

(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.

Semi-annual Report

From April 1, 2024 to September 30, 2024

(First Half of the 156th Fiscal Year)

KOMATSU LTD.

First Half of the 156th Fiscal Year (from April 1, 2024 to September 30, 2024)

Semi-annual Report

Certain References and Information:

1. This is an English translation of the Semi-annual Securities Report (“Hanki 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 Semi-annual Securities Report for the six months ended September 30, 2024 with the Director-General of the Kanto Local Finance Bureau on November 13, 2024. The Semi-annual Securities Report contains, among other information, Interim Consolidated Financial Statements for the six months ended September 30, 2024. Material information in the Semi-annual Securities Report, other than the Interim Consolidated Financial Statements, has already been reported by Komatsu Ltd. in its press release dated October 29, 2024. Attached is an English translation of Interim Consolidated Financial Statements for the six months ended September 30, 2024.
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 management’s views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results and business strategies. These statements can be identified by the use of terms such as “will,” “believes,” “should,” “projects,” “plans,” “expects” and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Any forward-looking statements speak only as of the date of this 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 interim consolidated financial statements

The interim consolidated financial statements of the Company are prepared in accordance with the accounting principles generally accepted in the United States of America, pursuant to Paragraph 6, Supplementary Provisions of the “Cabinet Office Ordinance for Partial Revision of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements,” the Ordinance of the Cabinet Office No. 11 of 2002.

In addition, the Company falls under the category of a company listed in the upper column of Item 1 of the table in Article 24-5, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, and has prepared its Type 1 interim consolidated financial statements in accordance with the provisions of Part 1 and Part 3 of the “Regulations Concerning the Terminology, Forms and Preparation Method of Consolidated Financial Statements” the Ordinance of the Ministry of Finance No. 28 of 1976.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the interim consolidated financial statements for the interim consolidated accounting period (from April 1, 2024 to September 30, 2024) were reviewed by KPMG AZSA LLC.

Interim Consolidated Financial Statements

Consolidated Balance Sheets (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries as of September 30, 2024 and March 31, 2024

Assets	September 30, 2024		March 31, 2024	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
Current assets				
Cash and cash equivalents (Note 17)	¥ 409,535		¥ 403,178	
Trade notes and accounts receivable, net (Notes 4, 11 and 17)	1,159,038		1,263,542	
Inventories (Note 5)	1,456,704		1,438,695	
Other current assets (Notes 16, 17 and 18)	232,809		208,773	
Total current assets	3,258,086	58.6	3,314,188	58.8
Long-term trade receivables, net (Notes 4, 11 and 17)	705,039	12.7	688,260	12.2
Investments				
Investments in and advances to affiliated companies	65,544		67,325	
Investment securities (Note 6)	9,939		10,267	
Other	4,521		3,975	
Total investments	80,004	1.4	81,567	1.5
Property, plant and equipment				
– less accumulated depreciation of ¥1,075,461 million at September 30, 2024 and ¥1,090,769 million at March 31, 2024	889,648	16.0	908,055	16.1
Operating lease right-of-use assets	67,729	1.2	69,236	1.2
Goodwill (Note 3)	241,670	4.4	248,393	4.4
Other intangible assets				
– less accumulated amortization (Notes 3 and 7)	167,648	3.0	180,403	3.2
Deferred income taxes and other assets (Notes 16, 17 and 18)	148,792	2.7	146,554	2.6
Total assets	¥ 5,558,616	100.0	¥ 5,636,656	100.0
Liabilities and Equity	September 30, 2024		March 31, 2024	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
Current liabilities				
Short-term debt (Note 17)	¥ 483,512		¥ 440,619	
Current maturities of long-term debt (Note 17)	234,203		140,359	
Trade notes, bills and accounts payable (Notes 8 and 17)	314,869		320,312	
Income taxes payable	62,368		69,638	
Current operating lease liabilities	19,389		19,603	
Other current liabilities (Notes 11, 16, 17 and 18)	521,596		535,668	
Total current liabilities	1,635,937	29.4	1,526,199	27.1
Long-term liabilities				
Long-term debt (Note 17)	536,765		618,392	
Liability for pension and retirement benefits	77,882		87,933	
Long-term operating lease liabilities	50,700		51,441	
Deferred income taxes and other liabilities (Notes 11, 16, 17 and 18)	156,480		154,239	
Total long-term liabilities	821,827	14.8	912,005	16.2
Total liabilities	2,457,764	44.2	2,438,204	43.3
Commitments and contingent liabilities (Note 15)				
Equity				
Komatsu Ltd. shareholders' equity				
Common stock:				
Authorized 3,955,000,000 shares				
Issued 973,810,620 shares				
Outstanding 922,843,493 shares at September 30, 2024 and 945,981,168 shares at March 31, 2024	70,336		70,336	
Capital surplus	137,525		136,500	
Retained earnings:				
Appropriated for legal reserve	49,254		48,979	
Unappropriated	2,478,566		2,367,020	
Accumulated other comprehensive income (loss) (Notes 10 and 16)	350,166		459,865	
Treasury stock at cost, 50,967,127 shares at September 30, 2024 and 27,829,452 shares at March 31, 2024	(150,303)		(49,131)	
Total Komatsu Ltd. shareholders' equity	2,935,544	52.8	3,033,569	53.8
Noncontrolling interests	165,308	3.0	164,883	2.9
Total equity	3,100,852	55.8	3,198,452	56.7
Total liabilities and equity	¥ 5,558,616	100.0	¥ 5,636,656	100.0

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

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

Komatsu Ltd. and Consolidated Subsidiaries

Six months ended September 30, 2024 and 2023

Consolidated Statements of Income

	Six months ended September 30, 2024		Six months ended September 30, 2023	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 10, 11, 13, 16 and 21)	¥ 1,968,066	100.0	¥ 1,822,994	100.0
Cost of sales (Notes 7, 9, 10 and 16)	1,338,392	68.0	1,237,198	67.9
Selling, general and administrative expenses (Notes 3, 7, 9 and 12)	325,764	16.6	287,853	15.8
Other operating income (expenses), net	(483)	(0.0)	(967)	(0.1)
Operating income	303,427	15.4	296,976	16.3
Other income (expenses), net				
Interest and dividend income	14,175	0.7	9,187	0.5
Interest expense	(30,436)	(1.5)	(25,003)	(1.4)
Other, net (Notes 6, 9, 10 and 16)	(8,512)	(0.4)	6,860	0.4
Total	(24,773)	(1.3)	(8,956)	(0.5)
Income before income taxes and equity in earnings of affiliated companies	278,654	14.2	288,020	15.8
Income taxes (Note 10)				
Current	79,034		86,957	
Deferred	(11,618)		(12,318)	
Total	67,416	3.4	74,639	4.1
Income before equity in earnings of affiliated companies	211,238	10.7	213,381	11.7
Equity in earnings of affiliated companies	4,688	0.2	3,833	0.2
Net income	215,926	11.0	217,214	11.9
Less: Net income attributable to noncontrolling interests	14,197	0.7	11,666	0.6
Net income attributable to Komatsu Ltd.	¥ 201,729	10.3	¥ 205,548	11.3

Yen

Per share data (Note 14):

Net income attributable to Komatsu Ltd.:

	Yen	
Basic	¥ 215.93	¥ 217.36
Diluted	¥ 215.92	¥ 217.34

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Net income	¥ 215,926	¥ 217,214
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments (Note 10)	(116,381)	203,687
Pension liability adjustments (Notes 9 and 10)	561	393
Net unrealized holding gains (losses) on derivative instruments (Notes 10 and 16)	1,339	(765)
Total	(114,481)	203,315
Comprehensive income	101,445	420,529
Less: Comprehensive income attributable to noncontrolling interests	9,415	23,661
Comprehensive income attributable to Komatsu Ltd.	¥ 92,030	¥ 396,868

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

Consolidated Statements of Equity (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Six months ended September 30, 2024

	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, 2024	¥ 70,336	¥ 136,500	¥ 48,979	¥ 2,367,020	¥ 459,865	¥ (49,131)	¥ 3,033,569	¥ 164,883	¥ 3,198,452
Cash dividends (Note 20)				(89,908)			(89,908)	(8,504)	(98,412)
Transfer to retained earnings appropriated for legal reserve			275	(275)			—		—
Other changes		484					484	(486)	(2)
Net income				201,729			201,729	14,197	215,926
Other comprehensive income (loss), for the period, net of tax (Note 10)					(109,699)		(109,699)	(4,782)	(114,481)
Exercise of stock acquisition rights (Note 12)		(72)					(72)		(72)
Purchase of treasury stock						(101,255)	(101,255)		(101,255)
Sales of treasury stock		(9)				83	74		74
Share-based payment (Note 12)		622					622		622
Balance at September 30, 2024	¥ 70,336	¥ 137,525	¥ 49,254	¥ 2,478,566	¥ 350,166	¥ (150,303)	¥ 2,935,544	¥ 165,308	¥ 3,100,852

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

Six months ended September 30, 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 (Note 4)				(1,634)			(1,634)	(126)	(1,760)
Cash dividends (Note 20)				(70,950)			(70,950)	(10,283)	(81,233)
Transfer to retained earnings appropriated for legal reserve			162	(162)			—		—
Other changes		4					4	(6)	(2)
Net income				205,548			205,548	11,666	217,214
Other comprehensive income (loss), for the period, net of tax (Note 10)					191,320		191,320	11,995	203,315
Exercise of stock acquisition rights (Note 12)		(54)					(54)		(54)
Purchase of treasury stock						(25)	(25)		(25)
Sales of treasury stock		8				46	54		54
Share-based payment (Note 12)		676					1,348		1,348
Balance at September 30, 2023	¥ 70,336	¥ 136,516	¥ 48,670	¥ 2,247,591	¥ 411,271	¥ (49,132)	¥ 2,865,252	¥ 151,560	¥ 3,016,812

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

Consolidated Statements of Cash Flows (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Six months ended September 30, 2024 and 2023

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Operating activities		
Net income	¥ 215,926	¥ 217,214
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	81,094	76,444
Deferred income taxes	(11,618)	(12,318)
Impairment loss and net loss on valuation of investment securities, net	645	28
Net gain on sale of fixed assets	(318)	(600)
Loss on disposal of fixed assets	1,494	1,169
Pension and retirement benefits, net	(8,803)	(276)
Changes in assets and liabilities:		
Decrease in trade receivables	5,199	52,112
Increase in inventories	(69,788)	(141,238)
Increase (decrease) in trade payables	1,325	(34,006)
Increase (decrease) in income taxes payable	(6,967)	1,215
Other, net	9,484	27,569
Net cash provided by operating activities	217,673	187,313
Investing activities		
Capital expenditures	(99,760)	(88,717)
Proceeds from sale of fixed assets	7,416	7,510
Purchases of investment securities	(626)	(165)
Acquisition of subsidiaries and equity investees, net of cash acquired	(13,500)	—
Other, net	2,147	(34)
Net cash used in investing activities	(104,323)	(81,406)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	328,478	230,902
Payment on debt (Original maturities greater than three months)	(264,202)	(273,270)
Short-term debt, net (Original maturities three months or less)	39,466	43,815
Sale (purchase) of treasury stock, net	(101,240)	(12)
Dividends paid	(89,908)	(70,950)
Other, net	(9,002)	(10,094)
Net cash used in financing activities	(96,408)	(79,609)
Effect of exchange rate change on cash and cash equivalents	(10,585)	1,014
Net increase in cash and cash equivalents	6,357	27,312
Cash and cash equivalents, beginning of year	403,178	289,975
Cash and cash equivalents, end of period	¥ 409,535	¥ 317,287

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

The figure for the six months ended September 30, 2023 was reclassified to conform to the presentation for the six months ended September 30, 2024.

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

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

Basis of Interim Consolidated Financial Statement Presentation

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

The accompanying interim 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 interim financial statements are added to the accompanying interim 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 Interim 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

There is no material change for summary of significant accounting policies stated in annual report for the fiscal year ended March 31, 2024.

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 six months ended September 30, 2024 and 2023 is as follows:

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Additional cash flow information:		
Interest paid	¥ 31,001	¥ 24,215
Income taxes paid, net	88,131	96,394

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 Financial Accounting Standards Board Accounting Standards CodificationTM (hereinafter “ASC”) 805, “Business Combinations” was completed as of the filing date of the semi-annual securities report of the fiscal year ended March 31, 2025. 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). Based on the completion of the allocation of acquisition cost for the six months ended September 30, 2024, the amounts of goodwill and part of acquired assets and assumed liabilities were adjusted from the provisional amounts at June 18, 2024, the filing date of Annual Securities Report for the year ended March 31, 2024.

Although these adjustments were reflected to the interim consolidated financial statements for the period, the amount of adjustment was not material to the interim consolidated financial statements for the period.

	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.

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 six months ended September 30, 2024.

Changes in the allowance for credit losses by segments for the six months ended September 30, 2024 and 2023 are as follows:

Millions of yen					
Six months ended September 30, 2024					
	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		707		2,688	13
Write-offs		(158)		(2,239)	—
Other		(226)		(341)	(2)
Balance at end of period	¥	13,617	¥	20,698	¥ 206
Receivables (before deducting allowance for credit losses):					
Balance at end of period	¥	650,736	¥	1,198,202	¥ 49,660

Millions of yen					
Six months ended September 30, 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		1,716		1,078	99
Write-offs		(59)		(886)	(112)
Other		1,992		2,071	146
Balance at end of period	¥	11,536	¥	19,099	¥ 303
Receivables (before deducting allowance for credit losses):					
Balance at end of period	¥	641,390	¥	1,122,354	¥ 44,836

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 September 30, 2024 and March 31, 2024 are as follows:

		Millions of yen						
		September 30, 2024						
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	¥	8,468	¥ 13,881	¥ 8,620	¥ 5,565	¥ 3,801	¥ 963	¥ 41,298
31-90 days past due		—	3	—	—	—	—	3
Over 90 days past due		—	—	3	—	—	—	3
Total		8,468	13,884	8,623	5,565	3,801	963	41,304
North America								
Within due and 30 days or less past due		278,257	298,230	144,819	60,726	21,008	5,433	808,473
31-90 days past due		35	186	210	168	123	39	761
Over 90 days past due		—	77	133	267	231	410	1,118
Total		278,292	298,493	145,162	61,161	21,362	5,882	810,352
Latin America								
Within due and 30 days or less past due		24,891	21,404	11,892	6,891	1,851	816	67,745
31-90 days past due		4	138	391	120	34	4	691
Over 90 days past due		—	49	51	93	5	5,594	5,792
Total		24,895	21,591	12,334	7,104	1,890	6,414	74,228
Europe								
Within due and 30 days or less past due		30,181	66,742	28,483	14,928	3,982	1,803	146,119
31-90 days past due		1	103	4	4	5	1	118
Over 90 days past due		—	1,674	214	158	1	1	2,048
Total		30,182	68,519	28,701	15,090	3,988	1,805	148,285
Oceania								
Within due and 30 days or less past due		29,906	29,524	24,344	7,584	2,508	533	94,399
31-90 days past due		—	—	—	—	—	—	—
Over 90 days past due		—	—	—	—	—	—	—
Total		29,906	29,524	24,344	7,584	2,508	533	94,399
Others								
Within due and 30 days or less past due		7,785	9,507	5,193	4,440	820	3	27,748
31-90 days past due		86	471	274	199	54	—	1,084
Over 90 days past due		—	15	47	173	120	447	802
Total		7,871	9,993	5,514	4,812	994	450	29,634
Totals by Aging Category								
Within due and 30 days or less past due		379,488	439,288	223,351	100,134	33,970	9,551	1,185,782
31-90 days past due		126	901	879	491	216	44	2,657
Over 90 days past due		—	1,815	448	691	357	6,452	9,763
Total		¥ 379,614	¥ 442,004	¥ 224,678	¥ 101,316	¥ 34,543	¥ 16,047	¥1,198,202

		Millions of yen												
		March 31, 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

Gross write-offs by origination fiscal year for the six months ended September 30, 2024 and 2023 are as follows:

Fiscal year ending March 31	Millions of yen		Fiscal year ending March 31	Millions of yen	
	Six months ended September 30, 2024			Six months ended September 30, 2023	
2025	¥	—	2024	¥	—
2024		732	2023		323
2023		563	2022		304
2022		441	2021		94
2021		307	2020		129
Prior		196	Prior		36
Total	¥	2,239	Total	¥	886

(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 six months ended September 30, 2024 and 2023.

Retail finance receivables which are on non-accrual status and retail finance receivables over 90 days past due and still accruing income at September 30, 2024 and March 31, 2024 are as follows:

	Millions of yen					
	September 30, 2024					
	Non-accrual with an allowance	Non-accrual without an allowance	Over 90 days past due still accruing			
Japan	¥	—	¥	3		
North America		—	3,071	1,118		
Latin America		5,691	—	101		
Europe		—	—	2,048		
Oceania		—	—	—		
Others		628	—	176		
Total	¥	6,319	¥	3,071	¥	3,446

	Millions of yen					
	March 31, 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

(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 six months ended September 30, 2024 and 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 six months ended September 30, 2024 and 2023.

5. Inventories

At September 30, 2024 and at March 31, 2024, inventories comprise the following:

	Millions of yen	
	September 30, 2024	March 31, 2024
Finished products, including finished parts held for sale	¥ 1,048,689	¥ 1,020,239
Work in process	279,473	279,618
Materials and supplies	128,542	138,838
Total	¥ 1,456,704	¥ 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 six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Net gains and losses recognized during the period on equity securities	¥ (645)	¥ (28)
Less: net gains and losses recognized during the period on equity securities sold during the period	—	—
Unrealized gains and losses recognized during the period on equity securities still held as of September 30, 2024 and 2023	¥ (645)	¥ (28)

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 September 30, 2024 and as of March 31, 2024, the carrying amounts of these investments were ¥9,939 million and ¥10,267 million, respectively. Any impairment or any adjustment relating to observable price changes recorded until September 30, 2024 and until March 31, 2024 were not material.

7. Other Intangible Assets

Other intangible assets at September 30, 2024 and at March 31, 2024 are as follows:

	Millions of yen					
	September 30, 2024			March 31, 2024		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥ 104,873	¥ (56,835)	¥ 48,038	¥ 103,501	¥ (55,462)	¥ 48,039
Leasehold	6,599	(2,035)	4,564	8,211	(2,431)	5,780
Trademarks	72,887	(35,451)	37,436	76,479	(34,977)	41,502
Customer relationships	76,340	(37,121)	39,219	79,838	(36,527)	43,311
Technology assets	45,485	(19,103)	26,382	47,452	(18,129)	29,323
Other	9,986	(6,340)	3,646	10,372	(6,415)	3,957
Total	316,170	(156,885)	159,285	325,853	(153,941)	171,912
Other intangible assets not subject to amortization			8,363			8,491
Total other intangible assets			<u>¥ 167,648</u>			<u>¥ 180,403</u>

The aggregate amortization expense of other intangible assets subject to amortization during the six months ended September 30, 2024 and 2023 were ¥15,053 million and ¥14,770 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 September 30, 2024 and at March 31, 2024 are ¥29,654 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 supplier finance program for the six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Balance at beginning of year	¥ 36,514	¥ 48,519
Increase	70,651	101,819
Decrease	(77,511)	(110,116)
Balance at end of period	<u>¥ 29,654</u>	<u>¥ 40,222</u>

9. Cost of Retirement Benefits

Net periodic cost of Komatsu's defined benefit plans for the six months ended September 30, 2024 and 2023 consisted of the following components:

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Service cost	¥ 4,158	¥ 4,414
Interest cost on projected benefit obligations	6,377	5,480
Expected return on plan assets	(6,913)	(6,176)
Amortization of actuarial loss or gain	191	181
Amortization of prior service cost	583	563
Gains recognized due to partial settlements	(2,119)	(59)
Net periodic cost	¥ 2,277	¥ 4,403

Net periodic cost of the other postretirement benefit plans for the six months ended September 30, 2024 and 2023 included the following components:

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Service cost	¥ 197	¥ 197
Interest cost on projected benefit obligations	324	300
Expected return on plan assets	(385)	(325)
Amortization of actuarial loss or gain	(104)	(76)
Amortization of prior service cost	(184)	(165)
Net periodic cost	¥ (152)	¥ (69)

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 six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen			
	Six months ended September 30, 2024			
	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	(116,381)	139	1,336	(114,906)
Amounts reclassified from accumulated other comprehensive income (loss)	—	422	3	425
Net other comprehensive income (loss)	(116,381)	561	1,339	(114,481)
Less: other comprehensive income (loss) attributable to noncontrolling interests	(4,607)	—	(175)	(4,782)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(111,774)	561	1,514	(109,699)
Balance, end of the period	¥ 367,603	¥ (18,201)	¥ 764	¥ 350,166

	Millions of yen			
	Six months ended September 30, 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	204,035	—	(10,382)	193,653
Amounts reclassified from accumulated other comprehensive income (loss)	(348)	393	9,617	9,662
Net other comprehensive income (loss)	203,687	393	(765)	203,315
Less: other comprehensive income (loss) attributable to noncontrolling interests	11,888	—	107	11,995
Other comprehensive income (loss) attributable to Komatsu Ltd.	191,799	393	(872)	191,320
Balance, end of the period	¥ 434,537	¥ (22,338)	¥ (928)	¥ 411,271

Reclassification out of accumulated other comprehensive income (loss) for the six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen		Affected line items in consolidated statements of income
	Six months ended September 30, 2024		
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		(578)	Other income (expenses), net: Other, net
		(578)	Total before tax
		156	Income taxes
		(422)	Net of tax
Net unrealized holding gains (losses) on derivative instruments			
Foreign exchange forward contracts, Interest rate swaps and cross-currency swap agreements		(1,226)	Net sales
		(447)	Cost of sales
		1,642	Other income (expenses), net: Other, net
		(31)	Total before tax
		28	Income taxes
		(3)	Net of tax
Total reclassification for the period	¥	(425)	Net of tax

	Millions of yen		Affected line items in consolidated statements of income
	Six months ended September 30, 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		(528)	Other income (expenses), net: Other, net
		(528)	Total before tax
		135	Income taxes
		(393)	Net of tax
Net unrealized holding gains (losses) on derivative instruments			
Foreign exchange forward contracts, Interest rate swaps and cross-currency swap agreements		(6,307)	Net sales
		(88)	Cost of sales
		(7,593)	Other income (expenses), net: Other, net
		(13,988)	Total before tax
		4,371	Income taxes
		(9,617)	Net of tax
Total reclassification for the period	¥	(9,662)	Net of tax

Tax effects allocated to each component of other comprehensive income (loss) for the six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen		
	Six months ended September 30, 2024		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the period	¥ (116,434)	¥ 53	¥ (116,381)
Less: reclassification adjustment for gains included in net income	—	—	—
Net foreign currency translation adjustments	(116,434)	53	(116,381)
Pension liability adjustments			
Pension liability adjustments arising during the period	195	(56)	139
Less: reclassification adjustment for losses included in net income	578	(156)	422
Net pension liability adjustments	773	(212)	561
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding gains arising during the period	1,954	(618)	1,336
Less: reclassification adjustment for losses included in net income	31	(28)	3
Net unrealized holding gains	1,985	(646)	1,339
Other comprehensive income (loss)	¥ (113,676)	¥ (805)	¥ (114,481)

	Millions of yen		
	Six months ended September 30, 2023		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the period	¥ 204,450	¥ (415)	¥ 204,035
Less: reclassification adjustment for gains included in net income	(348)	—	(348)
Net foreign currency translation adjustments	204,102	(415)	203,687
Pension liability adjustments			
Pension liability adjustments arising during the period	5	(5)	—
Less: reclassification adjustment for losses included in net income	528	(135)	393
Net pension liability adjustments	533	(140)	393
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during the period	(15,049)	4,667	(10,382)
Less: reclassification adjustment for losses included in net income	13,988	(4,371)	9,617
Net unrealized holding losses	(1,061)	296	(765)
Other comprehensive income (loss)	¥ 203,574	¥ (259)	¥ 203,315

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 September 30, 2024 and at March 31, 2024 are as follows:

	Millions of yen	
	September 30, 2024	March 31, 2024
Receivables *1	¥ 1,573,551	¥ 1,682,474
Contract assets *2	3,301	3,930
Contract liabilities *3	224,940	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 and long-term trade receivables, 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.

Revenue recognized for the six months ended September 30, 2024 that was included in the contract liability balance as of March 31, 2024 was ¥85,587 million. Revenue recognized for the six months ended September 30, 2023 that was included in the contract liability balance as of March 31, 2023 was ¥57,423 million.

The amounts of revenue recognized during the six months ended September 30, 2024 and 2023 from performance obligations satisfied or partially satisfied in previous periods were immaterial.

(3) Transaction price allocated to the remaining performance obligations

As of September 30, 2024, the aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year is ¥370,104 million, of which ¥178,477 million is expected to be recognized as revenue in the twelve months following September 30, 2024.

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 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 with medium- to long-term incentives and advance in sharing value between the directors and shareholders of the Company.

However, 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 subsidiaries, and the Employee Ownership Plan Trust for eligible employees of the Company acquires the Company's shares and delivers the shares or provides the amount of money equivalent to the value of the shares to eligible directors, etc., depending on the degree of achievement of performance targets, etc.

Compensation expenses during the six months ended September 30, 2024 and 2023 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 six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Sales-type lease revenue		
Revenue recognized at the commencement date *	¥ 80,511	¥ 55,675
Interest income	7,278	5,104
Total sales-type lease revenue	87,789	60,779
Operating lease revenue	47,624	42,664
Total	¥ 135,413	¥ 103,443

* 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 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. In accordance with the introduction of a trust-type stock-based remuneration system, the System was abolished except for those already granted. 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	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Net income attributable to Komatsu Ltd.	¥ 201,729	¥ 205,548
Net income attributable to participating securities (restricted stocks)	183	174
Net income attributable to common shareholders	¥ 201,546	¥ 205,374

	Number of shares	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Weighted average number of common shares outstanding, less treasury stock	934,247,913	945,662,653
Weighted average number of participating securities (restricted stocks)	847,969	802,585
Weighted average number of common shares	933,399,944	944,860,068

	Yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Basic net income attributable to Komatsu Ltd. per share	¥ 215.93	¥ 217.36

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	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Net income attributable to Komatsu Ltd.	¥ 201,729	¥ 205,548
Net income attributable to participating securities (restricted stocks)	183	174
Net income attributable to common shareholders	¥ 201,546	¥ 205,374

	Number of shares	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Weighted average number of common shares outstanding, less treasury stock	934,247,913	945,662,653
Dilutive effect of:		
Stock options	37,266	84,550
Weighted average number of participating securities (restricted stocks)	847,969	802,585
Weighted average number of diluted common shares	933,437,210	944,944,618

	Yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Diluted net income attributable to Komatsu Ltd. per share	¥ 215.92	¥ 217.34

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 September 30, 2024 and at March 31, 2024 were ¥15,691 million and ¥17,246 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at September 30, 2024 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 September 30, 2024 and at March 31, 2024 were ¥15,033 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 interim 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 September 30, 2024 and at March 31, 2024 are as follows:

	Millions of yen	
	September 30, 2024	March 31, 2024
Foreign exchange forward contracts:		
Sale of foreign currencies	¥ 300,727	¥ 339,481
Purchase of foreign currencies	192,837	246,773
Interest rate swaps and cross-currency swap agreements	317,126	249,526

Fair value of derivative instruments at September 30, 2024 and at March 31, 2024 on the consolidated balance sheets are as follows (Refer to notes 17 and 18):

	Millions of yen			
	September 30, 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	¥ 3,973	Other current liabilities	¥ 1,056
	Deferred income taxes and other assets	30	Deferred income taxes and other liabilities	114
Interest rate swaps and cross-currency swap agreements	Other current assets	881	Other current liabilities	173
	Deferred income taxes and other assets	586	Deferred income taxes and other liabilities	571
Total		¥ 5,470		¥ 1,914
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	¥ 2,167	Other current liabilities	¥ 3,010
Foreign exchange forward contracts	Deferred income taxes and other assets	33	Deferred income taxes and other liabilities	474
	Other current assets	1,450	Other current liabilities	1,386
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other assets	173	Deferred income taxes and other liabilities	417
	Total	¥ 3,823		¥ 5,287
Total Derivative Instruments		¥ 9,293		¥ 7,201

Millions of yen				
March 31, 2024				
	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	¥ 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	
	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	¥ 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

The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the six months ended September 30, 2024 and 2023 are as follows:

Derivative instruments designated as cash flow hedging relationships

Millions of yen			
Six months ended September 30, 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	¥ 2,290	Net sales	¥ (1,226)
		Cost of sales	(455)
		Other income (expenses), net: Other, net	1,642
Interest rate swaps and cross-currency swap agreements	(336)	Cost of sales	8
Total	¥ 1,954		¥ (31)

Millions of yen			
Six months ended September 30, 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	¥ (15,570)	Net sales	¥ (6,307)
		Cost of sales	(89)
		Other income (expenses), net: Other, net	(7,593)
Interest rate swaps and cross-currency swap agreements	521	Cost of sales	1
Total	¥ (15,049)		¥ (13,988)

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

Millions of yen		
Six months ended September 30, 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	¥ (5,056)
Interest rate swaps and cross-currency swap agreements	Cost of sales	1,243
	Other income (expenses), net: Other, net	(1,562)
Total		¥ (5,375)

Millions of yen		
Six months ended September 30, 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	¥ 2,882
Interest rate swaps and cross-currency swap agreements	Cost of sales	(251)
	Other income (expenses), net: Other, net	1,306
Total		¥ 3,937

17. Fair Values of Financial Instruments

The carrying amounts and the estimated fair values of the financial instruments as of September 30, 2024 and March 31, 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 16 and 18)

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

	Millions of yen				Fair Value Levels
	September 30, 2024		March 31, 2024		
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	
Long-term trade receivables, net, excluding lease receivables	513,558	506,514	515,667	507,065	Level 2
Long-term debt, including current portion	770,968	752,940	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 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 September 30, 2024 and at March 31, 2024 are as follows:

		Millions of yen				
<u>At September 30, 2024</u>		Level 1	Level 2	Level 3	Total	
Assets						
Derivatives						
Foreign exchange forward contracts	¥	—	¥ 6,203	¥	—	¥ 6,203
Interest rate swaps and cross-currency swap agreements		—	3,090		—	3,090
Total	¥	—	¥ 9,293	¥	—	¥ 9,293
Liabilities						
Derivatives						
Foreign exchange forward contracts	¥	—	¥ 4,654	¥	—	¥ 4,654
Interest rate swaps and cross-currency swap agreements		—	2,547		—	2,547
Total	¥	—	¥ 7,201	¥	—	¥ 7,201
		Millions of yen				
<u>At March 31, 2024</u>		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

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 six months ended September 30, 2024 and 2023, 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 September 30, 2024 and at March 31, 2024 were ¥324,953 million and ¥357,587 million, respectively. These total amounts of unused committed credit lines available for full and immediate borrowings at September 30, 2024 and at March 31, 2024 were ¥290,397 million and ¥322,951 million, respectively.

20. Dividends

Six months ended September 30, 2024

(1) Payment amount of dividends

Resolution	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 19, 2024	Common stock	¥89,907	Retained earnings	¥95	March 31, 2024	June 20, 2024

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

(2) Dividends to be paid for the six months ended September 30, 2024, of which effective date is after September 30, 2024

Resolution	Type of stock	Aggregate amount of dividends (Millions of yen)	Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors held on October 29, 2024	Common stock	¥76,656	Retained earnings	¥83	September 30, 2024	December 2, 2024

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

Six months ended September 30, 2023

(1) Payment amount of dividends

Resolution	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

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

(2) Dividends to be paid for the six months ended September 30, 2023, of which effective date is after September 30, 2023

Resolution	Type of stock	Aggregate amount of dividends (Millions of yen)	Resource of dividends	Dividend per share (Yen)	Record date	Effective date
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.

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 interim 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 six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Net sales:		
Construction, Mining and Utility Equipment –		
External customers	¥ 1,824,477	¥ 1,702,798
Intersegment	5,701	4,786
Total	1,830,178	1,707,584
Retail Finance –		
External customers	47,817	36,870
Intersegment	13,984	10,640
Total	61,801	47,510
Industrial Machinery and Others –		
External customers	95,772	83,326
Intersegment	978	1,708
Total	96,750	85,034
Elimination	(20,663)	(17,134)
Consolidated	¥ 1,968,066	¥ 1,822,994
Segment profit:		
Construction, Mining and Utility Equipment	¥ 277,982	¥ 280,789
Retail Finance	14,820	12,989
Industrial Machinery and Others	7,826	4,414
Total segment profit	300,628	298,192
Corporate expenses and elimination	3,282	(249)
Consolidated	¥ 303,910	¥ 297,943

The reconciliation of total segment profit to consolidated income before income taxes and equity in earnings of affiliated companies for the six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Total segment profit	¥ 300,628	¥ 298,192
Corporate expenses and elimination	3,282	(249)
Total	303,910	297,943
Other operating income (expenses), net	(483)	(967)
Operating income	303,427	296,976
Interest and dividend income	14,175	9,187
Interest expense	(30,436)	(25,003)
Other, net	(8,512)	6,860
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 278,654	¥ 288,020

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

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 six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen			
	Six months ended September 30, 2024			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 151,421	¥ 641	¥ 45,292	¥ 197,354
The Americas	835,113	33,810	16,287	885,210
Europe and CIS	182,358	4,682	5,664	192,704
China	41,770	380	10,865	53,015
Asia (excluding Japan and China) and Oceania	452,995	6,551	17,580	477,126
Middle East and Africa	160,820	1,753	84	162,657
Total	¥ 1,824,477	¥ 47,817	¥ 95,772	¥ 1,968,066

	Millions of yen			
	Six months ended September 30, 2023			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 153,075	¥ 568	¥ 43,041	¥ 196,684
The Americas	776,594	26,884	10,814	814,292
Europe and CIS	195,315	3,934	8,383	207,632
China	32,273	616	6,323	39,212
Asia (excluding Japan and China) and Oceania	400,457	4,358	14,586	419,401
Middle East and Africa	145,084	510	179	145,773
Total	¥ 1,702,798	¥ 36,870	¥ 83,326	¥ 1,822,994

Net sales determined by geographic origin for the six months ended September 30, 2024 and 2023 are as follows:

	Millions of yen	
	Six months ended September 30, 2024	Six months ended September 30, 2023
Japan	¥ 287,482	¥ 328,204
The Americas	883,850	801,339
Europe and CIS	218,195	230,794
China	49,794	36,642
Others	528,745	426,015
Total	¥ 1,968,066	¥ 1,822,994

There were no sales to a single major external customer for the six months ended September 30, 2024 and 2023.

22. Subsequent Events

Not applicable.

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

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

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

The main differences between interim 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 Interim Consolidated Financial Statements of Japan (hereinafter "J. GAAP") are as follows.

(1) Scope of consolidation

For interim consolidated financial statements in accordance with J. GAAP, the scope of consolidation is determined on an effective control and influence basis. For interim 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 interim 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 interim 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 interim consolidated financial statements, the Company recognizes right-of-use assets and lease liabilities for lessee that are classified as operating leases on its interim 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 interim 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 interim consolidated financial statements.