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Independent Auditor's Report

Komatsu Ltd. and its subsidiaries

For the Years ended March 31,
2024 and 2025

KPMG AZSA LLC
June 2025

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Independent Auditor's Report

To the Board of Directors of Komatsu Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Komatsu Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of equity and the consolidated statements of cash flows for the fiscal years then ended, and notes to the consolidated financial statements and supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America, pursuant to Paragraph 3 of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (the Cabinet Office Ordinance No.11 of 2002).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the Company's estimates of a specific allowance for credit losses on those receivables with a collectibility risk among the Retail Finance Receivables	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 4 "Receivables and Allowance for Credit Losses" to the consolidated financial statements, trade notes and accounts receivable, and long-term trade receivables reported on the consolidated balance sheet of Komatsu Ltd. and subsidiaries (hereinafter, collectively referred to as the "Company") included receivables in the retail finance business (hereinafter, the "Retail Finance Receivables") of ¥1,283,602 million as of March 31, 2025, for which an allowance for credit losses of ¥23,788 million has been	In order to assess the reasonableness of the Company's estimates of a specific allowance for credit losses on those receivables with a collectibility risk among the Retail Finance Receivables, we involved the component auditors of consolidated subsidiaries and performed the audit procedures set out below, including the direction and supervision of the component auditors and the review of its work, among others.

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recognized. As described in Note 1 “Description of Business, Basis of Financial Statement Presentation and Summary of Significant Accounting Policies” to the consolidated financial statements, the Company recognizes the allowance for credit losses against all receivables in order to account for the estimated credit losses on those receivables in accordance with ASC326, *Financial Instruments-Credit Losses*. The allowance for credit losses on the Retail Finance Receivables is estimated by utilizing the expected credit loss rates which are calculated based on the average historical loss rates adjusted to reflect forecasted changes in relevant economic indicators such as housing starts. For those Retail Finance Receivables with the possibility of default due to deterioration of customer's financial condition or prolonged payment delays, and among other factors, the Company individually evaluates the credit ratings of the customer and their ability to meet their financial obligations based on the assessment of outstanding receivables and obtains the amount of estimated credit losses. The Company then records the allowance in excess of the amount of estimated credit losses over the expected recoverable amount based on the current market price of the equipment used as collateral. The key elements of the valuation model used to estimate a specific allowance for credit losses for those Retail Finance Receivables with the possibility of default are as set out below. Each of these elements involves a high degree of uncertainty and requires significant management judgment. • selection of at risk receivables subject to a specific allowance for credit losses; • calculation of estimated credit losses based on the assessment of customers’ ability to meet their financial obligations; and • calculation of an expected recoverable amount based on the current market price of equipment used as collateral. In addition, since the collection period of the Retail Finance Receivables spans over an	(1) Internal control testing Testing the design and operating effectiveness of certain of the Company’s internal controls relevant to the estimates of a specific allowance for credit losses on those receivables. (2) Assessment of the reasonableness of the estimates of a specific allowance for credit losses on those receivables ① Involved credit specialists who assisted in our assessment of the appropriateness of the valuation model used to estimate a specific allowance for credit losses on those receivables. ② Obtained an understanding of management’s judgment process by inquiring of management about the following: • selection of those receivables subject to a specific allowance; • calculation of estimated credit losses that reflected the assessment of customers’ ability to meet their financial obligations based on the credit status of individual customers and analysis on the overdue status of receivables, and such an assessment considers, among other factors, the trends in demands of resources and construction, the changes in the financial market such as rising interest rates, the disruption in finance and world economy caused by the situation in Ukraine and tariff policies of each country, as well as the forecasted changes in economic and market environments by geographic region; and • calculation of the expected recoverable amount based on the current market price of the equipment used as collateral. ③ Assessed the reasonableness of the management’s aforementioned judgments that consider customers’ payment history, the status of collateral setting, market

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extended period of time, the evaluation of the customers' ability to meet their financial obligations may be affected by the following factors; • trends in demands of resources and construction, reflective of the fluctuations in the prices of commodities including materials and energy • changes in the financial market such as rising interest rates • disruption in finance and world economy caused by the situation in Ukraine and tariff policies of each country; and • forecasted changes in economic and market environments which vary by geographic region. We, therefore, determined that our assessment of the reasonableness of the Company's estimates of a specific allowance for credit losses on those receivables with a collectibility risk among the Retail Finance Receivables was of most significance in our audit of the consolidated financial statements of the Group for the current fiscal year, and accordingly, it was determined as a key audit matter.	environments related to the customers' business, overdue status, the reasonableness of the historical estimates of a specific allowance, and additional information obtained subsequent to the year end related to the assessment of customers' ability to meet their financial obligations.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in the United States of America.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in the United States of America, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial

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statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Masakazu Hattori
Designated Engagement Partner
Certified Public Accountant

Tomoo Nishigori
Designated Engagement Partner
Certified Public Accountant

Daisuke Toyama
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 16, 2025

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1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

Consolidated Balance Sheets

Komatsu Ltd. and Consolidated Subsidiaries as of March 31, 2025 and 2024

	2025		2024	
Assets	**Millions of yen**	**Ratio (%)**	**Millions of yen**	**Ratio (%)**
Current assets				
Cash and cash equivalents (Notes 1 and 21)	¥ 385,569		¥ 403,178	
Trade notes and accounts receivable, net (Notes 1, 4, 7, 15 and 17)	1,274,209		1,263,542	
Inventories (Note 5)	1,406,658		1,438,695	
Other current assets (Notes 7, 20, 21, 22 and 25)	231,867		208,773	
Total current assets	3,298,303	57.1	3,314,188	58.8
Long-term trade receivables, net (Notes 1, 4, 15, 17 and 21)	808,324	14.0	688,260	12.2
Investments				
Investments in and advances to affiliated companies (Note 7)	81,167		67,325	
Investment securities (Note 6)	10,636		10,267	
Other	3,623		3,975	
Total investments	95,426	1.7	81,567	1.5
Property, plant and equipment				
– less accumulated depreciation (Notes 8, 17 and 23)	914,283	15.8	908,055	16.1
Operating lease right-of-use assets (Note 17)	67,684	1.2	69,236	1.2
Goodwill (Notes 3 and 9)	245,833	4.3	248,393	4.4
Other intangible assets				
– less accumulated amortization (Notes 3 and 9)	169,953	2.9	180,403	3.2
Deferred income taxes and other assets (Notes 12, 16, 20, 21 and 22)	173,717	3.0	146,554	2.6
Total assets	¥ 5,773,523	100.0	¥ 5,636,656	100.0

	2025		2024	
Liabilities and Equity	**Millions of yen**	**Ratio (%)**	**Millions of yen**	**Ratio (%)**
Current liabilities				
Short-term debt (Notes 10 and 21)	¥ 376,326		¥ 440,619	
Current maturities of long-term debt (Notes 10 and 21)	278,082		140,359	
Trade notes, bills and accounts payable (Notes 7 and 11)	334,929		320,312	
Income taxes payable (Note 16)	87,525		69,638	
Current operating lease liabilities (Note 17)	19,392		19,603	
Other current liabilities (Notes 12, 15, 19, 20, 21, 22 and 25)	553,106		535,668	
Total current liabilities	1,649,360	28.6	1,526,199	27.1
Long-term liabilities				
Long-term debt (Notes 10 and 21)	496,189		618,392	
Liability for pension and retirement benefits (Note 12)	68,900		87,933	
Long-term operating lease liabilities (Note 17)	50,713		51,441	
Deferred income taxes and other liabilities (Notes 15, 16, 19, 20, 21 and 22)	163,508		154,239	
Total long-term liabilities	779,310	13.5	912,005	16.2
Total liabilities	2,428,670	42.1	2,438,204	43.3
Commitments and contingent liabilities (Note 19)				
Equity				
Komatsu Ltd. shareholders' equity (Note 13)				
Common stock:				
Authorized 3,955,000,000 shares				
Issued 950,953,120 shares				
Outstanding 922,847,599 shares in 2025 and 945,981,168 shares in 2024	70,336		70,336	
Capital surplus	136,525		136,500	
Retained earnings:				
Appropriated for legal reserve	49,421		48,979	
Unappropriated	2,572,425		2,367,020	
Accumulated other comprehensive income (loss) (Notes 12, 14 and 20)	427,354		459,865	
Treasury stock at cost, 28,105,521 shares in 2025 and 27,829,452 shares in 2024 (Notes 1 and 13)	(82,662)		(49,131)	
Total Komatsu Ltd. shareholders' equity	3,173,399	55.0	3,033,569	53.8
Noncontrolling interests	171,454	2.9	164,883	2.9
Total equity	3,344,853	57.9	3,198,452	56.7
Total liabilities and equity	¥ 5,773,523	100.0	¥ 5,636,656	100.0

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

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Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Komatsu Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2025 and 2024

Consolidated Statements of Income

	2025		2024	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 7, 14, 15, 17, 20 and 24)	¥ 4,104,395	100.0	¥ 3,865,122	100.0
Cost of sales (Notes 8, 9, 12, 14, 17, 20, 23, 24 and 26)	2,782,012	67.8	2,654,914	68.7
Selling, general and administrative expenses (Notes 3, 8, 9, 12, 13, 17, 23, 24 and 26)	658,856	16.1	604,534	15.6
Impairment loss on long-lived assets (Notes 24 and 26)	2,031	0.0	6,108	0.2
Other operating income (expenses), net (Notes 14, 23 and 26)	(4,371)	(0.1)	7,628	0.2
Operating income	657,125	16.0	607,194	15.7
Other income (expenses), net (Note 26)				
Interest and dividend income (Note 7)	27,325	0.7	21,146	0.5
Interest expense	(57,594)	(1.4)	(54,506)	(1.4)
Other, net (Notes 6, 12, 14 and 20)	(22,018)	(0.5)	1,829	0.0
Total	(52,287)	(1.3)	(31,531)	(0.8)
Income before income taxes and equity in earnings of affiliated companies	604,838	14.7	575,663	14.9
Income taxes (Notes 14 and 16)				
Current	175,256		170,844	
Deferred	(29,629)		(3,264)	
Total	145,627	3.5	167,580	4.3
Income before equity in earnings of affiliated companies	459,211	11.2	408,083	10.6
Equity in earnings of affiliated companies	9,521	0.2	8,273	0.2
Net income	468,732	11.4	416,356	10.8
Less: Net income attributable to noncontrolling interests	29,118	0.7	22,930	0.6
Net income attributable to Komatsu Ltd.	¥ 439,614	10.7	¥ 393,426	10.2

	Yen	
Per share data (Note 18)**:**		
Net income attributable to Komatsu Ltd.:		
Basic	¥ 473.44	¥ 415.96
Diluted	¥ 473.42	¥ 415.93

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	2025	2024
Net income	¥ 468,732	¥ 416,356
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments (Notes 14 and 16)	(44,858)	251,225
Pension liability adjustments (Notes 12, 14 and 16)	7,100	3,979
Net unrealized holding gains (losses) on derivative instruments (Notes 14, 16 and 20)	1,503	(852)
Total	(36,255)	254,352
Comprehensive income	432,477	670,708
Less: Comprehensive income attributable to noncontrolling interests	25,374	37,368
Comprehensive income attributable to Komatsu Ltd.	¥ 407,103	¥ 633,340

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

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Consolidated Statements of Equity
Komatsu Ltd. and Consolidated Subsidiaries

For the fiscal year ended March 31, 2025

	Millions of yen								
			Retained earnings						
	Common stock	Capital surplus	Appropriated for legal reserve	Un-appropriated	Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at March 31, 2024	**¥ 70,336**	**¥ 136,500**	**¥ 48,979**	**¥ 2,367,020**	**¥ 459,865**	**¥ (49,131)**	**¥ 3,033,569**	**¥ 164,883**	**¥ 3,198,452**
Cash dividends				(166,565)			(166,565)	(19,474)	(186,039)
Transfer to retained earnings appropriated for legal reserve			442	(442)			—		—
Other changes		(676)					(676)	671	(5)
Net income				439,614			439,614	29,118	468,732
Other comprehensive income (loss), for the period, net of tax (Note 14)					(32,511)		(32,511)	(3,744)	(36,255)
Exercise of stock acquisition rights (Note 13)		(97)					(97)		(97)
Purchase of treasury stock (Note 13)						(101,279)	(101,279)		(101,279)
Sales of treasury stock		(12)				112	100		100
Cancellation of treasury stock (Note 13)		(434)		(67,202)		67,636	—		—
Share-based payment (Note 13)		1,244					1,244		1,244
Balance at March 31, 2025	**¥ 70,336**	**¥ 136,525**	**¥ 49,421**	**¥ 2,572,425**	**¥ 427,354**	**¥ (82,662)**	**¥ 3,173,399**	**¥ 171,454**	**¥ 3,344,853**

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

For the fiscal year ended March 31, 2024

	Millions of yen								
			Retained earnings						
	Common stock	Capital surplus	Appropriated for legal reserve	Un-appropriated	Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at March 31, 2023	**¥ 69,660**	**¥ 135,886**	**¥ 48,508**	**¥ 2,114,789**	**¥ 219,951**	**¥ (49,153)**	**¥ 2,539,641**	**¥ 138,314**	**¥ 2,677,955**
Cumulative effects of Accounting Standards Update—adoption of ASU 2016-13, net of tax (Note 4)				(1,634)			(1,634)	(126)	(1,760)
Cash dividends				(139,090)			(139,090)	(10,653)	(149,743)
Transfer to retained earnings appropriated for legal reserve			471	(471)			—		—
Other changes		14					14	(20)	(6)
Net income				393,426			393,426	22,930	416,356
Other comprehensive income (loss), for the period, net of tax (Note 14)					239,914		239,914	14,438	254,352
Exercise of stock acquisition rights (Note 13)		(85)					(85)		(85)
Purchase of treasury stock						(50)	(50)		(50)
Sales of treasury stock		13				72	85		85
Share-based payment (Note 13)	676	672					1,348		1,348
Balance at March 31, 2024	**¥ 70,336**	**¥ 136,500**	**¥ 48,979**	**¥ 2,367,020**	**¥ 459,865**	**¥ (49,131)**	**¥ 3,033,569**	**¥ 164,883**	**¥ 3,198,452**

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

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Consolidated Statements of Cash Flows
Komatsu Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2025 and 2024

	Millions of yen	
	2025	2024
Operating activities		
Net income	¥ 468,732	¥ 416,356
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	163,004	156,835
Deferred income taxes	(29,629)	(3,264)
Impairment loss and net loss on valuation of investment securities, net	433	1,241
Net gain on sale of fixed assets	(1,228)	(4,406)
Loss on disposal of fixed assets	5,554	4,832
Impairment loss on long-lived assets	2,031	6,108
Pension and retirement benefits, net	(12,113)	3,167
Changes in assets and liabilities:		
Increase in trade receivables	(157,811)	(94,059)
Increase (decrease) in inventories	21,076	(66,792)
Increase (decrease) in trade payables	15,147	(59,156)
Increase in income taxes payable	18,161	3,521
Other, net	23,810	70,395
Net cash provided by operating activities	517,167	434,778
Investing activities		
Capital expenditures	(205,855)	(202,947)
Proceeds from sale of fixed assets	13,829	24,104
Purchases of investment securities	(918)	(415)
Proceeds from sale of subsidiaries and businesses, net of cash disposed	—	14,029
Acquisition of subsidiaries and equity investees, net of cash acquired	(25,008)	(39,206)
Other, net	7,283	16
Net cash used in investing activities	(210,669)	(204,419)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	557,221	402,193
Payment on debt (Original maturities greater than three months)	(522,710)	(438,276)
Short-term debt, net (Original maturities three months or less)	(67,495)	63,911
Sale (purchase) of treasury stock, net	(101,249)	(25)
Dividends paid	(166,565)	(139,090)
Other, net	(20,626)	(10,750)
Net cash used in financing activities	(321,424)	(122,037)
Effect of exchange rate change on cash and cash equivalents	(2,683)	4,881
Net increase (decrease) in cash and cash equivalents	(17,609)	113,203
Cash and cash equivalents, beginning of year	403,178	289,975
Cash and cash equivalents, end of year	¥ 385,569	¥ 403,178

The accompanying Notes are an integral part of these Consolidated Financial Statements.
The figure for the fiscal year ended March 31, 2024 was reclassified to conform to the presentation for the fiscal year ended March 31, 2025.

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Notes to Consolidated Financial Statements

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

Description of Business

In this report, Komatsu Ltd. is hereinafter referred to as the "Company" and together with its consolidated subsidiaries as "Komatsu."

Komatsu primarily manufactures and markets various types of construction, mining and utility equipment throughout the world, provides retail financing to customers and sales distributors and is also engaged in the manufacture and sale of industrial machinery and others.

The consolidated net sales of Komatsu for the fiscal year ended March 31, 2025 consisted of the following: construction, mining and utility equipment business – 92.3%, retail finance business – 2.3%, industrial machinery and others business – 5.4%

Sales are made principally under the Komatsu brand name, and are almost entirely executed 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 fiscal year ended March 31, 2025, 89.4% were generated outside Japan, with 44.1% in the Americas, 9.6% in Europe and CIS, 2.6% in China, 24.8% in Asia (excluding Japan and China) and Oceania, and 8.3% in the Middle East and Africa.

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

Basis of Consolidated Financial Statement Presentation

The accompanying consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States of America (hereinafter "U.S. GAAP").

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates.

Some adjustments without being booked on each subsidiary's and affiliate's financial statements are added to the accompanying consolidated financial statements. These adjustments are mainly due to the gaps of accounting principles between Japan and the United States of America. See Note 28 "Terminology, Forms and Preparation Methods of Consolidated Financial Statements".

Preparation of Consolidated Financial Statements and Registration with the U.S. Securities and Exchange Commission

The Company has been preparing its consolidated financial statements in accordance with U.S. GAAP since 1963, because the Company issued foreign currency convertible bonds at European market in 1964. The Company registered its convertible bonds issued in the United States in 1967 and its common shares issued for U.S. shareholders as well as Japanese shareholders in 1970 with the U.S. Securities and Exchange Commission (hereinafter "SEC"). Since then, the Company, as a non-U.S. issuer, had been having the reporting obligations, such as filing annual report with its consolidated financial statements in accordance with U.S. GAAP, under the Securities Exchange Act of 1934. The Company's registration with SEC was terminated on June 30, 2014.

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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 Japanese and foreign subsidiaries.

Variable interest entities are consolidated for which the Company is the primary beneficiary in accordance with Financial Accounting Standards Board (hereinafter "FASB") Accounting Standards Codification™ (hereinafter "ASC") 810, "Consolidation". Consolidated variable interest entities mainly engage in equipment leasing in Europe.

The Company has introduced a performance-based share compensation plan using structures called a Board Incentive Plan Trust for directors of the Company and subsidiaries, and the Employee Ownership Plan Trust. (hereinafter the "Both Trusts") The Company acquired the Company's shares from the stock market and grants the Company's shares and cash in the amount of the converted value of such shares to the members of the Board of Directors and employees according to their executive position and degree of achievement of performance targets. The Company has the power to direct the activities that most significantly impact the trusts' economic performance through the establishment of their plans. The Company has the potential obligation since the Company may entrust additional money to the trusts for use in acquisition of additional shares of the Company. As a result, the Company is considered to be the primary beneficiary of the trusts and therefore consolidate the trusts as variable interest entities; however, the trusts are not included in the number of the Company's subsidiaries.

The carrying amounts of assets and net assets of the trusts which are included in the consolidated balance sheet as of March 31, 2025 were ¥696 million of cash and cash equivalents and ¥1,225 million of treasury stock, respectively.

The consolidated balance sheets as of March 31, 2025 and 2024 include assets for the Variable interest entities of ¥5,198 million and ¥4,803 million, respectively. The majority of these assets are cash and cash equivalents, trade notes and accounts receivable, and long-term trade receivables.

Investments in affiliated companies whereby Komatsu has the ability to exercise significant influence over the operational and financial policies of a company, but does not have a controlling financial interest, 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), net in the period incurred.

(3) Allowance for Credit losses

Komatsu recognizes the allowance for credit losses on all of receivables, in accordance with FASB ASC 326, "Financial Instruments—Credit Losses", utilizing the expected credit loss rates that are calculated based on the average historical loss rates adjusted to reflect forecasted changes in relevant economic indicators such as housing starts to prepare for credit losses of receivables, etc. For those receivables with a collectability risk due to deterioration of customer's financial condition or prolonged payment delays, Komatsu individually increases the allowance for credit losses based on the available information at hand such as credit ratings of the customer, status of outstanding receivables, and current market price of the equipment used as collateral. The amount of estimated credit losses is further adjusted to reflect changes in customer circumstances.

The details are as described in Note 4 "Receivables and Allowance for Credit Losses".

(4) Inventories

Inventories are stated at the lower of cost or market. The cost of finished products and work in process is mainly valued by the specific identification method. The cost of finished parts is mainly stated using the first-in first-out method. The cost of raw materials and supplies is stated at periodic average cost.

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(5) Investment Securities

Komatsu's investments in marketable equity securities are stated at fair value. Changes in fair values are included in net income in the accompanying consolidated statements of income.

Komatsu measures equity securities without readily determinable fair values at the carrying amount after the write-down due to impairment, except for investments which are measured at net asset value per share. If Komatsu identifies observable price changes in orderly transactions for identical or similar investments issued by the same issuer, Komatsu measures the equity security at fair value as of the date that the observable transaction occurred.

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

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated by the straight-line method based on the estimated useful lives of the assets.

The estimated useful lives used in computing depreciation of property, plant and equipment are as follows:

Asset	Life
Buildings	2 to 50 years
Machinery and equipment	2 to 20 years

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 removed 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), net in the consolidated statements of income.

(7) Leases

Komatsu has leasing arrangements as a lessee. Komatsu determines if an arrangement is a lease at the inception of each contract in accordance with FASB ASC 842, "Leases". Some of the contracts include lease and non-lease components, which are not separated and accounted all components as those of a single lease. Additionally, Komatsu has adopted the rule in which an entity does not recognize operating lease right-of-use assets regarding operating leases agreement with an initial estimated lease term of twelve months or less.

Komatsu has leasing arrangements as a lessor. Komatsu determines if an arrangement is a lease at the inception of each contract in accordance with FASB ASC 842, "Leases".

The details are as described in Note 17 "Leases".

(8) Goodwill and Other Intangible Assets

Komatsu uses the acquisition method of accounting for business combinations. Goodwill is tested for impairment at least once annually and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Any recognized intangible assets determined to have an indefinite useful life are not to be amortized, but instead tested for impairment at least once annually and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount until its useful life is determined to no longer be indefinite. Intangible assets with finite useful lives 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 estimated using a discounted cash flow valuation model and carrying value.

(9) Revenue Recognition

Komatsu recognizes revenue based on the following five steps in accordance with FASB ASC 606, "Revenue from Contracts with Customers".

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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The details are as described in Note 15 “Revenue”.

Taxes collected from customers and paid to governmental-authorities including consumption taxes are excluded from revenue.

(10) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated 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.
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.

(11) Product Warranties

After the product were sold or delivered, Komatsu repairs and replaces parts free of charge for a certain period in accordance with the contract. Thus, in order to provide for disbursement of the after-sales service costs, provision for product warranties is recognized based on the relevant historical result and is classified as other current liabilities and other liabilities.

(12) 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 (loss), 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 prior service cost due to defined benefit plan amendments is amortized on a straight-line basis over the average remaining service period of employees at the time of occurrence of such cost. 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.

(13) Share-Based Compensation

The Company recognizes share-based compensation expense using the fair value method. The compensation expense for the trust-type stock-based remuneration system is expensed over the service period and recorded at the expected compensation amount.

(14) Per Share Data

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

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(15) 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.

Komatsu's overseas subsidiaries participate in a global cash pooling system based on agreement with a single financial institution, which is used to fund short-term liquidity needs. This agreement contains specific provisions for the right to offset positive and negative cash balances on a global basis. The facility allows for cash withdrawals from this financial institution up to our aggregate cash deposits within the same financial institution. Komatsu's consolidated balance sheets as of March 31, 2025 and 2024 reflect cash net of withdrawals of ¥299,627 million and ¥289,937 million, respectively.

(16) 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 are recognized in earnings in the current period. Changes in the fair values of derivative instruments which designated as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair values of derivative instruments which designated as cash flow hedges are reported in accumulated other comprehensive income (loss), and recognized in earnings when the hedged item is recognized in earnings.

(17) 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.

(18) 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 accordance 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 consolidated financial statements. These are the determination of the useful lives of property, plant and equipment, calculation of the amount of expected credit losses and provision for product warranties, tests of impairment of long-lived assets and goodwill, calculation of liabilities and expenses for pension and retirement benefits, measurement of fair value of financial instruments, judgment regarding the likelihood of recovery of deferred tax assets, uncertainties with regard to income taxes and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates.

Regarding the impact of the disruption and so forth in the supply chain, financial sector, and world economy caused by the Ukraine situation on Komatsu's financial position and results of operations, there is uncertainty regarding when such conditions will improve, among other factors. Nevertheless, Komatsu has assumed that a certain level of impact from the Ukraine situation will continue in the future, based on the information which is available at present and our predictions. Komatsu is making its best estimates taking in the assumption to assess the amount of the expected credit losses, the likelihood of recovery of deferred tax assets and the impairment losses on long-lived assets and goodwill given these items are relatively material among the accounting estimates. However, if actual future trends deviate from the assumption, Komatsu's financial position and results of operations may be adversely affected.

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(19) Recently Adopted Accounting Standards

In November 2023, Financial Accounting Standards Board (hereinafter "FASB") issued Accounting Standards Update (hereinafter "ASU") issued ASU 2023-07 "Improvements to Reportable Segment Disclosures". This update requires an entity to disclose significant segment expenses by reportable segment if they are regularly provided to the chief operating decision maker (CODM) and to provide a qualitative disclosure describing the composition of the other segment items, and so forth. Also, all existing annual disclosures about segment profit or loss must be provided on an interim basis in addition to disclosures of significant segment expenses and other segment items as noted above. Komatsu has adopted this update from the fiscal year beginning on April 1, 2024, and all prior periods presented in the financial statements retrospectively. The amendments in this update are effective for interim reporting periods beginning after December 15, 2024. The adoption of this update had no impact on Komatsu's financial position and results of operations.
The details are as described in Note 24 "Business Segment and Geographic Information".

(20) Recently Issued Accounting Standards Not Yet Adopted

In December 2023, FASB issued ASU 2023-09 "Improvements to Income Tax Disclosures". This update requires an entity to disclose specific variance items in the tax rate reconciliation table from the Japanese statutory tax rates to the effective tax rates, the amount of corporate income taxes paid (domestic and foreign), income from continuing operations before income taxes (domestic and foreign), and income tax expense from continuing operations (domestic and foreign). The amendments in this update apply are effective for annual reporting periods beginning after December 15, 2024. Komatsu is currently considering the impact of this update on its disclosure information. The adoption of this update is not expected to have an impact on Komatsu's financial position and results of operations.

In November 2024, FASB issued ASU 2024-03 "Disaggregation of Income Statement Expenses". This update requires an entity to disclose, in a tabular format, the amounts of purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion included in each expense caption presented on the face of the income statement within continuing operations. Certain amounts of expense that are already required to be disclosed under current U.S. GAAP would need to be included in the same tabular format disclosure as the other disaggregation requirements. The update requires an entity to disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. Also, the update requires an entity to disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses. The amendments in this update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Komatsu is currently considering the impact of this update on its disclosure information. The adoption of this update is not expected to have an impact on Komatsu's financial position and results of operations.

2. Supplemental Cash Flow Information

Additional cash flow information for the fiscal years ended March 31, 2025 and 2024 is as follows:

	Millions of yen	
	2025	2024
Additional cash flow information:		
Interest paid	¥ 58,684	¥ 53,578
Income taxes paid, net	164,059	177,885

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3. Business Combination

American Battery Solutions, Inc.

On December 1, 2023, the Company acquired American Battery Solutions, Inc. (hereinafter "ABS"), a battery manufacturer, through Komatsu America Corp., a wholly owned subsidiary of the Company in the U.S., by purchasing all of the outstanding shares of ABS.

ABS is a battery manufacturer that develops and manufactures a wide variety of battery packs, including lithium-ion batteries for commercial and industrial vehicles, and provides battery systems optimized to each customer's needs. ABS has talented employees with advanced product development knowledge and expertise in addition to their technology to develop and manufacture battery packs with superior performance.

The acquisition of ABS will enable Komatsu to develop and manufacture its own battery optimized to its products which are used under various environments and conditions, through the integration of ABS' battery technology with Komatsu's knowledge and network. After the acquisition, ABS will continue its current business for commercial vehicles as a stand-alone business entity and will aim to become one of the world's leading providers of battery systems in both commercial vehicle and construction & mining equipment markets by acquiring new business opportunities through Komatsu.

Komatsu will accelerate the development of battery-powered electric vehicles with the aim of achieving carbon neutrality by utilizing the newly acquired ABS' battery-related technology.

The fair value measurement of the acquired assets and assumed liabilities under ASC 805, "Business Combinations" was completed. The following table presents the summary of the acquired assets and assumed liabilities after the allocation of acquisition cost on the acquisition date (December 1, 2023).

	Millions of yen	
Consideration		
Cash and cash equivalents	¥	37,102
Fair value of total consideration transferred		37,102
Recognized amounts of identifiable acquired assets and assumed liabilities		
Current assets		5,952
Property, plant and equipment		6,645
Intangible assets		12,437
Other non-current assets		7,224
Total acquired assets		32,258
Current liabilities		(2,762)
Long-term liabilities		(4,494)
Total assumed liabilities		(7,256)
Net acquired assets		25,002
Goodwill		12,100
	¥	37,102

Intangible assets of ¥12,437 million are all intangible assets subject to amortization and primarily consist of the following.

	Millions of yen		
	Gross carrying amount		Amortization period
Trademarks	¥	3,002	10 years
Customer relationships		2,662	10 years
Technology assets		6,714	15 years

The goodwill of ¥12,100 million was assigned to the Construction, Mining and Utility Equipment operating segment. The goodwill is not deductible for tax purposes.

Acquisition-related costs for the fiscal year ended March 31, 2024 were ¥1,264 million and included in selling, general and administrative expenses in the consolidated statements of income for the fiscal year ended March 31, 2024.

ABS' results of operations included in the consolidated statements of income for the fiscal year ended March 31, 2024 since the date of acquisition were immaterial.

Assuming this acquisition had been completed as of April 1, 2022, the impact on Net Sales and Net income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2024 and 2023 would also have been immaterial.

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4. Receivables and Allowance for Credit Losses

(1) Portfolio segments

Since Komatsu manages its receivables and allowance for credit losses by operating segments, the portfolio segments are classified in the same way as the operating segments: 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others.

In the Construction, Mining and Utility Equipment segment and the Industrial Machinery and Others segment, Komatsu mainly holds accounts receivable and notes receivable recorded as consideration for sales of products, parts, services, and others to customers. Komatsu believes that the possibility of losses due to uncollectible is low as these receivables are generally collected within three months.

In the Retail Finance segment, Komatsu provides installment sales and sales-type leases as a lessor for leveling cash payments of its customers when customers purchase primarily Komatsu’s construction and mining equipment. Receivables of retail finance business (hereinafter "retail finance receivables") are secured by collateral, in the form of financed equipment. If Komatsu's collection efforts fail to recover the defaulted situation, Komatsu generally can repossess the financed equipment, after satisfying local legal requirements, and sell it to a third party through Komatsu's dealer network. The collection spans an extended period of time and there is a degree of uncertainty that accompanies the calculation of the estimated credit losses and the calculation of an expected amount recoverable from the collateral. Komatsu recognizes the allowance for credit losses on retail finance receivables utilizing the expected credit loss rates that are calculated based on the average historical loss rates adjusted to reflect forecasted changes in relevant economic indicators such as housing starts. For periods beyond which Komatsu is able to make or obtain reasonable and supportable forecasts of future economic indicators of the entire life of the retail finance receivables, expected credit losses are estimated for the remaining life mainly using an appropriate approach that immediately revert to historical credit loss experiences. For those retail finance receivables with a collectability risk due to deterioration of customer's financial condition or prolonged payment delays, Komatsu individually increases the allowance for credit losses based on the available information at hand such as credit ratings of the customer, status of outstanding receivables, and current market price of the equipment used as collateral. There were no significant changes in methodologies used to estimate the allowance for credit losses during the fiscal year ended March 31, 2025.

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Changes in the allowance for credit losses by segments for the fiscal year ended March 31, 2025 and 2024 are as follows:

	Millions of yen		
	2025		
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others
Allowance for Credit Losses:			
Balance at beginning of year	¥ 13,294	¥ 20,590	¥ 195
Provision	170	6,583	7
Write-offs	(1,062)	(4,005)	—
Other	66	620	—
Balance at end of year	¥ 12,468	¥ 23,788	¥ 202
Receivables (before deducting allowance for credit losses):			
Balance at end of year	¥ 762,433	¥ 1,283,602	¥ 72,956

	Millions of yen		
	2024		
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others
Allowance for Credit Losses:			
Balance at beginning of year	¥ 7,325	¥ 15,160	¥ 170
Adjustments to adopt new accounting standards	562	1,676	—
Provision	2,629	3,851	(12)
Write-offs	(873)	(3,140)	(112)
Other	3,651	3,043	149
Balance at end of year	¥ 13,294	¥ 20,590	¥ 195
Receivables (before deducting allowance for credit losses):			
Balance at end of year	¥ 721,810	¥ 1,205,443	¥ 58,628

Since the risk of uncollectible is low for receivables in the Construction, Mining and Utility Equipment segment and the Industrial Machinery and Others segment due to collection in a short term, the disclosure of these segments is omitted for subsequent items.

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(2) Credit quality of receivables

Komatsu considers that retail finance receivables are past due, if unpaid for more than 30 days after its due date. Komatsu classifies retail finance receivables by geographic region since credit risk assessment and measurement methods are similar in each region.

The retail finance receivables by the aging category and by origination fiscal year at March 31, 2025 and 2024 are as follows:

	Millions of yen						
	2025						
Region	Origination fiscal year ending March 31						
Past due date	2025	2024	2023	2022	2021	Prior	Total
Japan							
Within due and 30 days or less past due	¥ 17,063	¥ 12,148	¥ 7,178	¥ 4,346	¥ 2,346	¥ 168	¥ 43,249
31-90 days past due	1	1	—	—	—	—	2
Over 90 days past due	—	1	2	—	—	—	3
Total	17,064	12,150	7,180	4,346	2,346	168	43,254
North America							
Within due and 30 days or less past due	519,769	231,477	101,370	31,437	8,381	2,528	894,962
31-90 days past due	172	328	209	173	86	22	990
Over 90 days past due	14	81	233	260	166	432	1,186
Total	519,955	231,886	101,812	31,870	8,633	2,982	897,138
Latin America							
Within due and 30 days or less past due	40,852	17,375	8,059	5,227	1,365	179	73,057
31-90 days past due	160	193	212	112	—	—	677
Over 90 days past due	49	45	115	105	23	6,250	6,587
Total	41,061	17,613	8,386	5,444	1,388	6,429	80,321
Europe							
Within due and 30 days or less past due	46,621	38,323	22,264	9,424	2,243	979	119,854
31-90 days past due	26	5	20	12	3	2	68
Over 90 days past due	4	268	298	195	6	3	774
Total	46,651	38,596	22,582	9,631	2,252	984	120,696
Oceania							
Within due and 30 days or less past due	40,163	23,776	18,785	4,542	1,300	152	88,718
31-90 days past due	—	—	19	13	—	2	34
Over 90 days past due	—	—	—	—	—	—	—
Total	40,163	23,776	18,804	4,555	1,300	154	88,752
Others							
Within due and 30 days or less past due	22,673	18,585	5,695	3,341	253	—	50,547
31-90 days past due	138	84	471	42	17	—	752
Over 90 days past due	12	1,105	293	260	111	361	2,142
Total	22,823	19,774	6,459	3,643	381	361	53,441
Totals by Aging Category							
Within due and 30 days or less past due	687,141	341,684	163,351	58,317	15,888	4,006	1,270,387
31-90 days past due	497	611	931	352	106	26	2,523
Over 90 days past due	79	1,500	941	820	306	7,046	10,692
Total	¥ 687,717	¥ 343,795	¥ 165,223	¥ 59,489	¥ 16,300	¥ 11,078	¥1,283,602

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	Millions of yen						
	2024						
Region	Origination fiscal year ending March 31						
Past due date	2024	2023	2022	2021	2020	Prior	Total
Japan							
Within due and 30 days or less past due	¥ 16,349	¥ 10,166	¥ 6,890	¥ 5,234	¥ 2,179	¥ 161	¥ 40,979
31-90 days past due	—	1	—	1	—	—	2
Over 90 days past due	—	1	—	2	—	—	3
Total	16,349	10,168	6,890	5,237	2,179	161	40,984
North America							
Within due and 30 days or less past due	459,304	212,778	106,952	45,829	11,277	625	836,765
31-90 days past due	119	206	232	145	305	23	1,030
Over 90 days past due	34	185	336	318	493	296	1,662
Total	459,457	213,169	107,520	46,292	12,075	944	839,457
Latin America							
Within due and 30 days or less past due	30,755	15,847	10,453	2,870	558	1,587	62,070
31-90 days past due	110	439	229	61	39	302	1,180
Over 90 days past due	42	111	199	24	756	4,494	5,626
Total	30,907	16,397	10,881	2,955	1,353	6,383	68,876
Europe							
Within due and 30 days or less past due	70,322	38,278	20,383	6,783	2,913	861	139,540
31-90 days past due	264	49	109	1	4	2	429
Over 90 days past due	476	124	75	5	3	3	686
Total	71,062	38,451	20,567	6,789	2,920	866	140,655
Oceania							
Within due and 30 days or less past due	33,597	30,289	11,673	4,576	2,293	537	82,965
31-90 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total	33,597	30,289	11,673	4,576	2,293	537	82,965
Others							
Within due and 30 days or less past due	13,016	7,914	8,555	2,006	29	—	31,520
31-90 days past due	13	43	122	65	16	—	259
Over 90 days past due	—	30	74	98	285	240	727
Total	13,029	7,987	8,751	2,169	330	240	32,506
Totals by Aging Category							
Within due and 30 days or less past due	623,343	315,272	164,906	67,298	19,249	3,771	1,193,839
31-90 days past due	506	738	692	273	364	327	2,900
Over 90 days past due	552	451	684	447	1,537	5,033	8,704
Total	¥ 624,401	¥ 316,461	¥ 166,282	¥ 68,018	¥ 21,150	¥ 9,131	¥1,205,443

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Gross write-offs by origination fiscal year during the fiscal year ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Millions of yen
Fiscal year ending March 31	2025	Fiscal year ending March 31	2024
2025	¥ 140	2024	¥ 337
2024	1,201	2023	1,107
2023	986	2022	871
2022	693	2021	354
2021	415	2020	319
Prior	570	Prior	152
Total	¥ 4,005	Total	¥ 3,140

(3) Non-accrual receivables

Recognition of income is suspended and the retail finance receivable is placed on non-accrual status when Komatsu determines that collection of future income is not probable. Retail finance receivables on non-accrual status are generally more than 90 days past due. Payments received while the retail finance receivable is on non-accrual status are applied to interest and principal in accordance with the contractual terms. Recognition of income is resumed when collection is considered probable as evidenced by continual payments from the debtor. Interest earned but uncollected prior to the retail finance receivable being placed on non-accrual status is written off through provision for credit losses when it is considered uncollectible.

Interest income recognized for retail finance receivables on non-accrual status were not material during the fiscal year ended March 31, 2025 and 2024.

Retail finance receivables which are on non-accrual status and retail finance receivables over 90 days past due and still accruing income at March 31, 2025 and 2024 are as follows:

	Millions of yen		
	2025		
	Non-accrual with an allowance	Non-accrual without an allowance	Over 90 days past due still accruing
Japan	¥ —	¥ —	¥ 3
North America	3,782	2,574	1,068
Latin America	6,375	—	213
Europe	—	—	774
Oceania	—	—	—
Others	549	—	1,601
Total	¥ 10,706	¥ 2,574	¥ 3,659

	Millions of yen		
	2024		
	Non-accrual with an allowance	Non-accrual without an allowance	Over 90 days past due still accruing
Japan	¥ —	¥ —	¥ 3
North America	3,448	—	1,275
Latin America	5,450	—	176
Europe	—	—	686
Oceania	—	—	—
Others	596	—	131
Total	¥ 9,494	¥ —	¥ 2,271

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(4) Modifications
Komatsu may modify loan terms such as reduction of interest payments, extension of the maturity period, or revision of the repayment schedule in response to the debtor's financial difficulties.
Loan modifications granted to debtors experiencing financial difficulty were not material during the fiscal year ended March 31, 2025 and 2024. The effect of most modifications made to debtors experiencing financial difficulty is already included in the allowance for credit losses based on the methodologies used to estimate the allowance; therefore, a change to the allowance for credit losses is generally not recorded upon modification.
The amount of defaulted retail finance receivables was not material during the fiscal year ended March 31, 2025 and 2024.

5. Inventories

At March 31, 2025 and 2024, inventories comprise the following:

	Millions of yen	
	2025	2024
Finished products, including finished parts held for sale	¥ 1,003,169	¥ 1,020,239
Work in process	278,445	279,618
Materials and supplies	125,044	138,838
Total	¥ 1,406,658	¥ 1,438,695

6. Investment Securities

The realized gains and losses and gross unrealized holding gains and losses for such equity securities which are recorded in other income (expenses), net in the accompanying consolidated statements of income, respectively, for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Net gains and losses recognized during the year on equity securities	¥ (433)	¥ (1,241)
Less: net gains and losses recognized during the year on equity securities sold during the year	—	4
Unrealized gains and losses recognized during the year on equity securities still held as of March 31, 2025 and 2024	¥ (433)	¥ (1,245)

Komatsu measures equity securities without readily determinable fair values at the carrying amount after the write-down due to impairment, except for investments which are measured at net asset value per share. If Komatsu identifies observable price changes in orderly transactions for identical or similar investments issued by the same issuer, Komatsu measures the equity security at fair value as of the date that the observable transaction occurred. As of March 31, 2025 and 2024, the carrying amounts of these investments were ¥10,636 million and ¥10,267 million, respectively. Any impairment or any adjustment relating to observable price changes recorded until March 31, 2025 and 2024 were not material.

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7. Investments in and Advances to Affiliated Companies

At March 31, 2025 and 2024, investments in and advances to affiliated companies comprised the following:

	Millions of yen	
	2025	2024
Investments in capital stock	¥ 77,751	¥ 63,548
Advances	3,416	3,777
Total	¥ 81,167	¥ 67,325

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

At March 31, 2025 and 2024, trade notes and accounts receivable and short-term loans receivable from and trade notes, bills and accounts payable to affiliated companies comprised the following:

	Millions of yen	
	2025	2024
Trade notes and accounts receivable, net	¥ 44,022	¥ 49,031
Short-term loans receivable	4,003	4,495
Trade notes, bills and accounts payable	8,341	6,911

Net sales to and dividends received from affiliated companies for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Net sales	¥ 142,382	¥ 132,872
Dividends	6,234	2,766

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

As of March 31, 2025 and 2024, consolidated unappropriated retained earnings included Komatsu's share of undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥46,447 million and ¥42,275 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, 2025 and 2024.

Summarized financial information for affiliated companies as of March 31, 2025 and 2024, and for the fiscal years ended March 31, 2025 and 2024 is as follows:

	Millions of yen	
	2025	2024
Current assets	¥ 255,960	¥ 247,431
Net property, plant and equipment – less accumulated depreciation	68,239	69,315
Investments and other assets	58,843	60,328
Total assets	¥ 383,042	¥ 377,074
Current liabilities	¥ 148,072	¥ 146,938
Long-term liabilities	58,105	62,230
Equity	176,865	167,906
Total liabilities and equity	¥ 383,042	¥ 377,074

	Millions of yen	
	2025	2024
Net sales	¥ 371,809	¥ 347,144
Net income	27,581	24,573

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8. Property, Plant and Equipment

The major classes of property, plant and equipment at March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Land	¥ 123,603	¥ 124,909
Buildings	675,876	665,437
Machinery and equipment	847,845	830,647
Equipment leased to others	309,103	338,294
Construction in progress	57,232	39,537
Total	2,013,659	1,998,824
Less: accumulated depreciation	(1,099,376)	(1,090,769)
Net property, plant and equipment	¥ 914,283	¥ 908,055

Depreciation for the fiscal years ended March 31, 2025 and 2024 were ¥128,207 million and ¥124,194 million, respectively.

9. Goodwill and Other Intangible Assets

Other intangible assets other than goodwill at March 31, 2025 and 2024 are as follows:

	Millions of yen					
	2025			2024		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥ 110,986	¥ (60,268)	¥ 50,718	¥ 103,501	¥ (55,462)	¥ 48,039
Leasehold	6,656	(2,013)	4,643	8,211	(2,431)	5,780
Trademarks	78,311	(40,114)	38,197	76,479	(34,977)	41,502
Customer relationships	80,238	(41,319)	38,919	79,838	(36,527)	43,311
Technology assets	47,024	(21,516)	25,508	47,452	(18,129)	29,323
Other	10,036	(6,421)	3,615	10,372	(6,415)	3,957
Total	333,251	(171,651)	161,600	325,853	(153,941)	171,912
Other intangible assets not subject to amortization			8,353			8,491
Total other intangible assets			¥ 169,953			¥ 180,403

The aggregate amortization expense of other intangible assets subject to amortization for the fiscal years ended March 31, 2025 and 2024 were ¥31,308 million and ¥29,587 million, respectively.

At March 31, 2025, 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
2026	¥ 30,822
2027	28,532
2028	25,058
2029	21,489
2030	18,302

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The changes in carrying amounts of goodwill by operating segment for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Balance at March 31, 2023				
Goodwill	¥ 217,302	¥ 880	¥ 15,017	¥ 233,199
Accumulated impairment losses	(12,203)	—	(13,936)	(26,139)
	205,099	880	1,081	207,060
Goodwill acquired during the year	17,469	—	—	17,469
Foreign exchange impact and other	23,773	91	—	23,864
Balance at March 31, 2024				
Goodwill	258,544	971	15,017	274,532
Accumulated impairment losses	(12,203)	—	(13,936)	(26,139)
	246,341	971	1,081	248,393
Goodwill acquired during the year	5,130	—	—	5,130
Foreign exchange impact and other	(7,641)	(49)	—	(7,690)
Balance at March 31, 2025				
Goodwill	256,033	922	15,017	271,972
Accumulated impairment losses	(12,203)	—	(13,936)	(26,139)
	¥ 243,830	¥ 922	¥ 1,081	¥ 245,833

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10. Short-Term and Long-Term Debt

(1) Short-term debt at March 31, 2025 and 2024 consisted of the following:

	Millions of yen	
	2025	2024
Banks, insurance companies and other financial institutions	¥ 188,282	¥ 256,760
Commercial paper	188,044	183,859
Short-term debt	¥ 376,326	¥ 440,619

The weighted-average annual interest rates applicable to short-term debt outstanding at March 31, 2025 and 2024 were 4.4% and 5.5%, respectively.

The Company and certain consolidated subsidiaries have entered into contracts for committed credit lines totaling ¥342,827 million and have unused committed lines of credit amounting to ¥305,239 million with certain financial institutions at March 31, 2025 which are available for full and immediate borrowings. The Company and Komatsu Finance America Inc. have ¥240,000 million and U.S.$1,000 million commercial paper program, respectively. The unused amounts of ¥194,000 million and U.S.$50 million at March 31, 2025 are available upon the satisfaction of certain customary procedural requirements.

(2) Long-term debt at March 31, 2025 and 2024 consisted of the following:

	Millions of yen	
	2025	2024
Long-term debt without collateral:		
Banks, insurance companies and other financial institutions maturing serially through 2025–2032, weighted-average rate 4.2%	¥ 456,937	¥ 420,328
Euro Medium Term Notes maturing serially through 2025–2029, weighted-average rate 3.0%	135,556	175,147
0.11% Unsecured Bonds due 2024	—	20,000
0.13% Unsecured Bonds due 2025	10,000	10,000
0.24% Unsecured Bonds due 2026	20,000	20,000
5.50% Unsecured Bonds due 2027	89,555	90,635
0.61% Unsecured Bonds due 2027	20,000	—
0.34% Unsecured Bonds due 2028	20,000	20,000
0.80% Unsecured Bonds due 2029	20,000	—
Other	2,223	2,641
Total	774,271	758,751
Less: current maturities	(278,082)	(140,359)
Long-term debt	¥ 496,189	¥ 618,392

(3) The Company, Komatsu Finance America Inc. and Komatsu Europe Coordination Center N.V. registered as an issuer under the Euro Medium Term Note (hereinafter “EMTN”) program on the London Stock Exchange, and from this fiscal year on Singapore Exchange Securities Trading Limited. The registered amount of the EMTN program at March 31, 2025 and 2024 both were U.S.$2,200 million.

Under the EMTN 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 EMTN program issued ¥48,567 million during the fiscal year ended March 31, 2025 and ¥33,074 million during the fiscal year ended March 31, 2024.

In November 2024, the Company’s bond program was renewed so that it could issue up to ¥100,000 million of variable-term bonds within a two-year period. As of March 31, 2025, ¥100,000 million remained unused under this program. Komatsu Finance America Inc. issued U.S.$600 million of variable-term bonds within a five-year period in October 2022. On the other hand, ¥90,000 million in the aggregate principal amount of bonds outstanding as of March 31, 2025 was issued under the past bond program prior to its 2024 renewal.

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(4) As is customary in Japan, substantially all long-term and short-term bank loans are made under general agreements.

(5) Maturities of long-term debt at March 31, 2025 and 2024 respectively are as follows. There are no market value adjustments to the amounts of 2025 and 2024.

	Millions of yen	
	2025	2024
Due within one year	¥ 278,082	¥ 140,359
Due after one year through two years	161,533	309,039
Due after two years through three years	215,510	116,949
Due after three years through four years	31,702	144,325
Due after four years through five years	85,851	31,892
Due after five years	1,593	16,187
Total	¥ 774,271	¥ 758,751

11. Trade Payables

The Company and certain consolidated subsidiaries have entered into agreements with third-party financial institutions for supplier finance programs. Komatsu makes payments to third-party financial institutions after 60 to 120 days based on the transaction agreements entered into with each supplier. The financial institutions offer earlier payment of the invoices at the sole discretion of the supplier for a discounted amount based on the tripartite agreements between Komatsu, the suppliers, and the financial institutions. Komatsu does not provide pledged assets or any other forms of guarantees from third parties for these programs. The amounts of liabilities under the supplier finance programs at March 31, 2025 and at March 31, 2024 are ¥25,963 million and ¥36,514 million, respectively, and are included in trade notes, bills and accounts payable in the accompanying consolidated balance sheets.

Changes in the liabilities under the supplier finance programs for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Balance at beginning of year	¥ 36,514	¥ 48,519
Increase	138,046	185,119
Decrease	(148,597)	(197,124)
Balance at end of year	¥ 25,963	¥ 36,514

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12. Liability for Pension and Other Retirement Benefits

The Company's employees, with certain minor exceptions, are covered by a defined benefit pension plan consisting of a lump-sum severance payment and a defined benefit cash balance pension plan. Under the plan, the amount of retirement benefit payments is calculated based on the accumulated number of points added every year according to each employee's remuneration level and performance evaluation and market related interest rate. The plan provides that approximately 60% of the retirement benefits are payable as a pension payment and that the remaining benefits are payable as a lump-sum severance payment. The plan also provides for retirement benefit payments, payable upon earlier termination of employment.

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. Komatsu's 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			
	2025		2024	
	Domestic	Overseas	Domestic	Overseas
Change in benefit obligations:				
Benefit obligations, beginning of year	¥ 140,480	¥ 227,232	¥ 139,666	¥ 205,480
Service cost	7,283	1,291	7,836	993
Interest cost	1,147	11,792	547	10,921
Actuarial loss (gain)	(9,692)	(10,511)	(1,317)	(2,180)
Plan participants' contributions	—	219	—	191
Effect of changes in consolidated subsidiaries	—	490	—	—
Plan amendment	25	—	—	—
Settlements and curtailments	(7,449)	—	(372)	(57)
Benefits paid	(11,162)	(24,325)	(5,880)	(16,693)
Foreign currency exchange rate change	—	(762)	—	28,577
Benefit obligations, end of year	¥ 120,632	¥ 205,426	¥ 140,480	¥ 227,232
Change in plan assets:				
Fair value of plan assets, beginning of year	¥ 90,572	¥ 214,266	¥ 83,296	¥ 194,653
Actual return on plan assets	820	2,079	6,854	6,343
Employers' contributions	3,246	2,133	3,374	2,000
Plan participants' contributions	—	219	—	191
Settlements	—	—	(188)	(57)
Benefits paid	(4,522)	(23,683)	(2,764)	(16,169)
Foreign currency exchange rate change	—	(335)	—	27,305
Fair value of plan assets, end of year	¥ 90,116	¥ 194,679	¥ 90,572	¥ 214,266
Funded status, end of year	¥ (30,516)	¥ (10,747)	¥ (49,908)	¥ (12,966)

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Amounts recognized in the consolidated balance sheets at March 31, 2025 and 2024 are as follows:

	Millions of yen			
	2025		2024	
	Domestic	Overseas	Domestic	Overseas
Deferred income taxes and other assets	¥ —	¥ 21,946	¥ —	¥ 19,813
Other current liabilities	(135)	(859)	(84)	(837)
Liability for pension and retirement benefits	(30,381)	(31,834)	(49,824)	(31,942)
	¥ (30,516)	¥ (10,747)	¥ (49,908)	¥ (12,966)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2025 and 2024 are as follows:

	Millions of yen			
	2025		2024	
	Domestic	Overseas	Domestic	Overseas
Actuarial loss	¥ (7,776)	¥ 19,689	¥ 1,477	¥ 20,314
Prior service cost	10,695	939	11,902	1,117
	¥ 2,919	¥ 20,628	¥ 13,379	¥ 21,431

The accumulated benefit obligations for all defined benefit plans at March 31, 2025 and 2024 are as follows:

	Millions of yen			
	2025		2024	
	Domestic	Overseas	Domestic	Overseas
Accumulated benefit obligations	¥ 111,445	¥ 203,103	¥ 122,314	¥ 225,132

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			
	2025		2024	
	Domestic	Overseas	Domestic	Overseas
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	¥ 111,445	¥ 119,423	¥ 122,314	¥ 129,228
Fair value of plan assets	90,116	89,136	90,572	98,168
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	¥ 120,632	¥ 122,164	¥ 140,480	¥ 130,947
Fair value of plan assets	90,116	89,471	90,572	98,168

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Net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2025 and 2024 consisted of the following components:

	Millions of yen			
	2025		2024	
	Domestic	Overseas	Domestic	Overseas
Service cost	¥ 7,283	¥ 1,291	¥ 7,836	¥ 993
Interest cost on projected benefit obligations	1,147	11,792	547	10,921
Expected return on plan assets	(1,351)	(12,417)	(1,315)	(11,454)
Amortization of actuarial loss or gain	—	452	5	250
Amortization of prior service cost	863	178	838	255
Gains recognized due to partial settlements and curtailments	(283)	—	(59)	(14)
Net periodic cost	¥ 7,659	¥ 1,296	¥ 7,852	¥ 951

Net periodic cost components other than the service cost are recorded in other income (expenses), net in the accompanying consolidated statements of income.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2025 and 2024 are summarized as follows:

	Millions of yen			
	2025		2024	
	Domestic	Overseas	Domestic	Overseas
Current year actuarial loss (gain)	¥ (9,161)	¥ (173)	¥ (6,856)	¥ 2,931
Amortization of actuarial loss or gain	(92)	(452)	(30)	(250)
Current year prior service cost	25	—	—	—
Amortization of prior service cost	(1,232)	(178)	(838)	(255)
	¥ (10,460)	¥ (803)	¥ (7,724)	¥ 2,426

Weighted-average assumptions used to determine benefit obligations of Komatsu's defined benefit plans at March 31, 2025 and 2024 are as follows:

	2025		2024	
	Domestic	Overseas	Domestic	Overseas
Discount rate	1.8%	5.6%	1.0%	5.3%
Assumed rate of increase in future compensation levels (Point-based benefit system)	4.0%	—	4.0%	—
Assumed rate of increase in future compensation levels	—	3.7%	—	3.8%
Interest crediting rate for cash balance plans	1.1%	—	1.0%	—

Weighted-average assumptions used to determine net periodic cost of Komatsu's defined benefit plans for the fiscal years ended March 31, 2025 and 2024 are as follows:

	2025		2024	
	Domestic	Overseas	Domestic	Overseas
Discount rate	1.0%	5.3%	0.7%	5.2%
Assumed rate of increase in future compensation levels (Point-based benefit system)	4.0%	—	4.1%	—
Assumed rate of increase in future compensation levels	—	3.8%	—	3.8%
Expected long-term rate of return on plan assets	1.5%	5.9%	1.5%	5.6%
Interest crediting rate for cash balance plans	1.0%	—	1.0%	—

The Company and certain Japanese subsidiaries 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.
Komatsu determines 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.

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Plan assets

In order to secure long-term comprehensive earnings, Komatsu's investment policy is 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, Komatsu formulates 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. Komatsu evaluates 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. Komatsu revises 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 performance of such plan assets.

The Company and its Japanese subsidiaries' targeted basic portfolio for plan assets consists of three major components: approximately 20% invested in equity securities, approximately 30% invested in debt securities, and approximately 50% invested in other assets, primarily consisting of investments in life insurance company general accounts. Foreign subsidiaries' targeted basic portfolio for plan assets, which varies by country, primarily consists of as follows: approximately 35% invested in equity securities and approximately 65% invested in 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 investee companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds, municipal bonds, and corporate bonds. Prior to investing, Komatsu has investigated the quality of the issue, including credit rating, interest rate and repayment dates, and has appropriately diversified the investments. 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 fully described in Note 22.

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The fair values of benefit plan assets at March 31, 2025 and 2024 by asset class are as follows:

	Millions of yen									
	Domestic					Overseas				
At March 31, 2025	Level 1	Level 2	Level 3	Investments measured at net asset value	Total	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Plan assets										
Cash	¥ 10,576	¥ —	¥ —	¥ —	¥ 10,576	¥ 15,340	¥ —	¥ —	¥ —	¥ 15,340
Equity securities										
Japanese equities	9,497	—	—	—	9,497	—	—	—	—	—
Foreign equities	7,379	—	—	—	7,379	3,492	28,473	—	62	32,027
Debt securities										
Government bonds and municipal bonds	17,360	—	—	—	17,360	1,040	45,439	—	—	46,479
Corporate bonds	—	3,522	—	—	3,522	3,138	85,350	1,429	—	89,917
Other assets										
Life insurance company general accounts	—	38,329	—	—	38,329	—	—	—	—	—
Other	228	931	8	2,286	3,453	482	(2,753)	13,187	—	10,916
Total	¥ 45,040	¥ 42,782	¥ 8	¥ 2,286	¥ 90,116	¥ 23,492	¥ 156,509	¥ 14,616	¥ 62	¥ 194,679

	Millions of yen									
	Domestic					Overseas				
At March 31, 2024	Level 1	Level 2	Level 3	Investments measured at net asset value	Total	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Plan assets										
Cash	¥ 1,047	¥ —	¥ —	¥ —	¥ 1,047	¥ 10,318	¥ —	¥ —	¥ —	¥ 10,318
Equity securities										
Japanese equities	11,230	—	—	—	11,230	—	1,031	—	—	1,031
Foreign equities	12,790	—	—	—	12,790	3,636	38,599	—	58	42,293
Debt securities										
Government bonds and municipal bonds	17,259	—	—	—	17,259	893	46,631	—	—	47,524
Corporate bonds	—	3,779	—	—	3,779	386	95,338	1,742	—	97,466
Other assets										
Life insurance company general accounts	—	39,119	—	—	39,119	—	—	—	—	—
Other	325	784	1,054	3,185	5,348	470	(746)	15,910	—	15,634
Total	¥ 42,651	¥ 43,682	¥ 1,054	¥ 3,185	¥ 90,572	¥ 15,703	¥ 180,853	¥ 17,652	¥ 58	¥ 214,266

(1) The plan's equity securities include common stock of the Company in the amount of ¥30 million and ¥55 million at March 31, 2025 and 2024 respectively.
(2) The plan's government bonds and municipal bonds include approximately 10% Japanese bonds and 90% foreign bonds.

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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 equity securities, debt securities and investments in life insurance company general accounts. Equity and 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 mainly consist of the U.K. buy-in contracts held by foreign subsidiaries. The amount of these buy-in contracts are ¥13,051 million and ¥15,910 million at March 31, 2025 and 2024 respectively. These buy-in contracts are categorized as Level 3 due to the lack of active markets for these types of investments and the use of unobservable measurement inputs. Amounts of actual returns on, purchases and sales of, these buy-in contracts for the fiscal years ended March 31, 2025 and 2024 are not material.
Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the three-level fair value hierarchy but have been recorded separately.

Cash flows

(1) Contributions

Komatsu expects to contribute ¥3,178 million and ¥1,203 million to their domestic benefit plans and their overseas benefit plans, respectively in the fiscal year ending March 31, 2026.

(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:

	Millions of yen	
Fiscal year ending March 31	Domestic	Overseas
2026	¥ 5,877	¥ 16,537
2027	6,714	16,330
2028	7,374	16,217
2029	7,163	16,099
2030	8,031	15,980
Through 2031-2035	39,299	76,824

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Other postretirement benefit plans

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	
	2025	2024
Change in accumulated postretirement benefit obligations:		
Accumulated postretirement benefit obligations, beginning of year	¥ 12,668	¥ 11,682
Service cost	392	406
Interest cost	658	632
Actuarial loss (gain)	45	(393)
Plan amendment	(77)	—
Settlements	(41)	—
Benefits paid	(823)	(1,222)
Foreign currency exchange rate change	(162)	1,563
Accumulated postretirement benefit obligation, end of year	¥ 12,660	¥ 12,668
Change in plan assets:		
Fair value of plan assets, beginning of year	¥ 12,601	¥ 10,881
Actual return on plan assets	586	1,033
Employers' contributions	282	239
Settlements	(41)	—
Benefits paid	(663)	(1,022)
Foreign currency exchange rate change	(163)	1,470
Fair value of plan assets, end of year	¥ 12,602	¥ 12,601
Funded status, end of year	¥ (58)	¥ (67)

Amounts recognized in the consolidated balance sheets at March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Deferred income taxes and other assets	¥ 6,417	¥ 5,956
Other current liabilities	(181)	(194)
Liability for pension and retirement benefits	(6,294)	(5,829)
	¥ (58)	¥ (67)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Actuarial loss (gain)	¥ (1,478)	¥ (1,939)
Prior service cost	(814)	(1,101)
	¥ (2,292)	¥ (3,040)

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

Net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2025 and 2024 included the following components:

	Millions of yen	
	2025	2024
Service cost	¥ 392	¥ 406
Interest cost on projected benefit obligations	658	632
Expected return on plan assets	(764)	(668)
Amortization of actuarial loss or gain	(218)	(168)
Amortization of prior service cost	(364)	(339)
Gains recognized due to partial settlements	(20)	—
Net periodic cost	¥ (316)	¥ (137)

Net periodic cost components other than the service cost are recorded in other income (expenses), net in the accompanying consolidated statements of income.

Other changes in plan assets and accumulated postretirement benefit obligations recognized in other comprehensive income (loss) for the fiscal years ended March 31, 2025 and 2024 are summarized as follows:

	Millions of yen	
	2025	2024
Current year actuarial loss (gain)	¥ 223	¥ (758)
Amortization of actuarial loss or gain	238	168
Current year prior service cost	(77)	—
Amortization of prior service cost	364	339
	¥ 748	¥ (251)

Weighted-average assumptions used to determine accumulated postretirement benefit obligations of the U.S. subsidiaries' plans at March 31, 2025 and 2024 are as follows:

	2025	2024
Discount rate	5.5%	5.4%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Current healthcare cost trend rate	6.4%	6.6%
Ultimate healthcare cost trend rate	5.0%	5.0%
Number of years to reach ultimate healthcare cost trend rate	6	7

Weighted-average assumptions used to determine net periodic cost of the U.S. subsidiaries' plans for the fiscal years ended March 31, 2025 and 2024 are as follows:

	2025	2024
Discount rate	5.4%	5.3%
Assumed rate of increase in future compensation levels	4.0%	4.0%
Expected long-term rate of return on plan assets	6.2%	5.9%
Current healthcare cost trend rate	6.6%	6.8%
Ultimate healthcare cost trend rate	5.0%	5.0%
Number of years to reach ultimate healthcare cost trend rate	7	8

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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 is 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, the U.S. subsidiaries have 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, municipal bonds, and corporate bonds. Prior to investing, the U.S. subsidiaries have investigated the quality of the issue, including credit rating, interest rate and repayment dates, and have appropriately diversified the investments. There is no significant concentration of risk within the portfolio of investments.

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

The fair values of postretirement benefit plan assets at March 31, 2025 and 2024 by asset class are as follows:

	Millions of yen				
At March 31, 2025	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Plan assets					
Cash	¥ 376	¥ —	¥ —	¥ —	¥ 376
Equity securities					
Foreign equities	3,840	416	—	—	4,256
Debt securities					
Government bonds and municipal bonds	1,140	4,248	—	—	5,388
Corporate bonds	502	1,848	—	—	2,350
Other assets					
Other	—	232	—	—	232
Total	¥ 5,858	¥ 6,744	¥ —	¥ —	¥ 12,602

	Millions of yen				
At March 31, 2024	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Plan assets					
Cash	¥ 366	¥ —	¥ —	¥ —	¥ 366
Equity securities					
Foreign equities	4,521	—	—	—	4,521
Debt securities					
Government bonds and municipal bonds	1,269	4,421	—	—	5,690
Corporate bonds	492	1,251	—	—	1,743
Other assets					
Other	281	—	—	—	281
Total	¥ 6,929	¥ 5,672	¥ —	¥ —	¥ 12,601

Note: The plan's government bonds consist of U.S. government bonds.

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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 do not expect to contribute to their postretirement benefit plans in the fiscal year ending March 31, 2026.

(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:

Fiscal year ending March 31	Millions of yen
2026	¥ 1,051
2027	1,025
2028	1,005
2029	1,016
2030	1,041
Through 2031-2035	5,312

Directors of Japanese subsidiaries are primarily covered by unfunded retirement allowance plans. At March 31, 2025 and 2024, 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 financial position and results of operations for any of the periods presented.

The Company and certain subsidiaries maintain various defined contribution plans covering certain employees. The amount of cost recognized for the fiscal years ended March 31, 2025 and 2024 are ¥15,166 million and ¥18,360 million, respectively.

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13. Komatsu Ltd. Shareholders' Equity

(1) The Company's common shares owned by affiliated companies at March 31, 2025 and 2024 both were 675,000 shares which represent 0.07% of the Company's common shares outstanding.

(2) Although The Companies Act of Japan (hereinafter "the Act") imposes certain limitations on the amount of retained earnings available for dividends, total shareholders' equity of ¥715,828 million, included in the Company's general books of account as of March 31, 2025 is available for dividends under the Act.
The payment of a cash dividend totaling ¥98,823 million to shareholders of record on March 31, 2025 will be discussed at the Ordinary General Meeting of Shareholders to be held on June 19, 2025. The dividend has not been reflected in the consolidated financial statements as of March 31, 2025. Dividends are reported in the consolidated statements of equity when they are approved.

(3) The Company's Board of Directors resolved the acquisition of treasury stock pursuant to Article 156 of the Companies Act of Japan as modified by Paragraph 3, Article 165 of the Act, and the Company retired repurchased shares pursuant to Article 178 of the Act at the meeting of the Board of Directors held on April 26, 2024. By October 30, 2024, the Company repurchased and retired 22,857,500 shares on the above resolutions. The purchasing and retiring amounts are ¥100,000 million and ¥67,636 million respectively. The difference of the amounts is due to the difference between the purchasing price and moving average book value of the shares.

(4) The Company had a stock option plan as stock-based remuneration.

The stock option plans resolved by the meeting of the Board of Directors held in and after July 2010.
The right to purchase the Company's shares has been granted at an exercise price of ¥1 per share to directors and certain employees, and certain representative directors of major subsidiaries.

The Company transfers treasury stock without issuance of new stock when the Stock Acquisition Rights are exercised.
The following table summarizes information about stock option activities for the fiscal years ended March 31, 2025 and 2024:

	2025		2024	
	Number of shares	Weighted average exercise price Yen	Number of shares	Weighted average exercise price Yen
Outstanding at beginning of year	56,100	¥ 1	96,700	¥ 1
Exercised	(44,900)	1	(40,600)	1
Forfeited	—	—	—	—
Outstanding at end of year	11,200	1	56,100	1
Exercisable at end of year	11,200	1	56,100	1

The intrinsic values of options exercised were ¥206 million and ¥157 million for the fiscal years ended March 31, 2025 and 2024.
The information for options outstanding and options exercisable at March 31, 2025 is as follows:

Outstanding				Options Exercisable			
Number of shares	Weighted average exercise price Yen	Intrinsic value Millions of yen	Weighted average remaining contractual life Years	Number of shares	Weighted average exercise price Yen	Intrinsic value Millions of yen	Weighted average remaining contractual life Years
11,200	¥ 1	¥ 48	0.3	11,200	¥ 1	¥ 48	0.3

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(5) From the fiscal year ended March 31, 2019, the Company had introduced a new compensation plan, i.e., the restricted stock compensation system for the purpose of providing directors (other than outside directors) and employees of the Company and directors and employees of major subsidiaries (hereinafter the "Eligible Directors, etc.") with medium- to long-term incentives and advance in sharing value between the directors and shareholders of the Company. The system is comprised of the following two compensation systems:

Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)
As an alternative to stock acquisition rights which have been granted as stock-based remuneration, the Company shall determine the amount of remuneration based on the Komatsu's single-year performance, etc. and pay a part of the amount of remuneration so determined in the form of restricted stock to the Eligible Directors, etc. each fiscal year. The restrictions will, in principle, be lifted 3 years after the grant of the granted shares. If, prior to the expiry of the restriction period, the Eligible Director, etc. retires without any reason recognized as legitimate by the Board of Directors of the Company, the Company shall acquire, free of charge, all or part of the granted shares.

Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan)
With respect to the period of Komatsu's mid-term management plan, the Company shall grant restricted stock to the Eligible Directors, etc. each fiscal year based on the base amount of remuneration for each position. After the expiry of the period of the mid-term management plan, the Company shall determine the number of shares with respect to which the restrictions will be lifted according to the achievement status of the targets raised in the mid-term management plan, etc. In principle, the Company shall lift the restrictions 3 years after the grant of the granted shares. The Company shall acquire, free of charge, the granted shares with respect to which the Company decides not to lift the restrictions pursuant to the above provision. If, prior to the expiry of the restriction period, the Eligible Director, etc. retires without any reason recognized as legitimate by the Board of Directors of the Company, the Company shall acquire, free of charge, all or part of the granted shares.
The granted shares have the same rights as common shares to net income attributable to Komatsu Ltd. regardless of whether the restrictions are still existing.
Based on the resolutions of the Ordinary General Meeting of Shareholders on June 19, 2018 and the Board of Directors on July 14, 2023, the Company issued 359,690 shares of common shares of the Company as the restricted stock compensation to the Eligible Directors, etc.
The Company recognizes compensation expense using the fair value method. The fair values of the restricted stock are measured at grant-date fair value of common shares of the Company. Compensation expense for the fiscal years ended March 31, 2025 and 2024 were recorded in selling, general and administrative expenses, and were not material to Komatsu's financial position and results of operations.

The following table summarizes information about the restrict stock activities for the fiscal years ended March 31, 2025 and 2024:

	2025		2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		Yen		Yen
Outstanding at beginning of year	883,880	¥ 3,210	784,940	¥ 2,648
Granted	—	—	359,690	3,760
Lifted	(219,060)	2,755	(260,750)	2,275
Outstanding at end of year	664,820	3,361	883,880	3,210

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(6) In order to realize more stable and more efficient operations of the plan and to further raise the awareness of persons eligible for the plan to contribute to improving profitability and the enhancement of the medium- and long-term corporate value of the Company, a trust-type stock-based remuneration has been introduced in place of the restricted stock compensation system from the fiscal year ending March 31, 2025.
In the plan, the Board Incentive Plan Trust for directors of the Company and affiliated, and the Employee Ownership Plan Trust for eligible employees of the Company (hereinafter the "Both Trusts") acquires the Company's shares and delivers the shares or provides the amount of money equivalent to the value of the shares to the Eligible Directors, etc., depending on the degree of achievement of performance targets, etc. The shares held by the Both Trusts are accounted for as treasury stock.
The number of the Company's shares delivered to the Eligible Directors, etc. is established according to the number of share delivery points (1 point = 1 share) which are calculated as follows.

Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)
Based on Komatsu's performance for a single year, the number of points is decided and allotted each business year to the Eligible Directors, etc.

Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan)
For the corresponding period in Komatsu's mid-term management plan, the Eligible Directors, etc. are allocated single-year points each business year based on their position. After the conclusion of the subject period, the single-year points allocated to the Eligible Directors, etc. are totaled, and this total value is multiplied by the performance-linked coefficient corresponding to the achievement conditions, etc. of the mid-term management plan targets to calculate the number of performance-linked points and to decide the number of points allotted. If the Eligible Directors, etc. who meet the beneficiary requirements retire from their position during the period of the mid-term management plan, where the Company's shares have been delivered to these Eligible Directors, etc., the total value of single-year points allocated during the subject period is multiplied by the performance-linked coefficient corresponding to the achievement conditions, etc. of the mid-term management plan targets at the point that the Eligible Directors, etc. met the beneficiary requirements to calculate the number of performance-linked points and to decide the number of points allotted.

Where the Eligible Directors, etc. who meet the beneficiary requirements retire, according to the beneficiary determination procedures, a number of the Company's shares corresponding to the number of share delivery points allotted to such Eligible Directors, etc. up until their retirement will be delivered from the Both Trusts.
At such time, the Company's shares equivalent to a certain proportion of their share delivery points will be delivered to the Eligible Directors, etc. with the remaining points converted into cash in the Both Trusts, and the Eligible Directors, etc. will receive the monetary equivalent.

The Company recognizes compensation expense using the fair value method. The fair values of the share delivery points are measured at grant-date fair value of common shares of the Company. Compensation expense for the fiscal year ended March 31, 2025 was recorded in selling, general and administrative expenses, and was not material to Komatsu's financial position and results of operations.

The following table summarizes information about the unvested share delivery points activities for the fiscal year ended March 31, 2025:

	2025	
	Number of points	Weighted average exercise price
		Yen
Outstanding at beginning of year	—	¥ —
Granted	308,990	3,963
Outstanding at end of year	308,990	3,963

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14. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen			
	2025			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the year	¥ 479,377	¥ (18,762)	¥ (750)	¥ 459,865
Other comprehensive income (loss) before reclassifications	(45,425)	6,147	(1,934)	(41,212)
Amounts reclassified from accumulated other comprehensive income (loss)	567	953	3,437	4,957
Net other comprehensive income (loss)	(44,858)	7,100	1,503	(36,255)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(3,539)	(17)	(188)	(3,744)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(41,319)	7,117	1,691	(32,511)
Balance, end of the year	¥ 438,058	¥ (11,645)	¥ 941	¥ 427,354

All amounts are net of tax.

	Millions of yen			
	2024			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the year	¥ 242,738	¥ (22,731)	¥ (56)	¥ 219,951
Other comprehensive income (loss) before reclassifications	251,660	3,395	(13,285)	241,770
Amounts reclassified from accumulated other comprehensive income (loss)	(435)	584	12,433	12,582
Net other comprehensive income (loss)	251,225	3,979	(852)	254,352
Less: other comprehensive income (loss) attributable to noncontrolling interests	14,586	10	(158)	14,438
Other comprehensive income (loss) attributable to Komatsu Ltd.	236,639	3,969	(694)	239,914
Balance, end of the year	¥ 479,377	¥ (18,762)	¥ (750)	¥ 459,865

All amounts are net of tax.

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Reclassification out of accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	Affected line items in consolidated statements of income
Foreign currency translation adjustments		
Sale	¥ —	Other operating income (expenses), net
Liquidation	(567)	Other income (expenses), net: Other, net
	(567)	Total before tax
	—	Income taxes
	(567)	Net of tax
Pension liability adjustments		
Amortization of actuarial loss or gain	(306)	Other income (expenses), net: Other, net
Amortization of prior service cost	(1,046)	Other income (expenses), net: Other, net
	(1,352)	Total before tax
	399	Income taxes
	(953)	Net of tax
Net unrealized holding gains (losses) on derivative instruments		
Foreign exchange forward contracts	(2,650)	Net sales
	(941)	Cost of sales
	(1,330)	Other income (expenses), net: Other, net
Interest rate swaps and cross-currency swap agreements	9	Cost of sales
	(4,912)	Total before tax
	1,475	Income taxes
	(3,437)	Net of tax
Total reclassification for the year	¥ (4,957)	Net of tax

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	Millions of yen	
	2024	Affected line items in consolidated statements of income
Foreign currency translation adjustments		
Sale	¥ 348	Other operating income (expenses), net
Liquidation	87	Other income (expenses), net: Other, net
	435	Total before tax
	—	Income taxes
	435	Net of tax
Pension liability adjustments		
Amortization of actuarial loss or gain	(112)	Other income (expenses), net: Other, net
Amortization of prior service cost	(754)	Other income (expenses), net: Other, net
	(866)	Total before tax
	282	Income taxes
	(584)	Net of tax
Net unrealized holding gains (losses) on derivative instruments		
Foreign exchange forward contracts	(8,049)	Net sales
	(492)	Cost of sales
	(9,531)	Other income (expenses), net: Other, net
Interest rate swaps and cross-currency swap agreements	9	Cost of sales
	(18,063)	Total before tax
	5,630	Income taxes
	(12,433)	Net of tax
Total reclassification for the year	¥ (12,582)	Net of tax

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Tax effects allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		
	2025		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the year	¥ (45,401)	¥ (24)	¥ (45,425)
Less: reclassification adjustment for losses included in net income	567	—	567
Net foreign currency translation adjustments	(44,834)	(24)	(44,858)
Pension liability adjustments			
Pension liability adjustments arising during the year	9,163	(3,016)	6,147
Less: reclassification adjustment for losses included in net income	1,352	(399)	953
Net pension liability adjustments	10,515	(3,415)	7,100
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during the year	(2,928)	994	(1,934)
Less: reclassification adjustment for losses included in net income	4,912	(1,475)	3,437
Net unrealized holding gains	1,984	(481)	1,503
Other comprehensive income (loss)	¥ (32,335)	¥ (3,920)	¥ (36,255)

	Millions of yen		
	2024		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the year	¥ 252,113	¥ (453)	¥ 251,660
Less: reclassification adjustment for gains included in net income	(435)	—	(435)
Net foreign currency translation adjustments	251,678	(453)	251,225
Pension liability adjustments			
Pension liability adjustments arising during the year	4,683	(1,288)	3,395
Less: reclassification adjustment for losses included in net income	866	(282)	584
Net pension liability adjustments	5,549	(1,570)	3,979
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during the year	(19,260)	5,975	(13,285)
Less: reclassification adjustment for losses included in net income	18,063	(5,630)	12,433
Net unrealized holding losses	(1,197)	345	(852)
Other comprehensive income (loss)	¥ 256,030	¥ (1,678)	¥ 254,352

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15. Revenue

Komatsu engages in the business activities of sales of products, services and retail financing for customers in Japan and overseas, under three operating segments: the “Construction, Mining and Utility Equipment” operating segment, the “Retail Finance” operating segment and the “Industrial Machinery and Others” operating segment. In these business activities, Komatsu provides goods or services identified in contracts with customers. Komatsu recognizes revenue when or as control over these goods or services is transferred to the customer at the amount of the transaction price that reflects the consideration to which it expects to be entitled. When two or more goods or services are provided to the same customer, Komatsu identifies performance obligations in a single contract or combined contracts and allocates the transaction price to each identified performance obligations based on relative stand-alone selling prices.

For sale of equipment, parts, attachments and others, revenue is recognized when the customers accept the goods or services. Conditions for acceptance, such as shipping, receipt by customers, completion of installation or completion of performance test, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

For services such as periodic checks, maintenance, and repair and other services, revenue is recognized when provision of the service is completed, or over the period for which the service is provided. Conditions for completion of service provision, including receipt of completion report, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

Komatsu’s certain consolidated subsidiaries have signed long-term maintenance contracts with their customers, in which case the customers receive services and simultaneously consume them as the performance obligations are satisfied. Thus, revenue from such services is recognized over the period of the contract with the customer in accordance with the progress percentage on the basis of costs incurred, which appropriately represents the transfer of control to the customer.

Shipping and handling activities occurring after control over an equipment has transferred to a customer are not identified as services.

Certain transaction prices include variable consideration such as future discounts and sales returns. Variable consideration is an estimate of the expected value or the most likely amount, to the extent that it is probable that a significant reversal in cumulative revenue recognized up to that point will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the period between when control over goods or services is transferred to the customer and when the customer pays for the goods or services is expected to be one year or less at the inception of the contract, Komatsu does not make any adjustment for the effect of time value of consideration.

Komatsu is obligated to accept parts returned from customers for a certain period after the sale. In consideration of the relevant historical return result and other factors, Komatsu’s right to recover parts from customers is recognized in other current assets as a return asset, and also a refund liability is recognized in other current liabilities for its obligation to refund the customers upon return of parts.

With regard to transactions with combination of products, periodic checks, maintenance and others, performance obligations are identified in a single contract or combined contracts. Transaction price is allocated to each identified performance obligation according to the proportion of stand-alone selling price that is determined based on observable price such as contract amount, and estimated cost including historical experience.

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After the products are sold or delivered, Komatsu repairs the sold products and replaces parts free of charge for a certain period in accordance with the contract. Thus, in order to provide for disbursement of the after-sales service costs, provision for product warranties is recognized based on the relevant historical result. In addition to this standard warranty, Komatsu offers a package of extended warranty for power line (engine & power systems and hydraulic system) upon the purchase of a product and free maintenance service as a service program to maintain the performance of construction equipment over a longer period of time. Komatsu determines this program to be a service-type warranty, and identifies a separate performance obligation for recognizing revenue from this program. As the costs incurred to obtain a contract with a customer are to be amortized within one year, they are expensed as incurred by applying a practical expedient on the costs for obtaining a contract with a customer.

(1) Disaggregation of revenue
Revenue from contracts with customers and other sources during the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Revenue recognized from contracts with customers	¥ 3,815,156	¥ 3,594,243
Revenue recognized from other sources	289,239	270,879
Total	¥ 4,104,395	¥ 3,865,122

The disaggregation of revenue by operating segment and geographic region are described in Note 24.
Revenue recognized from other sources primarily comprises revenue recognized from lease contracts and financial income such as interest income.

(2) Contract balances
Contract balances arising from contracts with customers at March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Receivables *1	¥ 1,793,660	¥ 1,682,474
Contract assets *2	6,390	3,930
Contract liabilities *3	222,993	221,657

*1 Receivables are included in trade notes and accounts receivable, net and long-term trade receivables, net in the accompanying consolidated balance sheets. These amounts are before deducting allowances for credit losses.
*2 Contract assets are included in trade notes and accounts receivable, net in the accompanying consolidated balance sheets. These amounts are before deducting allowances for credit losses.
*3 Contract liabilities are included in other current liabilities and deferred income taxes and other liabilities in the accompanying consolidated balance sheets.

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Komatsu’s contract assets mainly relate to its right to consideration for product sales contracts in the industrial machinery and others business, for which the performance obligation has been satisfied but the invoicing conditions have not been satisfied as of a reporting date. Contract assets are reclassified to receivables when the right to consideration becomes unconditional.

Komatsu’s contract liabilities are those arising from all or part of the consideration received from the customers before the corresponding performance obligation is satisfied. The main components of the contract liabilities are unearned revenue and advances received. Komatsu recognizes unearned revenue by identifying separate performance obligations such as extended warranties. Advances received from the customers are recognized in long-term maintenance contracts for which revenue is recognized over the contract period, and also in product sales contracts for large press machines and the like for which revenue is recognized upon acceptance of the customers.

Revenue recognized for the fiscal year ended March 31, 2025 that was included in the contract liability balance as of March 31, 2024 was ¥137,229 million. Revenue recognized for the fiscal year ended March 31, 2024 that was included in the contract liability balance as of March 31, 2023 was ¥88,903 million.

The amounts of revenue recognized during the fiscal years ended March 31, 2025 and 2024 from the performance obligations satisfied or partially satisfied in the past and the amount of impairment losses recognized for receivables and contract assets were immaterial. Additionally, there were no significant changes in contract assets and contract liabilities for contracts with customers during the fiscal years ended March 31, 2025 and 2024.

(3) Transaction price allocated to the remaining performance obligations
As of March 31, 2025, the aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year is ¥368,293 million, of which ¥220,433 million is expected to be recognized as revenue in the fiscal year ending March 31, 2026.

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16. Income Taxes

The sources of income before income taxes and equity in earnings of affiliated companies and the sources of income taxes for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Income before income taxes and equity in earnings of affiliated companies:		
Japan	¥ 216,072	¥ 130,390
Foreign	388,766	445,273
	¥ 604,838	¥ 575,663
Income taxes:		
Current –		
Japan	¥ 71,334	¥ 46,915
Foreign	103,922	123,929
	¥ 175,256	¥ 170,844
Deferred –		
Japan	¥ (1,576)	¥ 3,585
Foreign	(28,053)	(6,849)
	¥ (29,629)	¥ (3,264)
Total	¥ 145,627	¥ 167,580

Total income taxes recognized for the fiscal years ended March 31, 2025 and 2024 are applicable to the following:

	Millions of yen	
	2025	2024
Net income	¥ 145,627	¥ 167,580
Other comprehensive income (loss):		
Foreign currency translation adjustments	24	453
Pension liability adjustments	3,415	1,570
Net unrealized holding gains (losses) on derivative instruments	481	(345)
Total income taxes	¥ 149,547	¥ 169,258

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Temporary differences and tax loss carryforwards which gave rise to deferred tax assets and liabilities at March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Deferred tax assets:		
Allowances for credit losses	¥ 5,733	¥ 5,294
Inventories	20,853	23,488
Investment securities	2,058	1,825
Property, plant and equipment	2,048	1,437
Operating lease liabilities	19,920	19,714
Accrued expenses	90,859	78,055
Pension and retirement benefits	8,871	13,088
Research and development expenses	3,692	2,044
Net operating loss carryforwards	42,610	40,672
Tax credit carryforwards	9,653	8,063
Other	14,850	5,147
Total gross deferred tax assets	221,147	198,827
Less: valuation allowance	(44,932)	(44,019)
Total deferred tax assets	¥ 176,215	¥ 154,808
Deferred tax liabilities:		
Property, plant and equipment	¥ 32,332	¥ 32,207
Operating lease right-of-use assets	19,340	19,277
Intangible assets	7,551	14,946
Undistributed earnings of foreign subsidiaries and affiliated companies accounted for by the equity method	32,852	30,298
Other	580	437
Total deferred tax liabilities	¥ 92,655	¥ 97,165
Total deferred tax assets	¥ 83,560	¥ 57,643

Net deferred tax assets and liabilities as of March 31, 2025 and 2024 are reflected on the consolidated balance sheets under the following captions:

	Millions of yen	
	2025	2024
Deferred income taxes and other assets	¥ 106,254	¥ 81,146
Deferred income taxes and other liabilities	(22,694)	(23,503)
	¥ 83,560	¥ 57,643

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Valuation allowance for deferred tax assets for the fiscal years ended March 31, 2025 and 2024 are comprised of the following:

	Millions of yen	
	2025	2024
Balance at beginning of year	¥ 44,019	¥ 37,929
Additions	5,678	5,906
Deductions	4,321	4,300
Other, net	(444)	4,484
Balance at end of year	¥ 44,932	¥ 44,019

Deductions are principally changes in the expected realization of deferred tax assets and realization or expiration of net operating loss carryforwards. The amount of other mainly includes translation adjustment.

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 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, 2025 and 2024, 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.
As of March 31, 2025, Komatsu had tax credit carryforwards of ¥9,653 million, which will expire within the year ending March 31, 2035.

The Company and its Japanese subsidiaries are subject to a National Corporate tax rate of approximately 23%, an inhabitant tax of approximately 5% and a deductible Enterprise tax of approximately 5%, which in the aggregate resulted in a Japanese statutory tax rate of approximately 31.3% for the fiscal years ended March 31, 2025 and 2024. 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 fiscal years ended March 31, 2025 and 2024 are summarized as follows:

	2025	2024
Japanese statutory tax rate	31.3%	31.3%
Increase (decrease) in tax rates resulting from:		
Change in valuation allowance	0.3	0.5
Nontaxable income and nondeductible expenses for tax purposes, net	0.3	0.9
Income of foreign subsidiaries taxed at lower than Japanese normal rate	(3.7)	(4.1)
Tax credit for research and development expenses	(1.4)	(1.3)
Withholding taxes on dividends from foreign subsidiaries	0.4	0.3
Changes in deferred tax liabilities on undistributed earnings of foreign subsidiaries and affiliated companies accounted for by the equity method	0.1	3.3
Other, net	(3.2)	(1.8)
Effective tax rate	24.1%	29.1%

On March 31, 2025, the National Diet of Japan approved the laws for amendments to the part of the Income Tax Act (Law no. 13). Upon this change in the law, the Company and its Japanese subsidiaries' statutory income tax rate in Japan will be changed to approximately 32.2% for fiscal years beginning on or after April 1, 2026. The Company and its Japanese subsidiaries measure deferred tax assets and liabilities by applying enacted statutory tax rates applicable to future years, during which temporary differences are expected to be recovered or settled. The effects of the tax rate change in Japan were immaterial to Komatsu's consolidated financial statements.

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Foreign subsidiaries are subject to income taxes of the countries in which they operate. At March 31, 2025 and 2024, undistributed earnings of foreign subsidiaries amount to ¥1,827,628 million and ¥1,628,411 million, respectively. The Company has a policy to distribute a certain portion of undistributed earnings of foreign subsidiaries. As of March 31, 2025 and 2024, Komatsu recognized deferred tax liabilities of ¥13,219 million and ¥15,879 million, respectively, associated with those earnings. As of March 31, 2025 and 2024, the amount of unrecognized deferred tax liabilities for the portion of undistributed earnings of foreign subsidiaries that the Company intends to reinvest indefinitely were ¥68,916 million and ¥63,864 million, respectively, which were calculated to the extent reasonably practicable.
At March 31, 2025, certain subsidiaries had net operating loss carryforwards aggregating ¥67,096 million, which may be used as a deduction in determining taxable income in future periods. The period available to offset future taxable income varies in each tax jurisdiction as follows:

At March 31, 2025	Millions of yen
Within 5 years	¥ 5,541
6 to 20 years	15,261
Indefinite periods	46,294
Total	¥ 67,096

For other net operating loss carryforwards than the aforementioned amount, at March 31, 2025, some U.S. subsidiaries had net operating loss carryforwards associated with state tax aggregating ¥313,911 million, which may be used as a deduction in determining taxable income in future periods. The deferred tax assets associated with those net operating loss carryforwards were ¥19,817 million.
The reconciliation of beginning and ending balances of unrecognized tax benefits are as follows:

	Millions of yen	
	2025	2024
Balance at beginning of year	¥ 29,625	¥ 24,565
Additions for tax positions related to current period	3,063	5,927
Additions for tax positions related to prior period	559	1,328
Reductions for tax positions related to prior period	(1,744)	(85)
Reductions for settlements	(1,746)	—
Other	(4,626)	(2,110)
Balance at end of year	¥ 25,131	¥ 29,625
Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	24,568	29,097

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. For the fiscal years ended March 31, 2025 and 2024, interest and penalties related to unrecognized tax benefits were not material. Based on the information available as of March 31, 2025, 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. Komatsu is no longer subject to income tax examinations by the tax authority before and in the fiscal year ended March 31, 2018 in Japan and, is no longer subject to income tax examinations by the tax authority before and in the fiscal year ended March 31, 2013 in the United States. In other foreign tax jurisdictions, the other subsidiaries are no longer subject to income tax examinations by tax authorities before and in the fiscal year ended March 31, 2011 with few exceptions.

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17. Leases

(1) Lessee

Komatsu leases lands, buildings, vehicles, employee housings, etc. through finance and operating leases. Some of these leases may include options to extend or terminate the lease with preliminary notice. Komatsu determines lease terms with the options on the lease commencement date if it is reasonably certain that Komatsu will exercise those options. As a rate implicit in the most of Komatsu's leases cannot be determined, Komatsu recognizes right-of-use assets and lease liabilities calculated present value of lease payments by using incremental borrowing rate based on the information available. Komatsu's finance leases are not material.

Supplementary information to operating leases on the balance sheets as of March 31, 2025 and 2024 are as follows:

	2025	2024
Weighted average remaining lease term	9.1years	9.2years
Weighted average discount rates	3.3%	3.3%

Amounts of maturities of operating lease liabilities in each of the next five years and in the aggregate for the five years thereafter as of March 31, 2025 are as follows:

	Millions of yen
	2025
2026	¥ 21,057
2027	13,723
2028	8,047
2029	5,654
2030	3,793
Thereafter	30,678
Total minimum lease payments	¥ 82,952
Less: Imputed interest	(12,847)
Total lease liabilities	¥ 70,105

Lease costs for the fiscal years ended March 31, 2025 and 2024 are comprised of the following:

	Millions of yen	
	2025	2024
Operating lease cost	¥ 25,199	¥ 23,768
Short term lease cost	7,388	6,614

Variable lease payments that are not included in lease liabilities are not material.

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Supplementary cash flow information to leases for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Cash paid for amount included in the measurement of lease liabilities		
Operating leases		
Cash flows by operating activities	¥ 29,016	¥ 24,220
Noncash activity – Rights of use assets obtained in exchange for lease liabilities		
Operating leases	¥ 27,051	¥ 25,691

Leases that have not yet commenced but that create significant rights and obligations as of March 31, 2025 and 2024 are not material.

(2) Lessor

Komatsu provides sales-type and operating leases as a lessor for leveling cash payments of its customers when customers purchase primarily Komatsu's construction and mining equipment. Revenue from the sale of these products under sales-type leases is recognized at the inception of the lease. Interest income on sales-type leases is recognized over the life of each lease using the interest method. Revenue from operating leases is recognized on a straight-line basis over the lease term. Some of these leases may include options to extend or terminate the lease. Some of these leases also may include options for the lessee to purchase the underlying assets at stated fixed price or fair market value.

The residual value of Komatsu's leased equipment is determined based on its estimated end-of-term market values. Komatsu estimates the residual value of leased equipment at the inception of the lease based on historical used equipment market sales prices, latest trends of the market, etc. Komatsu monitors estimated residual values of the leased equipment during the term of leases through understanding trends of the market. The present values of guaranteed residual values provided by customers as of March 31, 2025 and 2024 are ¥17,619 million and ¥16,553 million.

Net investments in the sales-type leases as of March 31, 2025 and 2024 are comprised of the following:

	Millions of yen	
	2025	2024
Lease receivables	¥ 317,830	¥ 285,178
Unguaranteed residual assets	14,549	13,140
Net investment in the sales-type leases *	¥ 332,379	¥ 298,318
Less: current portion	(130,379)	(117,826)
	¥ 202,000	¥ 180,492

* The net investments in the sales-type leases are included in trade notes and accounts receivable, net and long-term trade receivables, net on the consolidated balance sheets.

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Undiscounted lease payments to be received under sales-type and operating leases in each of the next five years and in the aggregate for the five years thereafter as of March 31, 2025 are as follows:

	Millions of yen	
	2025	
	Sales-type leases	Operating leases
2026	¥ 130,487	¥ 51,429
2027	95,794	19,299
2028	68,117	12,793
2029	35,612	7,526
2030	17,959	2,550
Thereafter	4,304	312
Total undiscounted lease payments to be received	¥ 352,273	¥ 93,909
Less: Imputed interest	(34,443)	—
Total lease receivables	¥ 317,830	¥ —

Revenues from sales-type and operating leases as a lessor, included in net sales on the consolidated statement of income, for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Sales-type lease revenue		
Revenue recognized at the commencement date *	¥ 135,105	¥ 129,288
Interest income	14,509	11,247
Total sales-type lease revenue	149,614	140,535
Operating lease revenue	93,694	93,769
Total	¥ 243,308	¥ 234,304

* The revenues recognized at the commencement dates are included in net sales of the Construction, Mining and Utility Equipment operating segment.

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18. Net Income Attributable to Komatsu Ltd. per Share

The Company had the restricted stock compensation system (hereinafter, the "System") for directors (other than outside directors) and employees of the Company and directors and employees of major subsidiaries. Among the new shares issued under the System, those transfer restrictions which have not been cancelled are distinguished as participating securities from common shares. Each common share and restricted stock has the same rights to net income attributable to Komatsu Ltd.

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

	Millions of yen	
	2025	2024
Net income attributable to Komatsu Ltd.	¥ 439,614	¥ 393,426
Net income attributable to participating securities (restricted stocks)	358	351
Net income attributable to common shareholders	¥ 439,256	¥ 393,075

	Number of shares	
	2025	2024
Weighted average number of common shares outstanding, less treasury stock	928,561,033	945,819,656
Weighted average number of participating securities (restricted stocks)	756,645	843,232
Weighted average number of common shares	927,804,388	944,976,424

	Yen	
	2025	2024
Basic net income attributable to Komatsu Ltd. per share	¥ 473.44	¥ 415.96

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

	Millions of yen	
	2025	2024
Net income attributable to Komatsu Ltd.	¥ 439,614	¥ 393,426
Net income attributable to participating securities (restricted stocks)	358	351
Net income attributable to common shareholders	¥ 439,256	¥ 393,075

	Number of shares	
	2025	2024
Weighted average number of common shares outstanding, less treasury stock	928,561,033	945,819,656
Dilutive effect of:		
Stock options	28,094	74,260
Weighted average number of participating securities (restricted stocks)	756,645	843,232
Weighted average number of diluted common shares	927,832,482	945,050,684

	Yen	
	2025	2024
Diluted net income attributable to Komatsu Ltd. per share	¥ 473.42	¥ 415.93

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19. Commitments and Contingent Liabilities

(1) Komatsu provides guarantees to third parties of loans of the employees, affiliated companies, and other companies. The guarantees of loans 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 5 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 at March 31, 2025 and 2024 were ¥13,929 million and ¥17,246 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at March 31, 2025 were insignificant. Certain of those guarantees were secured by collateral and insurance issued to Komatsu.
Komatsu provides guarantees that subsidiaries of the Company perform the obligations of the terms and conditions of contracts by standby letters of credit issued by banks. Komatsu would have to pay the liabilities incurred to banks if the subsidiaries do not perform the obligations of the terms and conditions of contracts. The maximum amount of undiscounted payments Komatsu would have had to make in the event of defaults of the contracts at March 31, 2025 and 2024 were ¥20,193 million and ¥16,183 million, respectively.
Management of the Company believes that losses from those contingent liabilities, if any, would not have a material effect on the consolidated financial statements.

(2) Commitments for capital investment outstanding at March 31, 2025 and 2024 aggregated approximately ¥67,300 million and approximately ¥46,525 million, respectively.

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

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

(5) Komatsu also issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the fiscal years ended March 31, 2025 and 2024 are summarized as follows:

	Millions of yen	
	2025	2024
Balance at beginning of year	¥ 57,369	¥ 48,130
Addition	56,129	52,873
Utilization	(51,818)	(47,983)
Other	(899)	4,349
Balance at end of year	¥ 60,781	¥ 57,369

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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 (Notes 21 and 22). 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 exposes 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 foreign exchange forward 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 of credit-risk-related contingent features.

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 accumulated other comprehensive income (loss). These amounts are reclassified into the same location as earnings derived from hedged item when the hedged items impact earnings. Approximately ¥653 million of existing loss included in accumulated other comprehensive income (loss) at March 31, 2025 will be reclassified into earnings within twelve months from that date. Cash flow hedges discontinued during the fiscal year ended March 31, 2025 as a result of anticipated transactions that are no longer probable of occurring were not material to Komatsu's financial position and results of operations.

Undesignated Derivative Instruments

Komatsu has entered into interest rate swap and cross-currency 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. Foreign exchange forward contracts not designated as hedging instruments under ASC 815 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, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Foreign exchange forward contracts:		
Sale of foreign currencies	¥ 356,941	¥ 339,481
Purchase of foreign currencies	195,268	246,773
Interest rate swaps and cross-currency swap agreements	259,721	249,526

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Fair value of derivative instruments at March 31, 2025 and 2024 on the consolidated balance sheets are as follows (Refer to Notes 21 and 22):

	Millions of yen			
	2025			
	Derivative Assets		Derivative Liabilities	
Derivative instruments designated as hedging instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Foreign exchange forward contracts	Other current assets	¥ 2,212	Other current liabilities	¥ 896
	Deferred income taxes and other assets	3	Deferred income taxes and other liabilities	109
Interest rate swaps and cross-currency swap agreements	Other current assets	575	Other current liabilities	75
	Deferred income taxes and other assets	546	Deferred income taxes and other liabilities	468
Total		¥ 3,336		¥ 1,548

	Derivative Assets		Derivative Liabilities	
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Foreign exchange forward contracts	Other current assets	¥ 2,258	Other current liabilities	¥ 2,953
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	—
Interest rate swaps and cross-currency swap agreements	Other current assets	863	Other current liabilities	1,720
	Deferred income taxes and other assets	204	Deferred income taxes and other liabilities	80
Total		¥ 3,325		¥ 4,753
Total Derivative Instruments		¥ 6,661		¥ 6,301

	Millions of yen			
	2024			
	Derivative Assets		Derivative Liabilities	
Derivative instruments designated as hedging instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Foreign exchange forward contracts	Other current assets	¥ 221	Other current liabilities	¥ 2,109
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	309
Interest rate swaps and cross-currency swap agreements	Other current assets	23	Other current liabilities	597
	Deferred income taxes and other assets	662	Deferred income taxes and other liabilities	898
Total		¥ 906		¥ 3,913

	Derivative Assets		Derivative Liabilities	
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Foreign exchange forward contracts	Other current assets	¥ 2,253	Other current liabilities	¥ 3,122
	Deferred income taxes and other assets	50	Deferred income taxes and other liabilities	64
Interest rate swaps and cross-currency swap agreements	Other current assets	3,755	Other current liabilities	245
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	1,040
Total		¥ 6,058		¥ 4,471
Total Derivative Instruments		¥ 6,964		¥ 8,384

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The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the fiscal years ended March 31, 2025 and 2024 are as follows:

Derivative instruments designated as cash flow hedging relationships

	Millions of yen			
	2025			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives		
		Location of consolidated statements of income		Amount
Foreign exchange forward contracts	¥ (2,630)	Net sales	¥	(2,650)
		Cost of sales		(941)
		Other income (expenses), net: Other, net		(1,330)
Interest rate swaps and cross-currency swap agreements	(298)	Cost of sales		9
Total	¥ (2,928)		¥	(4,912)

	Millions of yen			
	2024			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives		
		Location of consolidated statements of income		Amount
Foreign exchange forward contracts	¥ (18,787)	Net sales	¥	(8,049)
		Cost of sales		(492)
		Other income (expenses), net: Other, net		(9,531)
Interest rate swaps and cross-currency swap agreements	(473)	Cost of sales		9
Total	¥ (19,260)		¥	(18,063)

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

	Millions of yen		
	2025		
	Location of gains (losses) recognized in income on derivatives		Amount of gains (losses) recognized in income on derivatives
Foreign exchange forward contracts	Other income (expenses), net: Other, net	¥	(158)
Interest rate swaps and cross-currency swap agreements	Cost of sales		1,860
	Other income (expenses), net: Other, net		(2,941)
Total		¥	(1,239)

	Millions of yen		
	2024		
	Location of gains (losses) recognized in income on derivatives		Amount of gains (losses) recognized in income on derivatives
Foreign exchange forward contracts	Other income (expenses), net: Other, net	¥	6,059
Interest rate swaps and cross-currency swap agreements	Cost of sales		2,766
	Other income (expenses), net: Other, net		(1,861)
Total		¥	6,964

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21. Fair Values of Financial Instruments

The carrying amounts and the estimated fair values of the financial instruments as of March 31, 2025 and 2024 and fair value levels are summarized as follows:

(1) Cash and cash equivalents, Trade notes and accounts receivable, net, Miscellaneous accounts receivable, Short-term debt, Trade notes, bills and accounts payable

The carrying amounts approximate fair value because of the short maturity of these instruments. Therefore, the fair values of these instruments are not included in the table below. Cash and cash equivalents are classified at fair value level 1, and trade notes and accounts receivable, net, miscellaneous accounts receivable, short-term debt, trade notes, bills and accounts payable are classified at fair value level 2. Miscellaneous accounts receivable is included in other current assets on the consolidated balance sheet.

(2) Long-term trade receivables, net, excluding lease receivables (Note 4)

The fair values of long-term trade receivables are based on the present value of future cash flows through maturity, discounted using the current interest rates for similar receivables of comparable maturity.

(3) Long-term debt, including current portion

The fair values of each of the long-term debt 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 market borrowing rate for similar debt of comparable maturity.

(4) Derivatives (Notes 20 and 22)

The fair values of derivative financial instruments are stated in Note 22 and therefore are not included in the table below.

	Millions of yen				
	2025		2024		
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Fair Value Levels
Long-term trade receivables, net, excluding lease receivables	¥ 614,914	¥ 620,041	¥ 515,667	¥ 507,065	Level 2
Long-term debt, including current portion	774,271	761,474	758,751	736,449	Level 2

Notes:

1) 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.

2) The fair value levels are stated in Note 22.

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22. Fair Value Measurements

ASC 820, “Fair Value Measurements” 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, 2025 and 2024 are as follows:

	Millions of yen			
At March 31, 2025	Level 1	Level 2	Level 3	Total
Assets				
Derivatives				
Foreign exchange forward contracts	¥ —	¥ 4,473	¥ —	¥ 4,473
Interest rate swaps and cross-currency swap agreements	—	2,188	—	2,188
Total	¥ —	¥ 6,661	¥ —	¥ 6,661
Liabilities				
Derivatives				
Foreign exchange forward contracts	¥ —	¥ 3,958	¥ —	¥ 3,958
Interest rate swaps and cross-currency swap agreements	—	2,343	—	2,343
Total	¥ —	¥ 6,301	¥ —	¥ 6,301

	Millions of yen			
At March 31, 2024	Level 1	Level 2	Level 3	Total
Assets				
Derivatives				
Foreign exchange forward contracts	¥ —	¥ 2,524	¥ —	¥ 2,524
Interest rate swaps and cross-currency swap agreements	—	4,440	—	4,440
Total	¥ —	¥ 6,964	¥ —	¥ 6,964
Liabilities				
Derivatives				
Foreign exchange forward contracts	¥ —	¥ 5,604	¥ —	¥ 5,604
Interest rate swaps and cross-currency swap agreements	—	2,780	—	2,780
Total	¥ —	¥ 8,384	¥ —	¥ 8,384

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Derivatives (Notes 20 and 21)
Derivatives primarily represent foreign exchange forward contracts and interest rate swap agreements. The fair value of foreign exchange forward 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.

Assets and liabilities that are measured at fair value on a non-recurring basis
For the fiscal years ended March 31, 2025 and 2024, assets and liabilities that were measured at fair value on a non-recurring basis were not material.

23. Government Grants

Komatsu receives government grants principally for the acquisition of property, plant, and equipment and for research and development activities.
Government grants recorded for the fiscal years ended March 31, 2025 and 2024 are ¥11,003 million and ¥16,685 million, respectively.
With regard to government grants related to the acquisition of property, plant and equipment, the amount of the grants is deducted from the acquisition cost of the assets. With regard to government grants related to research and development activities, the amount of the grants is mainly deducted from “Selling, general and administrative expenses”. Certain grants are recorded in “Other operating income” when Komatsu receives.
Komatsu expects to receive government grants of ¥12,667 million for the fiscal year ending March 31, 2026 and thereafter when Komatsu meets the necessary conditions for receiving the grants, such as relocation of the plant and acquisition of production equipment.

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24. Business Segment and Geographic Information

Komatsu has three operating segments: 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Komatsu allocates management resources to these three operating segments to enhance growth and profitability.

The profitability of operating segment is emphasized through segment profit and segment profit margin, which are reported regularly to the board of directors, the highest operational decision-making body of the Komatsu, for use in resource allocation and performance assessment.

Segment profit is determined by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment, excludes certain general corporate administration and finance expenses, such as costs of executive management and investor relations. Segment profit also excludes certain charges which may otherwise relate to operating segments, including impairments of long-lived assets and goodwill.

The accounting policies employed for the preparation of segment information are identical to those employed for the preparation of the consolidated financial statements of the Company.

The following tables present financial information regarding Komatsu's operating segments and geographic information at March 31, 2025 and 2024, and for the fiscal years then ended:

Operating segments:

(For the fiscal year ended March 31, 2025)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
External customers	3,787,486	96,220	220,689	4,104,395	—	4,104,395
Intersegment	10,749	26,991	2,911	40,651	(40,651)	—
Total	3,798,235	123,211	223,600	4,145,046	(40,651)	4,104,395
Segment expenses:						
Cost of sales	2,590,371	81,542	157,601	2,829,514	(47,502)	2,782,012
Selling, general and administrative expenses						
Research and development expenses	101,107	—	9,365	110,472	—	110,472
Others	507,883	12,247	29,243	549,373	(989)	548,384
Total	3,199,361	93,789	196,209	3,489,359	(48,491)	3,440,868
Segment profit	598,874	29,422	27,391	655,687	7,840	663,527
Segment profit ratio (%)	15.8	23.9	12.3	—	—	16.2
Assets	4,118,647	1,379,587	273,893	5,772,127	1,396	5,773,523
Depreciation and amortization	126,475	27,064	5,765	159,304	—	159,304
Capital investment	144,334	32,903	6,929	184,166	—	184,166

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(For the fiscal year ended March 31, 2024)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
External customers	3,591,378	80,910	192,834	3,865,122	—	3,865,122
Intersegment	23,804	22,636	2,786	49,226	(49,226)	—
Total	3,615,182	103,546	195,620	3,914,348	(49,226)	3,865,122
Segment expenses:						
Cost of sales	2,484,512	70,775	148,675	2,703,962	(49,048)	2,654,914
Selling, general and administrative expenses						
Research and development expenses	94,145	—	9,296	103,441	—	103,441
Others	462,538	8,528	27,370	498,436	2,657	501,093
Total	3,041,195	79,303	185,341	3,305,839	(46,391)	3,259,448
Segment profit	573,987	24,243	10,279	608,509	(2,835)	605,674
Segment profit ratio (%)	15.9	23.4	5.3	—	—	15.7
Assets	3,995,612	1,330,990	249,837	5,576,439	60,217	5,636,656
Depreciation and amortization	121,829	24,431	6,125	152,385	1,343	153,728
Capital investment	127,964	42,412	9,623	179,999	—	179,999

The reconciliation of total segment profit to consolidated income before income taxes and equity in earnings of affiliated companies for the fiscal year ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Total segment profit	¥ 655,687	¥ 608,509
Corporate expenses and elimination	7,840	(2,835)
Total	663,527	605,674
Impairment loss on long-lived assets	2,031	6,108
Other operating income (expenses), net	(4,371)	7,628
Operating income	657,125	607,194
Interest and dividend income	27,325	21,146
Interest expense	(57,594)	(54,506)
Other, net	(22,018)	1,829
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 604,838	¥ 575,663

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

a) Construction, Mining and Utility Equipment operating segment:
Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, underground mining equipment, recycling equipment, industrial vehicles, other equipment, engines and components, casting products, logistics, and solution business

b) Retail Finance operating segment:
Retail Financing

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c) Industrial Machinery and Others operating segment:
Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment, and optical machinery

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 maintained for general corporate purposes.
Amortization for the fiscal years ended March 31, 2025 and 2024 does not include amortization of long-term prepaid expenses of ¥3,489 million and ¥3,054 million, respectively.
Impairment loss on long-lived assets recorded in each segment asset for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Construction, Mining and Utility Equipment	¥ 2,004	¥ 4,784
Retail Finance	—	—
Industrial Machinery and Others	27	1,324
Total	¥ 2,031	¥ 6,108

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Geographic information:

Net sales determined by customer location for the fiscal year ended March 31, 2025 are as follows:

	Millions of yen			
	2025			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 329,628	¥ 1,322	¥ 105,655	¥ 436,605
The Americas	1,709,953	68,032	33,224	1,811,209
Europe and CIS	371,912	9,606	13,104	394,622
China	80,171	721	25,723	106,615
Asia (excluding Japan and China) and Oceania	960,036	13,289	42,518	1,015,843
Middle East and Africa	335,786	3,250	465	339,501
Total	¥ 3,787,486	¥ 96,220	¥ 220,689	¥ 4,104,395

Net sales to U.S.A. in the Americas for the fiscal year ended March 31, 2025 were ¥838,207 million.

The amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements for the fiscal year ended March 31, 2025 within the net sales of the Construction, Mining and Utility Equipment operating segment are ¥27,357 million in Japan, ¥58,180 million in the Americas, ¥61,982 million in Europe and CIS, ¥10,780 million in China, ¥18,818 million in Asia (excluding Japan and China) and Oceania, and ¥18,398 million in Middle East and Africa. Net sales of the Retail Finance operating segment for the fiscal year ended March 31, 2025 are primarily the amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements.

Net sales determined by customer location for the fiscal year ended March 31, 2024 are as follows:

	Millions of yen			
	2024			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 340,219	¥ 1,164	¥ 95,266	¥ 436,649
The Americas	1,653,645	57,755	26,585	1,737,985
Europe and CIS	381,390	8,332	15,456	405,178
China	70,200	1,062	22,990	94,252
Asia (excluding Japan and China) and Oceania	808,715	10,913	32,083	851,711
Middle East and Africa	337,209	1,684	454	339,347
Total	¥ 3,591,378	¥ 80,910	¥ 192,834	¥ 3,865,122

Net sales to U.S.A. in the Americas for the fiscal year ended March 31, 2024 were ¥807,471 million.

The amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements for the fiscal year ended March 31, 2024 within the net sales of the Construction, Mining and Utility Equipment operating segment are ¥28,249 million in Japan, ¥51,237 million in the Americas, ¥67,240 million in Europe and CIS, ¥11,280 million in China, ¥11,491 million in Asia (excluding Japan and China) and Oceania, and ¥22,727 million in Middle East and Africa. Net sales of the Retail Finance operating segment for the fiscal year ended March 31, 2024 are primarily the amounts classified into revenue recognized from other sources described in Note 15 to the Consolidated Financial Statements.

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Net sales determined by geographic origin for the fiscal years ended March 31, 2025 and 2024, and property, plant and equipment determined based on physical location at March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Net sales:		
Japan	¥ 647,113	¥ 707,097
The Americas	1,790,410	1,713,410
Europe and CIS	457,617	457,122
China	101,547	87,598
Others	1,107,708	899,895
Total	¥ 4,104,395	¥ 3,865,122
Property, plant and equipment:		
Japan	¥ 371,811	¥ 369,349
The Americas	328,175	310,217
Europe and CIS	69,116	77,318
Others	145,181	151,171
Total	¥ 914,283	¥ 908,055

There were no sales to a single major external customer for the fiscal years ended March 31, 2025 and 2024. Property, plant and equipment located in U.S.A. in the Americas at March 31, 2025 and 2024 were ¥168,415 million and ¥178,019 million, respectively.

25. Supplementary Information to Consolidated Balance Sheets

As of March 31, 2025 and 2024, other current assets are comprised of the following:

	Millions of yen	
	2025	2024
Prepaid expenses	¥ 14,981	¥ 17,657
Short-term loans receivable:		
Affiliated companies	4,003	4,495
Other	988	2,452
Total	¥ 4,991	¥ 6,947
Other	211,895	184,169
Total	¥ 231,867	¥ 208,773

As of March 31, 2025 and 2024, other current liabilities are comprised of the following:

	Millions of yen	
	2025	2024
Accrued expenses	¥ 196,674	¥ 185,136
Contract liabilities	140,887	150,078
Other	215,545	200,454
Total	¥ 553,106	¥ 535,668

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26. Supplementary Information to Consolidated Statements of Income

The following information shows research and development expenses and advertising costs, for the fiscal years ended March 31, 2025 and 2024. 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	
	2025	2024
Research and development expenses	¥ 110,472	¥ 103,441
Advertising costs	9,241	3,472

Shipping and handling costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Millions of yen	
	2025	2024
Shipping and handling costs	¥ 81,465	¥ 73,443

For the fiscal years ended March 31, 2025 and 2024, Komatsu recognized an impairment loss of ¥2,031 million and ¥6,108 million, respectively, related to property, plant and equipment and intangible assets at the Company and certain subsidiaries, as profitability of the assets was expected to decrease in the future and Komatsu estimated the carrying amounts may not be recovered by the future cash flows.

Other operating income (expenses), net for the fiscal years ended March 31, 2025 and 2024 are comprised of the following:

	Millions of yen	
	2025	2024
Gain on sale of fixed assets	¥ 1,475	¥ 4,966
Loss on disposal or sale of fixed assets	(5,801)	(5,392)
Other, net	(45)	8,054
Total	¥ (4,371)	¥ 7,628

Other income (expenses), net for the fiscal years ended March 31, 2025 and 2024 are comprised of the following:

	Millions of yen	
	2025	2024
Interest income		
Installment receivables	¥ 318	¥ 468
Other	26,601	20,314
Dividends	406	364
Interest expense	(57,594)	(54,506)
Net gain (loss) on valuation and (impairment loss) of investment securities	(433)	(1,241)
Exchange gain (loss), net	(18,404)	4,257
Other, net	(3,181)	(1,187)
Total	¥ (52,287)	¥ (31,531)

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27. Subsequent Events

Komatsu evaluated subsequent events through June 16, 2025, the issue date of its consolidated financial statements.

[Share buyback and cancellation of treasury stock]

The Company resolved at a meeting of the board of directors held on April 28, 2025 to repurchase its shares of common stock pursuant to Article 156 of the Companies Act of Japan (the "Companies Act") as applied pursuant to Article 165, Paragraph 3 of the Companies Act. It has also resolved to cancel its shares of treasury stock pursuant to Article 178 of the Companies Act.

a) Purpose of the share buyback and cancellation of treasury stock

The Company has decided to repurchase its shares of common stock from the viewpoint of increasing its corporate value and shareholder returns taking into consideration the current capital efficiency, financial soundness, and other factors. In addition, the Company has decided to cancel its shares of treasury stock to be repurchased after comprehensively considering the specific use of the shares and the reasons for holding them.

b) Details of share buyback

i) Class of shares to be repurchased	Common stock
ii) Total number of shares to be repurchased	Up to 40 million shares (Represents up to 4.3% of the total number of outstanding shares (excluding treasury stock))
iii) Total purchase price for buyback of shares	Up to 100 billion yen
iv) Period of buyback	April 30, 2025 to November 28, 2025
v) Method of buyback	Purchase at the Tokyo Stock Exchange

c) Details of cancellation of treasury stock

i) Class of shares to be canceled	Common stock
ii) Number of shares to be canceled	All shares repurchased
iii) Planned date of cancellation	December 29, 2025

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28. Terminology, Forms and Preparation Methods of Consolidated Financial Statements

The terminology, forms and preparation methods of the Company's consolidated financial statements are in accordance with U.S. GAAP.

The main differences between consolidated financial statements prepared in accordance with U.S. GAAP and those prepared in accordance with the Accounting Standards for Consolidated Financial Statements and the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements of Japan (hereinafter "J. GAAP") are as follows.

(1) Scope of consolidation

For consolidated financial statements in accordance with J. GAAP, the scope of consolidation is determined on an effective control and influence basis. For consolidated financial statements in accordance with U.S. GAAP, the scope of consolidation is determined on the shareholding basis on which the determination is based on voting rights and on a consolidation basis of variable interest entities.

(2) Accounting policies

a. Share issuance cost

Although in accordance with J. GAAP, share issuance cost is permitted to be recognized in profit or loss when incurred, the Company treats such cost as a deduction item from capital surplus as expenses incidental to capital transactions in its consolidated financial statements in accordance with U.S. GAAP.

b. Accounting for retirement benefits

Although in accordance with J. GAAP, net actuarial gains or losses are required to be amortized over certain periods that are shorter than the average remaining years of service, the Company has adopted the corridor approach in its consolidated financial statements in accordance with U.S. GAAP.

c. Business combination and goodwill

Goodwill is required to be amortized over certain periods in accordance with J. GAAP, while U.S. GAAP requires companies to implement impairment test at least once annually without goodwill being amortized. For intangible fixed assets with indefinite useful lives, U.S. GAAP also requires companies to implement impairment test without such assets being amortized.

d. Allowance for credit losses

Although in accordance with J GAAP, allowance for doubtful receivables is recognized utilizing the historical loss rates, the Company recognizes the allowance for credit losses utilizing the expected credit loss rates that are calculated based on the average historical loss rates adjusted to reflect forecasted changes in relevant economic indicators such as housing starts in accordance with U.S. GAAP.

e. Leases

Although in accordance with J GAAP, the lessee recognizes only assets and liabilities related to finance leases in its consolidated financial statements, the Company recognizes right-of-use assets and lease liabilities for lessee that are classified as operating leases on its consolidated balance sheets in accordance with U.S. GAAP.

(3) Presentation methods and other matters

a. Presentation of legal retained earnings

Although in accordance with J. GAAP, legal retained earnings are recorded as retained earnings together with other surplus, the Company separately presents as appropriated legal reserve in its consolidated financial statements in accordance with U.S. GAAP.

b. Extraordinary income or loss

In accordance with J. GAAP, gain or loss on certain sales of non-current assets, such as gain or loss from the sale of fixed assets, is presented as extraordinary income or loss. However, since there is no concept of extraordinary items in U.S. GAAP, extraordinary income or loss is not presented in the Company's consolidated financial statements.

監査報告書の原本(電子署名が付された電子データ)は当社が別途保管しております。

c. Investment and rental properties
In accordance with J. GAAP, if the investment and rental properties are material, disclose notes for the outline, the carrying amount in the consolidated balance sheets and fair value of these properties are required. However, such notes are omitted in the Company's consolidated financial statements because the total amount of investment and rental properties is immaterial.

Supplementary Schedule
Detailed Statements of Bonds
Refer to Note 10 in the notes of consolidated financial statements.

Detailed Statements of Borrowings, etc.
Refer to Note 10 in the notes of consolidated financial statements.

Detailed Statements of Asset Retirement Obligation
The amounts of asset retirement obligation at the beginning and end of this fiscal year are less than one hundredth of the amounts of total liabilities and equity at the beginning and end of this fiscal year, respectively. This statement has been omitted because it is immaterial.

(2) Others
Quarterly Financial Information

	Millions of yen except per share amounts			
	Three months ended June 30, 2024	Six months ended September 30, 2024	Nine months ended December 31, 2024	Fiscal year ended March 31, 2025
Net sales	¥ 959,837	¥ 1,968,066	¥ 2,957,262	¥ 4,104,395
Income before income taxes and equity in earnings of affiliated companies	150,544	278,654	428,195	604,838
Net income attributable to Komatsu Ltd.	109,737	201,729	310,068	439,614
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	116.48	215.93	333.25	473.44
Diluted	116.47	215.92	333.24	473.42

	Yen			
	Three months ended June 30, 2024	Three months ended September 30, 2024	Three months ended December 31, 2024	Three months ended March 31, 2025
Net income attributable to Komatsu Ltd. per share				
Basic	116.48	99.29	117.40	140.38
Diluted	116.47	99.29	117.39	140.37

The Company prepares quarterly financial information for the first and third quarters in accordance with the rules stipulated by the financial instruments exchange, but the financial information was not reviewed during the periods.