

(Translation)

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

Quarterly Report

From July 1, 2023 to September 30, 2023

(Second Quarter of the 155th Fiscal Year)

KOMATSU LTD.

Second Quarter of the 155th Fiscal Year (from July 1, 2023 to September 30, 2023)

Quarterly Report

Certain References and Information:

1. This is an English translation of the Quarterly Securities Report (“Shihanki Hokokusho”) filed via the Electronic Disclosure for Investors’ Network (“EDINET”) system as set forth in Article 27-30-2 of the Financial Instruments and Exchange Act of Japan. Komatsu Ltd. filed its Quarterly Securities Report for the three months ended September 30, 2023 with the Director-General of the Kanto Local Finance Bureau on November 10, 2023. The Quarterly Securities Report contains, among other information, Quarterly Consolidated Financial Statements for the three months and the six months ended September 30, 2023. Material information in the Quarterly Securities Report, other than the Quarterly Consolidated Financial Statements, has already been reported by Komatsu Ltd. in its press release dated October 27, 2023. Attached is an English translation of Quarterly Consolidated Financial Statements for the three months and the six months ended September 30, 2023.
2. In this report, Komatsu Ltd. is hereinafter referred to as the “Company” and together with its consolidated subsidiaries as “Komatsu.”

Cautionary Statement with respect to forward-looking statements:

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

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

Financial Information

1. Basis of preparation of the quarterly consolidated financial statements

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

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the quarterly consolidated financial statements for the three months ended September 30, 2023 and for the six months ended September 30, 2023 were reviewed by KPMG AZSA LLC.

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

Komatsu Ltd. and Consolidated Subsidiaries

Six months ended September 30, 2023 and 2022

Consolidated Statements of Income

	Six months ended September 30, 2023		Six months ended September 30, 2022	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 9, 10, 12 and 15)	¥ 1,822,994	100.0	¥ 1,618,735	100.0
Cost of sales (Notes 6, 8, 9 and 15)	1,237,198	67.9	1,147,450	70.9
Selling, general and administrative expenses (Notes 6, 8 and 11)	287,853	15.8	258,534	16.0
Other operating income (expenses), net	(967)	(0.1)	(1,117)	(0.1)
Operating income	296,976	16.3	211,634	13.1
Other income (expenses), net				
Interest and dividend income	9,187	0.5	5,012	0.3
Interest expense	(25,003)	(1.4)	(10,892)	(0.7)
Other, net (Notes 5, 8, 9 and 15)	6,860	0.4	22,005	1.4
Total	(8,956)	(0.5)	16,125	1.0
Income before income taxes and equity in earnings of affiliated companies	288,020	15.8	227,759	14.1
Income taxes (Note 9)				
Current	86,957		63,806	
Deferred	(12,318)		(4,939)	
Total	74,639	4.1	58,867	3.6
Income before equity in earnings of affiliated companies	213,381	11.7	168,892	10.4
Equity in earnings of affiliated companies	3,833	0.2	2,072	0.1
Net income	217,214	11.9	170,964	10.6
Less: Net income attributable to noncontrolling interests	11,666	0.6	8,396	0.5
Net income attributable to Komatsu Ltd.	¥ 205,548	11.3	¥ 162,568	10.0

Yen

Per share data (Note 13):

Net income attributable to Komatsu Ltd.:

Basic	¥ 217.36	¥ 171.96
Diluted	¥ 217.34	¥ 171.94

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Net income	¥ 217,214	¥ 170,964
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments (Note 9)	203,687	247,983
Pension liability adjustments (Notes 8 and 9)	393	279
Net unrealized holding losses on derivative instruments (Notes 9 and 15)	(765)	(38)
Total	203,315	248,224
Comprehensive income	420,529	419,188
Less: Comprehensive income attributable to noncontrolling interests	23,661	19,779
Comprehensive income attributable to Komatsu Ltd.	¥ 396,868	¥ 399,409

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 September 30, 2023 and 2022

Consolidated Statements of Income

	Three months ended September 30, 2023		Three months ended September 30, 2022	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 9, 10, 12 and 15)	¥ 923,443	100.0	¥ 854,927	100.0
Cost of sales (Notes 6, 8, 9 and 15)	625,957	67.8	602,049	70.4
Selling, general and administrative expenses (Notes 6, 8 and 11)	146,351	15.8	134,495	15.7
Other operating income (expenses), net	(1,180)	(0.1)	(311)	(0.0)
Operating income	149,955	16.2	118,072	13.8
Other income (expenses), net				
Interest and dividend income	4,700	0.5	2,776	0.3
Interest expense	(13,043)	(1.4)	(6,220)	(0.7)
Other, net (Notes 5, 8, 9 and 15)	(1,760)	(0.2)	656	0.1
Total	(10,103)	(1.1)	(2,788)	(0.3)
Income before income taxes and equity in earnings of affiliated companies	139,852	15.1	115,284	13.5
Income taxes (Note 9)				
Current	51,808		39,509	
Deferred	(15,852)		(10,157)	
Total	35,956	3.9	29,352	3.4
Income before equity in earnings of affiliated companies	103,896	11.3	85,932	10.1
Equity in earnings of affiliated companies	1,647	0.2	1,027	0.1
Net income	105,543	11.4	86,959	10.2
Less: Net income attributable to noncontrolling interests	5,422	0.6	4,845	0.6
Net income attributable to Komatsu Ltd.	¥ 100,121	10.8	¥ 82,114	9.6

Yen

Per share data (Note 13):

Net income attributable to Komatsu Ltd.:

	Yen	
Basic	¥ 105.87	¥ 86.85
Diluted	¥ 105.86	¥ 86.84

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Net income	¥ 105,543	¥ 86,959
Other comprehensive income, for the period, net of tax		
Foreign currency translation adjustments (Note 9)	46,909	50,458
Pension liability adjustments (Notes 8 and 9)	142	103
Net unrealized holding gains on derivative instruments (Notes 9 and 15)	552	1,102
Total	47,603	51,663
Comprehensive income	153,146	138,622
Less: Comprehensive income attributable to noncontrolling interests	8,124	7,813
Comprehensive income attributable to Komatsu Ltd.	¥ 145,022	¥ 130,809

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

Consolidated Statements of Equity (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

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 (Notes 1 and 3)				(1,634)			(1,634)	(126)	(1,760)
Cash dividends (Note 19)				(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 9)					191,320		191,320	11,995	203,315
Exercise of stock acquisition rights (Note 11)		(54)					(54)		(54)
Purchase of treasury stock						(25)	(25)		(25)
Sales of treasury stock		8				46	54		54
Restricted stock compensation (Note 11)	676	672					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 Quarterly Consolidated Financial Statements.

Six months ended September 30, 2022

	Millions of yen								
	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
			Appropriated for legal reserve	Un-appropriated					
Balance at March 31, 2022	¥ 69,393	¥ 139,572	¥ 47,903	¥ 1,902,501	¥ 122,414	¥ (49,272)	¥ 2,232,511	¥ 123,766	¥ 2,356,277
Cash dividends (Note 19)				(52,963)			(52,963)	(7,458)	(60,421)
Transfer to retained earnings appropriated for legal reserve			178	(178)			—		—
Other changes		(3,903)			1,476	(77)	(2,504)	(1,061)	(3,565)
Net income				162,568			162,568	8,396	170,964
Other comprehensive income (loss), for the period, net of tax (Note 9)					236,841		236,841	11,383	248,224
Exercise of stock acquisition rights (Note 11)		(49)					(49)		(49)
Purchase of treasury stock						(17)	(17)		(17)
Sales of treasury stock		51				180	231	103	334
Restricted stock compensation (Note 11)	267	265					532		532
Balance at September 30, 2022	¥ 69,660	¥ 135,936	¥ 48,081	¥ 2,011,928	¥ 360,731	¥ (49,186)	¥ 2,577,150	¥ 135,129	¥ 2,712,279

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

Consolidated Statements of Cash Flows (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Six months ended September 30, 2023 and 2022

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Operating activities		
Net income	¥ 217,214	¥ 170,964
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	76,444	73,075
Deferred income taxes	(12,318)	(4,939)
Impairment loss and net loss (gain) on valuation of investment securities	28	(358)
Net gain on sale of fixed assets	(600)	(251)
Loss on disposal of fixed assets	1,169	1,094
Pension and retirement benefits, net	(276)	812
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	52,112	(378)
Increase in inventories	(141,238)	(168,312)
Decrease in trade payables	(34,006)	(3,432)
Increase (decrease) in income taxes payable	1,215	(15,609)
Other, net	27,569	(27,131)
Net cash provided by operating activities	187,313	25,535
Investing activities		
Capital expenditures	(88,717)	(86,257)
Proceeds from sale of fixed assets	7,510	8,958
Purchases of investment securities	(165)	(1,406)
Proceeds from sale of subsidiaries and businesses, net of cash disposed	—	12,295
Acquisition of subsidiaries and equity investees, net of cash acquired	—	(18,000)
Other, net	(34)	(911)
Net cash used in investing activities	(81,406)	(85,321)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	230,902	301,968
Payment on debt (Original maturities greater than three months)	(273,270)	(338,515)
Short-term debt, net (Original maturities three months or less)	43,815	145,087
Dividends paid	(70,950)	(52,963)
Proceeds from issuance of subsidiary's shares	—	2,012
Other, net	(10,106)	(11,975)
Net cash provided by (used in) financing activities	(79,609)	45,614
Effect of exchange rate change on cash and cash equivalents	1,014	19,636
Net increase in cash and cash equivalents	27,312	5,464
Cash and cash equivalents, beginning of year	289,975	315,360
Cash and cash equivalents, end of period	¥ 317,287	¥ 320,824

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

The figure for the six months ended September 30, 2022 was reclassified to conform to the presentation for the six months ended September 30, 2023.

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

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

Basis of Quarterly Consolidated Financial Statement Presentation

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

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

Some adjustments without booked on each subsidiary’s and affiliate’s quarterly financial statements are added to the accompanying quarterly consolidated financial statements. These adjustments are mainly due to the gaps of accounting principle between Japan and the United States of America. See Note 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

Recently Adopted Accounting Standards

In June 2016, Financial Accounting Standards Board (hereinafter “FASB”) issued Accounting Standards Update (hereinafter “ASU”) 2016-13 “Financial Instruments — Credit Losses: Measurement of Credit Losses on Financial Instruments”. This update requires an entity to recognize credit losses for many financial assets based on current expected credit loss model instead of incurred loss model. The current expected credit loss model requires an entity to immediately recognize estimated credit losses expected to occur over the remaining life of the financial assets which are within the scope of this update. Komatsu has adopted this update from the fiscal year beginning on April 1, 2023, including interim periods within those reporting periods. This update has been adopted under the modified retrospective approach through a cumulative effect adjustment to retained earnings at the beginning of the initial application period. Consequently, Komatsu reduced JPY 1,634 million as an adjustment of cumulative effect from retained earnings as of April 1, 2023. Details are as described in Note 3 “Receivables and Allowance for Credit Losses”.

In September 2022, FASB issued ASU 2022-04 “Disclosure of Supplier Finance Program Obligations”. This update requires an entity that uses a supplier finance program in connection with the purchase of goods and services to disclose the key terms of the program, information about obligations outstanding at the end of the reporting period and a rollforward of those obligations during the reporting period. Komatsu has adopted the amendments in this update to disclose the key terms of the program and information about obligations outstanding from the fiscal year beginning on April 1, 2023, including interim periods within those reporting periods. The amendment to disclose a rollforward of obligations is effective for annual reporting periods beginning after December 15, 2023. The adoption of this update had no impact on Komatsu’s financial position and results of operations. Details are as described in Note 7 “Trade Payables”.

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

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

2. Supplemental Cash Flow Information

Additional cash flow information for the six months ended September 30, 2023 and 2022 is as follows:

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Additional cash flow information:		
Interest paid	¥ 24,215	¥ 11,105
Income taxes paid, net	96,394	89,319

3. Receivables and Allowance for Credit Losses

(1) Portfolio segments

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

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

In the Retail Finance segment, Komatsu provides installment sales and sales-type leases as a lessor for leveling cash payments of its customers when customers purchase primarily Komatsu's construction and mining equipment. Receivables of retail finance business (hereinafter "retail finance receivables") are secured by collateral, in the form of financed equipment. If Komatsu's collection efforts fail to recover the defaulted situation, Komatsu generally can repossess the financed equipment, after satisfying local legal requirements, and sell it to a third party through Komatsu's dealer network. The collection spans an extended period of time and there is a degree of uncertainty that accompanies the calculation of the estimated credit losses and the calculation of an expected amount recoverable from the collateral. Komatsu estimates the allowance for credit losses on retail finance receivables utilizing the expected credit loss rates that are calculated by adding relevant economic indicators such as housing starts to the average historical loss rates. For periods beyond which Komatsu is able to make or obtain reasonable and supportable forecasts of future economic indicators of the entire life of the retail finance receivables, expected credit losses are estimated for the remaining life mainly using an appropriate approach that immediately revert to historical credit loss experiences. For doubtful retail finance receivables with the possibility of default due to deterioration of customer's financial condition or prolonged payment delays, Komatsu individually records the allowance for credit losses based on the available information at hand such as credit status, status of outstanding receivables, and current market price of assets held as collateral. There were no significant changes in methodologies used to estimate the allowance for credit losses during the six and the three months ended September 30, 2023.

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

	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:						
Balance at end of period	¥	641,390	¥	1,122,354	¥	44,836

	Millions of yen					
	Three months ended September 30, 2023					
	Construction, Mining and Utility Equipment		Retail Finance		Industrial Machinery and Others	
Allowance for Credit Losses:						
Balance at beginning of period	¥	10,808	¥	18,650	¥	209
Provision		590		382		95
Write-offs		(32)		(532)		(2)
Other		170		599		1
Balance at end of period	¥	11,536	¥	19,099	¥	303

Receivables:						
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, 2023 are as follows:

Region	Millions of yen						
	September 30, 2023						
	Origination fiscal year ending March 31						
Past due date	2024	2023	2022	2021	2020	Prior	Total
Japan							
Within due and 30 days or less past due	¥ 7,635	¥ 11,765	¥ 8,308	¥ 6,770	¥ 3,400	¥ 1,175	¥ 39,053
31-90 days past due	—	—	—	—	—	1	1
Over 90 days past due	—	2	—	9	—	—	11
Total	7,635	11,767	8,308	6,779	3,400	1,176	39,065
North America							
Within due and 30 days or less past due	249,137	284,995	148,986	72,409	21,463	2,082	779,072
31-90 days past due	196	199	378	182	116	50	1,121
Over 90 days past due	1	242	405	327	282	333	1,590
Total	249,334	285,436	149,769	72,918	21,861	2,465	781,783
Latin America							
Within due and 30 days or less past due	16,119	20,495	12,920	4,178	1,258	3,390	58,360
31-90 days past due	37	337	231	15	26	111	757
Over 90 days past due	41	99	157	25	629	3,812	4,763
Total	16,197	20,931	13,308	4,218	1,913	7,313	63,880
Europe							
Within due and 30 days or less past due	31,345	47,747	26,885	9,512	2,743	1,062	119,294
31-90 days past due	1	7	95	1	1	4	109
Over 90 days past due	—	3	1	2	2	3	11
Total	31,346	47,757	26,981	9,515	2,746	1,069	119,414
Oceania							
Within due and 30 days or less past due	18,693	33,984	15,053	6,812	4,228	1,088	79,858
31-90 days past due	—	—	—	4	—	—	4
Over 90 days past due	—	—	—	—	—	—	—
Total	18,693	33,984	15,053	6,816	4,228	1,088	79,862
Others							
Within due and 30 days or less past due	6,725	10,720	14,592	4,616	632	105	37,390
31-90 days past due	23	41	89	115	39	2	309
Over 90 days past due	—	5	58	81	80	427	651
Total	6,748	10,766	14,739	4,812	751	534	38,350
Totals by Aging Category							
Within due and 30 days or less past due	¥ 329,654	¥ 409,706	¥ 226,744	¥ 104,297	¥ 33,724	¥ 8,902	¥1,113,027
31-90 days past due	257	584	793	317	182	168	2,301
Over 90 days past due	42	351	621	444	993	4,575	7,026
Total	¥ 329,953	¥ 410,641	¥ 228,158	¥ 105,058	¥ 34,899	¥ 13,645	¥1,122,354

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

Fiscal year ending March 31	Millions of yen	
	Six months ended September 30, 2023	Three months ended September 30, 2023
2024	¥ —	¥ —
2023	323	208
2022	304	210
2021	94	60
2020	129	40
Prior	36	14
Total	¥ 886	¥ 532

(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 and the three months ended September 30, 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, 2023 are as follows:

	Millions of yen		
	September 30, 2023		
	Non-accrual with an allowance	Non-accrual without an allowance	Over 90 days past due still accruing
Japan	¥ —	¥ —	¥ 11
North America	—	—	1,590
Latin America	4,668	—	97
Europe	—	—	11
Oceania	—	—	—
Others	555	—	97
Total	¥ 5,223	¥ —	¥ 1,806

(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 and the three months ended September 30, 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 and the three months ended September 30, 2023.

4. Inventories

At September 30, 2023 and at March 31, 2023, inventories comprise the following:

	Millions of yen	
	September 30, 2023	March 31, 2023
Finished products, including finished parts held for sale	¥ 1,035,973	¥ 829,085
Work in process	308,374	261,960
Materials and supplies	147,171	136,163
Total	<u>¥ 1,491,518</u>	<u>¥ 1,227,208</u>

5. 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, 2023 and 2022 are as follows:

	Millions of yen	
	Six months ended September 30, 2023	Six months Ended September 30, 2022
Net gains and losses recognized during the period on equity securities	¥ (28)	¥ 358
Less: net gains and losses recognized during the period on equity securities sold during the period	—	(0)
Unrealized gains and losses recognized during the period on equity securities still held as of September 30, 2023 and 2022	<u>¥ (28)</u>	<u>¥ 358</u>

The realized gains and losses and gross unrealized holding gains and losses for such equity securities which are recorded in other income (expenses), net in the accompanying consolidated statements of income, respectively, for the three months ended September 30, 2023 and 2022 are as follows:

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Net gains and losses recognized during the period on equity securities	¥ (311)	¥ 86
Less: net gains and losses recognized during the period on equity securities sold during the period	—	(0)
Unrealized gains and losses recognized during the period on equity securities still held as of September 30, 2023 and 2022	<u>¥ (311)</u>	<u>¥ 86</u>

Komatsu measures equity securities without readily determinable fair values at the carrying amount after the write-down due to impairment, except for investments which are measured at net asset value per share. If Komatsu identifies observable price changes in orderly transactions for identical or similar investments issued by the same issuer, Komatsu measures the equity security at fair value as of the date that the observable transaction occurred. As of September 30, 2023 and as of March 31, 2023, the carrying amounts of these investments were ¥11,172 million and ¥10,556 million, respectively. Any impairment or any adjustment relating to observable price changes recorded until September 30, 2023 and until March 31, 2023 were not material.

6. Other Intangible Assets

Other intangible assets at September 30, 2023 and at March 31, 2023 are as follows:

	Millions of yen					
	September 30, 2023			March 31, 2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥ 95,352	¥ (49,454)	¥ 45,898	¥ 86,296	¥ (41,912)	¥ 44,384
Leasehold	8,945	(2,666)	6,279	8,576	(2,685)	5,891
Trademarks	71,469	(31,212)	40,257	65,149	(26,288)	38,861
Customer relationships	93,076	(49,512)	43,564	88,497	(45,024)	43,473
Technology assets	43,949	(20,360)	23,589	43,858	(19,745)	24,113
Other	13,221	(9,292)	3,929	10,857	(8,037)	2,820
Total	326,012	(162,496)	163,516	303,233	(143,691)	159,542
Other intangible assets not subject to amortization			8,511			7,750
Total other intangible assets			<u>¥ 172,027</u>			<u>¥ 167,292</u>

The aggregate amortization expense of other intangible assets subject to amortization during the six months ended September 30, 2023 and 2022 were ¥14,770 million and ¥14,134 million, respectively. The aggregate amortization expense of other intangible assets subject to amortization during the three months ended September 30, 2023 and 2022 were ¥7,393 million and ¥7,388 million, respectively.

7. 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, 2023 and at March 31, 2023 are ¥40,222 million and ¥48,519 million, respectively, and are included in trade notes, bills and accounts payable in the accompanying consolidated balance sheets.

8. Cost of Retirement Benefits

Net periodic cost of Komatsu's defined benefit plans for the six months ended September 30, 2023 and 2022 consisted of the following components:

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Service cost	¥ 4,414	¥ 4,371
Interest cost on projected benefit obligations	5,480	4,157
Expected return on plan assets	(6,176)	(5,606)
Amortization of actuarial loss or gain	181	163
Amortization of prior service cost	563	542
Gains recognized due to partial settlements	(59)	—
Net periodic cost	¥ 4,403	¥ 3,627

Net periodic cost of the other postretirement benefit plans for the six months ended September 30, 2023 and 2022 included the following components:

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Service cost	¥ 197	¥ 228
Interest cost on projected benefit obligations	300	213
Expected return on plan assets	(325)	(294)
Amortization of actuarial loss or gain	(76)	(37)
Amortization of prior service cost	(165)	(155)
Net periodic cost	¥ (69)	¥ (45)

Net periodic cost of Komatsu's defined benefit plans for the three months ended September 30, 2023 and 2022 consisted of the following components:

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Service cost	¥ 2,153	¥ 2,184
Interest cost on projected benefit obligations	2,822	2,123
Expected return on plan assets	(3,174)	(2,857)
Amortization of actuarial loss or gain	91	90
Amortization of prior service cost	284	273
Gains recognized due to partial settlements	—	—
Net periodic cost	¥ 2,176	¥ 1,813

Net periodic cost of the other postretirement benefit plans for the three months ended September 30, 2023 and 2022 included the following components:

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Service cost	¥ 101	¥ 118
Interest cost on projected benefit obligations	154	113
Expected return on plan assets	(167)	(152)
Amortization of actuarial loss or gain	(39)	(19)
Amortization of prior service cost	(85)	(80)
Net periodic cost	¥ (36)	¥ (20)

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 six months ended September 30, 2023 and 2022 are as follows:

	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
Equity transactions with noncontrolling interests	—	—	—	—
Balance, end of the period	<u>¥ 434,537</u>	<u>¥ (22,338)</u>	<u>¥ (928)</u>	<u>¥ 411,271</u>

All amounts are net of tax.

	Millions of yen			
	Six months ended September 30, 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	249,931	(77)	(13,625)	236,229
Amounts reclassified from accumulated other comprehensive income (loss)	(1,948)	356	13,587	11,995
Net other comprehensive income (loss)	247,983	279	(38)	248,224
Less: other comprehensive income (loss) attributable to noncontrolling interests	11,119	—	264	11,383
Other comprehensive income (loss) attributable to Komatsu Ltd.	236,864	279	(302)	236,841
Equity transactions with noncontrolling interests	1,476	—	—	1,476
Balance, end of the period	<u>¥ 386,969</u>	<u>¥ (23,892)</u>	<u>¥ (2,346)</u>	<u>¥ 360,731</u>

All amounts are net of tax.

Changes in accumulated other comprehensive income (loss) for the three months ended September 30, 2023 and 2022 are as follows:

	Millions of yen			
	Three 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 period	¥ 390,413	¥ (22,480)	¥ (1,563)	¥ 366,370
Other comprehensive income (loss) before reclassifications	47,257	(45)	(3,187)	44,025
Amounts reclassified from accumulated other comprehensive income (loss)	(348)	187	3,739	3,578
Net other comprehensive income (loss)	46,909	142	552	47,603
Less: other comprehensive income (loss) attributable to noncontrolling interests	2,785	—	(83)	2,702
Other comprehensive income (loss) attributable to Komatsu Ltd.	44,124	142	635	44,901
Equity transactions with noncontrolling interests	—	—	—	—
Balance, end of the period	<u>¥ 434,537</u>	<u>¥ (22,338)</u>	<u>¥ (928)</u>	<u>¥ 411,271</u>

All amounts are net of tax.

	Millions of yen			
	Three months ended September 30, 2022			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the period	¥ 339,388	¥ (23,995)	¥ (3,357)	¥ 312,036
Other comprehensive income (loss) before reclassifications	52,406	(87)	(4,481)	47,838
Amounts reclassified from accumulated other comprehensive income (loss)	(1,948)	190	5,583	3,825
Net other comprehensive income (loss)	50,458	103	1,102	51,663
Less: other comprehensive income (loss) attributable to noncontrolling interests	2,877	—	91	2,968
Other comprehensive income (loss) attributable to Komatsu Ltd.	47,581	103	1,011	48,695
Equity transactions with noncontrolling interests	—	—	—	—
Balance, end of the period	<u>¥ 386,969</u>	<u>¥ (23,892)</u>	<u>¥ (2,346)</u>	<u>¥ 360,731</u>

All amounts are net of tax.

Reclassification out of accumulated other comprehensive income (loss) for the six months ended September 30, 2023 and 2022 are as follows:

	Millions of yen	
	Six months ended September 30, 2023	Affected line items in consolidated statements of income
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

	Millions of yen	
	Six months ended September 30, 2022	Affected line items in consolidated statements of income
Foreign currency translation adjustments		
Sale	¥ 1,948	Other operating income (expenses), net
	1,948	Total before tax
	—	Income taxes
	1,948	Net of tax
Pension liability adjustments		
Amortization of actuarial loss or gain and prior service cost	(513)	Other income (expenses), net: Other, net
	(513)	Total before tax
	157	Income taxes
	(356)	Net of tax
Net unrealized holding gains (losses) on derivative instruments		
Foreign exchange forward contracts, Interest rate swaps and cross-currency swap agreements	(9,972)	Net sales
	179	Cost of sales
	(9,980)	Other income (expenses), net: Other, net
	(19,773)	Total before tax
	6,186	Income taxes
	(13,587)	Net of tax
Total reclassification for the period	¥ (11,995)	Net of tax

Reclassification out of accumulated other comprehensive income (loss) for the three months ended September 30, 2023 and 2022 are as follows:

	Millions of yen	
	Three months ended September 30, 2023	Affected line items in consolidated statements of income
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	(251)	Other income (expenses), net: Other, net
	(251)	Total before tax
	64	Income taxes
	(187)	Net of tax
Net unrealized holding gains (losses) on derivative instruments		
Foreign exchange forward contracts, Interest rate swaps and cross-currency swap agreements	(4,103)	Net sales
	89	Cost of sales
	(1,427)	Other income (expenses), net: Other, net
	(5,441)	Total before tax
	1,702	Income taxes
	(3,739)	Net of tax
Total reclassification for the period	¥ (3,578)	Net of tax

	Millions of yen	
	Three months ended September 30, 2022	Affected line items in consolidated statements of income
Foreign currency translation adjustments		
Sale	¥ 1,948	Other operating income (expenses), net
	1,948	Total before tax
	—	Income taxes
	1,948	Net of tax
Pension liability adjustments		
Amortization of actuarial loss or gain and prior service cost	(264)	Other income (expenses), net: Other, net
	(264)	Total before tax
	74	Income taxes
	(190)	Net of tax
Net unrealized holding gains (losses) on derivative instruments		
Foreign exchange forward contracts, Interest rate swaps and cross-currency swap agreements	(4,926)	Net sales
	(147)	Cost of sales
	(3,105)	Other income (expenses), net: Other, net
	(8,178)	Total before tax
	2,595	Income taxes
	(5,583)	Net of tax
Total reclassification for the period	¥ (3,825)	Net of tax

Tax effects allocated to each component of other comprehensive income (loss) for the six months ended September 30, 2023 and 2022 are as follows:

	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

	Millions of yen		
	Six months ended September 30, 2022		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the period	¥ 250,512	¥ (581)	¥ 249,931
Less: reclassification adjustment for gains included in net income	(1,948)	—	(1,948)
Net foreign currency translation adjustments	248,564	(581)	247,983
Pension liability adjustments			
Pension liability adjustments arising during the period	(106)	29	(77)
Less: reclassification adjustment for losses included in net income	513	(157)	356
Net pension liability adjustments	407	(128)	279
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during the period	(19,927)	6,302	(13,625)
Less: reclassification adjustment for losses included in net income	19,773	(6,186)	13,587
Net unrealized holding losses	(154)	116	(38)
Other comprehensive income (loss)	¥ 248,817	¥ (593)	¥ 248,224

Tax effects allocated to each component of other comprehensive income (loss) for the three months ended September 30, 2023 and 2022 are as follows:

	Millions of yen		
	Three 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	¥ 47,401	¥ (144)	¥ 47,257
Less: reclassification adjustment for gains included in net income	(348)	—	(348)
Net foreign currency translation adjustments	47,053	(144)	46,909
Pension liability adjustments			
Pension liability adjustments arising during the period	(58)	13	(45)
Less: reclassification adjustment for losses included in net income	251	(64)	187
Net pension liability adjustments	193	(51)	142
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during the period	(4,574)	1,387	(3,187)
Less: reclassification adjustment for losses included in net income	5,441	(1,702)	3,739
Net unrealized holding gains	867	(315)	552
Other comprehensive income (loss)	¥ 48,113	¥ (510)	¥ 47,603

	Millions of yen		
	Three months ended September 30, 2022		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during the period	¥ 52,619	¥ (213)	¥ 52,406
Less: reclassification adjustment for gains included in net income	(1,948)	—	(1,948)
Net foreign currency translation adjustments	50,671	(213)	50,458
Pension liability adjustments			
Pension liability adjustments arising during the period	(120)	33	(87)
Less: reclassification adjustment for losses included in net income	264	(74)	190
Net pension liability adjustments	144	(41)	103
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during the period	(6,719)	2,238	(4,481)
Less: reclassification adjustment for losses included in net income	8,178	(2,595)	5,583
Net unrealized holding gains	1,459	(357)	1,102
Other comprehensive income (loss)	¥ 52,274	¥ (611)	¥ 51,663

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 September 30, 2023 and at March 31, 2023 are as follows:

	Millions of yen	
	September 30, 2023	March 31, 2023
Receivables *1	¥ 1,526,829	¥ 1,444,683
Contract assets *2	2,649	2,516
Contract liabilities *3	207,545	164,220

*1 Receivables are included in trade notes and accounts receivable, net and long-term trade receivables, net in the accompanying consolidated balance sheets. These amounts are before deducting allowances for credit losses or allowances for doubtful receivables.

*2 Contract assets are included in trade notes and accounts receivable, net in the accompanying consolidated balance sheets. These amounts are before deducting allowances for credit losses or allowances for doubtful receivables.

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

Revenue recognized for the six months ended September 30, 2023 that was included in the contract liability balance as of March 31, 2023 was ¥57,423 million. Revenue recognized for the six months ended September 30, 2022 that was included in the contract liability balance as of March 31, 2022 was ¥43,323 million.

Revenue recognized for the three months ended September 30, 2023 that was included in the contract liability balance as of March 31, 2023 was ¥28,690 million. Revenue recognized for the three months ended September 30, 2022 that was included in the contract liability balance as of March 31, 2022 was ¥20,088 million.

The amounts of revenue recognized during the six months and the three months ended September 30, 2023 and 2022 from performance obligations satisfied or partially satisfied in previous periods were immaterial.

(3) Transaction price allocated to the remaining performance obligations

As of September 30, 2023, the aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year is ¥392,099 million, of which ¥177,642 million is expected to be recognized as revenue in the twelve months following September 30, 2023.

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 six months ended September 30, 2023 and 2022 were recorded in selling, general and administrative expenses, and were not material to Komatsu's financial position and results of operations. Compensation expenses during the three months ended September 30, 2023 and 2022 were recorded in selling, general and administrative expenses, and were not material to Komatsu's financial position and results of operations. The Company recognizes share-based compensation expense using the fair value method.

12. 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, 2023 and 2022 are as follows:

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Sales-type lease revenue		
Revenue recognized at the commencement date *1	¥ 55,675	¥ 47,231
Interest income	5,104	4,917
Total sales-type lease revenue	60,779	52,148
Operating lease revenue	42,664	39,179
Total	¥ 103,443	¥ 91,327

*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 September 30, 2023 and 2022 are as follows:

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Sales-type lease revenue		
Revenue recognized at the commencement date *2	¥ 27,051	¥ 19,371
Interest income	2,644	2,544
Total sales-type lease revenue	29,695	21,915
Operating lease revenue	22,610	19,852
Total	¥ 52,305	¥ 41,767

*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	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Net income attributable to Komatsu Ltd.	¥ 205,548	¥ 162,568
Net income attributable to participating securities (restricted stocks)	174	149
Net income attributable to common shareholders	¥ 205,374	¥ 162,419

	Number of shares	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Weighted average number of common shares outstanding, less treasury stock	945,662,653	945,361,721
Weighted average number of participating securities (restricted stocks)	802,585	866,772
Weighted average number of common shares	944,860,068	944,494,949

	Yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Basic net income attributable to Komatsu Ltd. per share	¥ 217.36	¥ 171.96

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Net income attributable to Komatsu Ltd.	¥ 100,121	¥ 82,114
Net income attributable to participating securities (restricted stocks)	87	74
Net income attributable to common shareholders	¥ 100,034	¥ 82,040

	Number of shares	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Weighted average number of common shares outstanding, less treasury stock	945,727,766	945,416,571
Weighted average number of participating securities (restricted stocks)	820,037	853,489
Weighted average number of common shares	944,907,729	944,563,082

	Yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Basic net income attributable to Komatsu Ltd. per share	¥ 105.87	¥ 86.85

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, 2023	Six months ended September 30, 2022
Net income attributable to Komatsu Ltd.	¥ 205,548	¥ 162,568
Net income attributable to participating securities (restricted stocks)	174	149
Net income attributable to common shareholders	¥ 205,374	¥ 162,419

	Number of shares	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Weighted average number of common shares outstanding, less treasury stock	945,662,653	945,361,721
Dilutive effect of:		
Stock options	84,550	138,415
Weighted average number of participating securities (restricted stocks)	802,585	866,772
Weighted average number of diluted common shares	944,944,618	944,633,364

	Yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Diluted net income attributable to Komatsu Ltd. per share	¥ 217.34	¥ 171.94

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Net income attributable to Komatsu Ltd.	¥ 100,121	¥ 82,114
Net income attributable to participating securities (restricted stocks)	87	74
Net income attributable to common shareholders	¥ 100,034	¥ 82,040

	Number of shares	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Weighted average number of common shares outstanding, less treasury stock	945,727,766	945,416,571
Dilutive effect of:		
Stock options	76,201	130,706
Weighted average number of participating securities (restricted stocks)	820,037	853,489
Weighted average number of diluted common shares	944,983,930	944,693,788

	Yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Diluted net income attributable to Komatsu Ltd. per share	¥ 105.86	¥ 86.84

14. 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, 2023 and at March 31, 2023 were ¥17,171 million and ¥14,966 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at September 30, 2023 were insignificant. Certain of those guarantees were secured by collateral and insurance issued to Komatsu.

Komatsu provides guarantees that subsidiaries of the Company perform the obligations of the terms and conditions of contracts by standby letters of credit issued by banks. Komatsu would have to pay the liabilities incurred to banks if the subsidiaries do not perform the obligations of the terms and conditions of contracts. The maximum amount of undiscounted payments Komatsu would have had to make in the event of defaults of the contracts at September 30, 2023 and at March 31, 2023 were ¥16,934 million and ¥14,683 million, respectively.

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

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

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

15. Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at September 30, 2023 and at March 31, 2023 are as follows:

	Millions of yen	
	September 30, 2023	March 31, 2023
Foreign exchange forward contracts:		
Sale of foreign currencies	¥ 387,185	¥ 351,525
Purchase of foreign currencies	244,579	211,015
Interest rate swaps and cross-currency swap agreements	197,986	174,303

Fair value of derivative instruments at September 30, 2023 and at March 31, 2023 on the consolidated balance sheets are as follows:

	Millions of yen			
	September 30, 2023			
	Derivative Assets		Derivative Liabilities	
Derivative instruments designated as hedging instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Foreign exchange forward contracts	Other current assets	¥ 815	Other current liabilities	¥ 5,352
	Deferred income taxes and other assets	8	Deferred income taxes and other liabilities	342
Interest rate swaps and cross-currency swap agreements	Other current assets	62	Other current liabilities	2,096
	Deferred income taxes and other assets	1,326	Deferred income taxes and other liabilities	581
Total		¥ 2,211		¥ 8,371
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Foreign exchange forward contracts	Other current assets	¥ 3,929	Other current liabilities	¥ 4,468
	Deferred income taxes and other assets	69	Deferred income taxes and other liabilities	413
Interest rate swaps and cross-currency swap agreements	Other current assets	4,947	Other current liabilities	33
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	—
Total		¥ 8,945		¥ 4,914
Total Derivative Instruments		¥ 11,156		¥ 13,285

Millions of yen

March 31, 2023

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

The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the six months ended September 30, 2023 and 2022 are as follows:

Derivative instruments designated as cash flow hedging relationships

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)

Millions of yen			
Six months ended September 30, 2022			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives	
		Location of consolidated statements of income	Amount
Foreign exchange forward contracts	¥ (20,929)	Net sales	¥ (9,972)
		Cost of sales	176
		Other income (expenses), net: Other, net	(9,980)
Interest rate swaps and cross-currency swap agreements	1,002	Cost of sales	3
Total	¥ (19,927)		¥ (19,773)

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

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

Millions of yen		
Six months ended September 30, 2022		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Foreign exchange forward contracts	Other income (expenses), net: Other, net	¥ 4,541
Interest rate swaps and cross-currency swap agreements	Cost of sales	(15)
	Other income (expenses), net: Other, net	2,747
Total		¥ 7,273

The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 are as follows:

Derivative instruments designated as cash flow hedging relationships

Millions of yen			
Three 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	¥ (4,499)	Net sales	¥ (4,103)
		Cost of sales	88
		Other income (expenses), net: Other, net	(1,427)
Interest rate swaps and cross-currency swap agreements	(75)	Cost of sales	1
Total	¥ (4,574)		¥ (5,441)

Millions of yen			
Three months ended September 30, 2022			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives	
		Location of consolidated statements of income	Amount
Foreign exchange forward contracts	¥ (7,600)	Net sales	¥ (4,926)
		Cost of sales	(154)
		Other income (expenses), net: Other, net	(3,105)
Interest rate swaps and cross-currency swap agreements	881	Cost of sales	7
Total	¥ (6,719)		¥ (8,178)

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

Millions of yen		
Three 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	¥ 3,619
Interest rate swaps and cross-currency swap agreements	Cost of sales	(832)
	Other income (expenses), net: Other, net	937
Total		¥ 3,724

Millions of yen		
Three months ended September 30, 2022		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Foreign exchange forward contracts	Other income (expenses), net: Other, net	¥ 248
Interest rate swaps and cross-currency swap agreements	Cost of sales	22
	Other income (expenses), net: Other, net	1,851
Total		¥ 2,121

16. Fair Values of Financial Instruments

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

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

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

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

(3) Long-term debt, including current portion

The fair values of each of the long-term debt are based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the current market borrowing rate for similar debt of comparable maturity.

(4) Derivatives (Notes 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 September 30, 2023 and as of March 31, 2023, and fair value levels are summarized as follows:

	Millions of yen				Fair Value Levels
	September 30, 2023		March 31, 2023		
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	
Cash and cash equivalents	¥ 317,287	¥ 317,287	¥ 289,975	¥ 289,975	Level 1
Long-term trade receivables, net, excluding lease receivables	483,201	468,196	430,178	411,766	Level 2
Short-term debt	412,698	412,698	310,738	310,738	Level 2
Long-term debt, including current portion	739,848	706,820	743,024	719,514	Level 2

Notes:

1) Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could affect the estimates.

2) The fair value levels are stated in Note 17.

17. Fair Value Measurements

Financial Accounting Standards Board Accounting Standards Codification™ (hereinafter “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, 2023 and at March 31, 2023 are as follows:

		Millions of yen			
<u>At September 30, 2023</u>		Level 1	Level 2	Level 3	Total
Assets					
Derivatives					
Foreign exchange forward contracts	¥	—	¥ 4,821	¥	—
Interest rate swaps and cross-currency swap agreements		—	6,335	—	6,335
Total	¥	—	¥ 11,156	¥	—
Liabilities					
Derivatives					
Foreign exchange forward contracts	¥	—	¥ 10,575	¥	—
Interest rate swaps and cross-currency swap agreements		—	2,710	—	2,710
Total	¥	—	¥ 13,285	¥	—
		Millions of yen			
<u>At March 31, 2023</u>		Level 1	Level 2	Level 3	Total
Assets					
Derivatives					
Foreign exchange forward contracts	¥	—	¥ 4,892	¥	—
Interest rate swaps and cross-currency swap agreements		—	5,448	—	5,448
Total	¥	—	¥ 10,340	¥	—
Liabilities					
Derivatives					
Foreign exchange forward contracts	¥	—	¥ 8,119	¥	—
Interest rate swaps and cross-currency swap agreements		—	1,978	—	1,978
Total	¥	—	¥ 10,097	¥	—

Derivatives (Notes 15 and 16)

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, 2023 and 2022, 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 September 30, 2023 and at March 31, 2023 were ¥340,571 million and ¥304,630 million, respectively. These total amounts of unused committed credit lines available for full and immediate borrowings at September 30, 2023 and at March 31, 2023 were ¥319,376 million and ¥284,898 million, respectively.

19. Dividends

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.

Six months ended September 30, 2022

(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, 2022	Common stock	¥52,962	Retained earnings	¥56	March 31, 2022	June 22, 2022

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

(2) Dividends to be paid for the six months ended September 30, 2022, of which effective date is after September 30, 2022

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 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.

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 six months ended September 30, 2023 and 2022 is as follows:

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Net sales:		
Construction, Mining and Utility Equipment –		
External customers	¥ 1,702,798	¥ 1,502,489
Intersegment	4,786	3,720
Total	1,707,584	1,506,209
Retail Finance –		
External customers	36,870	33,451
Intersegment	10,640	8,044
Total	47,510	41,495
Industrial Machinery and Others –		
External customers	83,326	82,795
Intersegment	1,708	916
Total	85,034	83,711
Elimination	(17,134)	(12,680)
Consolidated	¥ 1,822,994	¥ 1,618,735
Segment profit:		
Construction, Mining and Utility Equipment	¥ 280,789	¥ 187,521
Retail Finance	12,989	14,852
Industrial Machinery and Others	4,414	10,980
Total segment profit	298,192	213,353
Corporate expenses and elimination	(249)	(602)
Consolidated	¥ 297,943	¥ 212,751

Information about operating segments for the three months ended September 30, 2023 and 2022 is as follows:

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Net sales:		
Construction, Mining and Utility Equipment –		
External customers	¥ 860,559	¥ 788,861
Intersegment	164	2,024
Total	<u>860,723</u>	<u>790,885</u>
Retail Finance –		
External customers	19,167	17,200
Intersegment	5,450	4,356
Total	<u>24,617</u>	<u>21,556</u>
Industrial Machinery and Others –		
External customers	43,717	48,866
Intersegment	865	305
Total	<u>44,582</u>	<u>49,171</u>
Elimination	(6,479)	(6,685)
Consolidated	<u>¥ 923,443</u>	<u>¥ 854,927</u>
Segment profit:		
Construction, Mining and Utility Equipment	¥ 142,359	¥ 104,195
Retail Finance	6,641	7,139
Industrial Machinery and Others	2,490	7,453
Total segment profit	<u>151,490</u>	<u>118,787</u>
Corporate expenses and elimination	(355)	(404)
Consolidated	<u>¥ 151,135</u>	<u>¥ 118,383</u>

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, 2023 and 2022 are as follows:

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Total segment profit	¥ 298,192	¥ 213,353
Corporate expenses and elimination	(249)	(602)
Total	297,943	212,751
Other operating income (expenses), net	(967)	(1,117)
Operating income	296,976	211,634
Interest and dividend income	9,187	5,012
Interest expense	(25,003)	(10,892)
Other, net	6,860	22,005
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 288,020	¥ 227,759

The reconciliation of total segment profit to consolidated income before income taxes and equity in earnings of affiliated companies for the three months ended September 30, 2023 and 2022 are as follows:

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Total segment profit	¥ 151,490	¥ 118,787
Corporate expenses and elimination	(355)	(404)
Total	151,135	118,383
Other operating income (expenses), net	(1,180)	(311)
Operating income	149,955	118,072
Interest and dividend income	4,700	2,776
Interest expense	(13,043)	(6,220)
Other, net	(1,760)	656
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 139,852	¥ 115,284

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

a) Construction, Mining and Utility Equipment operating segment:

Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, underground mining equipment, recycling equipment, industrial vehicles, other equipment, engines and components, casting products, logistics, and solution business

b) Retail Finance operating segment:

Financing

c) Industrial Machinery and Others operating segment:

Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment, and optical machinery

Transfers between segments are made at estimated arm's length prices.

Geographic information:

Net sales determined by customer location for the six months ended September 30, 2023 and 2022 are as follows:

	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

	Millions of yen			
	Six months ended September 30, 2022			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 140,591	¥ 1,617	¥ 39,470	¥ 181,678
The Americas	638,044	23,057	11,883	672,984
Europe and CIS	205,466	3,646	6,318	215,430
China	39,216	1,140	7,603	47,959
Asia (excluding Japan and China) and Oceania	359,630	3,709	17,335	380,674
Middle East and Africa	119,542	282	186	120,010
Total	¥ 1,502,489	¥ 33,451	¥ 82,795	¥ 1,618,735

Net sales determined by customer location for the three months ended September 30, 2023 and 2022 are as follows:

	Millions of yen			
	Three months ended September 30, 2023			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 80,039	¥ 279	¥ 22,777	¥ 103,095
The Americas	397,226	14,055	5,782	417,063
Europe and CIS	89,194	1,973	4,228	95,395
China	16,862	258	3,460	20,580
Asia (excluding Japan and China) and Oceania	198,836	2,282	7,333	208,451
Middle East and Africa	78,402	320	137	78,859
Total	¥ 860,559	¥ 19,167	¥ 43,717	¥ 923,443

	Millions of yen			
	Three months ended September 30, 2022			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 73,916	¥ 1,091	¥ 24,020	¥ 99,027
The Americas	333,937	11,676	8,342	353,955
Europe and CIS	101,236	1,827	3,133	106,196
China	20,031	543	4,264	24,838
Asia (excluding Japan and China) and Oceania	199,243	1,917	9,007	210,167
Middle East and Africa	60,498	146	100	60,744
Total	¥ 788,861	¥ 17,200	¥ 48,866	¥ 854,927

Net sales determined by geographic origin for the six months ended September 30, 2023 and 2022 are as follows:

	Millions of yen	
	Six months ended September 30, 2023	Six months ended September 30, 2022
Japan	¥ 328,204	¥ 305,326
The Americas	801,339	659,121
Europe and CIS	230,794	238,269
China	36,642	43,776
Others	426,015	372,243
Total	¥ 1,822,994	¥ 1,618,735

Net sales determined by geographic origin for the three months ended September 30, 2023 and 2022 are as follows:

	Millions of yen	
	Three months ended September 30, 2023	Three months ended September 30, 2022
Japan	¥ 172,014	¥ 168,202
The Americas	409,839	344,069
Europe and CIS	109,463	117,195
China	20,035	22,501
Others	212,092	202,960
Total	¥ 923,443	¥ 854,927

There were no sales to a single major external customer for the six months and the three months ended September 30, 2023 and 2022.

21. Subsequent Events

Not applicable.

Komatsu evaluated subsequent events through November 10, 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.