

(Translation)

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# Quarterly Report

From April 1, 2021 to June 30, 2021

(First Quarter of the 153<sup>rd</sup> Fiscal Year)

**KOMATSU LTD.**

First Quarter of the 153<sup>rd</sup> Fiscal Year (from April 1, 2021 to June 30, 2021)

# 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 June 30, 2021 with the Director-General of the Kanto Local Finance Bureau on August 6, 2021. The Quarterly Securities Report contains, among other information, Quarterly Consolidated Financial Statements for the three months ended June 30, 2021. 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 July 30, 2021. Attached is an English translation of Quarterly Consolidated Financial Statements for the three months ended June 30, 2021.
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 (hereinafter “U.S. GAAP”), 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 June 30, 2021 were reviewed by KPMG AZSA LLC.

**Quarterly Consolidated Financial Statements, etc.**

**Quarterly Consolidated Financial Statements**

**Consolidated Balance Sheets (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries as of June 30, 2021 and March 31, 2021

Assets	June 30, 2021		March 31, 2021	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
<b>Current assets</b>				
Cash and cash equivalents (Note 15)	¥ 234,556		¥ 241,803	
Time deposits (Note 15)	1,212		1,324	
Trade notes and accounts receivable, net (Notes 3 and 9)	787,903		820,698	
Inventories (Note 4)	819,056		793,852	
Other current assets (Notes 14, 15 and 16)	139,274		131,615	
<b>Total current assets</b>	<b>1,982,001</b>	<b>52.3</b>	<b>1,989,292</b>	<b>52.6</b>
<b>Long-term trade receivables, net</b> (Notes 3, 9, and 15)	<b>473,219</b>	<b>12.5</b>	<b>446,860</b>	<b>11.8</b>
<b>Investments</b>				
Investments in and advances to affiliated companies	39,723		39,286	
Investment securities (Note 5)	8,333		8,236	
Other	2,718		2,511	
<b>Total investments</b>	<b>50,774</b>	<b>1.3</b>	<b>50,033</b>	<b>1.3</b>
<b>Property, plant and equipment</b>				
– less accumulated depreciation and amortization of ¥947,167 million at June 30, 2021 and ¥944,080 million at March 31, 2021	775,655	20.5	787,373	20.8
<b>Operating lease right-of-use assets</b>	<b>61,469</b>	<b>1.6</b>	<b>57,930</b>	<b>1.5</b>
<b>Goodwill</b>	<b>171,189</b>	<b>4.5</b>	<b>170,687</b>	<b>4.5</b>
<b>Other intangible assets</b>				
– less accumulated amortization (Note 6)	166,213	4.4	168,981	4.5
<b>Deferred income taxes and other assets</b> (Notes 14, 15 and 16)	<b>109,869</b>	<b>2.9</b>	<b>113,685</b>	<b>3.0</b>
<b>Total assets</b>	<b>¥ 3,790,389</b>	<b>100.0</b>	<b>¥ 3,784,841</b>	<b>100.0</b>

Liabilities and Equity	June 30, 2021		March 31, 2021	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
<b>Current liabilities</b>				
Short-term debt (Note 15)	¥ 258,584		¥ 271,462	
Current maturities of long-term debt (Note 15)	145,278		98,004	
Trade notes, bills and accounts payable	259,711		258,316	
Income taxes payable	25,842		26,858	
Current operating lease liabilities	15,845		15,882	
Other current liabilities (Notes 9, 14, 15 and 16)	313,555		322,347	
<b>Total current liabilities</b>	<b>1,018,815</b>	<b>26.9</b>	<b>992,869</b>	<b>26.2</b>
<b>Long-term liabilities</b>				
Long-term debt (Note 15)	501,455		540,517	
Liability for pension and retirement benefits	99,226		104,083	
Long-term operating lease liabilities	43,661		39,982	
Deferred income taxes and other liabilities (Notes 9, 14, 15 and 16)	96,128		95,365	
<b>Total long-term liabilities</b>	<b>740,470</b>	<b>19.5</b>	<b>779,947</b>	<b>20.6</b>
<b>Total liabilities</b>	<b>1,759,285</b>	<b>46.4</b>	<b>1,772,816</b>	<b>46.8</b>
<b>Commitments and contingent liabilities</b> (Note 13)				

**Equity**

**Komatsu Ltd. shareholders' equity**

Common stock:

Authorized 3,955,000,000 shares

Issued 972,887,610 shares

Outstanding 944,979,014 shares at June 30, 2021 and

945,121,166 shares at March 31, 2021

Capital surplus	69,037	69,037
	135,439	135,835

Retained earnings:

Appropriated for legal reserve	47,616	47,378
Unappropriated	1,756,582	1,750,914

Accumulated other comprehensive income (loss) (Notes 8 and 14)	(27,430)	(42,012)
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Treasury stock at cost,

27,908,596 shares at June 30, 2021 and 27,766,444 shares at March 31, 2021	(49,398)	(48,855)
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<b>Total Komatsu Ltd. shareholders' equity</b>	<b>1,931,846</b>	<b>51.0</b>	<b>1,912,297</b>	<b>50.5</b>
<b>Noncontrolling interests</b>	<b>99,258</b>	<b>2.6</b>	<b>99,728</b>	<b>2.7</b>

<b>Total equity</b>	<b>2,031,104</b>	<b>53.6</b>	<b>2,012,025</b>	<b>53.2</b>
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<b>Total liabilities and equity</b>	<b>¥ 3,790,389</b>	<b>100.0</b>	<b>¥ 3,784,841</b>	<b>100.0</b>
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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 June 30, 2021 and 2020.

Consolidated Statements of Income

	Three months ended June 30, 2021		Three months ended June 30, 2020	
	Millions of yen	Ratio(%)	Millions of yen	Ratio(%)
Net sales (Notes 9, 11 and 14)	¥ 648,266	100.0	¥ 458,731	100.0
Cost of sales (Notes 6, 7 and 14)	475,081	73.3	334,720	73.0
Selling, general and administrative expenses (Notes 6, 7 and 10)	112,273	17.3	97,373	21.2
Other operating income, net	838	0.1	281	0.1
<b>Operating income</b>	<b>61,750</b>	<b>9.5</b>	<b>26,919</b>	<b>5.9</b>
<b>Other income (expenses), net</b>				
Interest and dividend income	992	0.2	1,185	0.3
Interest expense	(2,967)	(0.5)	(3,841)	(0.8)
Other, net (Notes 5, 7, 8 and 14)	1,679	0.3	4,234	0.9
Total	(296)	(0.0)	1,578	0.4
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>61,454</b>	<b>9.5</b>	<b>28,497</b>	<b>6.2</b>
<b>Income taxes (Note 8)</b>				
Current	15,720		10,076	
Deferred	2,310		(258)	
Total	18,030	2.8	9,818	2.1
<b>Income before equity in earnings of affiliated companies</b>	<b>43,424</b>	<b>6.7</b>	<b>18,679</b>	<b>4.1</b>
<b>Equity in earnings of affiliated companies</b>	<b>761</b>	<b>0.1</b>	<b>551</b>	<b>0.1</b>
<b>Net income</b>	<b>44,185</b>	<b>6.8</b>	<b>19,230</b>	<b>4.2</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>3,293</b>	<b>0.5</b>	<b>2,979</b>	<b>0.6</b>
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 40,892</b>	<b>6.3</b>	<b>¥ 16,251</b>	<b>3.5</b>

Yen

Per share data (Note 12):

Net income attributable to Komatsu Ltd.:

Basic	¥ 43.27	¥ 17.20
Diluted	¥ 43.26	¥ 17.20

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
<b>Net income</b>	<b>¥ 44,185</b>	<b>¥ 19,230</b>
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments (Note 8)	12,230	14,654
Pension liability adjustments (Notes 7 and 8)	1,378	264
Net unrealized holding gains (losses) on derivative instruments (Notes 8 and 14)	861	(237)
Total	14,469	14,681
<b>Comprehensive income</b>	<b>58,654</b>	<b>33,911</b>
<b>Less: Comprehensive income attributable to noncontrolling interests</b>	<b>3,180</b>	<b>5,135</b>
<b>Comprehensive income attributable to Komatsu Ltd.</b>	<b>¥ 55,474</b>	<b>¥ 28,776</b>

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

## Consolidated Statements of Equity (Unaudited)

### Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 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 18)				(34,986)			(34,986)	(3,945)	(38,931)
Transfer to retained earnings appropriated for legal reserve			238	(238)			—		—
Other changes		(295)					(295)	295	—
Net income				40,892			40,892	3,293	44,185
Other comprehensive income (loss), for the period, net of tax (Note 8)					14,582		14,582	(113)	14,469
Issuance and exercise of stock acquisition rights (Note 10)		(118)					(118)		(118)
Purchase of treasury stock						(644)	(644)		(644)
Sales of treasury stock		17				101	118		118
Restricted stock compensation (Note 10)							—		—
<b>Balance at June 30, 2021</b>	¥ 69,037	¥ 135,439	¥ 47,616	¥ 1,756,582	¥ (27,430)	¥ (49,398)	¥ 1,931,846	¥ 99,258	¥ 2,031,104

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

Three months ended June 30, 2020

	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, 2020</b>	¥ 68,689	¥ 136,459	¥ 46,813	¥ 1,699,477	¥ (130,666)	¥ (49,166)	¥ 1,771,606	¥ 84,619	¥ 1,856,225
Cash dividends (Note 18)				(36,859)			(36,859)	(1,096)	(37,955)
Transfer to retained earnings appropriated for legal reserve			365	(365)			—		—
Other changes							—	1,000	1,000
Net income				16,251			16,251	2,979	19,230
Other comprehensive income (loss), for the period, net of tax (Note 8)					12,525		12,525	2,156	14,681
Issuance and exercise of stock acquisition rights (Note 10)		(82)					(82)		(82)
Purchase of treasury stock						(5)	(5)		(5)
Sales of treasury stock		4				78	82		82
Restricted stock compensation (Note 10)							—		—
<b>Balance at June 30, 2020</b>	¥ 68,689	¥ 136,381	¥ 47,178	¥ 1,678,504	¥ (118,141)	¥ (49,093)	¥ 1,763,518	¥ 89,658	¥ 1,853,176

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

Consolidated Statements of Cash Flows (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 2021 and 2020

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
<b>Operating activities</b>		
Net income	¥ 44,185	¥ 19,230
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	34,250	31,822
Deferred income taxes	2,310	(258)
Impairment loss and net loss (gain) on valuation of investment securities	(110)	88
Net loss (gain) on sale of fixed assets	(317)	(56)
Loss on disposal of fixed assets	614	353
Pension and retirement benefits, net	(3,022)	(1,110)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	7,092	80,129
Decrease (increase) in inventories	(23,196)	(52,889)
Increase (decrease) in trade payables	1,227	(16,319)
Increase (decrease) in income taxes payable	(1,067)	(652)
Other, net	2,630	(5,310)
Net cash provided by (used in) operating activities	64,596	55,028
<b>Investing activities</b>		
Capital expenditures	(37,976)	(37,267)
Proceeds from sale of fixed assets	8,520	3,127
Proceeds from sale of investment securities	1	7
Purchases of investment securities	—	(34)
Acquisition of subsidiaries and equity investees, net of cash acquired	—	(1,717)
Other, net	(205)	439
Net cash provided by (used in) investing activities	(29,660)	(35,445)
<b>Financing activities</b>		
Proceeds from debt issued (Original maturities greater than three months)	133,088	193,557
Payment on debt (Original maturities greater than three months)	(142,798)	(148,444)
Short-term debt, net (Original maturities three months or less)	5,345	(18,955)
Dividends paid	(34,986)	(36,859)
Other, net	(4,244)	(1,343)
Net cash provided by (used in) financing activities	(43,595)	(12,044)
<b>Effect of exchange rate change on cash and cash equivalents</b>	1,412	(53)
<b>Net increase (decrease) in cash and cash equivalents</b>	(7,247)	7,486
<b>Cash and cash equivalents, beginning of year</b>	241,803	247,616
<b>Cash and cash equivalents, end of period</b>	¥ 234,556	¥ 255,102

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

**Komatsu Ltd. and Consolidated Subsidiaries**  
**Three months ended June 30, 2021 and 2020**  
**Notes to Quarterly Consolidated Financial Statements (Unaudited)**

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

**Basis of Quarterly 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 subsidiaries’ and affiliates’ 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 21 “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, 2021.

Regarding the impact of the novel coronavirus (COVID-19) pandemic on the financial position and results of operations of Komatsu (the Company and its consolidated subsidiaries), just when COVID-19 will be contained, and other factors are still unclear. Nevertheless, Komatsu has assumed that a certain level of the COVID-19-related impacts 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 three months ended June 30, 2021 and 2020 are as follows:

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
<b>Additional cash flow information:</b>		
Interest paid	¥ 3,281	¥ 4,350
Income taxes paid, net	16,036	8,685

## 3. Allowance for Doubtful Receivables

At June 30, 2021 and at March 31, 2021, allowances for doubtful receivables deducted from trade notes and accounts receivable, net and long-term trade receivables, net are ¥19,144 million and ¥17,149 million, respectively.

## 4. Inventories

At June 30, 2021 and at March 31, 2021, inventories comprise the following:

	Millions of yen	
	June 30, 2021	March 31, 2021
Finished products, including finished parts held for sale	¥ 571,734	¥ 571,103
Work in process	177,479	159,515
Materials and supplies	69,843	63,234
Total	¥ 819,056	¥ 793,852

## 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 three months ended June 30, 2021 and 2020 are as follows:

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Net gains and losses recognized during the period on equity securities	¥ 110	¥ (88)
Less: net gains and losses recognized during the period on equity securities sold during the period	—	(1)
Unrealized gains and losses recognized during the period on equity securities still held as of June 30, 2021 and 2020	¥ 110	¥ (87)

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 June 30, 2021 and as of March 31, 2021, the carrying amounts of these investments were ¥8,333 million and ¥8,236 million, respectively. Any impairment or any adjustment relating to observable price changes recorded until June 30, 2021 and until March 31, 2021 were not material.

## 6. Other Intangible Assets

Intangible assets at June 30, 2021 and at March 31, 2021 are as follows:

	Millions of yen					
	June 30, 2021			March 31, 2021		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥ 64,968	¥ (26,995)	¥ 37,973	¥ 63,605	¥ (25,376)	¥ 38,229
Leasehold	7,258	(1,896)	5,362	7,146	(1,842)	5,304
Trademarks	56,396	(16,208)	40,188	56,262	(15,241)	41,021
Customer relationships	77,369	(30,390)	46,979	77,204	(29,170)	48,034
Technology assets	39,256	(14,099)	25,157	39,278	(13,415)	25,863
Other	8,020	(5,552)	2,468	7,278	(4,757)	2,521
Total	253,267	(95,140)	158,127	250,773	(89,801)	160,972
Other intangible assets not subject to amortization			8,086			8,009
Total other intangible assets			¥ 166,213			¥ 168,981

The aggregate amortization expense of other intangible assets subject to amortization during the three months ended June 30, 2021 and 2020 were ¥5,921 million and ¥4,699 million, respectively.

## 7. Cost of Retirement Benefits

A part of the Company's retirement benefit plan (lump-sum severance payment plan and defined benefit cash balance pension plan) has been transferred to the defined contribution pension plan in the three months ended June 30, 2021.

Net periodic cost of Komatsu's defined benefit plans for the three months ended June 30, 2021 and 2020 consisted of the following components:

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Service cost	¥ 2,260	¥ 2,419
Interest cost on projected benefit obligations	1,278	1,471
Expected return on plan assets	(2,531)	(2,442)
Amortization of actuarial loss or gain	123	337
Amortization of prior service cost	224	89
Gains recognized due to partial settlements	(2,053)	—
Net periodic cost	¥ (699)	¥ 1,874

Net periodic cost of the postretirement benefit plans for the three months ended June 30, 2021 and 2020 included the following components:

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Service cost	¥ 128	¥ 130
Interest cost on projected benefit obligations	87	104
Expected return on plan assets	(142)	(125)
Amortization of actuarial loss or gain	(9)	19
Amortization of prior service cost	(30)	(30)
Net periodic cost	¥ 34	¥ 98

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

## 8. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the three months ended June 30, 2021 and 2020 are as follows:

	Millions of yen			
	Three months ended June 30, 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	12,230	(20)	151	12,361
Amounts reclassified from accumulated other comprehensive income (loss)	—	1,398	710	2,108
Net other comprehensive income (loss)	12,230	1,378	861	14,469
Less: other comprehensive income (loss) attributable to noncontrolling interests	(159)	—	46	(113)
Other comprehensive income (loss) attributable to Komatsu Ltd.	12,389	1,378	815	14,582
Balance, end of the period	¥ 5,203	¥ (32,912)	¥ 279	¥ (27,430)

All amounts are net of tax.

	Millions of yen			
	Three months ended June 30, 2020			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized holding gains (losses) on derivative instruments	Total
Balance, beginning of the year	¥(103,975)	¥ (26,976)	¥ 285	¥(130,666)
Other comprehensive income (loss) before reclassifications	14,654	(16)	359	14,997
Amounts reclassified from accumulated other comprehensive income (loss)	—	280	(596)	(316)
Net other comprehensive income (loss)	14,654	264	(237)	14,681
Less: other comprehensive income (loss) attributable to noncontrolling interests	2,151	—	5	2,156
Other comprehensive income (loss) attributable to Komatsu Ltd.	12,503	264	(242)	12,525
Balance, end of the period	¥ (91,472)	¥ (26,712)	¥ 43	¥(118,141)

All amounts are net of tax.

Reclassification out of accumulated other comprehensive income (loss) for the three months ended June 30, 2021 and 2020 are as follows:

	<b>Millions of yen</b>	
	<b>Three months ended June 30, 2021</b>	Affected line items in consolidated statements of income
<b>Pension liability adjustments</b>		
Amortization of actuarial loss or gain and prior service cost	¥ (2,028)	Other income (expenses), net: Other, net
	<u>(2,028)</u>	Total before tax
	630	Income taxes
	<u>(1,398)</u>	Net of tax
<b>Net unrealized holding gains (losses) on derivative instruments</b>		
Forwards contracts	(1,272)	Net sales
	(163)	Cost of sales
	418	Other income (expenses), net: Other, net
	<u>(1,017)</u>	Total before tax
	307	Income taxes
	<u>(710)</u>	Net of tax
<b>Total reclassification for the period</b>	<u>¥ (2,108)</u>	Net of tax

	<b>Millions of yen</b>	
	<b>Three months ended June 30, 2020</b>	Affected line items in consolidated statements of income
<b>Pension liability adjustments</b>		
Amortization of actuarial loss or gain and prior service cost	¥ (415)	Other income (expenses), net: Other, net
	<u>(415)</u>	Total before tax
	135	Income taxes
	<u>(280)</u>	Net of tax
<b>Net unrealized holding gains (losses) on derivative instruments</b>		
Forwards contracts	711	Net sales
	(249)	Cost of sales
	350	Other income (expenses), net: Other, net
	<u>812</u>	Total before tax
	(216)	Income taxes
	<u>596</u>	Net of tax
<b>Total reclassification for the period</b>	<u>¥ 316</u>	Net of tax

Tax effects allocated to each component of other comprehensive income (loss) for the three months ended June 30, 2021 and 2020 are as follows:

	Millions of yen		
	Three months ended June 30, 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	¥ 12,264	¥ (34)	¥ 12,230
Less: reclassification adjustment for gains included in net income	—	—	—
Net foreign currency translation adjustments	12,264	(34)	12,230
<b>Pension liability adjustments</b>			
Pension liability adjustments arising during the period	(28)	8	(20)
Less: reclassification adjustment for losses included in net income	2,028	(630)	1,398
Net pension liability adjustments	2,000	(622)	1,378
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Unrealized holding gains arising during the period	398	(247)	151
Less: reclassification adjustment for losses included in net income	1,017	(307)	710
Net unrealized holding gains	1,415	(554)	861
<b>Other comprehensive income (loss)</b>	<b>¥ 15,679</b>	<b>¥ (1,210)</b>	<b>¥ 14,469</b>
	Millions of yen		
	Three months ended June 30, 2020		
	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	¥ 14,613	¥ 41	¥ 14,654
Less: reclassification adjustment for gains included in net income	—	—	—
Net foreign currency translation adjustments	14,613	41	14,654
<b>Pension liability adjustments</b>			
Pension liability adjustments arising during the period	(34)	18	(16)
Less: reclassification adjustment for losses included in net income	415	(135)	280
Net pension liability adjustments	381	(117)	264
<b>Net unrealized holding gains (losses) on derivative instruments</b>			
Unrealized holding gains arising during the period	669	(310)	359
Less: reclassification adjustment for gains included in net income	(812)	216	(596)
Net unrealized holding losses	(143)	(94)	(237)
<b>Other comprehensive income (loss)</b>	<b>¥ 14,851</b>	<b>¥ (170)</b>	<b>¥ 14,681</b>

## 9. Revenue

### (1) Disaggregation of revenue

The disaggregation of revenue by operating and geographic segment are described in Note 19.

### (2) Contract balances

Contract balances arising from contracts with customers at June 30, 2021 and at March 31, 2021 are as follows:

	Millions of yen	
	June 30, 2021	March 31, 2021
Receivables *1	¥ 1,025,150	¥ 1,036,127
Contract assets *2	1,877	2,886
Contract liabilities *3	108,831	106,990

\*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 allowance for doubtful trade receivables.

\*2 Contract assets are included in trade notes and accounts receivable, net in the accompanying consolidated balance sheets. These amounts are before deducting allowance for doubtful trade 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 three months ended June 30, 2021 that was included in the contract liability balance as of March 31, 2021 was ¥26,158 million. Revenue recognized for the three months ended June 30, 2020 that was included in the contract liability balance as of March 31, 2020 was ¥19,292 million.

In addition, the amounts of revenue recognized during the three months ended June 30, 2021 and 2020 from performance obligations satisfied or partially satisfied in previous periods were immaterial.

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

As of June 30, 2021, the aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year was ¥184,801 million, of which ¥86,470 million is expected to be recognized as revenue in the twelve months following June 30, 2021.

## 10. Stock-Based Remuneration

The Company had a stock option plan which transfers the Company's shares to directors and 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 advancing the sharing of value between the directors and shareholders of the company. Compensation expenses during the three months ended June 30, 2021 and 2020 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.

## 11. Leases

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 June 30, 2021 and 2020 are as follows:

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Sales-type lease revenue		
Revenue recognized at the commencement date *	¥ 35,968	¥ 30,140
Interest income	2,398	1,843
Total sales-type lease revenue	38,366	31,983
Operating lease revenue	19,990	18,782
Total	¥ 58,356	¥ 50,765

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

## 12. 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	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Net income attributable to Komatsu Ltd.	¥ 40,892	¥ 16,251
Net income attributable to participating securities (restricted stocks)	38	10
Net income attributable to common shareholders	¥ 40,854	¥ 16,241

  

	Number of shares	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Weighted average number of common shares outstanding, less treasury stock	945,051,181	944,646,801
Weighted average number of participating securities (restricted stocks)	875,000	588,014
Weighted average number of common shares	944,176,181	944,058,787

  

	Yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Basic net income attributable to Komatsu Ltd. per share	¥ 43.27	¥ 17.20

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	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Net income attributable to Komatsu Ltd.	¥ 40,892	¥ 16,251
Net income attributable to participating securities (restricted stocks)	38	10
Net income attributable to common shareholders	¥ 40,854	¥ 16,241

  

	Number of shares	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Weighted average number of common shares outstanding, less treasury stock	945,051,181	944,646,801
Dilutive effect of:		
Stock options	267,231	452,195
Weighted average number of participating securities (restricted stocks)	875,000	588,014
Weighted average number of diluted common shares	944,443,412	944,510,982

  

	Yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Diluted net income attributable to Komatsu Ltd. per share	¥ 43.26	¥ 17.20



### 13. Contingent Liabilities

(1) At June 30, 2021 and at March 31, 2021, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥10 million and ¥18 million, respectively.

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 6 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 June 30, 2021 and at March 31, 2021 were ¥8,167 million and ¥9,769 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at June 30, 2021 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 don't 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 June 30, 2021 and at March 31, 2021 were ¥17,985 million and ¥18,618 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.

#### 14. Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at June 30, 2021 and at March 31, 2021 are as follows:

	Millions of yen	
	June 30, 2021	March 31, 2021
Forwards contracts:		
Sale of foreign currencies	¥ 180,648	¥ 185,798
Purchase of foreign currencies	145,005	138,820
Interest rate swaps and cross-currency swap agreements	108,292	105,380

Fair value of derivative instruments at June 30, 2021 and at March 31, 2021 on the consolidated balance sheets are as follows:

	Millions of yen			
	June 30, 2021			
	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
Forwards contracts	Other current assets	¥ 498	Other current liabilities	¥ 1,175
			Deferred income taxes and other liabilities	2
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other assets	61	Other current liabilities	21
			Deferred income taxes and other liabilities	470
<b>Total</b>		<b>¥ 559</b>		<b>¥ 1,668</b>
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Other current assets	¥ 1,196	Other current liabilities	¥ 2,796
	Deferred income taxes and other assets	1	Deferred income taxes and other assets	142
Interest rate swaps and cross-currency swap agreements	Other current assets	24	Other current liabilities	309
<b>Total</b>		<b>¥ 1,221</b>		<b>¥ 3,247</b>
<b>Total Derivative Instruments</b>		<b>¥ 1,780</b>		<b>¥ 4,915</b>

Millions of yen				
March 31, 2021				
Derivative instruments designated as hedging instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Other current assets	¥ 738	Other current liabilities Deferred income taxes and other liabilities	¥ 3,057 11
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other assets	42	Other current liabilities Deferred income taxes and other liabilities	28 615
<b>Total</b>		<b>¥ 780</b>		<b>¥ 3,711</b>
Undesignated derivative instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Other current assets Deferred income taxes and other assets	¥ 1,459 —	Other current liabilities Deferred income taxes and other liabilities	¥ 2,182 5
Interest rate swaps and cross-currency swap agreements	Other current assets	181	Other current liabilities	282
<b>Total</b>		<b>¥ 1,640</b>		<b>¥ 2,469</b>
<b>Total Derivative Instruments</b>		<b>¥ 2,420</b>		<b>¥ 6,180</b>

The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 are as follows:

### Derivative instruments designated as cash flow hedging relationships

Millions of yen			
Three months ended June 30, 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
Forwards contracts	¥ 231	Net sales	¥ (1,272)
		Cost of sales	(163)
		Other income (expenses), net: Other, net	418
Interest rate swaps and cross-currency swap agreements	167	—	—
<b>Total</b>	<b>¥ 398</b>		<b>¥ (1,017)</b>

Millions of yen			
Three months ended June 30, 2020			
	Amount of gains (losses) recognized in OCI on derivatives	Gains (losses) reclassified from accumulated OCI on derivatives	
		Location of consolidated statements of income	Amount
Forwards contracts	¥ 652	Net sales	¥ 711
		Cost of sales	(249)
		Other income (expenses), net: Other, net	350
Interest rate swaps and cross-currency swap agreements	17	—	—
<b>Total</b>	<b>¥ 669</b>		<b>¥ 812</b>

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

### Derivative instruments not designated as hedging instruments relationships

Millions of yen		
Three months ended June 30, 2021		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net	¥ (864)
Interest rate swaps and cross-currency swap agreements	Cost of sales	(37)
	Other income (expenses), net: Other, net	49
<b>Total</b>		<b>¥ (852)</b>

Millions of yen		
Three months ended June 30, 2020		
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net	¥ (2,522)
Interest rate swaps and cross-currency swap agreements	Cost of sales	(5)
	Other income (expenses), net: Other, net	(21)
<b>Total</b>		<b>¥ (2,548)</b>

## 15. 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. The carrying amounts approximate the fair values computed on such a basis.

### (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 14 and 16)

The fair values of derivative financial instruments are stated in Note 16 and therefore are not included in the table below.

The carrying amounts and the estimated fair values of the financial instruments as of June 30, 2021 and as of March 31, 2021, and fair value levels are summarized as follows:

	Millions of yen				Fair Value Levels
	June 30, 2021		March 31, 2021		
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	
Cash and cash equivalents	¥ 234,556	¥ 234,556	¥ 241,803	¥ 241,803	Level 1
Time deposits	1,212	1,212	1,324	1,324	Level 2
Long-term trade receivables, net, excluding lease receivables	332,985	332,985	316,111	316,111	Level 2
Short-term debt	258,584	258,584	271,462	271,462	Level 2
Long-term debt, including current portion	646,733	646,746	638,521	639,139	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 16.

## 16. 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 June 30, 2021 and at March 31, 2021 are as follows:

		Millions of yen			
<u>At June 30, 2021</u>		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Derivatives					
Forward contracts	¥	—	¥ 1,695	¥	—
Interest rate swaps and cross-currency swap agreements		—	85	—	85
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 1,780</b>	<b>¥</b>	<b>—</b>
<b>Liabilities</b>					
Derivatives					
Forward contracts	¥	—	¥ 4,115	¥	—
Interest rate swaps and cross-currency swap agreements		—	800	—	800
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 4,915</b>	<b>¥</b>	<b>—</b>
		Millions of yen			
<u>At March 31, 2021</u>		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Derivatives					
Forward contracts	¥	—	¥ 2,197	¥	—
Interest rate swaps and cross-currency swap agreements		—	223	—	223
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 2,420</b>	<b>¥</b>	<b>—</b>
<b>Liabilities</b>					
Derivatives					
Forward contracts	¥	—	¥ 5,255	¥	—
Interest rate swaps and cross-currency swap agreements		—	925	—	925
<b>Total</b>	<b>¥</b>	<b>—</b>	<b>¥ 6,180</b>	<b>¥</b>	<b>—</b>

## Derivatives (Notes 14 and 15)

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 three months ended June 30, 2021 and 2020 assets and liabilities that were measured at fair value on a non-recurring basis were not material.

## 17. 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 June 30, 2021 and at March 31, 2021 were ¥250,504 million and ¥458,330 million, respectively. These total amounts of unused committed credit lines available for full and immediate borrowings at June 30, 2021 and at March 31, 2021 were ¥236,374 million and ¥443,989 million, respectively.

## 18. Dividends

Payment amount of dividends

Resolution	Type of stock	Three months ended June 30, 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

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

Payment amount of dividends

Resolution	Type of stock	Three months ended June 30, 2020				
		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, 2020	Common stock	36,858	Retained earnings	39	March 31, 2020	June 19, 2020

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

## 19. 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 three months ended June 30, 2021 and 2020 is as follows:

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
<b>Net sales:</b>		
Construction, Mining and Utility Equipment –		
External customers	¥ 593,009	¥ 420,005
Intersegment	1,338	5,806
Total	594,347	425,811
Retail Finance –		
External customers	14,757	13,948
Intersegment	5,696	1,973
Total	20,453	15,921
Industrial Machinery and Others –		
External customers	40,500	24,778
Intersegment	343	244
Total	40,843	25,022
Elimination	(7,377)	(8,023)
Consolidated	¥ 648,266	¥ 458,731
<b>Segment profit:</b>		
Construction, Mining and Utility Equipment	¥ 53,650	¥ 23,200
Retail Finance	3,215	1,895
Industrial Machinery and Others	4,203	1,707
Total segment profit	61,068	26,802
Corporate expenses and elimination	(156)	(164)
Consolidated	¥ 60,912	¥ 26,638



Reconciliation of total segment profit to consolidated income before income taxes and equity in earnings of affiliated companies for the three months ended June 30, 2021 and 2020 is as follows:

	Millions of yen	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Total segment profit	¥ 61,068	¥ 26,802
Corporate expenses and elimination	(156)	(164)
Total	60,912	26,638
Other operating income	838	281
Operating income	61,750	26,919
Interest and dividend income	992	1,185
Interest expense	(2,967)	(3,841)
Other, net	1,679	4,234
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 61,454	¥ 28,497

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 three months ended June 30, 2021 and 2020 are as follows:

	Millions of yen			
	Three months ended June 30, 2021			
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total
Japan	¥ 63,940	¥ 420	¥ 15,833	¥ 80,193
The Americas	228,530	10,569	3,781	242,880
Europe and CIS	104,246	1,157	3,261	108,664
China	31,744	786	8,572	41,102
Asia (excluding Japan and China) and Oceania	122,464	1,754	8,876	133,094
Middle East and Africa	42,085	71	177	42,333
Total	¥ 593,009	¥ 14,757	¥ 40,500	¥ 648,266

Millions of yen					
Three months ended June 30, 2020					
	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Total	
Japan	¥ 61,407	¥ 441	¥ 12,395	¥ 74,243	
The Americas	160,643	10,834	1,672	173,149	
Europe and CIS	60,146	662	1,474	62,282	
China	43,172	760	2,768	46,700	
Asia (excluding Japan and China) and Oceania	73,933	1,213	6,447	81,593	
Middle East and Africa	20,704	38	22	20,764	
<b>Total</b>	<b>¥ 420,005</b>	<b>¥ 13,948</b>	<b>¥ 24,778</b>	<b>¥ 458,731</b>	

Net sales determined by geographic origin for the three months ended June 30, 2021 and 2020 are as follows:

Millions of yen			
	Three months ended June 30, 2021	Three months ended June 30, 2020	
Japan	¥ 123,148	¥ 90,958	
The Americas	238,945	161,873	
Europe and CIS	109,772	62,733	
China	36,796	44,623	
Others	139,605	98,544	
<b>Total</b>	<b>¥ 648,266</b>	<b>¥ 458,731</b>	

There were no sales to a single major external customer for the three months ended June 30, 2021 and 2020.

## **20. Material Subsequent Events**

Not applicable.

Komatsu evaluated subsequent events through August 6, 2021, the issue date of its quarterly consolidated financial statements.

## **21. 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 in 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 is 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 and 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.