detailed as follows:

|                | <u>Carrying<br/>amount</u> | <u>Interest rate</u> | <u>Issue date</u> | <u>Maturity date</u> |
|----------------|----------------------------|----------------------|-------------------|----------------------|
| Five-year Bond | \$ 600,000                 | 5.50 %               | October 6, 2022   | October 6, 2027      |

On October 6, 2022, the Company issued a \$600 million Sustainability-Linked Senior Notes Bond due October 6, 2027. The net proceeds of the issuance were used for the redemption of outstanding bonds and also used for general business purposes. The Senior Notes Bond due 2027 includes two sustainability performance targets (SPT) related to CO2 emissions from production (SPT 1.1) and CO2 emissions from use of products (SPT 2.1). The Senior Notes Bond due 2027 bears interest at a rate of 5.50% per annum payable semi-annually on April 6 and October 6 of each year, beginning on April 6, 2023. From and including October 6, 2025, the interest rate shall be increased by 10 basis points if SPT 1.1 has not been satisfied and increased by 15 basis points if SPT 2.1 has not been satisfied as of March 31, 2025.

**(b) Komatsu, Ltd. Keep-Well Agreements**

Komatsu, Ltd. and the Company entered into a keep-well agreement dated March 28, 1996, as restated on April 1, 1999 (related to the Programme). Under the terms of this agreement, each holder of the Company's debt is entitled severally to make a direct demand on Komatsu, Ltd to perform the Company's obligations and enforce the provisions of this agreement against Komatsu, Ltd. directly. The agreement further requires Komatsu, Ltd. to maintain tangible net worth of the Company of at least one dollar at all times for the Programme.

**(c) Euro Medium Term Notes**

On March 28, 1996, Komatsu, Ltd. and the Parent entered into a \$1 billion Euro Medium Term Note Programme (the Programme). The Programme allows the Parent and certain of its subsidiaries, including the Company, to issue notes denominated in any agreed upon currency, which in aggregate do not exceed \$1 billion, or its equivalent in other currencies. On August 30, 2023, the Company renewed the Programme where the borrowing availability was increased to \$2.2 billion. The Company did not issue any Euro Medium Term Notes during the years ended March 31, 2024 and March 31, 2023. As of March 31, 2024, \$729,820 Euro Medium Term Notes of the Company are issued and outstanding under the Programme.

Interest rates are based on various fixed rates or the Compounded Daily SOFR rate with a borrowing spread of SOFR plus 1.1% as of March 31, 2024. The interest rates for debt outstanding during the year ended March 31, 2024 ranged from 1.10% and 6.47% and during the year ended March 31, 2023 ranged from 0.74% to 5.64%.

**KOMATSU FINANCE AMERICA, INC.**

Notes to Financial Statements

March 31, 2024 and 2023

(In thousands)

**(d) Debt Maturities**

The aggregate principal amounts of debt maturing in each of the next five years are as follows:

|                       |              |
|-----------------------|--------------|
| Year ending March 31: |              |
| 2025                  | \$ 394,000   |
| 2026                  | 200,000      |
| 2027                  | 136,000      |
| 2028                  | 600,000      |
| 2029                  | —            |
|                       | <hr/>        |
|                       | \$ 1,330,000 |
|                       | <hr/>        |

**(7) Subsequent Events**

The Company has evaluated subsequent events and transactions from the balance sheet date through June 26, 2024, the date at which the financial statements were issued.

In May 2024, the U.S. Commercial Paper Program was reduced to \$1.0 billion, in which the 364-day revolving credit facility was renewed with a limit of \$500 million to align with the decreased program. This credit facility backs the \$1.0 billion U.S. Commercial Paper Program that is guaranteed by Komatsu Ltd.

The Company has determined that there have been no other subsequent events that occurred during such period that would require disclosures or be required to be recognized in the financial statements, as of or for the year ended March 31, 2024.