

(Translation)

This document has been translated from the Japanese original for the convenience of overseas stakeholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Quarterly Report

From October 1, 2023 to December 31, 2023

(Third Quarter of the 155th Fiscal Year)

KOMATSU LTD.

Third Quarter of the 155th Fiscal Year (from October 1, 2023 to December 31, 2023)

Quarterly Report

Certain References and Information:

1. This is an English translation of the Quarterly Securities Report (“Shihanki Hokokusho”) filed via the Electronic Disclosure for Investors’ Network (“EDINET”) system as set forth in Article 27-30-2 of the Financial Instruments and Exchange Act of Japan. Komatsu Ltd. filed its Quarterly Securities Report for the three months ended December 31, 2023 with the Director-General of the Kanto Local Finance Bureau on February 13, 2024. The Quarterly Securities Report contains, among other information, Quarterly Consolidated Financial Statements for the three months and the nine months ended December 31, 2023. Material information in the Quarterly Securities Report, other than the Quarterly Consolidated Financial Statements, has already been reported by Komatsu Ltd. in its press release dated January 30, 2024. Attached is an English translation of Quarterly Consolidated Financial Statements for the three months and the nine months ended December 31, 2023.
2. In this report, Komatsu Ltd. is hereinafter referred to as the “Company” and together with its consolidated subsidiaries as “Komatsu.”

Cautionary Statement with respect to forward-looking statements:

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

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

Financial Information

1. Basis of preparation of the quarterly consolidated financial statements

The quarterly consolidated financial statements of the Company are prepared in accordance with the accounting principles generally accepted in the United States of America, pursuant to Article 4, Supplementary Provisions of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements,” the Ordinance of the Cabinet Office No. 64 of 2007.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the quarterly consolidated financial statements for the three months ended December 31, 2023 and for the nine months ended December 31, 2023 were reviewed by KPMG AZSA LLC.

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2023 and 2022

Consolidated Statements of Income

	Nine months ended December 31, 2023		Nine months ended December 31, 2022	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 10, 11, 13, 16 and 21)	¥ 2,794,990	100.0	¥ 2,539,232	100.0
Cost of sales (Notes 7, 9, 10 and 16)	1,902,172	68.1	1,791,611	70.6
Selling, general and administrative expenses (Notes 3, 7, 9 and 12)	441,608	15.8	401,453	15.8
Other operating income, net	2,211	0.1	431	0.0
Operating income	453,421	16.2	346,599	13.6
Other income (expenses), net				
Interest and dividend income	14,924	0.5	8,243	0.3
Interest expense	(39,658)	(1.4)	(21,882)	(0.9)
Other, net (Notes 6, 9, 10 and 16)	1,584	0.1	6,847	0.3
Total	(23,150)	(0.8)	(6,792)	(0.3)
Income before income taxes and equity in earnings of affiliated companies	430,271	15.4	339,807	13.4
Income taxes (Note 10)				
Current	117,932		94,486	
Deferred	(3,777)		2,740	
Total	114,155	4.1	97,226	3.8
Income before equity in earnings of affiliated companies	316,116	11.3	242,581	9.6
Equity in earnings of affiliated companies	5,580	0.2	3,110	0.1
Net income	321,696	11.5	245,691	9.7
Less: Net income attributable to noncontrolling interests	17,429	0.6	13,780	0.5
Net income attributable to Komatsu Ltd.	¥ 304,267	10.9	¥ 231,911	9.1

Yen

Per share data (Note 14):

Net income attributable to Komatsu Ltd.:

Basic	¥ 321.71	¥ 245.30
Diluted	¥ 321.69	¥ 245.26

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Net income	¥ 321,696	¥ 245,691
Other comprehensive income, for the period, net of tax		
Foreign currency translation adjustments (Note 10)	139,056	54,880
Pension liability adjustments (Notes 9 and 10)	600	436
Net unrealized holding gains on derivative instruments (Notes 10 and 16)	639	4,747
Total	140,295	60,063
Comprehensive income	461,991	305,754
Less: Comprehensive income attributable to noncontrolling interests	25,907	15,290
Comprehensive income attributable to Komatsu Ltd.	¥ 436,084	¥ 290,464

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

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended December 31, 2023 and 2022

Consolidated Statements of Income

	Three months ended December 31, 2023		Three months ended December 31, 2022	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 10, 11, 13, 16 and 21)	¥ 971,996	100.0	¥ 920,497	100.0
Cost of sales (Notes 7, 9, 10 and 16)	664,974	68.4	644,161	70.0
Selling, general and administrative expenses (Notes 3, 7, 9 and 12)	153,755	15.8	142,919	15.5
Other operating income, net	3,178	0.3	1,548	0.2
Operating income	156,445	16.1	134,965	14.7
Other income (expenses), net				
Interest and dividend income	5,737	0.6	3,231	0.4
Interest expense	(14,655)	(1.5)	(10,990)	(1.2)
Other, net (Notes 6, 9, 10 and 16)	(5,276)	(0.5)	(15,158)	(1.6)
Total	(14,194)	(1.5)	(22,917)	(2.5)
Income before income taxes and equity in earnings of affiliated companies	142,251	14.6	112,048	12.2
Income taxes (Note 10)				
Current	30,975		30,680	
Deferred	8,541		7,679	
Total	39,516	4.1	38,359	4.2
Income before equity in earnings of affiliated companies	102,735	10.6	73,689	8.0
Equity in earnings of affiliated companies	1,747	0.2	1,038	0.1
Net income	104,482	10.7	74,727	8.1
Less: Net income attributable to noncontrolling interests	5,763	0.6	5,384	0.6
Net income attributable to Komatsu Ltd.	¥ 98,719	10.2	¥ 69,343	7.5

Yen

Per share data (Note 14):

Net income attributable to Komatsu Ltd.:

Basic	¥ 104.36	¥ 73.33
Diluted	¥ 104.35	¥ 73.32

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Net income	¥ 104,482	¥ 74,727
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments (Note 10)	(64,631)	(193,103)
Pension liability adjustments (Notes 9 and 10)	207	157
Net unrealized holding gains on derivative instruments (Notes 10 and 16)	1,404	4,785
Total	(63,020)	(188,161)
Comprehensive income (loss)	41,462	(113,434)
Less: Comprehensive income (loss) attributable to noncontrolling interests	2,246	(4,489)
Comprehensive income (loss) attributable to Komatsu Ltd.	¥ 39,216	¥ (108,945)

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

Consolidated Statements of Equity (Unaudited)
Komatsu Ltd. and Consolidated Subsidiaries
Nine months ended December 31, 2023

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Un-appropriated					
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 (Notes 1 and 4)				(1,634)			(1,634)	(126)	(1,760)
Cash dividends (Note 20)				(139,090)			(139,090)	(10,653)	(149,743)
Transfer to retained earnings appropriated for legal reserve			360	(360)			—		—
Other changes		9					9	(13)	(4)
Net income				304,267			304,267	17,429	321,696
Other comprehensive income, for the period, net of tax (Note 10)					131,817		131,817	8,478	140,295
Exercise of stock acquisition rights (Note 12)		(62)					(62)		(62)
Purchase of treasury stock						(40)	(40)		(40)
Sales of treasury stock		10				53	63		63
Restricted stock compensation (Note 12)	676	672					1,348		1,348
Balance at December 31, 2023	¥ 70,336	¥ 136,515	¥ 48,868	¥ 2,277,972	¥ 351,768	¥ (49,140)	¥ 2,836,319	¥ 153,429	¥ 2,989,748

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

Nine months ended December 31, 2022

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Un-appropriated					
Balance at March 31, 2022	¥ 69,393	¥ 139,572	¥ 47,903	¥ 1,902,501	¥ 122,414	¥ (49,272)	¥ 2,232,511	¥ 123,766	¥ 2,356,277
Cash dividends (Note 20)				(113,505)			(113,505)	(7,458)	(120,963)
Transfer to retained earnings appropriated for legal reserve			521	(521)			—		—
Other changes		(3,901)			1,476	(77)	(2,502)	(1,064)	(3,566)
Net income				231,911			231,911	13,780	245,691
Other comprehensive income, for the period, net of tax (Note 10)					58,553		58,553	1,510	60,063
Exercise of stock acquisition rights (Note 12)		(90)					(90)		(90)
Purchase of treasury stock						(30)	(30)		(30)
Sales of treasury stock		60				212	272	103	375
Restricted stock compensation (Note 12)	267	265					532		532
Balance at December 31, 2022	¥ 69,660	¥ 135,906	¥ 48,424	¥ 2,020,386	¥ 182,443	¥ (49,167)	¥ 2,407,652	¥ 130,637	¥ 2,538,289

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

Consolidated Statements of Cash Flows (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2023 and 2022

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Operating activities		
Net income	¥ 321,696	¥ 245,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	117,437	111,578
Deferred income taxes	(3,777)	2,740
Impairment loss and net loss (gain) on valuation of investment securities	291	(100)
Net gain on sale of fixed assets	(2,023)	(433)
Loss on disposal of fixed assets	2,007	1,538
Pension and retirement benefits, net	(1,288)	(360)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	22,345	(24,670)
Increase in inventories	(154,227)	(243,783)
Decrease in trade payables	(56,822)	(5,967)
Decrease in income taxes payable	(11,860)	(13,045)
Other, net	44,704	9,883
Net cash provided by operating activities	278,483	83,072
Investing activities		
Capital expenditures	(152,009)	(134,912)
Proceeds from sale of fixed assets	13,554	13,885
Purchases of investment securities	(178)	(1,875)
Proceeds from sale of subsidiaries and businesses, net of cash disposed	13,716	12,295
Acquisition of subsidiaries and equity investees, net of cash acquired	(39,206)	(18,000)
Other, net	3,494	(2,300)
Net cash used in investing activities	(160,629)	(130,907)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	318,315	566,284
Payment on debt (Original maturities greater than three months)	(347,608)	(471,726)
Short-term debt, net (Original maturities three months or less)	116,261	90,332
Dividends paid	(139,090)	(113,505)
Proceeds from issuance of subsidiary's shares	—	2,012
Other, net	(10,684)	(12,311)
Net cash provided by (used in) financing activities	(62,806)	61,086
Effect of exchange rate change on cash and cash equivalents	(1,567)	5,524
Net increase in cash and cash equivalents	53,481	18,775
Cash and cash equivalents, beginning of year	289,975	315,360
Cash and cash equivalents, end of period	¥ 343,456	¥ 334,135

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

The figure for the nine months ended December 31, 2022 was reclassified to confirm to the presentation for the nine months ended December 31, 2023.

Komatsu Ltd. and Consolidated Subsidiaries
Notes to Quarterly Consolidated Financial Statements (Unaudited)

1. Basis of Quarterly Consolidated Financial Statement Presentation and Summary of Significant Accounting Policies

Basis of Quarterly Consolidated Financial Statement Presentation

The Company prepares and presents the accompanying quarterly consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (hereinafter “U.S. GAAP”).

The accompanying quarterly 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 booked on each subsidiary’s and affiliate’s quarterly financial statements are added to the accompanying quarterly consolidated financial statements. These adjustments are mainly due to the gaps of accounting principle between Japan and the United States of America. See Note 23 “Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements”.

Preparation of 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.

Summary of Significant Accounting Policies

Recently Adopted Accounting Standards

In June 2016, Financial Accounting Standards Board (hereinafter “FASB”) issued Accounting Standards Update (hereinafter “ASU”) 2016-13 “Financial Instruments — Credit Losses: Measurement of Credit Losses on Financial Instruments”. This update requires an entity to recognize credit losses for many financial assets based on current expected credit loss model instead of incurred loss model. The current expected credit loss model requires an entity to immediately recognize estimated credit losses expected to occur over the remaining life of the financial assets which are within the scope of this update. Komatsu has adopted this update from the fiscal year beginning on April 1, 2023, including interim periods within those reporting periods. This update has been adopted under the modified retrospective approach through a cumulative effect adjustment to retained earnings at the beginning of the initial application period. Consequently, Komatsu reduced JPY 1,634 million as an adjustment of cumulative effect from retained earnings as of April 1, 2023. Details are as described in Note 4 “Receivables and Allowance for Credit Losses”.

In September 2022, FASB issued ASU 2022-04 “Disclosure of Supplier Finance Program Obligations”. This update requires an entity that uses a supplier finance program in connection with the purchase of goods and services to disclose the key terms of the program, information about obligations outstanding at the end of the reporting period and a rollforward of those obligations during the reporting period. Komatsu has adopted the amendments in this update to disclose the key terms of the program and information about obligations outstanding from the fiscal year beginning on April 1, 2023, including interim periods within those reporting periods. The amendment to disclose a rollforward of obligations is effective for annual reporting periods beginning after December 15, 2023. The adoption of this update had no impact on Komatsu’s financial position and results of operations. Details are as described in Note 8 “Trade Payables”.

Excluding the above, there is no material change for summary of significant accounting policies stated in annual report for the fiscal year ended March 31, 2023.

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 calculation of the estimated 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.

2. Supplemental Cash Flow Information

Additional cash flow information for the nine months ended December 31, 2023 and 2022 is as follows:

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Additional cash flow information:		
Interest paid	¥ 40,851	¥ 20,295
Income taxes paid, net	144,004	115,949

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.

Komatsu measures the fair value of the acquired assets and assumed liabilities in accordance with Financial Accounting Standards Board Accounting Standards CodificationTM (hereinafter “ASC”) 805, “Business Combinations”. The following table is the preliminary summary of the acquired assets and assumed liabilities after the allocation of acquisition cost on the acquisition date. As the acquisition of ABS occurred on December 1, 2023, the final fair value measurements for certain acquired intangible assets have not been completed as of the issuance date of this quarterly consolidated financial statements. Therefore, the purchase price allocation has not been finalized and the amount of the intangible assets is subject to change.

	Millions of yen	
Consideration		
Cash and cash equivalents	¥	37,370
Fair value of total consideration transferred		37,370
Recognized amounts of identifiable acquired assets and assumed liabilities		
Current assets		6,096
Property, plant and equipment		6,173
Intangible assets		59
Other non-current assets		1,316
Total acquired assets		13,644
Current liabilities		(2,799)
Long-term liabilities		(1,807)
Total assumed liabilities		(4,606)
Net acquired assets		9,038
Goodwill		28,332
	¥	37,370

The goodwill of ¥28,332 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 nine months ended December 31, 2023 were ¥1,261 million and included in selling, general and administrative expenses in the consolidated statements of income for the nine months ended December 31, 2023.

ABS’ results of operations included in the consolidated statements of income for the nine months ended December 31, 2023 since the date of acquisition were immaterial.

Assuming this acquisition had been made on April 1, 2022, the impact on Net Sales and Net income attributable to Komatsu Ltd. for the nine months ended December 31, 2023 and 2022 would also have been immaterial.

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 one year.

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 estimates the allowance for credit losses on retail finance receivables utilizing the expected credit loss rates that are calculated by adding relevant economic indicators such as housing starts to the average historical loss rates. 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 doubtful retail finance receivables with the possibility of default due to deterioration of customer's financial condition or prolonged payment delays, Komatsu individually records the allowance for credit losses based on the available information at hand such as credit status, status of outstanding receivables, and current market price of assets held as collateral. There were no significant changes in methodologies used to estimate the allowance for credit losses during the nine and the three months ended December 31, 2023.

Changes in the allowance for credit losses by segments for the nine and the three months ended December 31, 2023 are as follows:

	Millions of yen					
	Nine months ended December 31, 2023					
	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		1,522		2,484		(8)
Write-offs		(154)		(1,999)		(112)
Other		1,748		1,703		145
Balance at end of period	¥	11,003	¥	19,024	¥	195

Receivables:						
Balance at end of period	¥	635,568	¥	1,109,184	¥	41,557

	Millions of yen					
	Three months ended December 31, 2023					
	Construction, Mining and Utility Equipment		Retail Finance		Industrial Machinery and Others	
Allowance for Credit Losses:						
Balance at beginning of period	¥	11,536	¥	19,099	¥	303
Provision		(194)		1,406		(107)
Write-offs		(95)		(1,113)		—
Other		(244)		(368)		(1)
Balance at end of period	¥	11,003	¥	19,024	¥	195

Receivables:						
Balance at end of period	¥	635,568	¥	1,109,184	¥	41,557

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.

(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 December 31, 2023 are as follows:

Region	Millions of yen						
	December 31, 2023						
	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	¥ 11,669	¥ 10,938	¥ 7,591	¥ 5,989	¥ 2,788	¥ 631	¥ 39,606
31-90 days past due	—	1	—	—	1	—	2
Over 90 days past due	—	1	—	2	—	—	3
Total	11,669	10,940	7,591	5,991	2,789	631	39,611
North America							
Within due and 30 days or less past due	329,686	233,185	122,141	56,815	14,713	1,063	757,603
31-90 days past due	560	203	237	161	259	30	1,450
Over 90 days past due	36	212	208	271	164	278	1,169
Total	330,282	233,600	122,586	57,247	15,136	1,371	760,222
Latin America							
Within due and 30 days or less past due	20,960	17,366	10,864	3,314	844	2,252	55,600
31-90 days past due	2	491	151	76	36	198	954
Over 90 days past due	41	64	242	25	652	3,916	4,940
Total	21,003	17,921	11,257	3,415	1,532	6,366	61,494
Europe							
Within due and 30 days or less past due	53,182	41,281	24,809	8,326	3,626	1,287	132,511
31-90 days past due	177	5	40	2	4	4	232
Over 90 days past due	10	7	33	2	1	1	54
Total	53,369	41,293	24,882	8,330	3,631	1,292	132,797
Oceania							
Within due and 30 days or less past due	26,210	31,893	13,209	5,600	3,149	810	80,871
31-90 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total	26,210	31,893	13,209	5,600	3,149	810	80,871
Others							
Within due and 30 days or less past due	9,826	9,143	10,909	3,040	235	15	33,168
31-90 days past due	7	36	117	108	25	—	293
Over 90 days past due	—	12	91	101	83	441	728
Total	9,833	9,191	11,117	3,249	343	456	34,189
Totals by Aging Category							
Within due and 30 days or less past due	451,533	343,806	189,523	83,084	25,355	6,058	1,099,359
31-90 days past due	746	736	545	347	325	232	2,931
Over 90 days past due	87	296	574	401	900	4,636	6,894
Total	¥ 452,366	¥ 344,838	¥ 190,642	¥ 83,832	¥ 26,580	¥ 10,926	¥1,109,184

Gross write-offs by origination fiscal year during the nine and the three months ended December 31, 2023 are as follows:

Fiscal year ending March 31	Millions of yen	
	Nine months ended December 31, 2023	Three months ended December 31, 2023
2024	¥ 129	¥ 129
2023	694	371
2022	633	329
2021	231	137
2020	211	82
Prior	101	65
Total	¥ 1,999	¥ 1,113

(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 nine and the three months ended December 31, 2023.

Retail finance receivables which are on non-accrual status and retail finance receivables over 90 days past due and still accruing income at December 31, 2023 are as follows:

	Millions of yen		
	December 31, 2023		
	Non-accrual with an allowance	Non-accrual without an allowance	Over 90 days past due still accruing
Japan	¥ —	¥ —	¥ 3
North America	—	—	1,169
Latin America	4,832	—	108
Europe	—	—	54
Oceania	—	—	—
Others	618	—	110
Total	¥ 5,450	¥ —	¥ 1,444

(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 nine and the three months ended December 31, 2023. 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 nine and the three months ended December 31, 2023.

5. Inventories

At December 31, 2023 and at March 31, 2023, inventories comprise the following:

	Millions of yen	
	December 31, 2023	March 31, 2023
Finished products, including finished parts held for sale	¥ 1,021,470	¥ 829,085
Work in process	296,416	261,960
Materials and supplies	141,785	136,163
Total	<u>¥ 1,459,671</u>	<u>¥ 1,227,208</u>

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 nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Net gains and losses recognized during the period on equity securities	¥ (291)	¥ 100
Less: net gains and losses recognized during the period on equity securities sold during the period	4	2
Unrealized gains and losses recognized during the period on equity securities still held as of December 31, 2023 and 2022	<u>¥ (295)</u>	<u>¥ 98</u>

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 three months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Net gains and losses recognized during the period on equity securities	¥ (263)	¥ (258)
Less: net gains and losses recognized during the period on equity securities sold during the period	4	2
Unrealized gains and losses recognized during the period on equity securities still held as of December 31, 2023 and 2022	<u>¥ (267)</u>	<u>¥ (260)</u>

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 December 31, 2023 and as of March 31, 2023, the carrying amounts of these investments were ¥10,729 million and ¥10,556 million, respectively. Any impairment or any adjustment relating to observable price changes recorded until December 31, 2023 and until March 31, 2023 were not material.

7. Other Intangible Assets

Other intangible assets at December 31, 2023 and at March 31, 2023 are as follows:

	Millions of yen					
	December 31, 2023			March 31, 2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥ 98,229	¥ (52,642)	¥ 45,587	¥ 86,296	¥ (41,912)	¥ 44,384
Leasehold	8,343	(2,583)	5,760	8,576	(2,685)	5,891
Trademarks	69,578	(31,533)	38,045	65,149	(26,288)	38,861
Customer relationships	88,017	(46,669)	41,348	88,497	(45,024)	43,473
Technology assets	43,404	(20,827)	22,577	43,858	(19,745)	24,113
Other	13,429	(9,122)	4,307	10,857	(8,037)	2,820
Total	321,000	(163,376)	157,624	303,233	(143,691)	159,542
Other intangible assets not subject to amortization			8,478			7,750
Total other intangible assets			<u>¥ 166,102</u>			<u>¥ 167,292</u>

The aggregate amortization expense of other intangible assets subject to amortization during the nine months ended December 31, 2023 and 2022 were ¥22,164 million and ¥21,394 million, respectively. The aggregate amortization expense of other intangible assets subject to amortization during the three months ended December 31, 2023 and 2022 were ¥7,394 million and ¥7,260 million, respectively.

8. Trade Payables

The Company and certain consolidated subsidiaries have entered into agreements with third-party financial institutions for supplier finance program. 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 this program. The amounts of liabilities under the supplier finance program at December 31, 2023 and at March 31, 2023 are ¥36,688 million and ¥48,519 million, respectively, and are included in trade notes, bills and accounts payable in the accompanying consolidated balance sheets.

9. Cost of Retirement Benefits

Net periodic cost of Komatsu's defined benefit plans for the nine months ended December 31, 2023 and 2022 consisted of the following components:

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Service cost	¥ 6,557	¥ 6,518
Interest cost on projected benefit obligations	8,384	6,376
Expected return on plan assets	(9,438)	(8,579)
Amortization of actuarial loss or gain	278	248
Amortization of prior service cost	850	818
Gains recognized due to partial settlements	(59)	—
Net periodic cost	¥ 6,572	¥ 5,381

Net periodic cost of the other postretirement benefit plans for the nine months ended December 31, 2023 and 2022 included the following components:

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Service cost	¥ 302	¥ 352
Interest cost on projected benefit obligations	460	328
Expected return on plan assets	(498)	(455)
Amortization of actuarial loss or gain	(117)	(58)
Amortization of prior service cost	(253)	(239)
Net periodic cost	¥ (106)	¥ (72)

Net periodic cost of Komatsu's defined benefit plans for the three months ended December 31, 2023 and 2022 consisted of the following components:

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Service cost	¥ 2,143	¥ 2,147
Interest cost on projected benefit obligations	2,904	2,219
Expected return on plan assets	(3,262)	(2,973)
Amortization of actuarial loss or gain	97	85
Amortization of prior service cost	287	276
Gains recognized due to partial settlements	—	—
Net periodic cost	¥ 2,169	¥ 1,754

Net periodic cost of the other postretirement benefit plans for the three months ended December 31, 2023 and 2022 included the following components:

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Service cost	¥ 105	¥ 124
Interest cost on projected benefit obligations	160	115
Expected return on plan assets	(173)	(161)
Amortization of actuarial loss or gain	(41)	(21)
Amortization of prior service cost	(88)	(84)
Net periodic cost	¥ (37)	¥ (27)

Net periodic cost components other than the service cost of Komatsu's defined benefit plans and the other postretirement benefit plans are recorded in other income (expenses), net in the accompanying consolidated statements of income.

10. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen			
	Nine months ended December 31, 2023			
	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	139,404	15	(8,845)	130,574
Amounts reclassified from accumulated other comprehensive income (loss)	(348)	585	9,484	9,721
Net other comprehensive income (loss)	139,056	600	639	140,295
Less: other comprehensive income (loss) attributable to noncontrolling interests	8,607	—	(129)	8,478
Other comprehensive income (loss) attributable to Komatsu Ltd.	130,449	600	768	131,817
Equity transactions with noncontrolling interests	—	—	—	—
Balance, end of the period	¥ 373,187	¥ (22,131)	¥ 712	¥ 351,768

All amounts are net of tax.

	Millions of yen			
	Nine months ended December 31, 2022			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the year	¥ 148,629	¥ (24,171)	¥ (2,044)	¥ 122,414
Other comprehensive income (loss) before reclassifications	55,663	(107)	(7,661)	47,895
Amounts reclassified from accumulated other comprehensive income (loss)	(783)	543	12,408	12,168
Net other comprehensive income (loss)	54,880	436	4,747	60,063
Less: other comprehensive income (loss) attributable to noncontrolling interests	1,311	—	199	1,510
Other comprehensive income (loss) attributable to Komatsu Ltd.	53,569	436	4,548	58,553
Equity transactions with noncontrolling interests	1,476	—	—	1,476
Balance, end of the period	¥ 203,674	¥ (23,735)	¥ 2,504	¥ 182,443

All amounts are net of tax.

Changes in accumulated other comprehensive income (loss) for the three months ended December 31, 2023 and 2022 are as follows:

	Millions of yen			
	Three months ended December 31, 2023			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the period	¥ 434,537	¥ (22,338)	¥ (928)	¥ 411,271
Other comprehensive income (loss) before reclassifications	(64,631)	15	1,537	(63,079)
Amounts reclassified from accumulated other comprehensive income (loss)	—	192	(133)	59
Net other comprehensive income (loss)	(64,631)	207	1,404	(63,020)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(3,281)	—	(236)	(3,517)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(61,350)	207	1,640	(59,503)
Equity transactions with noncontrolling interests	—	—	—	—
Balance, end of the period	<u>¥ 373,187</u>	<u>¥ (22,131)</u>	<u>¥ 712</u>	<u>¥ 351,768</u>

All amounts are net of tax.

	Millions of yen			
	Three months ended December 31, 2022			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the period	¥ 386,969	¥ (23,892)	¥ (2,346)	¥ 360,731
Other comprehensive income (loss) before reclassifications	(194,268)	(30)	5,964	(188,334)
Amounts reclassified from accumulated other comprehensive income (loss)	1,165	187	(1,179)	173
Net other comprehensive income (loss)	(193,103)	157	4,785	(188,161)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(9,808)	—	(65)	(9,873)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(183,295)	157	4,850	(178,288)
Equity transactions with noncontrolling interests	—	—	—	—
Balance, end of the period	<u>¥ 203,674</u>	<u>¥ (23,735)</u>	<u>¥ 2,504</u>	<u>¥ 182,443</u>

All amounts are net of tax.

Reclassification out of accumulated other comprehensive income (loss) for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen		Affected line items in consolidated statements of income
	Nine months ended December 31, 2023		
Foreign currency translation adjustments			
Sale	¥	348	Other operating income (expenses), net
		348	Total before tax
		—	Income taxes
		348	Net of tax
Pension liability adjustments			
Amortization of actuarial loss or gain and prior service cost		(783)	Other income (expenses), net: Other, net
		(783)	Total before tax
		198	Income taxes
		(585)	Net of tax
Net unrealized holding gains (losses) on derivative instruments			
Foreign exchange forward contracts, Interest rate swaps and cross-currency swap agreements		(7,364)	Net sales
		(353)	Cost of sales
		(6,098)	Other income (expenses), net: Other, net
		(13,815)	Total before tax
		4,331	Income taxes
		(9,484)	Net of tax
Total reclassification for the period	¥	(9,721)	Net of tax

	Millions of yen		Affected line items in consolidated statements of income
	Nine months ended December 31, 2022		
Foreign currency translation adjustments			
Sale and Liquidation	¥	1,948	Other operating income (expenses), net
		(1,165)	Other income (expenses), net: Other, net
		783	Total before tax
		—	Income taxes
		783	Net of tax
Pension liability adjustments			
Amortization of actuarial loss or gain and prior service cost		(769)	Other income (expenses), net: Other, net
		(769)	Total before tax
		226	Income taxes
		(543)	Net of tax
Net unrealized holding gains (losses) on derivative instruments			
Foreign exchange forward contracts, Interest rate swaps and cross-currency swap agreements		(13,563)	Net sales
		(690)	Cost of sales
		(3,875)	Other income (expenses), net: Other, net
		(18,128)	Total before tax
		5,720	Income taxes
		(12,408)	Net of tax
Total reclassification for the period	¥	(12,168)	Net of tax

Reclassification out of accumulated other comprehensive income (loss) for the three months ended December 31, 2023 and 2022 are as follows:

	Millions of yen		Affected line items in consolidated statements of income
	Three months ended December 31, 2023		
Foreign currency translation adjustments			
Sale	¥	—	Other operating income (expenses), net
		—	Total before tax
		—	Income taxes
		—	Net of tax
Pension liability adjustments			
Amortization of actuarial loss or gain and prior service cost		(255)	Other income (expenses), net: Other, net
		(255)	Total before tax
		63	Income taxes
		(192)	Net of tax
Net unrealized holding gains (losses) on derivative instruments			
Foreign exchange forward contracts, Interest rate swaps and cross-currency swap agreements		(1,057)	Net sales
		(265)	Cost of sales
		1,495	Other income (expenses), net: Other, net
		173	Total before tax
		(40)	Income taxes
		133	Net of tax
Total reclassification for the period	¥	(59)	Net of tax

	Millions of yen		Affected line items in consolidated statements of income
	Three months ended December 31, 2022		
Foreign currency translation adjustments			
Sale and Liquidation	¥	—	Other operating income (expenses), net
		(1,165)	Other income (expenses), net: Other, net
		(1,165)	Total before tax
		—	Income taxes
		(1,165)	Net of tax
Pension liability adjustments			
Amortization of actuarial loss or gain and prior service cost		(256)	Other income (expenses), net: Other, net
		(256)	Total before tax
		69	Income taxes
		(187)	Net of tax
Net unrealized holding gains (losses) on derivative instruments			
Foreign exchange forward contracts, Interest rate swaps and cross-currency swap agreements		(3,591)	Net sales
		(869)	Cost of sales
		6,105	Other income (expenses), net: Other, net
		1,645	Total before tax
		(466)	Income taxes
		1,179	Net of tax
Total reclassification for the period	¥	(173)	Net of tax

Tax effects allocated to each component of other comprehensive income (loss) for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen		
	Nine months ended December 31, 2023		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the period	¥ 139,721	¥ (317)	¥ 139,404
Less: reclassification adjustment for gains included in net income	(348)	—	(348)
Net foreign currency translation adjustments	139,373	(317)	139,056
Pension liability adjustments			
Pension liability adjustments arising during the period	27	(12)	15
Less: reclassification adjustment for losses included in net income	783	(198)	585
Net pension liability adjustments	810	(210)	600
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during the period	(12,890)	4,045	(8,845)
Less: reclassification adjustment for losses included in net income	13,815	(4,331)	9,484
Net unrealized holding gains	925	(286)	639
Other comprehensive income (loss)	¥ 141,108	¥ (813)	¥ 140,295

	Millions of yen		
	Nine months ended December 31, 2022		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the period	¥ 55,983	¥ (320)	¥ 55,663
Less: reclassification adjustment for gains included in net income	(783)	—	(783)
Net foreign currency translation adjustments	55,200	(320)	54,880
Pension liability adjustments			
Pension liability adjustments arising during the period	(145)	38	(107)
Less: reclassification adjustment for losses included in net income	769	(226)	543
Net pension liability adjustments	624	(188)	436
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during the period	(11,221)	3,560	(7,661)
Less: reclassification adjustment for losses included in net income	18,128	(5,720)	12,408
Net unrealized holding gains	6,907	(2,160)	4,747
Other comprehensive income (loss)	¥ 62,731	¥ (2,668)	¥ 60,063

Tax effects allocated to each component of other comprehensive income (loss) for the three months ended December 31, 2023 and 2022 are as follows:

	Millions of yen		
	Three months ended December 31, 2023		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the period	¥ (64,729)	¥ 98	¥ (64,631)
Less: reclassification adjustment for gains included in net income	—	—	—
Net foreign currency translation adjustments	(64,729)	98	(64,631)
Pension liability adjustments			
Pension liability adjustments arising during the period	22	(7)	15
Less: reclassification adjustment for losses included in net income	255	(63)	192
Net pension liability adjustments	277	(70)	207
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding gains arising during the period	2,159	(622)	1,537
Less: reclassification adjustment for gains included in net income	(173)	40	(133)
Net unrealized holding gains	1,986	(582)	1,404
Other comprehensive income (loss)	¥ (62,466)	¥ (554)	¥ (63,020)

	Millions of yen		
	Three months ended December 31, 2022		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the period	¥ (194,529)	¥ 261	¥ (194,268)
Less: reclassification adjustment for losses included in net income	1,165	—	1,165
Net foreign currency translation adjustments	(193,364)	261	(193,103)
Pension liability adjustments			
Pension liability adjustments arising during the period	(39)	9	(30)
Less: reclassification adjustment for losses included in net income	256	(69)	187
Net pension liability adjustments	217	(60)	157
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding gains arising during the period	8,706	(2,742)	5,964
Less: reclassification adjustment for gains included in net income	(1,645)	466	(1,179)
Net unrealized holding gains	7,061	(2,276)	4,785
Other comprehensive income (loss)	¥ (186,086)	¥ (2,075)	¥ (188,161)

11. Revenue

(1) Disaggregation of revenue

The disaggregation of revenue by operating segment and geographic region are described in Note 21.

(2) Contract balances

Contract balances arising from contracts with customers at December 31, 2023 and at March 31, 2023 are as follows:

	Millions of yen	
	December 31, 2023	March 31, 2023
Receivables *1	¥ 1,496,237	¥ 1,444,683
Contract assets *2	2,717	2,516
Contract liabilities *3	202,581	164,220

*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 or allowances for doubtful receivables.

*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 or allowances for doubtful receivables.

*3 Contract liabilities are included in other current liabilities and deferred income taxes and other liabilities in the accompanying consolidated balance sheets.

Revenue recognized for the nine months ended December 31, 2023 that was included in the contract liability balance as of March 31, 2023 was ¥69,702 million. Revenue recognized for the nine months ended December 31, 2022 that was included in the contract liability balance as of March 31, 2022 was ¥56,811 million.

Revenue recognized for the three months ended December 31, 2023 that was included in the contract liability balance as of March 31, 2023 was ¥12,279 million. Revenue recognized for the three months ended December 31, 2022 that was included in the contract liability balance as of March 31, 2022 was ¥13,488 million.

The amounts of revenue recognized during the nine months and the three months ended December 31, 2023 and 2022 from performance obligations satisfied or partially satisfied in previous periods were immaterial.

(3) Transaction price allocated to the remaining performance obligations

As of December 31, 2023, the aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year is ¥370,221 million, of which ¥173,928 million is expected to be recognized as revenue in the twelve months following December 31, 2023.

12. Stock-Based Remuneration

The Company had a stock option plan which transfers the Company's shares to directors, certain employees and certain representative directors of major subsidiaries under an agreement granting the right for them to request such transfers at a predetermined price until the fiscal year ended March 31, 2018.

From the fiscal year ended March 31, 2019, the Company has 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 with medium- to long-term incentives and advance in sharing value between the directors and shareholders of the Company. Compensation expenses during the nine months ended December 31, 2023 and 2022 were recorded in selling, general and administrative expenses, and were not material to Komatsu's financial position and results of operations. Compensation expenses during the three months ended December 31, 2023 and 2022 were recorded in selling, general and administrative expenses, and were not material to Komatsu's financial position and results of operations. The Company recognizes share-based compensation expense using the fair value method.

13. Leases

Revenues from sales-type and operating leases as a lessor, included in net sales on the consolidated statement of income, for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Sales-type lease revenue		
Revenue recognized at the commencement date *1	¥ 99,687	¥ 78,901
Interest income	8,181	7,469
Total sales-type lease revenue	107,868	86,370
Operating lease revenue	66,617	60,321
Total	¥ 174,485	¥ 146,691

*1 The revenue recognized at the commencement date is included in net sales of the Construction, Mining and Utility Equipment operating segment.

Revenues from sales-type and operating leases as a lessor, included in net sales on the consolidated statement of income, for the three months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Sales-type lease revenue		
Revenue recognized at the commencement date *2	¥ 44,012	¥ 31,670
Interest income	3,077	2,552
Total sales-type lease revenue	47,089	34,222
Operating lease revenue	23,953	21,142
Total	¥ 71,042	¥ 55,364

*2 The revenue recognized at the commencement date is included in net sales of the Construction, Mining and Utility Equipment operating segment.

14. Net Income Attributable to Komatsu Ltd. per Share

The Company has 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	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Net income attributable to Komatsu Ltd.	¥ 304,267	¥ 231,911
Net income attributable to participating securities (restricted stocks)	267	206
Net income attributable to common shareholders	¥ 304,000	¥ 231,705

	Number of shares	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Weighted average number of common shares outstanding, less treasury stock	945,766,653	945,433,454
Weighted average number of participating securities (restricted stocks)	829,782	839,395
Weighted average number of common shares	944,936,871	944,594,059

	Yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Basic net income attributable to Komatsu Ltd. per share	¥ 321.71	¥ 245.30

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Net income attributable to Komatsu Ltd.	¥ 98,719	¥ 69,343
Net income attributable to participating securities (restricted stocks)	92	58
Net income attributable to common shareholders	¥ 98,627	¥ 69,285

	Number of shares	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Weighted average number of common shares outstanding, less treasury stock	945,973,647	945,580,369
Weighted average number of participating securities (restricted stocks)	883,880	784,940
Weighted average number of common shares	945,089,767	944,795,429

	Yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Basic net income attributable to Komatsu Ltd. per share	¥ 104.36	¥ 73.33

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	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Net income attributable to Komatsu Ltd.	¥ 304,267	¥ 231,911
Net income attributable to participating securities (restricted stocks)	267	206
Net income attributable to common shareholders	¥ 304,000	¥ 231,705

	Number of shares	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Weighted average number of common shares outstanding, less treasury stock	945,766,653	945,433,454
Dilutive effect of:		
Stock options	79,153	130,668
Weighted average number of participating securities (restricted stocks)	829,782	839,395
Weighted average number of diluted common shares	945,016,024	944,724,727

	Yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Diluted net income attributable to Komatsu Ltd. per share	¥ 321.69	¥ 245.26

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Net income attributable to Komatsu Ltd.	¥ 98,719	¥ 69,343
Net income attributable to participating securities (restricted stocks)	92	58
Net income attributable to common shareholders	¥ 98,627	¥ 69,285

	Number of shares	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Weighted average number of common shares outstanding, less treasury stock	945,973,647	945,580,369
Dilutive effect of:		
Stock options	68,422	115,263
Weighted average number of participating securities (restricted stocks)	883,880	784,940
Weighted average number of diluted common shares	945,158,189	944,910,692

	Yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Diluted net income attributable to Komatsu Ltd. per share	¥ 104.35	¥ 73.32

15. 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 December 31, 2023 and at March 31, 2023 were ¥17,120 million and ¥14,966 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at December 31, 2023 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 December 31, 2023 and at March 31, 2023 were ¥15,621 million and ¥14,683 million, respectively.

Management of the Company believes that losses from those contingent liabilities, if any, would not have a material effect on the quarterly consolidated financial statements.

(2) 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.

(3) 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.

16. Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at December 31, 2023 and at March 31, 2023 are as follows:

	Millions of yen	
	December 31, 2023	March 31, 2023
Foreign exchange forward contracts:		
Sale of foreign currencies	¥ 309,866	¥ 351,525
Purchase of foreign currencies	194,524	211,015
Interest rate swaps and cross-currency swap agreements	205,050	174,303

Fair value of derivative instruments at December 31, 2023 and at March 31, 2023 on the consolidated balance sheets are as follows (Refer to notes 17 and 18):

	Millions of yen			
	December 31, 2023			
	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	¥ 2,348	Other current liabilities	¥ 1,450
	Deferred income taxes and other assets	17	Deferred income taxes and other liabilities	127
Interest rate swaps and cross-currency swap agreements	Other current assets	36	Other current liabilities	770
	Deferred income taxes and other assets	798	Deferred income taxes and other liabilities	969
Total		¥ 3,199		¥ 3,316
Undesignated derivative instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
	Other current assets	¥ 1,546	Other current liabilities	¥ 5,277
Foreign exchange forward contracts	Deferred income taxes and other assets	28	Deferred income taxes and other liabilities	48
	Other current assets	3,164	Other current liabilities	592
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	184
	Total	¥ 4,738		¥ 6,101
Total Derivative Instruments		¥ 7,937		¥ 9,417

Millions of yen

March 31, 2023

	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Derivative instruments designated as hedging instruments				
Foreign exchange forward contracts	Other current assets	¥ 915	Other current liabilities	¥ 1,530
	Deferred income taxes and other assets	11	Deferred income taxes and other liabilities	28
Interest rate swaps and cross-currency swap agreements	Other current assets	74	Other current liabilities	1,154
	Deferred income taxes and other assets	959	Deferred income taxes and other liabilities	507
Total		¥ 1,959		¥ 3,219
	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Undesignated derivative instruments				
Foreign exchange forward contracts	Other current assets	¥ 3,875	Other current liabilities	¥ 6,461
	Deferred income taxes and other assets	91	Deferred income taxes and other liabilities	100
Interest rate swaps and cross-currency swap agreements	Other current assets	4,415	Other current liabilities	317
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	—
Total		¥ 8,381		¥ 6,878
Total Derivative Instruments		¥ 10,340		¥ 10,097

The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the nine months ended December 31, 2023 and 2022 are as follows:

Derivative instruments designated as cash flow hedging relationships

Millions of yen			
Nine months ended December 31, 2023			
	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	¥ (12,473)	Net sales	¥ (7,364)
		Cost of sales	(357)
		Other income (expenses), net: Other, net	(6,098)
Interest rate swaps and cross-currency swap agreements	(417)	Cost of sales	4
Total	¥ (12,890)		¥ (13,815)

Millions of yen			
Nine months ended December 31, 2022			
	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	¥ (11,968)	Net sales	¥ (13,563)
		Cost of sales	(693)
		Other income (expenses), net: Other, net	(3,875)
Interest rate swaps and cross-currency swap agreements	747	Cost of sales	3
Total	¥ (11,221)		¥ (18,128)

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

Millions of yen		
Nine months ended December 31, 2023		
	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	¥ (312)
Interest rate swaps and cross-currency swap agreements	Cost of sales	2,062
	Other income (expenses), net: Other, net	(1,880)
Total		¥ (130)

Millions of yen		
Nine months ended December 31, 2022		
	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	¥ (830)
Interest rate swaps and cross-currency swap agreements	Cost of sales	200
	Other income (expenses), net: Other, net	3,018
Total		¥ 2,388

The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the three months ended December 31, 2023 and 2022 are as follows:

Derivative instruments designated as cash flow hedging relationships

Millions of yen			
Three months ended December 31, 2023			
	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	¥ 3,097	Net sales	¥ (1,057)
		Cost of sales	(268)
		Other income (expenses), net: Other, net	1,495
Interest rate swaps and cross-currency swap agreements	(938)	Cost of sales	3
Total	¥ 2,159		¥ 173

Millions of yen			
Three months ended December 31, 2022			
	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	¥ 8,961	Net sales	¥ (3,591)
		Cost of sales	(869)
		Other income (expenses), net: Other, net	6,105
Interest rate swaps and cross-currency swap agreements	(255)	Cost of sales	0
Total	¥ 8,706		¥ 1,645

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

Millions of yen		
Three months ended December 31, 2023		
	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	¥ (3,194)
Interest rate swaps and cross-currency swap agreements	Cost of sales	2,313
	Other income (expenses), net: Other, net	(3,186)
Total		¥ (4,067)

Millions of yen		
Three months ended December 31, 2022		
	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	¥ (5,371)
Interest rate swaps and cross-currency swap agreements	Cost of sales	215
	Other income (expenses), net: Other, net	271
Total		¥ (4,885)

17. Fair Values of Financial Instruments

(1) Cash and cash equivalents, Short-term debt

The carrying amounts approximate fair value because of the short maturity of these instruments.

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

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 16 and 18)

The fair values of derivative financial instruments are stated in Note 18 and therefore are not included in the table below.

The carrying amounts and the estimated fair values of the financial instruments as of December 31, 2023 and as of March 31, 2023, and fair value levels are summarized as follows:

	Millions of yen				Fair Value Levels
	December 31, 2023		March 31, 2023		
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	
Cash and cash equivalents	¥ 343,456	¥ 343,456	¥ 289,975	¥ 289,975	Level 1
Long-term trade receivables, net, excluding lease receivables	463,687	453,101	430,178	411,766	Level 2
Short-term debt	498,431	498,431	310,738	310,738	Level 2
Long-term debt, including current portion	708,970	687,805	743,024	719,514	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 18.

18. 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 December 31, 2023 and at March 31, 2023 are as follows:

		Millions of yen			
<u>At December 31, 2023</u>		Level 1	Level 2	Level 3	Total
Assets					
Derivatives					
Foreign exchange forward contracts	¥	—	¥ 3,939	¥	—
Interest rate swaps and cross-currency swap agreements		—	3,998	—	3,998
Total	¥	—	¥ 7,937	¥	—
Liabilities					
Derivatives					
Foreign exchange forward contracts	¥	—	¥ 6,902	¥	—
Interest rate swaps and cross-currency swap agreements		—	2,515	—	2,515
Total	¥	—	¥ 9,417	¥	—
		Millions of yen			
<u>At March 31, 2023</u>		Level 1	Level 2	Level 3	Total
Assets					
Derivatives					
Foreign exchange forward contracts	¥	—	¥ 4,892	¥	—
Interest rate swaps and cross-currency swap agreements		—	5,448	—	5,448
Total	¥	—	¥ 10,340	¥	—
Liabilities					
Derivatives					
Foreign exchange forward contracts	¥	—	¥ 8,119	¥	—
Interest rate swaps and cross-currency swap agreements		—	1,978	—	1,978
Total	¥	—	¥ 10,097	¥	—

Derivatives (Notes 16 and 17)

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

During the nine months ended December 31, 2023 and 2022, assets and liabilities that were measured at fair value on a non-recurring basis were not material.

19. Committed Credit Lines

The Company and certain consolidated subsidiaries have entered into contracts with certain financial institutions for committed credit lines. These total amounts of committed credit lines at December 31, 2023 and at March 31, 2023 were ¥327,274 million and ¥304,630 million, respectively. These total amounts of unused committed credit lines available for full and immediate borrowings at December 31, 2023 and at March 31, 2023 were ¥306,048 million and ¥284,898 million, respectively.

20. Dividends

Payment amount of dividends

Resolution	Nine months ended December 31, 2023					
	Type of stock	Aggregate amount of dividends (Millions of yen)	Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 21, 2023	Common stock	¥70,950	Retained earnings	¥75	March 31, 2023	June 22, 2023
Board of Directors held on October 27, 2023	Common stock	¥68,139	Retained earnings	¥72	September 30, 2023	December 1, 2023

Note: The amount is rounded down to nearest million yen.

Payment amount of dividends

Resolution	Nine months ended December 31, 2022					
	Type of stock	Aggregate amount of dividends (Millions of yen)	Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 21, 2022	Common stock	¥52,962	Retained earnings	¥56	March 31, 2022	June 22, 2022
Board of Directors held on October 31, 2022	Common stock	¥60,542	Retained earnings	¥64	September 30, 2022	December 2, 2022

Note: The amount is rounded down to nearest million yen.

21. 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. Those operating segments which have separate financial information are available for allocating resources and assessing its performance by management.

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

Segment profit available for allocating resources and assessing its performance by management is determined by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment. Segment profit excludes certain general corporate administration and finance expenses, such as costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations. Segment profit also excludes certain charges which may otherwise relate to operating segments, including impairments of long-lived assets and goodwill.

Operating segments:

Information about operating segments for the nine months ended December 31, 2023 and 2022 is as follows:

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Net sales:		
Construction, Mining and Utility Equipment –		
External customers	¥ 2,607,537	¥ 2,363,189
Intersegment	18,266	6,449
Total	2,625,803	2,369,638
Retail Finance –		
External customers	58,215	50,583
Intersegment	16,478	12,984
Total	74,693	63,567
Industrial Machinery and Others –		
External customers	129,238	125,460
Intersegment	2,255	1,397
Total	131,493	126,857
Elimination	(36,999)	(20,830)
Consolidated	¥ 2,794,990	¥ 2,539,232
Segment profit:		
Construction, Mining and Utility Equipment	¥ 429,873	¥ 309,549
Retail Finance	18,699	21,242
Industrial Machinery and Others	5,682	15,644
Total segment profit	454,254	346,435
Corporate expenses and elimination	(3,044)	(267)
Consolidated	¥ 451,210	¥ 346,168

Information about operating segments for the three months ended December 31, 2023 and 2022 is as follows:

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Net sales:		
Construction, Mining and Utility Equipment –		
External customers	¥ 904,739	¥ 860,700
Intersegment	13,480	2,729
Total	<u>918,219</u>	<u>863,429</u>
Retail Finance –		
External customers	21,345	17,132
Intersegment	5,838	4,940
Total	<u>27,183</u>	<u>22,072</u>
Industrial Machinery and Others –		
External customers	45,912	42,665
Intersegment	547	481
Total	<u>46,459</u>	<u>43,146</u>
Elimination	(19,865)	(8,150)
Consolidated	<u>¥ 971,996</u>	<u>¥ 920,497</u>
Segment profit:		
Construction, Mining and Utility Equipment	¥ 149,084	¥ 122,028
Retail Finance	5,710	6,390
Industrial Machinery and Others	1,268	4,664
Total segment profit	<u>156,062</u>	<u>133,082</u>
Corporate expenses and elimination	(2,795)	335
Consolidated	<u>¥ 153,267</u>	<u>¥ 133,417</u>

The reconciliation of total segment profit to consolidated income before income taxes and equity in earnings of affiliated companies for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Total segment profit	¥ 454,254	¥ 346,435
Corporate expenses and elimination	(3,044)	(267)
Total	451,210	346,168
Other operating income, net	2,211	431
Operating income	453,421	346,599
Interest and dividend income	14,924	8,243
Interest expense	(39,658)	(21,882)
Other, net	1,584	6,847
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 430,271	¥ 339,807

The reconciliation of total segment profit to consolidated income before income taxes and equity in earnings of affiliated companies for the three months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Total segment profit	¥ 156,062	¥ 133,082
Corporate expenses and elimination	(2,795)	335
Total	153,267	133,417
Other operating income, net	3,178	1,548
Operating income	156,445	134,965
Interest and dividend income	5,737	3,231
Interest expense	(14,655)	(10,990)
Other, net	(5,276)	(15,158)
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 142,251	¥ 112,048

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:

Financing

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.

Geographic information:

Net sales determined by customer location for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen			
	Nine months ended December 31, 2023			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 245,825	¥ 861	¥ 59,643	¥ 306,329
The Americas	1,197,113	42,193	19,131	1,258,437
Europe and CIS	279,305	6,090	10,968	296,363
China	51,839	852	15,801	68,492
Asia (excluding Japan and China) and Oceania	595,925	7,116	23,419	626,460
Middle East and Africa	237,530	1,103	276	238,909
Total	¥ 2,607,537	¥ 58,215	¥ 129,238	¥ 2,794,990

	Millions of yen			
	Nine months ended December 31, 2022			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 226,686	¥ 2,035	¥ 58,003	¥ 286,724
The Americas	1,011,697	35,463	19,414	1,066,574
Europe and CIS	311,216	5,303	10,741	327,260
China	62,591	1,596	11,198	75,385
Asia (excluding Japan and China) and Oceania	561,959	5,683	25,824	593,466
Middle East and Africa	189,040	503	280	189,823
Total	¥ 2,363,189	¥ 50,583	¥ 125,460	¥ 2,539,232

Net sales determined by customer location for the three months ended December 31, 2023 and 2022 are as follows:

	Millions of yen			
	Three months ended December 31, 2023			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 92,750	¥ 293	¥ 16,602	¥ 109,645
The Americas	420,519	15,309	8,317	444,145
Europe and CIS	83,990	2,156	2,585	88,731
China	19,566	236	9,478	29,280
Asia (excluding Japan and China) and Oceania	195,468	2,758	8,833	207,059
Middle East and Africa	92,446	593	97	93,136
Total	¥ 904,739	¥ 21,345	¥ 45,912	¥ 971,996

	Millions of yen			
	Three months ended December 31, 2022			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 86,095	¥ 418	¥ 18,533	¥ 105,046
The Americas	373,653	12,406	7,531	393,590
Europe and CIS	105,750	1,657	4,423	111,830
China	23,375	456	3,595	27,426
Asia (excluding Japan and China) and Oceania	202,329	1,974	8,489	212,792
Middle East and Africa	69,498	221	94	69,813
Total	¥ 860,700	¥ 17,132	¥ 42,665	¥ 920,497

Net sales determined by geographic origin for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Japan	¥ 510,159	¥ 481,420
The Americas	1,237,302	1,043,877
Europe and CIS	334,280	357,181
China	63,351	69,334
Others	649,898	587,420
Total	¥ 2,794,990	¥ 2,539,232

Net sales determined by geographic origin for the three months ended December 31, 2023 and 2022 are as follows:

	Millions of yen	
	Three months ended December 31, 2023	Three months ended December 31, 2022
Japan	¥ 181,955	¥ 176,094
The Americas	435,963	384,756
Europe and CIS	103,486	118,912
China	26,709	25,558
Others	223,883	215,177
Total	¥ 971,996	¥ 920,497

There were no sales to a single major external customer for the nine months and the three months ended December 31, 2023 and 2022.

22. Subsequent Events

Not applicable.

Komatsu evaluated subsequent events through February 13, 2024, the issue date of its quarterly consolidated financial statements.

23. Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements

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

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

(1) Scope of consolidation

For quarterly consolidated financial statements in accordance with J. GAAP, the scope of consolidation is determined on an effective control and influence basis. For quarterly 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 quarterly 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 quarterly 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.

(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 quarterly 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 quarterly consolidated financial statements.