

(Translation)

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# Quarterly Report

From October 1, 2022 to December 31, 2022

(Third Quarter of the 154<sup>th</sup> Fiscal Year)

**KOMATSU LTD.**

Third Quarter of the 154<sup>th</sup> Fiscal Year (from October 1, 2022 to December 31, 2022)

# 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, 2022 with the Director-General of the Kanto Local Finance Bureau on February 13, 2023. The Quarterly Securities Report contains, among other information, Quarterly Consolidated Financial Statements for the three months and nine months ended December 31, 2022. 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 31, 2023. Attached is an English translation of Quarterly Consolidated Financial Statements for the three months and nine months ended December 31, 2022.
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, 2022 and for the nine months ended December 31, 2022 were reviewed by KPMG AZSA LLC.

## Quarterly Consolidated Financial Statements

### Consolidated Balance Sheets (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries as of December 31, 2022 and March 31, 2022

Assets	December 31, 2022		March 31, 2022	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
<b>Current assets</b>				
Cash and cash equivalents (Note 16)	¥ 334,135		¥ 315,360	
Time deposits (Note 16)	2,014		1,310	
Trade notes and accounts receivable, net (Notes 4 and 10)	969,749		954,580	
Inventories (Note 5)	1,244,033		988,011	
Other current assets (Notes 15, 16 and 17)	198,288		162,020	
<b>Total current assets</b>	<b>2,748,219</b>	<b>57.5</b>	<b>2,421,281</b>	<b>55.7</b>
<b>Long-term trade receivables, net</b> (Notes 4, 10 and 16)	<b>584,754</b>	<b>12.2</b>	<b>501,868</b>	<b>11.5</b>
<b>Investments</b>				
Investments in and advances to affiliated companies	48,841		45,913	
Investment securities (Note 6)	10,284		8,377	
Other	3,357		3,493	
<b>Total investments</b>	<b>62,482</b>	<b>1.3</b>	<b>57,783</b>	<b>1.3</b>
<b>Property, plant and equipment</b>				
– less accumulated depreciation and amortization of ¥1,011,063 million at December 31, 2022 and ¥997,069 million at March 31, 2022	830,822	17.4	819,749	18.9
<b>Operating lease right-of-use assets</b>	<b>59,029</b>	<b>1.2</b>	<b>61,516</b>	<b>1.4</b>
<b>Goodwill</b> (Note 3)	<b>206,578</b>	<b>4.3</b>	<b>187,615</b>	<b>4.3</b>
<b>Other intangible assets</b>				
– less accumulated amortization (Notes 3 and 7)	165,684	3.5	169,003	3.9
<b>Deferred income taxes and other assets</b> (Notes 15, 16 and 17)	<b>126,081</b>	<b>2.6</b>	<b>128,707</b>	<b>3.0</b>
<b>Total assets</b>	<b>¥ 4,783,649</b>	<b>100.0</b>	<b>¥ 4,347,522</b>	<b>100.0</b>

Liabilities and Equity	December 31, 2022		March 31, 2022	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
<b>Current liabilities</b>				
Short-term debt (Note 16)	¥ 435,187		¥ 241,746	
Current maturities of long-term debt (Note 16)	180,243		276,623	
Trade notes, bills and accounts payable	338,080		338,974	
Income taxes payable	55,158		68,337	
Current operating lease liabilities	16,884		16,981	
Other current liabilities (Notes 10, 15, 16 and 17)	417,945		381,360	
<b>Total current liabilities</b>	<b>1,443,497</b>	<b>30.2</b>	<b>1,324,021</b>	<b>30.5</b>
<b>Long-term liabilities</b>				
Long-term debt (Note 16)	547,891		429,011	
Liability for pension and retirement benefits	95,314		93,407	
Long-term operating lease liabilities	42,887		43,458	
Deferred income taxes and other liabilities (Notes 10, 15, 16 and 17)	115,771		101,348	
<b>Total long-term liabilities</b>	<b>801,863</b>	<b>16.7</b>	<b>667,224</b>	<b>15.3</b>
<b>Total liabilities</b>	<b>2,245,360</b>	<b>46.9</b>	<b>1,991,245</b>	<b>45.8</b>
<b>Commitments and contingent liabilities</b> (Note 14)				

#### Equity

##### Komatsu Ltd. shareholders' equity

###### Common stock:

Authorized 3,955,000,000 shares

Issued 973,450,930 shares

Outstanding 945,584,077 shares at December 31, 2022 and

945,312,564 shares at March 31, 2022

	69,660		69,393	
Capital surplus	135,906		139,572	
Retained earnings:				
– Appropriated for legal reserve	48,424		47,903	
– Unappropriated	2,020,386		1,902,501	
Accumulated other comprehensive income (loss) (Notes 9 and 15)	182,443		122,414	
Treasury stock at cost, 27,866,853 shares at December 31, 2022 and 27,833,236 shares at March 31, 2022	(49,167)		(49,272)	
<b>Total Komatsu Ltd. shareholders' equity</b>	<b>2,407,652</b>	<b>50.3</b>	<b>2,232,511</b>	<b>51.4</b>
<b>Noncontrolling interests</b>	<b>130,637</b>	<b>2.8</b>	<b>123,766</b>	<b>2.8</b>
<b>Total equity</b>	<b>2,538,289</b>	<b>53.1</b>	<b>2,356,277</b>	<b>54.2</b>
<b>Total liabilities and equity</b>	<b>¥ 4,783,649</b>	<b>100.0</b>	<b>¥ 4,347,522</b>	<b>100.0</b>

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

Nine months ended December 31, 2022 and 2021

Consolidated Statements of Income

	Nine months ended December 31, 2022		Nine months ended December 31, 2021	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 10, 12 and 15)	¥ 2,539,232	100.0	¥ 2,014,677	100.0
Cost of sales (Notes 7, 8 and 15)	1,791,611	70.6	1,455,007	72.2
Selling, general and administrative expenses (Notes 3, 7, 8 and 11)	401,453	15.8	339,116	16.8
Other operating income, net (Note 9)	431	0.0	3,209	0.2
<b>Operating income</b>	<b>346,599</b>	<b>13.6</b>	<b>223,763</b>	<b>11.1</b>
<b>Other income (expenses), net</b>				
Interest and dividend income	8,243	0.3	3,416	0.2
Interest expense	(21,882)	(0.9)	(9,113)	(0.5)
Other, net (Notes 6, 8, 9 and 15)	6,847	0.3	6,249	0.3
Total	(6,792)	(0.3)	552	0.0
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>339,807</b>	<b>13.4</b>	<b>224,315</b>	<b>11.1</b>
<b>Income taxes</b> (Note 9)				
Current	94,486		67,239	
Deferred	2,740		(5,450)	
Total	97,226	3.8	61,789	3.1
<b>Income before equity in earnings of affiliated companies</b>	<b>242,581</b>	<b>9.6</b>	<b>162,526</b>	<b>8.1</b>
<b>Equity in earnings of affiliated companies</b>	<b>3,110</b>	<b>0.1</b>	<b>2,406</b>	<b>0.1</b>
<b>Net income</b>	<b>245,691</b>	<b>9.7</b>	<b>164,932</b>	<b>8.2</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>13,780</b>	<b>0.5</b>	<b>9,430</b>	<b>0.5</b>
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 231,911</b>	<b>9.1</b>	<b>¥ 155,502</b>	<b>7.7</b>

Yen

**Per share data** (Note 13):

**Net income attributable to Komatsu Ltd.:**

	Yen	
Basic	¥ 245.30	¥ 164.53
Diluted	¥ 245.26	¥ 164.49

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, 2022	Nine months ended December 31, 2021
<b>Net income</b>	¥ 245,691	¥ 164,932
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments (Note 9)	54,880	54,861
Pension liability adjustments (Notes 8 and 9)	436	2,241
Net unrealized holding gains (losses) on derivative instruments (Notes 9 and 15)	4,747	1,117
Total	60,063	58,219
<b>Comprehensive income</b>	<b>305,754</b>	<b>223,151</b>
<b>Less: Comprehensive income attributable to noncontrolling interests</b>	<b>15,290</b>	<b>12,038</b>
<b>Comprehensive income attributable to Komatsu Ltd.</b>	<b>¥ 290,464</b>	<b>¥ 211,113</b>

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, 2022 and 2021

Consolidated Statements of Income

	Three months ended December 31, 2022		Three months ended December 31, 2021	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 10, 12 and 15)	¥ 920,497	100.0	¥ 723,277	100.0
Cost of sales (Notes 7, 8 and 15)	644,161	70.0	522,446	72.2
Selling, general and administrative expenses (Notes 3, 7, 8 and 11)	142,919	15.5	115,097	15.9
Other operating income, net (Note 9)	1,548	0.2	1,745	0.2
<b>Operating income</b>	<b>134,965</b>	<b>14.7</b>	<b>87,479</b>	<b>12.1</b>
<b>Other income (expenses), net</b>				
Interest and dividend income	3,231	0.4	1,281	0.2
Interest expense	(10,990)	(1.2)	(3,364)	(0.5)
Other, net (Notes 6, 8, 9 and 15)	(15,158)	(1.6)	2,410	0.3
Total	(22,917)	(2.5)	327	0.0
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>112,048</b>	<b>12.2</b>	<b>87,806</b>	<b>12.1</b>
<b>Income taxes</b> (Note 9)				
Current	30,680		22,001	
Deferred	7,679		1,091	
Total	38,359	4.2	23,092	3.2
<b>Income before equity in earnings of affiliated companies</b>	<b>73,689</b>	<b>8.0</b>	<b>64,714</b>	<b>8.9</b>
<b>Equity in earnings of affiliated companies</b>	<b>1,038</b>	<b>0.1</b>	<b>921</b>	<b>0.1</b>
<b>Net income</b>	<b>74,727</b>	<b>8.1</b>	<b>65,635</b>	<b>9.1</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>5,384</b>	<b>0.6</b>	<b>3,274</b>	<b>0.5</b>
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 69,343</b>	<b>7.5</b>	<b>¥ 62,361</b>	<b>8.6</b>

Yen

**Per share data** (Note 13):

**Net income attributable to Komatsu Ltd.:**

	Yen	
Basic	¥ 73.33	¥ 65.97
Diluted	¥ 73.32	¥ 65.96

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, 2022	Three months ended December 31, 2021
<b>Net income</b>	<b>¥ 74,727</b>	<b>¥ 65,635</b>
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments (Note 9)	(193,103)	44,203
Pension liability adjustments (Notes 8 and 9)	157	454
Net unrealized holding gains (losses) on derivative instruments (Notes 9 and 15)	4,785	175
Total	(188,161)	44,832
<b>Comprehensive income (loss)</b>	<b>(113,434)</b>	<b>110,467</b>
<b>Less: Comprehensive income (loss) attributable to noncontrolling interests</b>	<b>(4,489)</b>	<b>6,579</b>
<b>Comprehensive income (loss) attributable to Komatsu Ltd.</b>	<b>¥ (108,945)</b>	<b>¥ 103,888</b>

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, 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					
<b>Balance at March 31, 2022</b>	¥ 69,393	¥ 139,572	¥ 47,903	¥ 1,902,501	¥ 122,414	¥ (49,272)	¥ 2,232,511	¥ 123,766	¥ 2,356,277
Cash dividends (Note 19)				(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 (loss), for the period, net of tax (Note 9)					58,553		58,553	1,510	60,063
Exercise of stock acquisition rights (Note 11)		(90)					(90)		(90)
Purchase of treasury stock						(30)	(30)		(30)
Sales of treasury stock		60				212	272	103	375
Restricted stock compensation (Note 11)	267	265					532		532
<b>Balance at December 31, 2022</b>	<b>¥ 69,660</b>	<b>¥ 135,906</b>	<b>¥ 48,424</b>	<b>¥ 2,020,386</b>	<b>¥ 182,443</b>	<b>¥ (49,167)</b>	<b>¥ 2,407,652</b>	<b>¥ 130,637</b>	<b>¥ 2,538,289</b>

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

Nine months ended December 31, 2021

	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					
<b>Balance at March 31, 2021</b>	¥ 69,037	¥ 135,835	¥ 47,378	¥ 1,750,914	¥ (42,012)	¥ (48,855)	¥ 1,912,297	¥ 99,728	¥ 2,012,025
Cash dividends (Note 19)				(72,815)			(72,815)	(5,983)	(78,798)
Transfer to retained earnings appropriated for legal reserve			342	(342)			—		—
Other changes		13,123			13		13,136	16,929	30,065
Net income				155,502			155,502	9,430	164,932
Other comprehensive income (loss), for the period, net of tax (Note 9)					55,611		55,611	2,608	58,219
Exercise of stock acquisition rights (Note 11)		(251)					(251)		(251)
Purchase of treasury stock						(663)	(663)		(663)
Sales of treasury stock		39				212	251		251
Restricted stock compensation (Note 11)	356	352					708		708
<b>Balance at December 31, 2021</b>	<b>¥ 69,393</b>	<b>¥ 149,098</b>	<b>¥ 47,720</b>	<b>¥ 1,833,259</b>	<b>¥ 13,612</b>	<b>¥ (49,306)</b>	<b>¥ 2,063,776</b>	<b>¥ 122,712</b>	<b>¥ 2,186,488</b>

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, 2022 and 2021

	Millions of yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
<b>Operating activities</b>		
Net income	¥ 245,691	¥ 164,932
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	111,578	99,054
Deferred income taxes	2,740	(5,450)
Impairment loss and net loss (gain) on valuation of investment securities	(100)	(245)
Net loss (gain) on sale of fixed assets	(433)	(2,942)
Loss on disposal of fixed assets	1,538	1,944
Pension and retirement benefits, net	(360)	(4,778)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(24,670)	(28,094)
Decrease (increase) in inventories	(243,783)	(84,392)
Increase (decrease) in trade payables	(5,967)	22,990
Increase (decrease) in income taxes payable	(13,045)	15,653
Other, net	9,883	6,194
Net cash provided by (used in) operating activities	<u>83,072</u>	<u>184,866</u>
<b>Investing activities</b>		
Capital expenditures	(134,912)	(123,821)
Proceeds from sale of fixed assets	13,885	21,754
Proceeds from sale of investment securities	287	242
Purchases of investment securities	(1,875)	(613)
Proceeds from sale of subsidiaries and businesses, net of cash disposed *1	12,295	55
Acquisition of subsidiaries and equity investees, net of cash acquired	(18,000)	—
Other, net *1	(2,587)	(1,722)
Net cash provided by (used in) investing activities	<u>(130,907)</u>	<u>(104,105)</u>
<b>Financing activities</b>		
Proceeds from debt issued (Original maturities greater than three months)	566,284	338,977
Payment on debt (Original maturities greater than three months)	(471,726)	(370,555)
Short-term debt, net (Original maturities three months or less)	90,332	22,669
Dividends paid	(113,505)	(72,815)
Proceeds from issuance of subsidiary's shares	2,012	30,440
Other, net	(12,311)	(5,301)
Net cash provided by (used in) financing activities	<u>61,086</u>	<u>(56,585)</u>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<u>5,524</u>	<u>5,056</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>18,775</u>	<u>29,232</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>315,360</u>	<u>241,803</u>
<b>Cash and cash equivalents, end of period</b>	<u>¥ 334,135</u>	<u>¥ 271,035</u>

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

\*1 In the nine months ended December 31, 2022, Komatsu (the Company and its consolidated subsidiaries) has presented separately "Proceeds from sale of subsidiaries and businesses, net of cash disposed" which was included in "Other, net" under the investing activities. Accordingly, the figure for the nine months ended December 31, 2021 was reclassified to conform to the presentation for the nine months ended December 31, 2022.



## 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 22 “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

There is no material change for summary of significant accounting policies stated in annual report for the fiscal year ended March 31, 2022.

Regarding the impact of the disruption and so forth in the supply chain, financial sector, and world economy caused by the COVID-19 pandemic and 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 COVID-19 and 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 based on 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, 2022 and 2021 is as follows:

	Millions of yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
<b>Additional cash flow information:</b>		
Interest paid	¥ 20,295	¥ 9,380
Income taxes paid, net	115,949	53,892

### 3. Business Combination

#### Mine Site Technologies Pty Ltd

On July 1, 2022, the Company acquired Mine Site Technologies Pty Ltd (hereafter “MST Global”), a provider of operational optimization platforms for underground mining that leverage communication devices and position tracking systems. The acquisition was done through Komatsu Australia Holdings Pty Ltd, a wholly owned subsidiary of the Company in Australia, by purchasing all of its outstanding shares of Mining Technologies Holding Pty Ltd, a parent company of MST Global.

MST Global develops, manufactures, and sells solutions that enable communication between operators and mining equipment, as well as position tracking for operators and equipment, leveraging communication devices for underground mining based on optical fiber broadband communication systems. MST Global’s solutions contribute to the digitization and automation of underground mining operations and have achieved sufficient results in mine sites around the world including global mining customers. MST Global also develops and sells a platform to visualize and monitor the underground mining environment and enable control from a remote operations center above ground.

By adding MST Global's experience and expertise in the introduction of communication devices and optimization platforms, Komatsu aims to enhance the speed at which it offers advanced technology solutions, including the automation and teleoperation of mining equipment underground. Komatsu is working to expand offerings for underground hard rock mining, developing safe, highly productive, smart and clean workplaces of the future, together with customers by digitalization of workplaces around the world with “products” (automation and autonomous operation of equipment) and “solutions” (optimization of workplace’s entire operation processes).

The fair value measurement of the acquired assets and assumed liabilities under Financial Accounting Standards Board Accounting Standards Codification™ (hereinafter “ASC”) 805, “Business Combinations” was completed on October 31, 2022.

Following is a summary of the acquired assets and assumed liabilities after the allocation of acquisition cost on the acquisition date.

	Millions of yen	
Consideration		
Cash and cash equivalents	¥	15,668
Fair value of total consideration transferred		15,668
Recognized amounts of identifiable acquired assets and assumed liabilities		
Current assets	¥	2,259
Property, plant and equipment		71
Intangible assets		2,896
Total acquired assets		5,226
Current liabilities		(821)
Long-term liabilities		(932)
Total assumed liabilities		(1,753)
Net acquired assets		3,473
Goodwill		12,195
	¥	15,668

Intangible assets of ¥2,896 million are all intangible assets subject to amortization and primarily consist of the following.

	Millions of yen		Amortization period
	Gross carrying amount		
Customer relationships	¥	2,127	12 years
Technology assets		384	5 years

The goodwill of ¥12,195 million was assigned to the Construction, Mining and Utility Equipment operating segment. The goodwill is not deductible for tax purpose.

Acquisition-related costs for the nine months ended December 31, 2022 are ¥648 million (accumulated acquisition-related costs: ¥653 million) and included in selling, general and administrative expenses in the consolidated statements of income for the nine months ended December 31, 2022.

MST Global's results of operations included in the consolidated statements of income for the nine months ended December 31, 2022 since the date of acquisition were immaterial.

Assuming this acquisition had been made on April 1, 2021, the impact on Net Sales and Net income attributable to Komatsu Ltd. for the nine months ended December 31, 2022 and 2021 would be immaterial.

#### 4. Allowance for Doubtful Receivables

At December 31, 2022 and at March 31, 2022, allowances for doubtful receivables deducted from trade notes and accounts receivable, net and long-term trade receivables, net are ¥22,400 million and ¥22,076 million, respectively.

#### 5. Inventories

At December 31, 2022 and at March 31, 2022, inventories comprise the following:

	Millions of yen			
	December 31, 2022		March 31, 2022	
Finished products, including finished parts held for sale	¥	828,580	¥	666,538
Work in process		278,925		206,481
Materials and supplies		136,528		114,992
Total	¥	1,244,033	¥	988,011

## 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, 2022 and 2021 are as follows:

	Millions of yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Net gains and losses recognized during the period on equity securities	¥ 100	¥ 245
Less: net gains and losses recognized during the period on equity securities sold during the period	2	(0)
Unrealized gains and losses recognized during the period on equity securities still held as of December 31, 2022 and 2021	¥ 98	¥ 245

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, 2022 and 2021 are as follows:

	Millions of yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Net gains and losses recognized during the period on equity securities	¥ (258)	¥ 74
Less: net gains and losses recognized during the period on equity securities sold during the period	2	(0)
Unrealized gains and losses recognized during the period on equity securities still held as of December 31, 2022 and 2021	¥ (260)	¥ 74

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, 2022 and as of March 31, 2022, the carrying amounts of these investments were ¥10,284 million and ¥8,377 million, respectively. Any impairment or any adjustment relating to observable price changes recorded until December 31, 2022 and until March 31, 2022 were not material.

## 7. Other Intangible Assets

Other intangible assets at December 31, 2022 and at March 31, 2022 are as follows:

	Millions of yen					
	December 31, 2022			March 31, 2022		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥ 82,378	¥ (40,666)	¥ 41,712	¥ 72,173	¥ (33,265)	¥ 38,908
Leasehold	8,359	(2,581)	5,778	8,259	(2,256)	6,003
Trademarks	64,214	(24,846)	39,368	61,873	(20,856)	41,017
Customer relationships	87,225	(41,418)	45,807	82,195	(35,051)	47,144
Technology assets	42,513	(18,857)	23,656	41,435	(16,239)	25,196
Other	10,289	(7,759)	2,530	8,871	(6,347)	2,524
Total	294,978	(136,127)	158,851	274,806	(114,014)	160,792
Other intangible assets not subject to amortization			6,833			8,211
Total other intangible assets			¥ 165,684			¥ 169,003

The aggregate amortization expense of other intangible assets subject to amortization during the nine months ended December 31, 2022 and 2021 were ¥21,394 million and ¥17,844 million, respectively. The aggregate amortization expense of other intangible assets subject to amortization during the three months ended December 31, 2022 and 2021 were ¥7,260 million and ¥6,035 million, respectively.

## 8. Cost of Retirement Benefits

The Company and certain subsidiaries in Japan have transferred part of the retirement benefit plans (lump-sum severance payment plans and defined benefit cash balance pension plans) to the defined contribution pension plans in the nine months ended December 31, 2021.

Net periodic cost of Komatsu's defined benefit plans for the nine months ended December 31, 2022 and 2021 consisted of the following components:

	Millions of yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Service cost	¥ 6,518	¥ 6,760
Interest cost on projected benefit obligations	6,376	3,845
Expected return on plan assets	(8,579)	(7,598)
Amortization of actuarial loss or gain	248	362
Amortization of prior service cost	818	676
Gains recognized due to partial settlements	—	(2,486)
Net periodic cost	¥ 5,381	¥ 1,559

Net periodic cost of the other postretirement benefit plans for the nine months ended December 31, 2022 and 2021 included the following components:

	Millions of yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Service cost	¥ 352	¥ 364
Interest cost on projected benefit obligations	328	239
Expected return on plan assets	(455)	(407)
Amortization of actuarial loss or gain	(58)	4
Amortization of prior service cost	(239)	(138)
Gains recognized due to partial settlements	—	(355)
Net periodic cost	¥ (72)	¥ (293)

Net periodic cost of Komatsu's defined benefit plans for the three months ended December 31, 2022 and 2021 consisted of the following components:

	Millions of yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Service cost	¥ 2,147	¥ 2,301
Interest cost on projected benefit obligations	2,219	1,292
Expected return on plan assets	(2,973)	(2,549)
Amortization of actuarial loss or gain	85	119
Amortization of prior service cost	276	227
Gains recognized due to partial settlements	—	—
Net periodic cost	¥ 1,754	¥ 1,390

Net periodic cost of the other postretirement benefit plans for the three months ended December 31, 2022 and 2021 included the following components:

	Millions of yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Service cost	¥ 124	¥ 111
Interest cost on projected benefit obligations	115	68
Expected return on plan assets	(161)	(126)
Amortization of actuarial loss or gain	(21)	17
Amortization of prior service cost	(84)	(71)
Gains recognized due to partial settlements	—	—
Net periodic cost	¥ (27)	¥ (1)

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.

## 9. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the nine months ended December 31, 2022 and 2021 are as follows:

	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.

	Millions of yen			
	Nine months ended December 31, 2021			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the year	¥ (7,186)	¥ (34,290)	¥ (536)	¥ (42,012)
Other comprehensive income (loss) before reclassifications	54,861	504	(1,590)	53,775
Amounts reclassified from accumulated other comprehensive income (loss)	—	1,737	2,707	4,444
Net other comprehensive income (loss)	54,861	2,241	1,117	58,219
Less: other comprehensive income (loss) attributable to noncontrolling interests	2,409	—	199	2,608
Other comprehensive income (loss) attributable to Komatsu Ltd.	52,452	2,241	918	55,611
Equity transactions with noncontrolling interests	23	—	(10)	13
Balance, end of the period	¥ 45,289	¥ (32,049)	¥ 372	¥ 13,612

All amounts are net of tax.

Changes in accumulated other comprehensive income (loss) for the three months ended December 31, 2022 and 2021 are as follows:

	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	¥ 203,674	¥ (23,735)	¥ 2,504	¥ 182,443

All amounts are net of tax.

	Millions of yen			
	Three months ended December 31, 2021			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the period	¥ 4,295	¥ (32,503)	¥ 293	¥ (27,915)
Other comprehensive income (loss) before reclassifications	44,203	242	(1,737)	42,708
Amounts reclassified from accumulated other comprehensive income (loss)	—	212	1,912	2,124
Net other comprehensive income (loss)	44,203	454	175	44,832
Less: other comprehensive income (loss) attributable to noncontrolling interests	3,209	—	96	3,305
Other comprehensive income (loss) attributable to Komatsu Ltd.	40,994	454	79	41,527
Equity transactions with noncontrolling interests	—	—	—	—
Balance, end of the period	¥ 45,289	¥ (32,049)	¥ 372	¥ 13,612

All amounts are net of tax.

Reclassification out of accumulated other comprehensive income (loss) for the nine months ended December 31, 2022 and 2021 are as follows:

	Millions of yen		
	Nine months ended December 31, 2022		Affected line items in consolidated statements of income
<b>Foreign currency translation adjustments</b>			
Sale and Liquidation	¥	1,948	Other operating income, net
		(1,165)	Other income (expenses), net: Other, net
		783	Total before tax
		—	Income taxes
		783	Net of tax
<b>Pension liability adjustments</b>			
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
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
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
<b>Total reclassification for the period</b>	<b>¥</b>	<b>(12,168)</b>	Net of tax

	Millions of yen		
	Nine months ended December 31, 2021		Affected line items in consolidated statements of income
<b>Pension liability adjustments</b>			
Amortization of actuarial loss or gain and prior service cost	¥	(2,479)	Other income (expenses), net: Other, net
		(2,479)	Total before tax
		742	Income taxes
		(1,737)	Net of tax
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Forward contracts		(1,796)	Net sales
		(226)	Cost of sales
		(1,924)	Other income (expenses), net: Other, net
		(3,946)	Total before tax
		1,239	Income taxes
		(2,707)	Net of tax
<b>Total reclassification for the period</b>	<b>¥</b>	<b>(4,444)</b>	Net of tax



Reclassification out of accumulated other comprehensive income (loss) for the three months ended December 31, 2022 and 2021 are as follows:

	Millions of yen	
	Three months ended December 31, 2022	Affected line items in consolidated statements of income
<b>Foreign currency translation adjustments</b>		
Sale and Liquidation	¥ (1,165)	Other income (expenses), net: Other, net
	(1,165)	Total before tax
	—	Income taxes
	<u>(1,165)</u>	Net of tax
<b>Pension liability adjustments</b>		
Amortization of actuarial loss or gain and prior service cost	(256)	Other income (expenses), net: Other, net
	(256)	Total before tax
	69	Income taxes
	<u>(187)</u>	Net of tax
<b>Net unrealized holding gains (losses) on derivative instruments</b>		
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
<b>Total reclassification for the period</b>	<u>¥ (173)</u>	Net of tax

	Millions of yen	
	Three months ended December 31, 2021	Affected line items in consolidated statements of income
<b>Pension liability adjustments</b>		
Amortization of actuarial loss or gain and prior service cost	¥ (292)	Other income (expenses), net: Other, net
	(292)	Total before tax
	80	Income taxes
	<u>(212)</u>	Net of tax
<b>Net unrealized holding gains (losses) on derivative instruments</b>		
Forward contracts	(524)	Net sales
	(270)	Cost of sales
	(2,007)	Other income (expenses), net: Other, net
	(2,801)	Total before tax
	889	Income taxes
	(1,912)	Net of tax
<b>Total reclassification for the period</b>	<u>¥ (2,124)</u>	Net of tax

Tax effects allocated to each component of other comprehensive income (loss) for the nine months ended December 31, 2022 and 2021 are as follows:

	Millions of yen		
	Nine months ended December 31, 2022		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
<b>Foreign currency translation adjustments</b>			
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
<b>Pension liability adjustments</b>			
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
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
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
<b>Other comprehensive income (loss)</b>	<b>¥ 62,731</b>	<b>¥ (2,668)</b>	<b>¥ 60,063</b>

	Millions of yen		
	Nine months ended December 31, 2021		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
<b>Foreign currency translation adjustments</b>			
Foreign currency translation adjustments arising during the period	¥ 54,937	¥ (76)	¥ 54,861
Less: reclassification adjustment for gains included in net income	—	—	—
Net foreign currency translation adjustments	54,937	(76)	54,861
<b>Pension liability adjustments</b>			
Pension liability adjustments arising during the period	680	(176)	504
Less: reclassification adjustment for losses included in net income	2,479	(742)	1,737
Net pension liability adjustments	3,159	(918)	2,241
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Unrealized holding losses arising during the period	(2,377)	787	(1,590)
Less: reclassification adjustment for losses included in net income	3,946	(1,239)	2,707
Net unrealized holding gains	1,569	(452)	1,117
<b>Other comprehensive income (loss)</b>	<b>¥ 59,665</b>	<b>¥ (1,446)</b>	<b>¥ 58,219</b>

Tax effects allocated to each component of other comprehensive income (loss) for the three months ended December 31, 2022 and 2021 are as follows:

	Millions of yen		
	Three months ended December 31, 2022		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
<b>Foreign currency translation adjustments</b>			
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)
<b>Pension liability adjustments</b>			
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
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
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
<b>Other comprehensive income (loss)</b>	<b>¥ (186,086)</b>	<b>¥ (2,075)</b>	<b>¥ (188,161)</b>

	Millions of yen		
	Three months ended December 31, 2021		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
<b>Foreign currency translation adjustments</b>			
Foreign currency translation adjustments arising during the period	¥ 44,268	¥ (65)	¥ 44,203
Less: reclassification adjustment for gains included in net income	—	—	—
Net foreign currency translation adjustments	44,268	(65)	44,203
<b>Pension liability adjustments</b>			
Pension liability adjustments arising during the period	(94)	336	242
Less: reclassification adjustment for losses included in net income	292	(80)	212
Net pension liability adjustments	198	256	454
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Unrealized holding losses arising during the period	(2,547)	810	(1,737)
Less: reclassification adjustment for losses included in net income	2,801	(889)	1,912
Net unrealized holding gains	254	(79)	175
<b>Other comprehensive income (loss)</b>	<b>¥ 44,720</b>	<b>¥ 112</b>	<b>¥ 44,832</b>

## 10. Revenue

### (1) Disaggregation of revenue

The disaggregation of revenue by operating segment and geographic region are described in Note 20.

### (2) Contract balances

Contract balances arising from contracts with customers at December 31, 2022 and at March 31, 2022 are as follows:

	Millions of yen	
	December 31, 2022	March 31, 2022
Receivables *1	¥ 1,320,771	¥ 1,220,566
Contract assets *2	2,164	2,699
Contract liabilities *3	166,509	132,649

\*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 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 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, 2022 that was included in the contract liability balance as of March 31, 2022 was ¥56,811 million. Revenue recognized for the nine months ended December 31, 2021 that was included in the contract liability balance as of March 31, 2021 was ¥46,015 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. Revenue recognized for the three months ended December 31, 2021 that was included in the contract liability balance as of March 31, 2021 was ¥7,165 million.

The amount of revenue recognized during the nine months and the three months ended December 31, 2022 and 2021 from performance obligations satisfied or partially satisfied in previous periods was immaterial.

### (3) Transaction price allocated to the remaining performance obligations

As of December 31, 2022, the aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year is ¥357,148 million, of which ¥156,299 million is expected to be recognized as revenue in the twelve months following December 31, 2022.

## 11. 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, 2022 and 2021 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, 2022 and 2021 were recorded in selling, general and administrative expenses, and were not material to Komatsu's financial position and results of operations. The Company recognizes compensation expense using the fair value method.

## 12. 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, 2022 and 2021 are as follows:

	Millions of yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Sales-type lease revenue		
Revenue recognized at the commencement date *1	¥ 78,901	¥ 97,195
Interest income	7,469	6,539
Total sales-type lease revenue	86,370	103,734
Operating lease revenue	60,321	62,518
Total	¥ 146,691	¥ 166,252

\*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, 2022 and 2021 are as follows:

	Millions of yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Sales-type lease revenue		
Revenue recognized at the commencement date *2	¥ 31,670	¥ 32,222
Interest income	2,552	2,218
Total sales-type lease revenue	34,222	34,440
Operating lease revenue	21,142	21,907
Total	¥ 55,364	¥ 56,347

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

### 13. 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, 2022	Nine months ended December 31, 2021
Net income attributable to Komatsu Ltd.	¥ 231,911	¥ 155,502
Net income attributable to participating securities (restricted stocks)	206	163
Net income attributable to common shareholders	¥ 231,705	¥ 155,339

	Number of shares	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Weighted average number of common shares outstanding, less treasury stock	945,433,454	945,137,570
Weighted average number of participating securities (restricted stocks)	839,395	989,542
Weighted average number of common shares	944,594,059	944,148,028

	Yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Basic net income attributable to Komatsu Ltd. per share	¥ 245.30	¥ 164.53

	Millions of yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Net income attributable to Komatsu Ltd.	¥ 69,343	¥ 62,361
Net income attributable to participating securities (restricted stocks)	58	75
Net income attributable to common shareholders	¥ 69,285	¥ 62,286

	Number of shares	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Weighted average number of common shares outstanding, less treasury stock	945,580,369	945,281,634
Weighted average number of participating securities (restricted stocks)	784,940	1,133,190
Weighted average number of common shares	944,795,429	944,148,444

	Yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Basic net income attributable to Komatsu Ltd. per share	¥ 73.33	¥ 65.97

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, 2022	Nine months ended December 31, 2021
Net income attributable to Komatsu Ltd.	¥ 231,911	¥ 155,502
Net income attributable to participating securities (restricted stocks)	206	163
Net income attributable to common shareholders	¥ 231,705	¥ 155,339

	Number of shares	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Weighted average number of common shares outstanding, less treasury stock	945,433,454	945,137,570
Dilutive effect of:		
Stock options	130,668	222,449
Weighted average number of participating securities (restricted stocks)	839,395	989,542
Weighted average number of diluted common shares	944,724,727	944,370,477

	Yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Diluted net income attributable to Komatsu Ltd. per share	¥ 245.26	¥ 164.49

	Millions of yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Net income attributable to Komatsu Ltd.	¥ 69,343	¥ 62,361
Net income attributable to participating securities (restricted stocks)	58	75
Net income attributable to common shareholders	¥ 69,285	¥ 62,286

	Number of shares	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Weighted average number of common shares outstanding, less treasury stock	945,580,369	945,281,634
Dilutive effect of:		
Stock options	115,263	184,179
Weighted average number of participating securities (restricted stocks)	784,940	1,133,190
Weighted average number of diluted common shares	944,910,692	944,332,623

	Yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Diluted net income attributable to Komatsu Ltd. per share	¥ 73.32	¥ 65.96

#### **14. Contingent Liabilities**

(1) Komatsu provides guarantees to third parties of loans of the employees, affiliated companies, customers, 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, customers 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, customers and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default at December 31, 2022 and at March 31, 2022 were ¥15,406 million and ¥12,293 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at December 31, 2022 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, 2022 and at March 31, 2022 were ¥13,528 million and ¥17,330 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.



## 15. Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at December 31, 2022 and at March 31, 2022 are as follows:

	Millions of yen	
	December 31, 2022	March 31, 2022
Forward contracts:		
Sale of foreign currencies	¥ 331,203	¥ 278,513
Purchase of foreign currencies	162,365	176,360
Interest rate swaps and cross-currency swap agreements	156,929	126,032

Fair value of derivative instruments at December 31, 2022 and at March 31, 2022 on the consolidated balance sheets are as follows:

	Millions of yen			
	December 31, 2022			
	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
Forward contracts	Other current assets	¥ 6,142	Other current liabilities	¥ 1,334
	Deferred income taxes and other assets	64	Deferred income taxes and other liabilities	11
Interest rate swaps and cross-currency swap agreements	Other current assets	58	Other current liabilities	128
	Deferred income taxes and other assets	1,533	Deferred income taxes and other liabilities	7
<b>Total</b>		<b>¥ 7,797</b>		<b>¥ 1,480</b>
	Derivative Assets		Derivative Liabilities	
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forward contracts	Other current assets	¥ 3,341	Other current liabilities	¥ 4,677
	Deferred income taxes and other assets	83	Deferred income taxes and other liabilities	42
Interest rate swaps and cross-currency swap agreements	Other current assets	4,677	Other current liabilities	286
	Deferred income taxes and other assets	73	Deferred income taxes and other liabilities	99
<b>Total</b>		<b>¥ 8,174</b>		<b>¥ 5,104</b>
<b>Total Derivative Instruments</b>		<b>¥ 15,971</b>		<b>¥ 6,584</b>

Millions of yen

March 31, 2022

	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
<b>Derivative instruments designated as hedging instruments</b>				
Forward contracts	Other current assets	¥ 434	Other current liabilities	¥ 7,545
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	33
Interest rate swaps and cross-currency swap agreements	Other current assets	—	Other current liabilities	158
	Deferred income taxes and other assets	944	Deferred income taxes and other liabilities	67
<b>Total</b>		<b>¥ 1,378</b>		<b>¥ 7,803</b>
	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
<b>Undesignated derivative instruments</b>				
Forward contracts	Other current assets	¥ 2,457	Other current liabilities	¥ 7,839
	Deferred income taxes and other assets	25	Deferred income taxes and other liabilities	24
Interest rate swaps and cross-currency swap agreements	Other current assets	1,314	Other current liabilities	119
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	299
<b>Total</b>		<b>¥ 3,796</b>		<b>¥ 8,281</b>
<b>Total Derivative Instruments</b>		<b>¥ 5,174</b>		<b>¥ 16,084</b>

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, 2022 and 2021 are as follows:

### Derivative instruments designated as cash flow hedging relationships

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
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
<b>Total</b>	<b>¥ (11,221)</b>		<b>¥ (18,128)</b>

Millions of yen			
Nine months ended December 31, 2021			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives	
		Location of consolidated statements of income	Amount
Forward contracts	¥ (3,107)	Net sales	¥ (1,796)
		Cost of sales	(226)
		Other income (expenses), net: Other, net	(1,924)
Interest rate swaps and cross-currency swap agreements	730	—	—
<b>Total</b>	<b>¥ (2,377)</b>		<b>¥ (3,946)</b>

\* OCI stands for other comprehensive income (loss).

### Derivative instruments not designated as hedging instruments relationships

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
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
<b>Total</b>		<b>¥ 2,388</b>

Millions of yen		
Nine months ended December 31, 2021		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forward contracts	Other income (expenses), net: Other, net	¥ 2,608
Interest rate swaps and cross-currency swap agreements	Cost of sales	(113)
	Other income (expenses), net: Other, net	293
<b>Total</b>		<b>¥ 2,788</b>

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, 2022 and 2021 are as follows:

### Derivative instruments designated as cash flow hedging relationships

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
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
<b>Total</b>	<b>¥ 8,706</b>		<b>¥ 1,645</b>

Millions of yen			
Three months ended December 31, 2021			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives	
		Location of consolidated statements of income	Amount
Forward contracts	¥ (2,909)	Net sales	¥ (524)
		Cost of sales	(270)
		Other income (expenses), net: Other, net	(2,007)
Interest rate swaps and cross-currency swap agreements	362	—	—
<b>Total</b>	<b>¥ (2,547)</b>		<b>¥ (2,801)</b>

\* OCI stands for other comprehensive income (loss).

### Derivative instruments not designated as hedging instruments relationships

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
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
<b>Total</b>		<b>¥ (4,885)</b>

Millions of yen		
Three months ended December 31, 2021		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forward contracts	Other income (expenses), net: Other, net	¥ 2,580
Interest rate swaps and cross-currency swap agreements	Cost of sales	(38)
	Other income (expenses), net: Other, net	179
<b>Total</b>		<b>¥ 2,721</b>

## 16. Fair Values of Financial Instruments

### (1) Cash and cash equivalents, Time deposits, 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 15 and 17)

The fair values of derivative financial instruments are stated in Note 17 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, 2022 and as of March 31, 2022, and fair value levels are summarized as follows:

	Millions of yen				Fair Value Levels
	December 31, 2022		March 31, 2022		
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	
Cash and cash equivalents	¥ 334,135	¥ 334,135	¥ 315,360	¥ 315,360	Level 1
Time deposits	2,014	2,014	1,310	1,310	Level 2
Long-term trade receivables, net, excluding lease receivables	428,166	414,681	362,720	362,720	Level 2
Short-term debt	435,187	435,187	241,746	241,746	Level 2
Long-term debt, including current portion	728,134	708,837	705,634	694,174	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 17.

## 17. 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, 2022 and at March 31, 2022 are as follows:

		Millions of yen			
<u>At December 31, 2022</u>		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Derivatives					
Forward contracts	¥	—	¥ 9,630	¥	— 9,630
Interest rate swaps and cross-currency swap agreements		—	6,341	—	6,341
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 15,971</b>	<b>¥</b>	<b>— 15,971</b>
<b>Liabilities</b>					
Derivatives					
Forward contracts	¥	—	¥ 6,064	¥	— 6,064
Interest rate swaps and cross-currency swap agreements		—	520	—	520
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 6,584</b>	<b>¥</b>	<b>— 6,584</b>
		Millions of yen			
<u>At March 31, 2022</u>		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Derivatives					
Forward contracts	¥	—	¥ 2,916	¥	— 2,916
Interest rate swaps and cross-currency swap agreements		—	2,258	—	2,258
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 5,174</b>	<b>¥</b>	<b>— 5,174</b>
<b>Liabilities</b>					
Derivatives					
Forward contracts	¥	—	¥ 15,441	¥	— 15,441
Interest rate swaps and cross-currency swap agreements		—	643	—	643
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 16,084</b>	<b>¥</b>	<b>— 16,084</b>

## Derivatives (Notes 15 and 16)

Derivatives primarily represent foreign exchange contracts and interest rate swap agreements. The fair value of foreign exchange 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 nine months ended December 31, 2022 and 2021, assets and liabilities that were measured at fair value on a non-recurring basis were not material.

## 18. 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, 2022 and at March 31, 2022 were ¥294,559 million and ¥277,259 million, respectively. These total amounts of unused committed credit lines available for full and immediate borrowings at December 31, 2022 and at March 31, 2022 were ¥279,539 million and ¥261,619 million, respectively.

## 19. Dividends

Payment amount of dividends

Resolution	Type of stock	Nine months ended December 31, 2022				
		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.

Payment amount of dividends

Resolution	Type of stock	Nine months ended December 31, 2021				
		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 18, 2021	Common stock	¥34,986	Retained earnings	¥37	March 31, 2021	June 21, 2021
Board of Directors held on October 28, 2021	Common stock	¥37,828	Retained earnings	¥40	September 30, 2021	December 1, 2021

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

## 20. 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, 2022 and 2021 is as follows:

	Millions of yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
<b>Net sales:</b>		
Construction, Mining and Utility Equipment –		
External customers	¥ 2,363,189	¥ 1,840,668
Intersegment	6,449	4,852
Total	2,369,638	1,845,520
Retail Finance –		
External customers	50,583	43,565
Intersegment	12,984	11,017
Total	63,567	54,582
Industrial Machinery and Others –		
External customers	125,460	130,444
Intersegment	1,397	1,424
Total	126,857	131,868
Elimination	(20,830)	(17,293)
Consolidated	¥ 2,539,232	¥ 2,014,677
<b>Segment profit:</b>		
Construction, Mining and Utility Equipment	¥ 309,549	¥ 191,886
Retail Finance	21,242	13,284
Industrial Machinery and Others	15,644	15,075
Total segment profit	346,435	220,245
Corporate expenses and elimination	(267)	309
Consolidated	¥ 346,168	¥ 220,554



Information about operating segments for the three months ended December 31, 2022 and 2021 is as follows:

	Millions of yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
<b>Net sales:</b>		
Construction, Mining and Utility Equipment –		
External customers	¥ 860,700	¥ 659,035
Intersegment	2,729	1,122
Total	<u>863,429</u>	<u>660,157</u>
Retail Finance –		
External customers	17,132	14,659
Intersegment	4,940	2,944
Total	<u>22,072</u>	<u>17,603</u>
Industrial Machinery and Others –		
External customers	42,665	49,583
Intersegment	481	590
Total	<u>43,146</u>	<u>50,173</u>
Elimination	(8,150)	(4,656)
Consolidated	<u>¥ 920,497</u>	<u>¥ 723,277</u>
<b>Segment profit:</b>		
Construction, Mining and Utility Equipment	¥ 122,028	¥ 73,266
Retail Finance	6,390	5,439
Industrial Machinery and Others	4,664	6,477
Total segment profit	<u>133,082</u>	<u>85,182</u>
Corporate expenses and elimination	335	552
Consolidated	<u>¥ 133,417</u>	<u>¥ 85,734</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, 2022 and 2021 are as follows:

	Millions of yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Total segment profit	¥ 346,435	¥ 220,245
Corporate expenses and elimination	(267)	309
Total	346,168	220,554
Other operating income, net	431	3,209
Operating income	346,599	223,763
Interest and dividend income	8,243	3,416
Interest expense	(21,882)	(9,113)
Other, net	6,847	6,249
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 339,807	¥ 224,315

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, 2022 and 2021 are as follows:

	Millions of yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Total segment profit	¥ 133,082	¥ 85,182
Corporate expenses and elimination	335	552
Total	133,417	85,734
Other operating income, net	1,548	1,745
Operating income	134,965	87,479
Interest and dividend income	3,231	1,281
Interest expense	(10,990)	(3,364)
Other, net	(15,158)	2,410
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 112,048	¥ 87,806

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 and logistics

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, 2022 and 2021 are as follows:

	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
<b>Total</b>	<b>¥ 2,363,189</b>	<b>¥ 50,583</b>	<b>¥ 125,460</b>	<b>¥ 2,539,232</b>

	Millions of yen			
	Nine months ended December 31, 2021			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 222,716	¥ 1,549	¥ 54,603	¥ 278,868
The Americas	711,198	30,242	15,928	757,368
Europe and CIS	310,959	4,014	9,343	324,316
China	71,192	2,251	25,348	98,791
Asia (excluding Japan and China) and Oceania	392,113	5,152	24,966	422,231
Middle East and Africa	132,490	357	256	133,103
<b>Total</b>	<b>¥ 1,840,668</b>	<b>¥ 43,565</b>	<b>¥ 130,444</b>	<b>¥ 2,014,677</b>

Net sales determined by customer location for the three months ended December 31, 2022 and 2021 are as follows:

	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
<b>Total</b>	<b>¥ 860,700</b>	<b>¥ 17,132</b>	<b>¥ 42,665</b>	<b>¥ 920,497</b>

	Millions of yen			
	Three months ended December 31, 2021			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 86,593	¥ 759	¥ 21,472	¥ 108,824
The Americas	257,449	9,831	5,179	272,459
Europe and CIS	101,953	1,588	3,929	107,470
China	21,013	707	10,515	32,235
Asia (excluding Japan and China) and Oceania	148,359	1,598	8,471	158,428
Middle East and Africa	43,668	176	17	43,861
<b>Total</b>	<b>¥ 659,035</b>	<b>¥ 14,659</b>	<b>¥ 49,583</b>	<b>¥ 723,277</b>

Net sales determined by geographic origin for the nine months ended December 31, 2022 and 2021 are as follows:

	Millions of yen	
	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Japan	¥ 481,420	¥ 423,056
The Americas	1,043,877	743,507
Europe and CIS	357,181	325,464
China	69,334	88,275
Others	587,420	434,375
Total	¥ 2,539,232	¥ 2,014,677

Net sales determined by geographic origin for the three months ended December 31, 2022 and 2021 are as follows:

	Millions of yen	
	Three months ended December 31, 2022	Three months ended December 31, 2021
Japan	¥ 176,094	¥ 164,428
The Americas	384,756	268,067
Europe and CIS	118,912	107,078
China	25,558	28,443
Others	215,177	155,261
Total	¥ 920,497	¥ 723,277

There were no sales to a single major external customer for the nine months and three months ended December 31, 2022 and 2021.

## **21. Material Subsequent Events**

Not applicable.

Komatsu evaluated subsequent events through February 13, 2023, the issue date of its quarterly consolidated financial statements.

## **22. 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.