KOMATSU LTD
Form 20-F
June 30, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2009

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report __________

For the transition period from __________ to __________

COMMISSION FILE NUMBER: 1-7239

KABUSHIKI KAISHA KOMATSU SEISAKUSHO

(Exact name of Registrant as specified in its charter)

KOMATSU LTD.

(Translation of Registrant s name into English)

JAPAN

(Jurisdiction of incorporation or organization)

2-3-6 Akasaka, Minato-ku, Tokyo 107-8414, Japan

(Address of principal executive offices)

Yasushi Sakano or Junko Nakayama
Telephone: +81-3-5561-2628
Facsimile: +81-3-3586-0374
Address: 2-3-6 Akasaka, Minato-ku, Tokyo 107-8414, Japan

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
None	N/A

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Common Stock*
(Title of Class)

* 3,696,424 American Depositary Shares evidenced by American Depositary Receipts, each American Depositary Share representing 4 shares of Common Stock of Komatsu Ltd.

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

967,822,292 shares (excluding 30,921,768 shares of Treasury Stock)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes þ No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP þ International Financial Reporting Standards as issued by the International Accounting Standards Board o Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

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In this document, 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 annual report contains forward-looking statements that reflect management s views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results and business strategies. These statements can be identified by the use of terms such as will, believes, should, projects, plans, expects and similar terms and expressions that identify future events or expectations. Actua 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 annual 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.

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PART III

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following data for each of the fiscal years ended March 31, 2005 through March 31, 2009 have been derived from the Company s audited consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). It should be read in conjunction with the Company s audited consolidated balance sheets as of March 31, 2008 and 2009, the related consolidated statements of income, shareholders equity and cash flows for the three fiscal years ended March 31, 2009 and the notes thereto that appear elsewhere in this annual report.

Selected Financial Data

	(Millions of yen, except per share amounts)				
	2009	**2008**	**2007**	**2006**	**2005**
Income Statement Data:					
Net sales 1)	2,021,743	2,243,023	1,893,343	1,612,140	1,356,071
Operating income 1)	151,948	332,850	244,741	163,428	95,862
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies 1)	128,782	322,210	236,491	155,779	91,869
Income taxes 1)	42,293	115,794	79,745	43,970	34,285
Income from continuing operations 1)	78,797	203,826	153,264	109,141	55,868
Income from discontinued operations less applicable income taxes 1)		4,967	11,374	5,149	3,142
Net income	78,797	208,793	164,638	114,290	59,010
Per Share Data:					
Net income					
Basic	79.95	209.87	165.70	115.13	59.51
Diluted	79.89	209.59	165.40	114.93	59.47
Cash dividends					
Yen	44.00	38.00	23.00	14.00	9.00
U.S. cents 2)	44.44	38.00			
Depreciation and amortization	98,354	75,664	72,709	72,640	69,020
Capital Investment 1) 3)	162,512	145,730	129,680	113,934	76,907
Research and development expenses 1)	53,736	49,673	46,306	44,560	41,123

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	(Millions of yen)				
Balance Sheet Data:					
Total assets	1,969,059	2,105,146	1,843,982	1,652,125	1,449,068
Shareholders equity	814,941	887,126	776,717	622,997	477,144
Number of shares issued at year-end	998,744,060	998,744,060	998,744,060	998,744,060	998,744,060
Number of shares outstanding at year-end	967,822,292	995,103,847	993,786,759	993,645,492	991,420,696

Notes:

1) In the fiscal year ended March 31, 2007, Komatsu disposed of its majority interest in Komatsu Electronic Metals Co., Ltd. (KEM). In the fiscal year ended March 31, 2008, Komatsu sold the outdoor power equipment (OPE) business of Komatsu Zenoah Co. and its subsidiaries. As a result, operating results and the gain recognized on the sale of KEM and its subsidiaries as well as the OPE business of Komatsu Zenoah Co. and its subsidiaries are presented as Income from discontinued operations less applicable

income taxes .

2) The conversion rate between the Japanese yen to the U.S. dollar for the fiscal year ended March 31, 2009 is ¥99 to U.S.$1.00, the approximate buying rate of Japanese yen as of noon on March 31, 2009 in New York City as reported by the Federal Reserve Board.

3) The term Capital Investment as used in the above Selected Financial Data should be distinguished from the term Capital Expenditures as used in the consolidated statements of cash flows. The term Capital Investment as used in the above Selected Financial Data is defined to refer to costs relating to the purchase of property, plant and equipment including properties under capital leases on an accrual basis which reflects

the effect of timing differences between acquisition dates and payment dates. Komatsu s management uses this financial indicator to manage its capital investment and believes that this indicator is useful to investors in that this indicator presents accrual based capital investment in addition to the cash based capital expenditures provided in the consolidated statements of cash flows.

The following table provides the noon buying rates for Japanese yen in The City of New York as reported by the Federal Reserve Bank of New York and the Federal Reserve Board expressed in Japanese yen per U.S. dollar during the periods indicated. The average Japanese yen exchange rates represent average noon buying rates on the last business day of each month during the respective period. The most recently available exchange rate for Japanese yen into U.S. dollars was ¥96.15 = U.S.$1.00 as of June 19, 2009.

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Yen Exchange Rates per U.S. dollar:

				(Yen)
	Average	High	Low	Period-End
Year ended March 31				
2005	107.28	102.68	111.39	107.22
2006	113.67	104.64	119.66	117.48
2007	116.55	112.26	121.02	117.56
2008	113.61	96.88	124.09	99.85
2009	100.85	87.80	110.48	99.15

	High	Low	Period-End
2008			
December	87.84	93.71	90.79
2009			
January	87.80	94.20	89.83
February	89.09	98.55	97.74
March	93.85	99.34	99.15
April	96.49	100.71	98.76
May	94.45	99.24	95.55

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Given the business environment in which Komatsu operates, Komatsu is exposed to a variety of risks. Komatsu has identified the following risks as its primary risks based on information currently available to it. The statements set forth in this section should be considered carefully in conjunction with Item 5. Operating and Financial Review and Prospects and the Consolidated Financial Statements attached to this annual report on Form 20-F. The risks discussed below are risks that may, individually or in the aggregate, make Komatsu s actual results differ materially from its expected or past results. It should be noted, however, that it is impossible to predict or identify all risks that may be applicable to Komatsu and the below list of risks should not be considered to be a complete list of risks that could materially affect Komatsu s results of operations and/or financial condition. Komatsu s results of operations and/or financial condition may in the future also be affected by other risks that are currently unknown or that are not currently considered significant or material.

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(1) Economic and market conditions

As Komatsu is engaged in business on a global scale, the economic and market conditions and competitive environment in which Komatsu operates differ from region to region. In addition, demand for Komatsu s products as well as the business environment in which Komatsu operates may change substantially as a result of changes in the economic and market conditions of each such region.

In economically-advanced regions in which Komatsu operates, Komatsu s business is generally affected by cyclical changes in the economies. Therefore, factors which are beyond Komatsu s control, such as levels of housing starts, industrial production, public investments in infrastructure development and private-sector capital outlays, may affect demand for Komatsu s products.

With respect to newly-developing markets such as China, India, Russia, the Middle East and Africa, Komatsu has derived a greater percentage of its business from these markets in recent years. Accordingly, Komatsu has been making capital investments in line with such increase in business. Economic conditions in such newly-developing markets, however, are dependent on the price of natural resources and the level of exports to economically-advanced regions, and are subject to numerous uncertainties. While Komatsu regularly monitors demand trends, demand in such newly-developing markets may be much lower than anticipated.

Furthermore, when economic and/or market conditions change more drastically than forecasted by Komatsu, Komatsu may also experience fewer orders of its products, an increase in cancellation of orders by customers, a delay in the collection of receivables, etc.

These changes in the business environment in which Komatsu operates may lead to a decline in sales, inefficient inventory levels and/or production capacities, thereby causing Komatsu to record lower profitability and incur additional expenses and losses. Accordingly, Komatsu s results of operations may be adversely affected.

(2) Foreign currency exchange rate fluctuations

Komatsu conducts its business operations on a global scale, and a substantial portion of its overseas sales is affected by foreign currency exchange rate fluctuations. In general, an appreciation of the Japanese yen against another currency would adversely affect Komatsu s results of operations, while a depreciation of the Japanese yen against another currency would have a favorable impact thereon. In addition, foreign currency exchange rate fluctuations may also affect the comparative prices between products sold by Komatsu and products sold by its foreign competitors in the same market, as well as the cost of materials used in the production of such products. Komatsu strives to alleviate the effect of such foreign currency exchange rate fluctuations by, for example, locating its production bases globally and positioning such bases closer to the respective markets in which the products manufactured by such bases are sold. Komatsu also engages in hedging activities to minimize the effects of short-term foreign currency exchange rate fluctuations. Despite Komatsu s efforts, if the foreign currency exchange rates fluctuate beyond Komatsu s projected fluctuation range, Komatsu s results of operations may be adversely affected.

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(3) Fluctuations in financial markets

While Komatsu is currently working on improving the efficiency of its assets to reduce its interest-bearing debt, its aggregate short- and long-term interest-bearing debt was approximately ¥600 billion as of March 31, 2009. Although Komatsu has strived to reduce the effect of interest rate fluctuations by procuring funds at fixed interest rates, an increase in interest rates may increase Komatsu s interest expenses with respect to its interest-bearing debt subject to floating interest rates, thereby adversely affecting Komatsu s results of operations. In addition, fluctuations in the financial markets, such as fluctuations in the fair value of marketable securities and interest rates, may also increase the unfunded obligation portion of Komatsu s pension plans or pension liabilities, which may result in an increase in pension expenses. Such an increase in interest expenses and pension expenses may adversely affect Komatsu s results of operations and financial condition.

(4) Laws and regulations of different countries

Komatsu is subject to various governmental regulations and approval procedures in the countries in which it operates. If the government of a given country were to enact new laws and regulations, such as laws and regulations relating to import/export duties, quotas, currency restrictions and taxation, which are unfavorable to Komatsu, Komatsu may be required to bear increased expenses in order to comply with such regulations. Such increased expenses may adversely affect Komatsu s results of operations.

(5) Environmental laws and regulations

Komatsu s products and business operations are required to comply with increasingly stringent environmental laws and regulations in the numerous countries in which Komatsu operates. Komatsu expends a significant share of its management resources, such as research and development expenses, to comply with regulations concerning air and wastewater emission levels of its manufacturing facilities and products. If the existing standards were amended, Komatsu may be required to bear increased costs and to make further capital investments to comply with such new standards. Incurrence of such additional environmental compliance costs may adversely affect Komatsu s results of operations.

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(6) Product liability

While Komatsu endeavors to sustain and improve the quality and reliability of its operations and products based on stringent standards established internally by Komatsu, it may face product liability claims or become exposed to other liabilities if unexpected defects in its products result in accidents. If the costs for addressing such claims or other liabilities are not covered by Komatsu s existing insurance policies, Komatsu may be required to bear such costs thereto, which may adversely affect its financial condition.

(7) Alliances and collaborative relationships

Komatsu has entered into various alliances and collaborative relationships with distributors, suppliers and other companies in its industry to reinforce its international competitiveness. Through such arrangements, Komatsu is working to improve its product development, production, sales and service capabilities. While Komatsu expects its alliances and collaborative relationships to be successful, Komatsu s failure to attain expected results or the termination of such alliances or collaborative relationships may adversely affect Komatsu s results of operations.

(8) Procurement, production and other matters

Komatsu s procurement of parts and materials for its products is exposed to the fluctuations in commodity prices, mainly in the price of steel materials. Price increases in commodities may increase the costs of materials and therefore the production cost of Komatsu s products. In addition, a shortage of product parts and materials, bankruptcies of suppliers or production discontinuation by suppliers of products used by Komatsu may make it difficult for Komatsu to engage in the timely procurement of parts and materials and manufacture of its products, thereby lowering Komatsu s production efficiency. In an effort to reduce any adverse effect to its business as a result of an increase in material costs, Komatsu plans to reduce other costs and pass on any increase in material costs to its customers through price adjustments of its products. Komatsu plans to minimize the effects of possible procurement or manufacturing issues by securing new suppliers or promoting closer collaboration among all of its related business divisions. However, if the increase in commodity prices were to exceed Komatsu s expectations or a prolonged shortage of materials and parts were to occur, Komatsu s results of operations may be adversely affected.

(9) Information security, intellectual property and other matters

Komatsu may obtain confidential information concerning its customers and individuals in the normal course of its business. Komatsu also holds confidential business and technological information. Komatsu maintains such confidential information with the utmost care. To safeguard such confidential information from unauthorized access, tampering, destruction, leakage, losses and other damages, Komatsu employs appropriate safety measures, including implementing technological safety measures and strengthening its information management capabilities. If a leak of confidential information concerning customers and individuals were to occur, Komatsu may become liable for damages, or its reputation or its customers confidence in Komatsu may be adversely affected. In addition, if Komatsu s confidential business and technological information were leaked or misused by a third party, or Komatsu s intellectual properties were infringed upon by a third party, or a third party were to claim that Komatsu is liable for infringing on such third party s intellectual property rights, Komatsu s results of operations may be adversely affected.

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(10) Natural calamities, wars, terrorism, accidents and other matters

Komatsu conducts its business operations on a global scale and operates and maintains development, production, sales and other business facilities in many countries. If natural disasters, such as earthquakes and floods, epidemics, wars, terrorist acts, accidents, unforeseeable criticism or interference by third parties or any malfunction of information and telecommunication systems in regions in which Komatsu operates were to occur and cause extensive damage to one or more of its facilities that cannot become fully operational within a short period of time, delays or disruption in the procurement of materials and parts or the production and sales of Komatsu s products and services may result. Such delays or disruptions may adversely affect Komatsu s results of operations.

Item 4. Information on the Company

A. History and Development of the Company

The Company was incorporated in May 1921 in accordance with Japanese law under the name Kabushiki Kaisha Komatsu Seisakusho (Komatsu Ltd. in English). Its registered office is located at 2-3-6 Akasaka, Minato-ku, Tokyo 107-8414, Japan, and its telephone number is +81-3-5561-2628 (Finance & Treasury Department).

Shortly after its formation in 1921, the Company commenced the production and marketing of sheet-forming presses. In 1931, the Company produced Japan s first crawler-type farm tractor and in the 1940s the Company began its production of bulldozers in Japan. The Company broadened its product range by beginning production of motor graders and dump trucks in the 1950s and wheel loaders and hydraulic excavators in the 1960s.

The history and development of Komatsu s global operations can be divided into three phases: (1) export from Japan, (2) offshore production and (3) management of its global production and distribution network.

Since its first export to Argentina in 1955, Komatsu has gradually increased exports of its products. Komatsu established its first liaison office in India in 1964 and established sales companies in Europe, the United States and Asia between 1967 and 1971.

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During the 1970s and 1980s, Komatsu started establishing its production facilities offshore and enhanced its offshore production by locating manufacturing plants close to their respective markets. In 1975, Komatsu commenced offshore production with the production of bulldozers in Brazil by Komatsu do Brasil Ltda., its first manufacturing plant outside Japan. Subsequently, Komatsu increased its global presence by establishing manufacturing plants in Indonesia, the United Kingdom and the United States during the 1980s. For example, during the 1980s, Komatsu established a joint venture company in the United States with Dresser Industries Inc. named Komatsu Dresser Company (now known as Komatsu America Corp., KAC).

During the 1990s, Komatsu strengthened its overseas manufacturing capabilities and made efforts to optimize its production and distribution network on a global basis through various methods, including forming alliances and entering into joint ventures. For instance, Komatsu established Komatsu Cummins Engine Co., Ltd. and Industrial Power Alliance Ltd. in Japan and Cummins Komatsu Engine Company in the United States, with Cummins Engine Company (now known as Cummins Inc.). In addition, Komatsu entered into three joint ventures in China, and a joint venture with Mannesmann Demag of Germany to establish Demag Komatsu GmbH (now known as Komatsu Mining Germany GmbH).

The following are some of the significant transactions in the development of Komatsu s business in recent years.

In September 2006, the Company entered into an agreement with SUMCO CORPORATION (SUMCO) pursuant to which the Company agreed to accept SUMCO s tender offer for KEM. In October 2006, the Company sold 51.0% of its equity ownership in its consolidated subsidiary, KEM, to SUMCO. Prior to this disposition, the Company held a 61.9% equity interest in KEM.

In October 2006 and December 2006, the Company completed two transactions to acquire an aggregate 29.3% equity interest in NIPPEI TOYAMA CORPORATION (NIPPEI TOYAMA), one of the leading manufacturers in the field of transfer machines used in the processing of automobile engines, various grinding machines, wire saws used in the semiconductor and solar application industries, and laser cutting machines.

In January 2007, the Company signed a definitive agreement to sell the OPE business of Komatsu Zenoah Co. to a Japanese subsidiary of Husqvarna AB of Sweden. After Komatsu Zenoah Co. split its OPE business and established Zenoah Co., Komatsu Zenoah Co. was merged into Komatsu Utility Co., Ltd. in April 2007, as a result of which Komatsu Utility Co., Ltd. became Zenoah Co. s parent company. In the same month, Komatsu Utility Co., Ltd. sold all of its shares of Zenoah Co. to HUSQVARNA JAPAN LTD. (now known as Husqvarna Zenoah Co., Ltd.), thereby completing the sale of the OPE business.

In January 2008, to generate more synergy, the Company launched a takeover bid to obtain all issued shares of NIPPEI TOYAMA, which resulted in the Company owning 93.7% of the equity interest.

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In August 2008, the Company and NIPPEI TOYAMA implemented a share exchange and NIPPEI TOYAMA became a wholly owned subsidiary of the Company. In October 2008, NIPPEI TOYAMA changed its name and is now known as Komatsu NTC Ltd.

In April 2009, Komatsu Tokyo Ltd. (Komatsu Tokyo), a wholly owned subsidiary of the Company, merged with 11 other consolidated subsidiaries of the Company, consisting of 10 sales subsidiaries and Komatsu All Parts Support Ltd., through an absorption-type merger. In the same month, the Company transferred its sales and service business for construction equipment (excluding underground construction equipment) in Japan to Komatsu Tokyo through an absorption-type company split. Upon the completion of these transactions, Komatsu Tokyo changed its name and is now known as Komatsu Construction Equipment Sales and Service Japan Ltd.

PRINCIPAL CAPITAL INVESTMENT

Komatsu invests capital each year in the development and production of new products and the improvement of the operating efficiency of its production infrastructure, primarily focusing on the Construction, Mining and Utility Equipment operating segment. Komatsu s capital investment for the fiscal years ended March 31, 2009, 2008 and 2007 were ¥162,512 million, ¥145,730 million and ¥129,680 million, respectively. Capital investment for the fiscal year ended March 31, 2009 by operating segment was as follows.

Capital Investment by Operating Segment

	Millions of Yen Fiscal Year ended March 31, 2009	Percentage Change as compared to the Fiscal Year ended March 31, 2008
Construction, Mining and Utility Equipment	¥ 152,803	8.2%
Industrial Machinery and Others	9,709	113.6%
Total	¥ 162,512	11.5%

Notes:

1) Amounts include certain leased machinery and equipment accounted for as capital leases in accordance with Statement of Financial Accounting Standards No. 13.

2) Starting with the fiscal year ended March 31, 2009, Komatsu reclassified the

forklift truck business of Komatsu Utility Co., Ltd. and the businesses of Komatsu Logistics Corp. (both of which were formerly in the Industrial Machinery, Vehicles and Others operating segment) so that such businesses are part of Komatsu s construction and mining equipment business, and accordingly, changed its operating segments by renaming the Construction and Mining Equipment operating segment as the Construction, Mining and Utility Equipment operating segment and the Industrial Machinery, Vehicles and Others operating segment as the Industrial Machinery and Others operating segment. Percentage changes as compared to the fiscal year ended

March 31, 2008 in the above table were calculated using the financial data for the fiscal year ended March 31, 2008, which have been retrospectively reclassified using these new operating segments.

3) The term Capital Investment as used in the above table should be distinguished from the term Capital Expenditures as used in the consolidated statements of cash flows. The term Capital Investment as used in the above table is defined to refer to costs relating to the purchase of property, plant and equipment including properties under capital leases on an accrual basis which reflects the effect of timing differences between acquisition dates

and payment dates. Komatsu s management uses this financial indicator to manage its capital investment and believes that this indicator is useful to investors in that this indicator presents accrual based capital investment in addition to the cash based capital expenditures provided in the consolidated statements of cash flows.

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For the fiscal year ended March 31, 2009, Komatsu made investments to increase the production capacity of its construction, mining and utility equipment business with its primary focus on its mining equipment business because Komatsu believed that growth can be expected in such business. In addition, Komatsu made investments to develop and produce new construction, mining and utility equipment models and products that comply with the latest emissions regulations. Komatsu recorded increased capital investments in the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2009 due primarily to the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008.

The following table sets forth in further detail the principal construction projects Komatsu undertook during the fiscal year ended March 31, 2009.

Main facilities completed in the fiscal year ended March 31, 2009

Operating segment	Main facilities
Construction, Mining and Utility Equipment	Establishment of Komatsu Undercarriage China Corp. Products: Undercarriage for construction equipment Location: Jining, Shandong, China
Construction, Mining and Utility Equipment, Industrial Machinery and Others	Construction of the second facility of the Company s Kanazawa Plant Products: Super-large hydraulic excavators and large presses Location: Kanazawa City, Ishikawa, Japan

New constructions, expansions and overhauls of main facilities in progress during the fiscal year ended March 31, 2009

Operating segment	Main facilities
Construction, Mining and Utility Equipment	Construction of Komatsu Manufacturing Rus, LLC s new

plant
Products: Medium-sized hydraulic excavators and forklift trucks
Location: Yaroslavl, Russia

Relocation and expansion of Komatsu (Changzhou) Construction Machinery Corp. s plant
Products: Hydraulic excavators, wheel loaders, dump trucks, etc.
Location: Changzhou, Jiangsu, China

Expansion of Komatsu Castex Ltd. s manufacturing facilities for key components (i.e., iron castings)
Products: Cylinder blocks, etc.
Location: Himi City, Toyama, Japan

Komatsu s capital investments for the fiscal year ended March 31, 2009 were primarily financed by funds on hand and bank borrowings.

For information on expected principal capital investments, see Item 4.D. Property, Plants and Equipment.

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B. Business Overview

GENERAL

Komatsu is a global company that engages in the manufacturing, development, marketing and sale of a diversified range of industrial-use products and services. With Quality and Reliability as the cornerstone of its management policy, Komatsu is committed to providing safe and innovative products and services that satisfy its customers needs and expectations.

Formerly, Komatsu s business consisted of the following two operating segments: (1) Construction and Mining Equipment and (2) Industrial Machinery, Vehicles and Others. Starting with the fiscal year ended March 31, 2009, Komatsu reclassified the forklift truck business of Komatsu Utility Co., Ltd. and the businesses of Komatsu Logistics Corp. (both of which were formerly in the Industrial Machinery, Vehicles and Others operating segment) so that such businesses are part of Komatsu s construction and mining equipment business, and accordingly, changed its operating segments by renaming the Construction and Mining Equipment operating segment as the Construction, Mining and Utility Equipment operating segment and the Industrial Machinery, Vehicles and Others operating segment as the Industrial Machinery and Others operating segment.

Having completed the merger of its forklift truck business with the compact construction equipment business into the newly formed Komatsu Utility Co., Ltd. during the fiscal year ended March 31, 2008 and taking into consideration the strong relationships that Komatsu Logistics Corp. (which transports products, components and parts) has with companies engaged in the construction and mining equipment business, Komatsu s management determined that it was appropriate to reclassify these businesses starting with the fiscal year ended March 31, 2009.

Accordingly, the financial data for the prior fiscal years have been retrospectively adjusted to reflect this reclassification.

The manufacturing operations of Komatsu are conducted primarily at plants located in Japan, the United States, Canada, Brazil, the United Kingdom, Germany, Sweden, Italy, Indonesia, China and Thailand. Komatsu s products are primarily sold under the Komatsu brand name and almost all of its sales and service activities are conducted through its sales subsidiaries and sales distributors who primarily sell products to retail dealers in their respective geographic area.

PRODUCTS AND SERVICES

The following table sets forth Komatsu s net sales by operating segments for the fiscal years ended March 31, 2009, 2008 and 2007, which is reproduced from the Company s audited consolidated financial statements.

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Net Sales by Operating Segments

	(Millions of Yen)					
	Fiscal Year Ended March 31, 2009		Fiscal Year Ended March 31, 2008		Fiscal Year Ended March 31, 2007	
Construction, Mining and Utility Equipment	¥1,744,733	86.3%	¥2,048,711	91.3%	¥1,711,275	90.4%
Industrial Machinery and Others	277,010	13.7%	194,312	8.7%	182,068	9.6%
Total	¥2,021,743	100.0%	¥2,243,023	100.0%	¥1,893,343	100.0%

Note: Starting with the fiscal year ended March 31, 2009, Komatsu reclassified the forklift truck business of Komatsu Utility Co., Ltd. and the businesses of Komatsu Logistics Corp.(both of which were formerly in the Industrial Machinery, Vehicles and Others operating segment) so that such businesses are part of Komatsu s construction and mining equipment business, and accordingly, changed its operating segments by renaming the Construction and Mining

Equipment operating segment as the Construction, Mining and Utility Equipment operating segment and the Industrial Machinery, Vehicles and Others operating segment as the Industrial Machinery and Others operating segment. As a result of this reclassification, the financial data for the fiscal years ended March 31, 2008 and 2007 in the above table have been retrospectively reclassified using the new operating segments.

(1) Construction, Mining and Utility Equipment

The Construction, Mining and Utility Equipment operating segment has been Komatsu s mainstay operating segment during the last several decades. Net sales from this operating segment accounted for 86.3% of Komatsu s total net sales for the fiscal year ended March 31, 2009.

Komatsu offers various types of construction, mining and utility equipment, ranging from super-large machines capable of mining applications to mini units for urban use. Komatsu s range of products in this operating segment also includes a wide variety of attachments to be used with its products. Komatsu s principal products in this operating segment fall into the following categories of equipment:

Category	**Principal Products**
Excavating Equipment	Hydraulic excavators, mini excavators and backhoe loaders
Loading Equipment	Wheel loaders, mini wheel loaders and skid steer loaders
Grading and Roadbed Preparation Equipment	Bulldozers, motor graders and vibratory rollers
Hauling Equipment	Off-highway dump trucks, articulated dump trucks and crawler carriers
Forestry Equipment	Harvesters, forwarders and feller-bunchers

Tunneling Machines	Shield machines, tunnel-boring machines and small-diameter pipe jacking machines
Recycling Equipment	Mobile debris crushers, mobile soil recyclers and mobile tub grinders
Industrial Vehicles	Forklift trucks
Other Equipment	Railroad maintenance equipment
Engines and Components	Diesel engines, diesel generator sets and hydraulic equipment
Casting Products	Steel castings and iron castings
Logistics	Packing and transport

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To remain competitive in this operating segment, Komatsu introduced the DANTOTSU Strategy in 2003 and has been working to increase the number of DANTOTSU products. DANTOTSU means unique and unrivaled in Japanese. Komatsu only designates a product as DANTOTSU if such product is considered unique and unrivaled as compared to those produced by Komatsu s competitors, due to the fact that these products are equipped with one or more features that its competitors cannot match for some time. Since the introduction of DANTOTSU products, Komatsu has been working to replace many of its product models with DANTOTSU products. DANTOTSU products include WA500 and WA600 wheel loaders and the D51-22 bulldozer to name a few. Komatsu plans to continue making model changes to replace some of its existing construction, mining and utility equipment product models with DANTOTSU products.

In addition to manufacturing and developing new products, Komatsu has been focused on downstream businesses, such as the used equipment business and the rental equipment business. Komatsu Used Equipment Corp. has been facilitating the sale of used equipment by holding annual auctions in several locations in Japan since the mid-1990s.

The principal products developed in the Construction, Mining and Utility Equipment operating segment during the fiscal year ended March 31, 2009 are listed below:

Company	Product	Model
Komatsu Ltd.	Hydraulic Excavators	PC78US-8, PC110-7, PC128UU-8, PC160LC-8, PC190LC-8, PC200-8E0 Hybrid
	Bulldozers	D63E-12, D65EX-16, D65PX-16, D65WX-16, D375A-6
	Wheel Loader	WA150-6
	Articulated Dump Truck	HM250-2
	Motor Graders	GD755-5Y, GH320-5
Komatsu Utility Co., Ltd.	Hydraulic Excavators	PC20MR-3, PC20UU-5, PC30UU-5, PC38UU-5, PC55-MR, PC56-7,PC58UU-5
	Wheel Loaders	WA30-6, WA40-6, WA50-6
	Forklifts	FB15M-12, FG15-20, FG25-16, FG25N-16, FD40-10, FD40-12, FD40N-10, FD50A-10, FD60-10
Komatsu America Corp.	Dump Trucks	860E-1, 960E-1

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(2) Industrial Machinery and Others

Net sales from the Industrial Machinery and Others operating segment accounted for 13.7% of Komatsu s total net sales for the fiscal year ended March 31, 2009. The products available in this operating segment are used by a wide range of businesses and include industrial machinery, such as forging and sheet metal machinery and other services. Komatsu s principal products in this operating segment fall into the following categories of equipment:

Category	Principal Products
Metal Forging and Stamping Presses	Large presses, servo presses, small- and medium-sized presses and forging presses
Sheet Metal Machines	Laser cutting machines, fine-plasma cutting machines, press brakes and shears
Machine Tools	Transfer machines, machining centers, crankshaft millers, grinding machines and wire saws
Defense Systems	Ammunition and armored personnel carriers
Temperature-control equipment	Thermoelectric modules and temperature-control equipment for semiconductor manufacturing
Others	Commercial-use prefabricated structures

The principal products developed in the Industrial Machinery and Others operating segment during the fiscal year ended March 31, 2009 include the high speed palletizing system for large size presses, the gantry-type TWISTER, the crankshaft milling machine (GPM2000E), new milling machines for a vehicle engine s crankshaft (GPM190F-5 and 200F-5), the large size wire-sawing machine (PV800) that can be used to saw materials used in solar batteries and Chip ID Markers.

PRINCIPAL MARKETS

Komatsu operates and competes in the following six principal markets: (1) Japan, (2) the Americas, (3) Europe and Commonwealth of Independent States (CIS), (4) China, (5) Asia (excluding Japan and China) and Oceania and (6) the Middle East and Africa.

In this annual report, information regarding net sales by geographic segment is presented in the following two ways: (1) by sales destination (based on the country where the purchaser is located) and (2) by sales origin (based on the country where the seller is located). The following table sets forth Komatsu s net sales recognized by sales destination for the fiscal years ended March 31, 2009, 2008 and 2007. Net sales data by sales origin are set forth in Note 23 to the Company s audited consolidated financial statements, included elsewhere in this report.

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Net Sales by Region

	(Millions of Yen)					
	Fiscal Year Ended March 31, 2009		Fiscal Year Ended March 31, 2008		Fiscal Year Ended March 31, 2007	
Japan	¥ 452,172	22.4%	¥ 505,185	22.5%	¥ 487,103	25.7%
Americas	503,450	24.9%	541,160	24.1%	537,836	28.4%
Europe and CIS	284,029	14.0%	427,679	19.1%	324,071	17.1%
China	236,226	11.7%	189,902	8.5%	129,443	6.8%
Asia (excluding Japan and China) and Oceania	335,574	16.6%	348,462	15.5%	252,768	13.4%
Middle East and Africa	210,292	10.4%	230,635	10.3%	162,122	8.6%
Total	¥ 2,021,743	100.0%	¥ 2,243,023	100.0%	¥ 1,893,343	100.0%

SALES AND DISTRIBUTION

Komatsu s international and domestic sales and distribution for its Construction, Mining and Utility Equipment operating segment are conducted primarily through a network of subsidiaries, affiliates and independent distributors, and to a lesser extent by its partners of jointly-owned companies.

Komatsu s construction, mining and utility equipment sales and distribution operations in Japan focus principally on retail sales to customers, partly on an installment basis. In addition, Komatsu has enhanced its equipment rental services in Japan by using rental companies as its agents, especially for its construction and utility equipment, in response to strong demand from customers. Distributors and dealers form the core of the service network in Japan, providing total customer-support services.

Komatsu s overseas construction, mining and utility equipment sales and service network consists of approximately 480 distributors. Komatsu supplies its products to distributors around the world through trading companies and the Company s subsidiaries and affiliated companies, supported by Komatsu s liaison offices. The Company s major sales subsidiaries and affiliates are located in the United States, Brazil, Chile, Belgium, Germany, France, Italy, Sweden, Russia, China, Singapore, Indonesia, India, Australia, the United Arab Emirates and South Africa.

These subsidiaries and affiliates provide additional inventory and technical assistance to Komatsu s distributors while also strengthening the capability of emergency spare parts delivery. These subsidiaries and affiliates as well as Komatsu s distributors provide the services that customers may require with respect to their construction, mining and utility equipment outside of Japan.

Komatsu s sales of products in the Industrial Machinery and Others operating segment include direct sales to customers and sales through distributors, dealers and trading companies. For example, large presses are mainly sold directly to customers while small- and medium-sized presses are primarily sold through distributors and dealers.

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SOURCES OF SUPPLY

As it is neither economical nor efficient for Komatsu to manufacture all of its necessary components and parts, Komatsu produces some of its major equipment components internally and purchases other components and parts, such as electrical components, tires, hoses and batteries, from specialized suppliers. Komatsu also procures some of its parts, such as metal forgings, machine components, sheet metal parts and various accessories, from its business partners. Therefore, the fluctuations in prices of materials for such components, such as steel materials, may affect Komatsu s results of operations. In addition, a shortage of product parts and materials, bankruptcies of suppliers or production discontinuation by suppliers of products used by Komatsu may make it difficult for Komatsu to engage in the timely procurement of parts and materials and manufacture of its products. Komatsu believes, however, that it has adequate and reliable sources of supply for its material components, parts and raw materials, and that it has appropriate alternative sources available for such supplies consistent with its prudent business practices.

SEASONALITY

In general, Komatsu s businesses have historically experienced some seasonal fluctuations in sales. While there are variations by market and product, Komatsu s consolidated sales volume are customarily the highest during the fourth quarter. However, this seasonality has generally not been material to Komatsu s results of operations.

For the fiscal year ended March 31, 2009, however, Komatsu s consolidated sales for the fourth quarter was the lowest of all quarters, due to an unprecedented financial crisis and global economic recession. Given that the current challenging business environment is expected to continue for some time, consolidated sales for the fiscal year ending March 31, 2010 may not experience the customary seasonal fluctuations.

PATENTS AND LICENSES

Komatsu holds numerous Japanese and foreign patents, design patents and utility model registrations relating to its products. It also has a number of applications pending for Japanese and foreign patents. Under Japanese law, a utility model registration is a right granted with respect to inventions of less originality than those which qualify for patents. Komatsu also manufactures a variety of products under licensing agreements with various other companies.

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While Komatsu considers all of its patents and licenses to be important for the operation of its business, it does not consider any of its patents or licenses or any related group of them to be so important that its expiration or termination would materially affect Komatsu s business as a whole, nor does it believe that any category of its activities is materially dependent upon patents or licenses, or patent or license protection. Komatsu also owns and maintains a substantial number of trademarks and trade names that are registered or otherwise protected under the laws of various jurisdictions.

COMPETITIVE ENVIRONMENT

Construction, Mining and Utility Equipment

As a manufacturer of a full line of construction and mining equipment, Komatsu provides a broad range of products from super-large equipment for mining use to general construction equipment and mini construction equipment for urban use.

While there is intense competition in all of the product categories in this operating segment, Komatsu continuously maintains its position as one of the market leaders in every region in which it operates. In many countries in the market Komatsu calls Greater Asia (Asia in the broad sense of the term, including China, Southeast Asia, India, the Middle East and CIS), Komatsu maintains its position as the market leader.

Komatsu s competitors in the construction and mining equipment business consist of global competitors, regional competitors and locally specialized competitors. Major global competitors include Caterpillar Inc. (Caterpillar), Terex Corporation, Hitachi Construction Machinery Co., Ltd. (Hitachi Construction), Volvo Construction Equipment NV (Volvo) and CNH Global N.V. The competitive environments differ according to regions and product models.

Although demand for construction equipment in North America has been experiencing a sharp downturn, it is still the largest market for construction equipment in the world and Caterpillar is the market leader in North America based on sales.

In Europe, in addition to global full line manufacturers such as Caterpillar and Volvo, there are many regional or locally specialized competitors who have firm footings in the local markets. Komatsu competes with different competitors in each country or region in Europe and it is expected that the markets in Europe will continue to be very competitive.

In the market Komatsu calls Greater Asia, Komatsu s competitors include Caterpillar, Hitachi Construction and Korean manufacturers such as Hyundai Heavy Industries Co., Ltd. and Doosan Infracore Co., Ltd. In China, where the demand has begun to show signs of recovery, Komatsu competes with a number of local manufacturers in addition to the above-mentioned competitors.

As for the industrial vehicles, the major markets for forklift trucks have traditionally been Europe, the United States and Japan. Recently, China has overtaken Japan and has developed into the third major market for forklift trucks. While European and U.S. manufacturers of forklift trucks sell not only forklift trucks but also warehousing equipment, Komatsu and other Japanese manufacturers of forklift trucks primarily focus on forklift trucks.

Komatsu believes that the following strengths provide Komatsu with a competitive advantage in the global construction, mining and utility equipment market.

DANTOTSU products

Komatsu continues to strive to develop DANTOTSU products that demonstrate truly outstanding features, such as fuel efficiency, information technology and environment-friendliness, which features Komatsu believes its competitors will not be able to match for some time.

KOMTRAX (Komatsu Machine Tracking System)

KOMTRAX is a system that Komatsu pioneered the development of and introduced to the market in 2001. Using KOMTRAX, customers can manage the operation of their construction equipment by utilizing information technology applications, such as GPS (Global Positioning System) and mobile telecommunication technologies. Using the information collected through KOMTRAX, such as location and operation time, customers who operate equipment equipped with KOMTRAX are able to operate the equipment more efficiently and cost effectively because they are able to decrease fuel use and maintenance expenses.

AHS (Autonomous Haulage System)

AHS is a system that controls the operations of super-large autonomous dump trucks in large-scale mines. Komatsu first introduced AHS in a copper mine in northern Chile, where it is currently in full use. Komatsu started to provide AHS for use in iron ore mines in western Australia at the end of 2008 as its second installation.

Hybrid

In June 2008, Komatsu launched the world s first hybrid hydraulic excavator that consumes less fuel and emits less carbon dioxide (CO_2). Komatsu believes that it has a competitive advantage in the market with respect to this type of equipment not only because it was one of the first to develop and market this type of equipment but also because its equipment is equipped with technology that reduces its environmental impact.

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Industrial Machinery and Others

In the Industrial Machinery and Others operating segment, Komatsu s principal products consist of (1) metal forging and stamping presses, (2) sheet metal machines and (3) machine tools. As discussed below, the market for all of these products is highly competitive.

(1) Metal Forging and Stamping Presses

Komatsu manufactures and sells stamping presses that are used to press doors and roofs of automobiles and various other parts into shapes. With respect to large presses, which are mainly sold to automobile manufacturers, Komatsu considers Ishikawajima-Harima Heavy Industries Co., Ltd., Hitachi Zosen Fukui Corporation and AIDA Engineering, Ltd. (AIDA) of Japan and Schuler AG of Germany to be its major competitors.

In Japan, Japanese manufacturers, including Komatsu, have an advantage over non-Japanese manufacturers. Likewise, in Germany, German manufacturers enjoy dominant positions and have a competitive advantage over non-German manufacturers. In other markets, regional and locally specialized competitors in addition to the above-mentioned major manufacturers compete with each other, making the market highly competitive.

For the fiscal year ended March 31, 2009, demand for presses decreased substantially due primarily to the decrease in capital investments by automobile manufacturers on a global basis, in line with the drastic deterioration of the global economy during the second half of the fiscal year.

Nevertheless, Komatsu improved its market position in large-sized stamping presses by increasing sales in the emerging markets. For example, Komatsu improved its market position in China and India as it expanded the product range of its AC Servo motor-driven presses, enhanced its technological edge, reinforced its global service operations and enhanced its collaboration with mold builders.

With respect to small- and medium-sized presses, Asia (including Japan) and North America are Komatsu s largest markets. Major competitors of Komatsu for these products include AIDA and Amada Co., Ltd. (Amada) of Japan, The Minster Machine Company of the United States and Chin Fong Machine Industrial Co., Ltd. of Taiwan. During the fiscal year ended March 31, 2009, Komatsu increased the product range of its AC Servo motor-driven presses, which made a significant contribution to improving Komatsu s market position in small- and medium-sized presses. Moreover, with an aim to increase sales in China, Komatsu started production of small- and medium-sized presses in China.

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(2) Sheet Metal Machines

With respect to sheet metal machines that are used to cut and bend steel sheets, Japan is the major market for Komatsu s products and Komatsu s competitors consist of other Japanese manufacturers, such as Amada, Mitsubishi Electric Corporation, Yamazaki Mazak Corporation and Koike Sanso Kogyo Co., Ltd. Amada enjoys a large market share with a wide range of products in the industry.

The principal product of Komatsu s sheet metal machine business is its plasma cutting machines. With technology that is original to Komatsu, Komatsu s plasma cutting machines boast high productivity and outstanding cost performance in terms of both running and initial costs while ensuring the cutting quality is equivalent to that of laser cutting machines. Such features are highly valued in this market and it enables Komatsu to improve its profitability in this business.

In addition, Komatsu s 3D laser cutting machines that can be used to cut three dimensional objects are highly valued in the sheet metal machine market.

(3) Machine Tools

The principal products of Komatsu s machine tool business are machine tools that are used to cut and fabricate engine parts (transfer machines, crankshaft millers and grinding machines), general- purpose machining centers and wire saws.

Major competitors in the market for machine tools used to cut and fabricate engine parts include JTEKT Corporation and ENSHU Limited of Japan and Gebrüder Heller Maschinenfabrik GmbH of Germany. Major competitors in the machining center include Japanese manufacturers such as Mori Seiki Co., Ltd. and Okuma Corporation.

Komatsu believes that it continues to maintain a competitive edge in the global market for machine tools used to cut and fabricate engine parts based on its technological edge and broad product range.

Although capital investments by automobile manufacturers decreased during the fiscal year ended March 31, 2009 as compared to the fiscal year ended March 31, 2008, Komatsu improved its position in the global market for machine tools used to cut and fabricate engine parts by reinforcing its sales in North America and Europe, expanding its product range and establishing a sales arrangement whereby customers can purchase through Komatsu all of the machinery (some of which may not be machinery manufactured by Komatsu) necessary to manufacture an engine. In addition, the market for wire saws that are used to slice silicon ingots used to manufacture solar cells has expanded rapidly due to the increase in demand for solar power generator devices.

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Major competitors in the wire saw market include Swiss manufacturers HCT Shaping Systems SA and Meyer Burger Technology AG. Komatsu s wire saws have been highly valued in the wire saw market because of its original technology.

REGULATIONS

Komatsu is subject to a wide range of laws and regulations in the countries and regions where it operates, including safety regulations, restrictions on emissions, noise and vibration from its products, various environmental controls regulating the manufacturing processes, such as the management of toxic chemicals and hazardous wastes, green procurement and recycling. Komatsu s operations and products are designed to comply with all applicable laws and regulations currently in effect in the relevant jurisdictions. Komatsu expects to remain in substantial compliance with existing applicable laws and regulations and does not expect that the costs of compliance with foreseeable laws and regulations will have a material effect upon its financial position and results of operations. Some of the important laws and regulations that affect Komatsu s businesses are summarized below.

Regulations regarding engine emissions

The Ministry of Land, Infrastructure and Transport of Japan (MLIT) introduced the approval system for low-emission type construction equipment used in construction in 1997, setting the maximum emission levels by model and power range. While the maximum emission levels set by MLIT are not legally binding, they function as practical standards on engine emissions in Japan, since only construction equipment that has obtained such approval is allowed to be used in construction projects under the direct control of MLIT. In 2003, MLIT lowered such maximum emission levels established in 1997 and the revised limits are known in Japan as the Tier II standards. In 2006, a new law took effect in Japan to control exhaust emissions from off-road specific vehicles in the power range over 19kW, including those used at construction sites. In connection with the implementation of this new law, maximum emission levels were lowered further. Such new limits are known as the Tier III standards, compliance with which has been mandatory in Japan since 2006. MLIT and related ministries are now considering the introduction of the next stages of maximum emission levels in Japan, which are expected to become effective starting in 2011 and 2014. These new limits that are currently being considered by MLIT and related ministries are similar to the maximum emission level limits that are scheduled to be phased-in in the U.S. (Tier IV standards) and Europe (Stage 3B) starting in 2011.

In the United States, the U.S. Environmental Protection Agency (EPA) establishes emission standards for construction equipment and introduced the Tier I standards for equipment of 130kW or greater in 1996. Since then, the EPA has lowered emission standards and the Tier III standards, which are currently in effect, have been phased-in since 2006. The even more stringent Tier IV standards are scheduled to be phased-in starting 2011.

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In Europe, the Engine Emissions Directive 97/68/EC regarding measures against emission of gaseous and particulate pollutants from internal combustion engines to be installed in off-road mobile machinery went into effect in 1999 and the second stage of the directive was implemented from 2002 to 2004. The first part of the third stage of this directive (Stage 3A) was implemented in 2006 to 2008. The next stage (Stage 3B) is scheduled to be phased-in starting 2011. Komatsu and its products are in compliance with all regulatory standards that have already taken effect and Komatsu continues to make progress in its preparations to comply with the Tier IV (Stage 3B) standards that are to be phased-in in Japan, the United States and Europe starting in 2011.

Regulations regarding noise and vibration

In Europe, Directive 95/27/EC of the European Parliament and of the Council of June 1995 amending Council Directive 86/662/EEC on the limitation of noise emitted by hydraulic excavators, rope-operated excavators, dozers, loaders and excavator-loaders has been in effect since January 1997. This directive defined the maximum sound-power levels of airborne noise emitted by these earth-moving machines under dynamic operating conditions and required manufacturers to obtain an EC type-examination certificate. The second stage of this directive, which requires further noise reduction, has been in effect since January 2006. Separately, in January 2002, Directive 2000/14/EC of the European Parliament and of the Council relating to the noise emission in the environment by equipment for use outdoors went into effect. This regulation applies to a wide range of product types from gardening equipment to construction and waste-management equipment and such products must bear a CE-mark and the indication of their guaranteed sound-power level before they can be brought to the market. Under such directive, manufacturers are required to confirm that the noise emitted from their products would not exceed the guaranteed sound-power level. The second stage of this directive, which requires further noise reduction, has been in effect since January 2006. In addition, Directive 2002/44/EC of the European Parliament and of the Council sets forth the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (vibration).

Komatsu and its products are in compliance with all regulatory standards that have already taken effect and Komatsu continues to make progress in its preparations to comply with the latest noise and vibration standards.

Regulations regarding hazardous substances

Responding to the increase in environmental conservation awareness around the world, Komatsu has been making efforts for several decades to reduce the use of asbestos, lead and other substances of environmental concern.

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In response to the enactment of the European regulation addressing Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) in June 2007, Komatsu reviewed the list of substances approved for limited use and revised the designation of certain substances within its manufacturing plants to reduced or banned as appropriate. Through cooperation with suppliers, Komatsu has initiated a system to strengthen its control over substances of environmental concern used in its products, as manufacturers like Komatsu are required by REACH to provide information to consumers (i.e., customers that purchased the equipment new or used) about the name(s) and the amount(s) of substance(s) used in each machine/part.

Komatsu and its products are in compliance with all regulatory standards that have already taken effect and Komatsu continues to make progress in its preparations to comply with the latest regulations regarding hazardous substances.

MANAGEMENT POLICY AND STRATEGIES

Below describes Komatsu s basic management policy and its mid-to-long range management plans.

Basic Management Policy

The cornerstone of Komatsu s management is commitment to Quality and Reliability for maximization of its corporate value. This commitment is not limited to delivering safe and innovative products and services which incorporate the viewpoints of customers. Komatsu is continuing its efforts to enhance the Quality and Reliability of all organizations, businesses, employees and management of the entire Komatsu. It is the top management task of Komatsu to continue improving the Quality and Reliability of all these year after year.

Mid to Long-Range Management Plan and Issues Ahead

Komatsu defines corporate value as the total sum of trust given to it by society and all stakeholders. To increase this corporate value, Komatsu has set the following two management goals.

- To maintain its top-level profitability and financial position in the industry and enhance its position in the global marketplace, especially in Greater Asia.
- To continue management, while keeping market value in mind, which reflects the amount of trust given to it by society and shareholders.

To achieve these goals above, Komatsu will promote the following three matters as Komatsu s permanent ongoing tasks. (1) thorough measures for compliance, safety and environmental conservation, (2) dissemination of The KOMATSU Way* and human resource development, and (3) brand management activities.

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Furthermore, Komatsu is continuing its efforts on the following seven activities of importance for the Global Teamwork for 15 mid-range management plan, the goal of which is set for the year ending March 31, 2010. Komatsu is determined to produce achievements.

While the business environment has changed drastically during the fiscal year ended March 31, 2009, the mid-range tasks that Komatsu has to work on remain the same. Komatsu is resolutely determined to produce positive results, as it works on the following seven tasks of importance defined in the Global Teamwork for 15 mid-range management plan which will end on March 31, 2010.

1) Development of DANTOTSU Products

Komatsu is getting ready for commercial production of the PC200-8 Hybrid hydraulic excavator, which the Company launched on the Japanese market during the fiscal year ended March 31, 2009, and working to expand its sales in Japan and to introduce it to China and other overseas markets. Komatsu is also expanding its model range. Komatsu is also working to develop more DANTOTSU products by capitalizing on its group-wide strengths, including in-house manufacturing technologies for key components, such as engines and transmissions with which Komatsu can substantially cut down fuel consumption and CO_2 emissions. Another strength is Komatsu s capability of IT-intensive jobsite operations, such as KOMTRAX (Komatsu Machine Tracking System) for remote monitoring of operating conditions of construction equipment and the Autonomous Haulage System for mining trucks.

2) Further Enhancement of Market Position in Greater Asia

Komatsu is going to further enhance its market position in Greater Asia which is projected for mid- to long-range growth. Komatsu s specific measures include product launchings before competitors, expansion of local production and further reinforcement of sales and product support operations.

3) Business Expansion in the Entire Value Chain**

In addition to reinforcing its parts business, Komatsu is also working to expand peripheral businesses in relation to construction and mining equipment, such as (1) parts, services and remanufacturing, (2) retail finance, (3) rental and used equipment, and (4) working gears (attachments) and forestry equipment, by capitalizing on Komatsu s edge in group-wide areas of original technology and by facilitating collaboration among different business operations.

4) Establishment of Flexible Manufacturing Operations

While speeding up the reassessment of global production to meet the current market conditions, Komatsu is going to further enhance production flexibility in tune with demand changes and foreign exchange fluctuations by taking effective advantage of its global sales and production system, global procurement and other operations. Komatsu is also going to share market information among plants, distributors and suppliers. In the short term, Komatsu is going to accurately incorporate such information into production, sales and inventory planning. In the medium term, Komatsu will accurately incorporate useful information into capital investment planning in order to ensure appropriate production capacity.

5) Expansion of Utility Equipment Business and Improvement of Profits

Komatsu is improving its position in the utility equipment industry by enhancing its product competitiveness through the broadening of its model range and other measures, by making further commitment to synergy generation in the production and development of forklift trucks and compact-construction equipment, and by doubling its efforts in Greater Asia. At the same time, Komatsu Utility Co., Ltd., a wholly owned subsidiary, is working to improve earnings through the consolidation of production and transfer of head office functions to its Tochigi Plant, which were carried out during the fiscal year under review, as well as integration of Japanese distributors***, planned for October 2009.

6) Reinforcement of Industrial Machinery Business

Komatsu is working to further expand the business primarily by achieving more synergy effects with Komatsu NTC Ltd., a new member of the Komatsu Group, strengthening overseas operations centering on Greater Asia, and reinforcing the parts and service business.

Komatsu is also working to enhance competitiveness with improved production efficiency and profitability by concentrating the production of large presses at the Kanazawa Plant, since they are being produced at Komatsu and Kanazawa plants in Ishikawa Prefecture. To promote effective use of its management resources, Komatsu NTC Ltd. is going to concentrate the production of wire saws in the Toyama area (along the Sea of Japan) by shifting it from Kanagawa Prefecture (along the Pacific Ocean).

7) Reduction of Fixed Costs

With respect to the reduction of fixed costs which Komatsu has engaged in since the first-stage Reform of Business Structure project, Komatsu is going to further cut them down by applying IT to continue improving administrative operations and generate benefits. Similarly, Komatsu is also going to reorganize production in Japan, North America and Europe, reorganize sales of construction equipment and forklift trucks in Japan, and integrate rental subsidiaries of construction equipment in Japan.

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Komatsu is further strengthening its corporate governance to ensure sound and transparent management, while improving management efficiency. Being committed to promoting thorough compliance, Komatsu will also ensure that all employees share The KOMATSU Way. In addition to improving its business performance, Komatsu will facilitate the development of both corporate strength and social responsibility in a well balanced manner.

** The KOMATSU Way:*

When the founder of Komatsu established the Company in 1921, he defined the guiding principles of the Company to be overseas expansion, quality first, technology innovation, and human resource development. Management believe that Komatsu s strengths were built up by earlier generations of employees based on these principles in the course of Komatsu s growth and these principles are still ingrained in the minds of Komatsu employees today. Management defines The KOMATSU Way: as Komatsu s strengths, the beliefs that support the strengths, the basic attitude and patterns of behavior. Management is convinced that Komatsu can further enhance its reliability and continue to grow by all Komatsu employees sharing and passing on The KOMATSU Way:

*** Value Chain*

Values generated by business activities of the Komatsu Group with its partners, i.e., distributors and suppliers, and customers.

**** Integration of Japanese distributors*

Applicable to nine consolidated subsidiaries (of the Company, all of which are distributors located in Japan).

Below are the financial targets that management has established for the mid-range management plan Global Teamwork for 15 .

	Targets for Fiscal Year Ending March 31, 2010
Operating income ratio	15% or above
ROE (Return on Equity) 1)	Keeping 20% level
Net debt-to-equity Ratio 2)	0.2 or below

Notes:

1) ROE = Net income for the fiscal year/ [(shareholders equity at the beginning of the fiscal year + shareholders equity at the end of the fiscal year)/2]

2) Net debt-to-equity ratio = (interest-bearing debt - cash and cash equivalents - time deposits)/shareholders equity

<Premises>

	Fiscal Year 2010
Guideline on net sales	¥2,400 billion (+/- ¥100 billion)
Guideline on exchange rates	¥110/1USD, ¥145/1EUR

In response to the drastic change in the business environment that occurred during the fiscal year ended March 31, 2009, Komatsu made changes to various aspects of its operations. Such changes include adjusting production volume to promptly manage inventory levels (both for itself, and for its dealers and distributors), consolidating production in Japan of certain products at plants that have high productivity levels due to their advanced facilities, eliminating plants and production lines while reducing the number of product models that are manufactured in North America and Europe and making efforts to reduce fixed costs on a group-wide basis.

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More specifically, after reassessing its production plants in Japan, Komatsu decided to close the Mooka Plant (where articulated dump trucks and other equipment are produced) and the Komatsu Plant (where large presses are built), and transfer the production of products manufactured at these two plants to the Ibaraki Plant and the Kanazawa Plant, respectively. Because similar products are manufactured at the Mooka and Ibaraki plants and at the Komatsu and Kanazawa plants, and both the Ibaraki Plant and the Kanazawa Plant opened in 2007 and are equipped with the latest state-of-the-art facilities, Komatsu expects to achieve higher productivity levels at these new plants. In addition, since both of these plants are situated adjacent to ports, Komatsu expects to reduce both transportation costs and CO_2 emissions.

C. Organizational Structure

As of March 31, 2009, the Company had 164 consolidated subsidiaries and 41 affiliates accounted for by the equity method. The following is a list of the principal consolidated subsidiaries as of March 31, 2009.

Name	Country of Incorporation	Ownership Interest (proportion of voting power held) (%)
Komatsu Utility Co., Ltd.	Japan	100.0
Komatsu Castex Ltd.	Japan	100.0
Komatsu Tokyo Ltd.	Japan	100.0
Komatsu Kinki Ltd.	Japan	100.0
Komatsu Nishi-Nihon Ltd.	Japan	100.0
Komatsu Used Equipment Corp.	Japan	100.0
Komatsu Rental Japan Ltd.	Japan	79.0
BIGRENTAL Co., Ltd.	Japan	79.0
Komatsu Logistics Corp.	Japan	100.0
Komatsu Industries Corporation	Japan	100.0
Komatsu Machinery Corporation	Japan	100.0
Komatsu NTC Ltd.	Japan	100.0
Komatsu Business Support Ltd.	Japan	100.0
Komatsu America Corp.	U.S.A.	100.0
Komatsu Latin-America Corp.	U.S.A.	100.0
Komatsu do Brasil Ltda.	Brazil	100.0
Komatsu Cummins Chile Ltda.	Chile	81.8
Komatsu Financial Limited Partnership	U.S.A.	100.0
Komatsu Europe International N.V.	Belgium	100.0
Komatsu UK Ltd.	U.K.	100.0
Komatsu Hanomag GmbH	Germany	100.0
Komatsu Mining Germany GmbH	Germany	100.0

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Name	Country of Incorporation	Ownership Interest (proportion of voting power held) (%)
Komatsu Deutschland GmbH	Germany	100.0
Komatsu France S.A.	France	100.0
Komatsu Utility Europe S.p.A.	Italy	100.0
Komatsu Italia S.p.A.	Italy	100.0
Komatsu Forest AB	Sweden	100.0
Komatsu CIS LLC	Russia	100.0
Komatsu Financial Europe N.V.	Belgium	100.0
Komatsu Southern Africa (Pty) Ltd.	South Africa	80.0
Komatsu Asia & Pacific Pte Ltd.	Singapore	100.0
PT Komatsu Indonesia	Indonesia	94.9
Bangkok Komatsu Co., Ltd.	Thailand	74.8
Komatsu Australia Pty. Ltd.	Australia	60.0
Komatsu (China) Ltd.	China	100.0
Komatsu (Changzhou) Construction Machinery Corp.	China	85.0
Komatsu Shantui Construction Machinery Co., Ltd.	China	60.0
Komatsu Financial Leasing China Ltd.	China	100.0

Notes:

1) Proportion of ownership interest includes indirect ownership.

2) Komatsu America Corp. is the only subsidiary of the Company that is a significant subsidiary as defined in Rule 1-02 (w) of Regulation S-X.

D. Property, Plants and Equipment

Komatsu s manufacturing operations for the Construction, Mining and Utility Equipment operating segment are conducted in 50 plants, 18 of which are located in Japan. As of March 31, 2009, 28 principal plants (out of 50 plants) had an aggregate manufacturing floor space of 1,688 thousand square meters (18,171 thousand square feet). Komatsu uses additional floor space at such plants and elsewhere as laboratories, office space and employee housing and welfare facilities. Komatsu is capable of increasing production output at its manufacturing facilities by adjusting their manufacturing schedules.

Komatsu owns most of the manufacturing facilities and the land on which they are located. A portion of the properties owned by Komatsu is subject to mortgages or other types of liens. As of March 31, 2009, the net book value of the property owned by Komatsu was ¥525,462 million, of which ¥4,809 million was subject to encumbrances.

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The name and location of Komatsu s principal plants, their approximate aggregate floor space, and the principal products manufactured therein as of March 31, 2009 are as follows:

Name and Location	Floor Space Thousand sq. meter	Floor Space Thousand sq. ft	Principal products
Japan:			
Awazu Plant Komatsu, Ishikawa	233	2,508	Small- and medium-sized hydraulic excavators, small- and medium-sized wheel loaders, small- and medium-sized bulldozers, motor graders
Komatsu Plant 1) Komatsu, Ishikawa	44	474	Large presses
Kanazawa Plant Kanazawa, Ishikawa	38	409	Super-large excavators, large presses
Osaka Plant Hirakata, Osaka	157	1,690	Medium- and large-sized hydraulic excavators, large bulldozers, recycling equipments
Oyama Plant 2) Oyama, Tochigi	201	2,164	Diesel engines, hydraulic equipment
Mooka Plant 1) Mooka, Tochigi	83	893	Dump trucks, articulated dump trucks
Ibaraki Plant Hitachinaka, Ibaraki	45	484	Large wheel loaders, dump trucks
Koriyama Plant Koriyama, Fukushima	30	323	Hydraulic equipment
Komatsu Utility Co., Ltd. Oyama, Tochigi	75	807	Forklift trucks, mini excavators, mini wheel loaders
Komatsu Castex Ltd. Himi, Toyama	69	743	Steel castings, iron castings, pattern for casting
Komatsu NTC Ltd.			
Nanto, Toyama	68	732	Transfer machines, machining centers, laser cutting machines, grinding machines
Yokosuka, Kanagawa 1)	9	97	Semiconductor manufacturing equipment
The Americas			
Komatsu America Corp.			
Tennessee, U.S.A.	31	334	Medium-sized hydraulic excavators, articulated dump trucks
Quebec, Canada 1)	14	151	Small- and medium-sized wheel loaders
South Carolina, U.S.A.	18	194	Backhoe loaders, skid steer loaders
Illinois, U.S.A.	62	667	Large dump trucks
Hensley Industries, Inc. Texas, U.S.A.	18	194	Buckets, teeth, edges, adapters
Komatsu do Brasil Ltda. São Paulo, Brazil	68	732	Medium-sized hydraulic excavators, small- and medium-sized wheel loaders, medium-sized bulldozers, motor graders

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Name and Location	Floor Space Thousand sq. meter	Floor Space Thousand sq. ft	Principal products
Europe			
Komatsu UK Ltd. Birtley, UK	60	646	Medium- and large-sized hydraulic excavators
Komatsu Hanomag GmbH Hannover, Germany	77	829	Wheeled hydraulic excavators, small- and medium-sized wheel loaders, mini wheel loaders
Komatsu Forest AB Umea, Sweden	14	151	Forestry equipment (wheel type)
Komatsu Mining Germany GmbH Düsseldorf, Germany	23	248	Super-large hydraulic excavators
Komatsu Utility Europe S.p.A. Este, Italy	43	463	Mini excavators, backhoe loaders, skid steer loaders
Asia (excluding Japan) and Oceania			
PT Komatsu Indonesia Jakarta, Indonesia	89	958	Medium-sized hydraulic excavators, small- and medium-sized bulldozers, motor graders, dump trucks and hydraulic equipment
PT Komatsu Undercarriage Indonesia Bekasi, Indonesia	12	129	Undercarriage components and spare parts
Komatsu (Changzhou) Construction Machinery Corporation Jiangsu, China	16	172	Medium-sized hydraulic excavators, medium-sized wheel loaders, dump trucks
Komatsu Shantui Construction Machinery Co., Ltd. Shandong, China	63	678	Small- and medium-sized hydraulic excavators
Bangkok Komatsu Co., Ltd. Chonburi, Thailand	24	258	Medium-sized hydraulic excavators, wheel loaders and backhoe loaders

Notes:

1) The manufacturing operations at the following plants are expected to be transferred to other plants during the fiscal year ending March 31, 2010 in connection with Komatsu s structural reforms:

(i) The manufacturing operation of the Komatsu Plant is expected to be transferred to the Kanazawa Plant.

(ii) The manufacturing operation of the

Mooka Plant is expected to be transferred to the Ibaraki, Awazu and Oyama Plants.

(iii) The manufacturing operation of Komatsu NTC Technical Center in Yokosuka, Kanagawa is expected to be transferred to the Toyama area.

(iv) The manufacturing operation of Komatsu America Corp. s plant located in Quebec, Canada is expected to be transferred to a plant located in South Carolina.

2) Komatsu Cummins Engine Co., Ltd. and a portion of Komatsu Castex Ltd. are located at the Oyama Plant.

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The head office of the Company is located in an office building in Tokyo, Japan which Komatsu owns. Komatsu considers that its manufacturing plants and other facilities are well maintained and believes that its plant capacity is adequate for its current operating requirements. To the best of management s knowledge, management does not believe that there are any significant environmental issues that may materially affect Komatsu s utilization of its assets.

Plans for Capital Investments

As of the filing date of this annual report, Komatsu plans to make capital investments of approximately ¥89,600 million in the fiscal year ending March 31, 2010. The amount of capital investment expected to be made in the fiscal year ending March 31, 2010, the principal investment objectives and the sources of funding by operating segment are set forth in the below table.

Operating Segment	**Approximate expected capital investment amount in the fiscal year ending March 31, 2010 (Millions of Yen)**	**Principal investment objectives**	**Sources of funding**
Construction, Mining and Utility Equipment	86,400	To reorganize production and to develop and manufacture new products, etc.	Funds on hand, bank borrowings, etc.
Industrial Machinery and Others	3,200	To renew obsolete equipment and to streamline production, etc.	Funds on hand, bank borrowings, etc.
Total	89,600		

Note: Capital investment amounts exclude consumption tax.

In the Construction, Mining and Utility Equipment operating segment, Komatsu plans to make investments to reorganize its production facilities in Japan, the Americas and Europe. In addition, Komatsu plans to make investments to enhance production efficiency and develop hybrid construction equipment as well as products that comply with the latest engine emissions standards. In the Industrial Machinery and Others operating segment, Komatsu plans to make investments to renew obsolete equipment and streamline its production.

Item 4A. Unresolved Staff Comments

None.

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Item 5. Operating and Financial Review and Prospects

A. Operating Results

Overview

The following discussion and analysis provides information that Komatsu s management believes to be relevant in understanding Komatsu s consolidated financial condition and results of operations. For the convenience of the reader, Japanese yen amounts have been converted to U.S. dollar amounts at the rate of ¥99 to U.S.$1.00, the approximate buying rate of Japanese yen as of noon on March 31, 2009 in New York City as reported by the Federal Reserve Board.

Komatsu s Business

Komatsu is a global organization engaged primarily in the manufacturing, development, marketing and sale of industrial-use equipment and products. Beginning in the fiscal year ended March 31, 2009, Komatsu reclassified its business segments into the following two operating segments: (1) Construction, Mining and Utility Equipment and (2) Industrial Machinery and Others.

Formerly, Komatsu s business consisted of the following two operating segments: (1) Construction and Mining Equipment and (2) Industrial Machinery, Vehicles and Others. Starting with the fiscal year ended March 31, 2009, Komatsu reclassified the forklift truck business of Komatsu Utility Co., Ltd. and the businesses of Komatsu Logistics Corp.(both of which were formerly in the Industrial Machinery, Vehicles and Others operating segment) so that such businesses are part of Komatsu s construction and mining equipment business, and accordingly, changed its operating segments by renaming the Construction and Mining Equipment operating segment as the Construction, Mining and Utility Equipment operating segment and the Industrial Machinery, Vehicles and Others operating segment as the Industrial Machinery and Others operating segment.

Having completed the merger of its forklift truck business with the compact construction equipment business into the newly formed Komatsu Utility Co., Ltd. during the fiscal year ended March 31, 2008 and taking into consideration the strong relationships that Komatsu Logistics Corp. (which transports products, components and parts) has with companies engaged in the construction and mining equipment business, Komatsu s management determined that it was appropriate to reclassify these businesses starting with the fiscal year ended March 31, 2009.

Accordingly, the financial data for the prior fiscal years have been retrospectively adjusted to reflect this reclassification.

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Sales for the fiscal year ended March 31, 2009 in the Construction, Mining and Utility Equipment operating segment and the Industrial Machinery and Others operating segment accounted for approximately 86.3% and 13.7% of consolidated net sales, respectively. Of the consolidated net sales for the fiscal year ended March 31, 2009, 22.4% of net sales were derived from sales to customers located in Japan, and 77.6% of net sales were derived from sales to customers located outside of Japan. For additional information about Komatsu s products, competitive position, organizational structure and property, plant and equipment, see Item 4. Information on the Company.

The average exchange rate between the Japanese yen and the U.S. dollar was ¥100.85 for the fiscal year ended March 31, 2009 and ¥113.61 for the fiscal year ended March 31, 2008. For additional discussion on the effect of foreign currency exchange rate fluctuations on Komatsu s business, see Risk Factors in Item 3.D. Key Information and Comparison of Fiscal Years ended March 31, 2009 and 2008 in Item 5.A. Operating Results.

General Overview

The fiscal year ended March 31, 2009 was a turbulent year with the financial crisis in the middle of the fiscal year drastically changing the landscape of the global economy.

While economic activity continued to slow down in advanced economies during the first half of the fiscal year ended March 31, 2009, emerging economies continued to grow at a fairly robust rate as a result of their limited exposure to the U.S. subprime market. In light of such situation, Komatsu s business continued to grow in the first half of the fiscal year, supported by the strong demand in the emerging markets. During the first half of the fiscal year, Komatsu continued its efforts to increase sales of new equipment, realize sales at higher prices and reinforce its product support operations. As increased commodity prices pushed up the prices of materials used to produce Komatsu products, such as steel materials and other purchased parts, Komatsu worked to absorb such increased costs by increasing the sale prices of its products and reducing production costs through improvements in its production efficiency (such as by shortening the manufacturing time of certain products by utilizing newer equipment and achieving an optimal layout in its facilities).

This situation deteriorated rapidly in September 2008 with the credit crunch as financial institutions started to deleverage their balance sheets and with the sharp fall in the housing and equity markets. The financial crisis rapidly transformed into a crisis for the real economy, resulting in a significant contraction of industrial production and global trade during the second half of the fiscal year. The ramification of this financial turmoil spread to all sectors and regions of the world. In addition, this sharp deterioration in global economic prospects abruptly ended the commodity price boom that had taken place during the past few years with a sharp price correction.

With the global economic recession and the decreased worldwide demand in construction, the business environment for Komatsu became particularly challenging during the second half of the fiscal year. While demand for mining equipment continued to be relatively robust, demand for construction and utility equipment dropped sharply on a global basis, including in the emerging economies and commodity-exporting countries. Demand for Komatsu s industrial machinery also decreased due primarily to the decrease in capital investments by a wide range of client industries, including the automobile manufacturing industry.

The fiscal year ended March 31, 2009 was also a turbulent year in terms of foreign exchange rates. Currencies such as the Australian dollar, the Russian ruble and the South African rand depreciated sharply against the Japanese yen and the U.S. dollar, while the Japanese yen appreciated significantly against most currencies, including the U.S. dollar and the Euro. The emerging markets were badly affected by these fluctuations, and the appreciation of the Japanese yen also worked against Komatsu.

In response to the drastic change in the business environment, Komatsu placed top priority during the second half of the fiscal year on quickly adjusting its inventory levels. More specifically, Komatsu supported its dealers and distributors in quickly adjusting their inventory levels by suspending sales to them. Consistent with such efforts, Komatsu made substantial adjustment to its production levels in both Japan and overseas. In addition, Komatsu implemented various structural reforms, including consolidating and eliminating plants and production lines in Japan, the Americas and Europe, reducing the number of product models that are manufactured in North America and Europe, reorganizing its sales and service force in Japan, consolidating plants and head office operations of Komatsu Utility Co., Ltd., and undertaking group-wide efforts to reduce fixed costs.

To further reinforce its corporate strength, Komatsu decided to reorganize its production facilities in Japan. More specifically, Komatsu decided to shut down the Mooka and Komatsu plants and transfer their production to the Ibaraki and Kanazawa plants as well as to other facilities. The Ibaraki and Kanazawa plants were built in 2007 and are equipped with state-of-the-art technologies, which enable such plants to manufacture products efficiently and be highly productive. Because these plants are located adjacent to ports, the transfer of production to these two plants is expected to contribute to a reduction in transportation and production costs. In addition, Komatsu decided to relocate the production of wire saws of Komatsu NTC Ltd. from its current location to Komatsu NTC Ltd. s main plant in the Toyama area. Komatsu NTC Ltd. is working to streamline its production and accelerate its research and development activities with respect to wire saws by making effective use of the management resources available at its main plant.

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Summary of Operating Results

In light of the global economic recession, the business environment for Komatsu has become particularly challenging. Affected by such a drastic change in the business environment, Komatsu s consolidated business results for the fiscal year ended March 31, 2009 fell below the business results for the fiscal year ended March 31, 2008.

Consolidated net sales for the fiscal year ended March 31, 2009 decreased by 9.9% from the fiscal year ended March 31, 2008 to ¥2,021,743 million (U.S.$20,422 million) due primarily to the downturn in demand for construction, mining and utility equipment. The business environment for the Construction, Mining and Utility Equipment operating segment changed drastically and became very challenging in the second half of the fiscal year ended March 31, 2009. Demand for such construction, mining and utility equipment in the European markets began to decline in the first half while demand in Japan and North America continued to remain slack in line with the fiscal year ended March 31, 2008. Demand for construction, mining and utility equipment in China and other emerging economies began to plunge in the second half of the fiscal year due to the global financial crisis and the drastic fall in commodity prices.

Operating income for the fiscal year ended March 31, 2009 was ¥151,948 million (U.S.$1,535 million), which decreased by 54.3% as compared to the fiscal year ended March 31, 2008. This decrease in operating income was due primarily to negative factors such as (1) the increase in prices of materials used in the production of Komatsu products, (2) the decrease in demand for Komatsu products during the second half of the fiscal year, (3) unfavorable changes in foreign exchange rates, (4) expenses associated with structural reforms of production and sales operations, (5) the decrease in equipment sales to dealers and distributors to support their efforts to quickly adjust inventory levels, which resulted in certain costs not being fully absorbed due to reduced production volumes and (6) higher fixed costs, such as R&D expenses and depreciation, which outweighed positive factors, such as the realization of product sales at higher prices.

Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies for the fiscal year ended March 31, 2009 decreased by 60.0% from the fiscal year ended March 31, 2008 to ¥128,782 million (U.S.$1,301 million).

Net income for the fiscal year ended March 31, 2009 decreased by 62.3% to ¥78,797 million (U.S.$796 million) from the fiscal year ended March 31, 2008.

Key Management Indices

Komatsu s management uses the following six financial indicators to assess its financial condition and results of operations: (1) net sales, (2) segment profit, (3) operating income, (4) operating income ratio, (5) return on equity ratio (ROE) and (6) net debt-to-equity ratio (Net DER). Set forth below is the summary of operating results for the fiscal years ended March 31, 2009 and 2008.

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Management considers segment profit, which is determined in a manner that is consistent with Japanese accounting principles, to be one of its key management indices because it enables management to evaluate financial data for each operating and geographic segment separately, without the effect of nonrecurring events and other factors unrelated to business activities, such as impairment loss or interest income/expense. Based on such evaluation of financial data for each operating and geographic segment, management assesses the performance of each such operating and geographic segment and determines how to allocate resources to each such segment.

	Results for Fiscal Year Ended March 31,		Percentage Change
Management Indices	**2009**	**2008**	**2009 vs. 2008**
Net Sales	¥2,021,743 million	¥2,243,023 million	-9.9%
Segment Profit [1)]	¥188,658 million	¥334,586 million	-43.6%
Operating Income	¥151,948 million	¥332,850 million	-54.3%
Operating Income Ratio [2)]	7.5%	14.8%	-7.3 points
ROE [3)]	9.3%	25.1%	-15.8 points
Net DER [4)]	0.62	0.39	0.23

Notes:

1) Segment Profit = Net Sales {(Cost of Sales) + (Selling, General and Administrative Expenses)}

   Segment Profit is determined in a manner that is consistent with Japanese accounting principles.

2) Operating Income Ratio = Operating Income/Net Sales

3) ROE = Net Income for the fiscal year/{(Shareholders Equity at the beginning of the fiscal year) + (Shareholders Equity at the end of the fiscal year)/2}

4) Net DER = (Interest-bearing Debt

Cash and Cash Equivalents time deposits)/Shareholders Equity

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2009 decreased by 9.9% to ¥2,021,743 million (U.S.$20,422 million) as compared to the fiscal year ended March 31, 2008. This decrease was due primarily to decreased sales in the Construction, Mining and Utility Equipment operating segment resulting from the drastic change in the business environment. Sales of construction, mining and utility equipment became particularly challenging in the second half of the fiscal year with demand also decreasing in emerging economies and commodity-exporting countries. Under such circumstances, Komatsu suspended sales of equipment from Komatsu to dealers and distributors to support their efforts to quickly adjust inventory levels, which decreased Komatsu s net sales in this operating segment. As a result, sales in the Construction, Mining and Utility Equipment operating segment declined from the fiscal year ended March 31, 2008.

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The decrease in sales of the Construction, Mining and Utility Equipment operating segment was partially offset by the increase in sales of the Industrial Machinery and Others operating segment due primarily to the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008. A wide range of client industries, including the automobile manufacturing industry, rapidly restrained their capital investment and created a challenging environment for the Industrial Machinery and Others operating segment during the second half of the fiscal year.

In addition, the unfavorable changes in foreign exchange rates, such as the appreciation of the Japanese yen against the U.S. dollar and the Euro compared to the fiscal year ended March 31, 2008, also contributed to the decrease in net sales for the fiscal year ended March 31, 2009.

Segment Profit

Consolidated segment profit for the fiscal year ended March 31, 2009 decreased by 43.6% to ¥188,658 million (U.S.$1,906 million) as compared to the fiscal year ended March 31, 2008. This decrease in segment profit was due primarily to negative factors such as (1) the increase in prices of materials used in the production of Komatsu products, (2) the decrease in demand for Komatsu products during the second half of the fiscal year, (3) unfavorable changes in foreign exchange rates, (4) the decrease in equipment sales to dealers and distributors to support their efforts to quickly adjust inventory levels, which resulted in certain costs not being fully absorbed due to reduced production volumes and (5) higher fixed costs, such as R&D expenses and depreciation, which outweighed positive factors, such as the realization of product sales at higher prices.

Operating Income, Operating Income Ratio

Operating income for the fiscal year ended March 31, 2009 was ¥151,948 million (U.S.$1,535 million), down by 54.3% or ¥180,902 million from ¥332,850 million for the fiscal year ended March 31, 2008. This decrease in operating income was due primarily to negative factors such as (1) the increase in prices of materials used in the production of Komatsu products, (2) the decrease in demand for Komatsu products during the second half of the fiscal year, (3) unfavorable changes in foreign exchange rates, (4) expenses associated with structural reforms of production and sales operations, (5) the decrease in equipment sales to dealers and distributors to support their efforts to quickly adjust inventory levels, which resulted in certain costs not being fully absorbed due to reduced production volumes and (6) higher fixed costs, such as R&D expenses and depreciation, which outweighed positive factors, such as the realization of product sales at higher prices.

Operating income ratio for the fiscal year ended March 31, 2009 decreased by 7.3 percentage points to 7.5% from 14.8% for the fiscal year ended March 31, 2008.

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ROE

Net income in the fiscal year ended March 31, 2009 decreased by 62.3% to ¥78,797 million (U.S.$796 million) compared with the fiscal year ended March 31, 2008 due primarily to the decrease in operating income. As a result, ROE for the fiscal year ended March 31, 2009 decreased by 15.8 percentage points to 9.3% from 25.1% in the fiscal year ended March 31, 2008.

Net DER

Komatsu s aggregate interest-bearing debt as of March 31, 2009 was ¥599,855 million (U.S.$6,059 million), which increased by ¥147,760 million as compared to March 31, 2008. This increase was due primarily to increased borrowings mainly to meet its working capital needs in connection with its retail finance business and to pay taxes for the fiscal year ended March 31, 2008.

Net interest-bearing debt after deducting cash and deposits also increased by ¥159,260 million to ¥509,248 million (U.S.$5,144 million) in the fiscal year ended March 31, 2009. As a result, Net DER for the fiscal year ended March 31, 2009 increased to 0.62 from 0.39 for the fiscal year ended March 31, 2008.

Critical Accounting Policies

Komatsu prepares its consolidated financial statements in conformity with U.S. GAAP. Komatsu s management regularly makes certain estimates and judgments that Komatsu believes are reasonable based upon available information. These estimates and judgments affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of income and expenses during the periods presented, and the disclosed information regarding contingent liabilities and debts. These estimates and judgments are based on Komatsu s historical experience, terms of existing contracts, Komatsu s observance of trends in the industry, information provided by its customers and information available from other outside sources, as appropriate.

By their nature, these estimates and judgments are subject to an inherent degree of uncertainty, and may differ from actual results. For a summary of Komatsu s significant accounting policies, including the critical accounting policies discussed below, see Note 1 to the Consolidated Financial Statements. Komatsu s management believes that the following accounting policies are critical in fully understanding and evaluating Komatsu s reported financial results.

(1) Allowance for Doubtful Receivables
Komatsu estimates the collectability of its trade receivables taking into consideration numerous factors including the current financial position by each customer. Komatsu establishes an allowance for expected losses based on individual credit information, historical experience and assessment of overdue receivables. Komatsu continually analyzes data obtained from internal and external sources in order to become familiar with customers credit situations. Since Komatsu s historical loss experiences have fallen within their original estimates and established provisions, Komatsu s management believes its allowance for doubtful receivables to be adequate. If the composition of Komatsu s trade receivable were to change or the financial position of each customer were to change due to an unexpected significant shift in the economic environment, it is possible that the accuracy of its estimates could be affected and thus its financial position and results of operations could be materially affected. For additional information, see Note 5 to the Consolidated Financial Statements.
(2) Deferred Income Tax Assets and Uncertain Tax Positions
Komatsu estimates income taxes and income tax payable in accordance with applicable tax laws in each of the jurisdictions in which it operates. Net operating loss carry forwards and temporary differences resulting from differing treatment of items for taxation and financial accounting and reporting purposes are recognized on Komatsu s consolidated balance sheet by adjusting the effect for deferred income tax assets and liabilities. Komatsu is required to assess the likelihood that each of its group company s deferred tax assets will be recovered from future taxable income estimated for each group company and the available tax planning strategies. Komatsu s management estimates its future taxable income and considers the likelihood of recovery of deferred tax assets based on the management plan authorized by the board of directors, periodic operational reports of each group company, future market conditions and tax planning strategies, and, to the extent Komatsu s management believes that any such recovery is not likely, each group company establishes a valuation allowance to reduce the amount of deferred tax assets reflected in the consolidated balance sheet. Changes to the amount and timing of future taxable income determined by Komatsu s management could result in increases to the valuation allowance.
Benefits derived from uncertain tax positions are recognized when a particular tax position meets the more-likely-than-not recognition threshold based on the technical merits of such position. A benefit is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon a final settlement with the appropriate taxing authority. Komatsu assesses the likelihood of sustaining such tax positions at each reporting date, with any changes in estimate reflected in the period such changes occur, until such time as the positions are effectively settled.
While Komatsu s management believes that all deferred tax assets after adjustments for valuation allowance will be realized and all material uncertain tax positions that are recognized will be successfully sustained, Komatsu may be required to adjust its deferred tax assets or valuation allowance or reserve for unrecognized tax benefits if its estimates differ from actual results due to poor operating results, lower future taxable income as compared to estimated taxable income or different interpretations of tax laws by the relevant tax authorities. These adjustments to the valuation allowance or recognized tax benefits could materially affect Komatsu s financial position and results of operations. For additional information, see Note 16 to the Consolidated Financial Statements.

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(3) Valuation of Long-Lived Assets and Goodwill

Komatsu s long-lived assets are reviewed for potential impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable, such as a decrease in future cash flows caused by a change in business environment. The recoverability of assets to be held and used is measured by comparing the carrying amount of a particular asset to the estimated future undiscounted cash flow expected to be generated by such asset. Such future undiscounted cash flow is estimated in accordance with Komatsu s management plan. The management plan is established by taking into consideration, to the extent possible, management s best estimates on the fluctuation of sales prices, changes in manufacturing costs and sales, general and administrative expenses based on expected sales volumes derived from market forecasts available through outside research institutions and through customers.

If the carrying amount of an asset exceeds its future undiscounted cash flow and such asset is considered unrecoverable and identified as an impaired asset, Komatsu recognizes an impairment loss based on the amount by which the carrying amount of the asset exceeds its fair value. Fair value is customarily measured based on the asset s future discounted cash flow, and the rate used to discount such cash flow is the weighted average capital cost reflecting the fluctuation risk of future cash flow in the capital markets. As an alternative to such customary method, fair value may also be measured based on an independent appraisal. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less costs of sales.

Komatsu reviews its goodwill annually for impairment as of March 31. An impairment of goodwill is deemed to occur when the carrying amount of the reporting unit, including goodwill, exceeds its estimated fair value. Impairment losses on goodwill are recognized by conducting a two step test. The first of the two step test, which is used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the test is performed. The second step of the test, which is used to measure the amount of impairment loss, compares the implied fair value of the goodwill of the reporting unit with the carrying amount of that goodwill. Determination of the implied fair value of the goodwill requires management to estimate the fair value of other identifiable assets and liabilities of the reporting unit based on discounted cash flows, appraisals or other valuation methods. If the carrying amount of the goodwill of the reporting unit exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

In the event that Komatsu s strategy or market conditions in which it operates changes, estimates of future cash flows to be generated by an asset and evaluations of fair value would be affected, and the assessment of the ability to recover the carrying amount of long-lived assets and goodwill may change. Accordingly, such changes in assessment could materially affect Komatsu s financial position and results of operations.

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(4) Fair Value of Financial Instruments

The fair values of derivative financial instruments, consisting principally of foreign currency contracts and interest swap agreements, are estimated by obtaining quotes from brokers based on observable market inputs.

While fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments, these estimates are subjective in nature. The estimated fair values may change due to uncertainties of the financial markets, and may therefore differ from actual results. The fair values of marketable investment securities are stated at market price.

In the case of a decrease in market price, in periodically assessing other-than-temporary impairment of marketable investment securities and investments in affiliates, Komatsu considers the period and amount of its decline, and the financial conditions and prospects of each subject company. While Komatsu believes that there are no major impairments of its investment securities or investments in affiliates at present, if the performance and business conditions of a subject company deteriorate due to a change in business circumstances, Komatsu may recognize an impairment of its investments.

(5) Pension Liabilities and Expenses

The amount of Komatsu s pension obligations and net period pension costs are dependent on certain assumptions used to calculate such amounts. These assumptions are described in Note 13 to the Consolidated Financial Statements and include the discount rate, expected rate of return on plan assets and rates of increase in compensation. In accordance with U.S. GAAP, actual results that differ from these assumptions are accumulated and amortized over future service years of employees and therefore generally affect Komatsu s recognized expenses and recorded obligations during such future periods.

The discount rate is determined based on the rates of return of high-quality fixed income investments currently available and expected to be available until the maturity of the pension benefits. The expected long-term rate of return on plan assets is determined by taking into consideration the current expectations for future returns and actual historical returns of each plan asset category.

While Komatsu believes that its assumptions are appropriate, in the event that actual results differ significantly from these assumptions or significant changes are made to these assumptions, Komatsu s pension obligations and future expenses may be affected.

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The following table illustrates the sensitivity of pension obligations and net periodic pension costs to changes in discount rates and expected long-term rate of return on pension plan assets, while holding all other assumptions constant, for Komatsu s pension plans as of March 31, 2009.

Change in assumption	Pension obligations (Billions of Yen)	Net periodic pension costs (Billions of Yen)
0.5% increase/ decrease in discount rate	-11.2 /+12.1	-0.9 /+1.0
0.5% increase/ decrease in expected long-term rate of return		-0.6 / +0.6

(6) Securitization

Komatsu has several accounts receivable securitization programs, and such securitizations are expected to remain an important source of funding for Komatsu in the future. Receivables that are securitized are removed from its consolidated balance sheet when they are sold. Komatsu has entered into contractual arrangements with special purpose entities solely for the purpose of securitizing its receivables. For key assumptions used in measuring the fair value of retained interests related to securitization transactions, see Item 5.E. Off-Balance Sheet Arrangements.

Recent Accounting Standards Not Yet Adopted

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No.141 (revised 2007) (SFAS No.141R), Business Combinations. SFAS No.141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired or gain from a bargain purchase. SFAS No.141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No.141R is effective for the fiscal periods beginning on or after December 15, 2008 and is required to be adopted by Komatsu in the fiscal year beginning April 1, 2009. Komatsu is currently evaluating the effect that the adoption of SFAS No. 141R will have on its consolidated results of operations and financial condition but expects it will not have a material impact.

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In December 2007, the FASB issued SFAS No.160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No.51. SFAS No.160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No.160 also establishes disclosure requirements that clearly identify and distinguish between the controlling and noncontrolling interests and requires the separate disclosure of income attributable to controlling and noncontrolling interests. SFAS No.160 is effective for the fiscal periods beginning on or after December 15, 2008 and is required to be adopted by Komatsu in the fiscal year beginning April 1, 2009.

In May 2008, the FASB issued SFAS No. 163, Accounting for Financial Guarantee Insurance Contracts an interpretation of FASB Statement No. 60. SFAS No. 163 prescribes accounting for insurers of financial obligations, bringing consistency to the recognition and recordation of premiums and to loss recognition. SFAS No. 163 also requires expanded disclosures about financial guarantee insurance contracts. Except for some disclosures, SFAS No.163 is effective for fiscal periods beginning after December 15, 2008 and is required to be adopted by Komatsu in the fiscal year beginning April 1, 2009. Komatsu is currently evaluating the effect that the adoption of SFAS No. 163 will have on its consolidated results of operations and financial condition but expects it will not have a material impact.

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Comparison of the Fiscal Years ended March 31, 2009 and 2008

The following tables set forth selected consolidated financial and operating data, including numerical data expressed as a percentage of total consolidated net sales for the periods indicated, and the changes in each consolidated financial line item between the indicated fiscal years.

Consolidated Statements of Income

	Millions of Yen Fiscal Years Ended March 31, 2009		2008		Percentage Change 2009 vs. 2008	Millions of U.S. dollars 2009
Net sales	**¥2,021,743**	100.0%	¥2,243,023	100.0%	-9.9%	**$ 20,422**
Cost of sales	**1,510,408**	74.7%	1,590,963	70.9%	-5.1%	**15,257**
Selling, general and administrative expenses	**322,677**	16.0%	317,474	14.2%	1.6%	**3,259**
Impairment loss on long-lived assets	**16,414**	0.8%	2,447	0.1%	570.8%	**166**
Impairment loss on goodwill	**2,003**	0.1%	2,870	0.1%	-30.2%	**20**
Other operating income (expenses)	**(18,293)**	-0.9%	3,581	0.1%	-610.8%	**(185)**
Operating income	**151,948**	7.5%	332,850	14.8%	-54.3%	**1,535**
Other income (expenses)	**(23,166)**		(10,640)		117.7%	**(234)**
Interest and dividend income	**8,621**		10,265		-16.0%	**87**
Interest expense	**(14,576)**		(16,699)		-12.7%	**(147)**
Other-net	**(17,211)**		(4,206)			**(174)**
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies	**128,782**	6.4%	322,210	14.4%	-60.0%	**1,301**
Income taxes						
Current	**60,511**		104,142			**611**
Deferred	**(18,218)**		11,652			**(184)**
Total	**42,293**	2.1%	115,794	5.2%	-63.5%	**427**

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	Millions of Yen Fiscal Years Ended March 31, 2009		2008		Percentage Change 2009 vs. 2008	Millions of U.S. dollars 2009
Income from continuing operations before minority interests and equity in earnings of affiliated companies	**86,489**	4.3%	206,416	9.2%	-58.1%	**874**
Minority interests in income of consolidated subsidiaries	**(8,088)**	-0.4%	(9,435)			**(82)**
Equity in earnings of affiliated companies	**396**	0.0%	6,845			**4**
Income from continuing operations	**78,797**	3.9%	203,826	9.1%	-61.3%	**796**
Income from discontinued operations less applicable income taxes			4,967	0.2%	-100.0%	
Net income	**¥ 78,797**	3.9%	¥ 208,793	9.3%	-62.3%	**$ 796**

	Yen 2009	2008	U.S. cents 2009
Per share data			
Income from continuing operations:			
Basic	**¥ 79.95**	¥ 204.88	**¢ 80.76**
Diluted	**79.89**	204.61	**80.70**
Income from discontinued operations:			
Basic		4.99	
Diluted		4.98	
Net income:			
Basic	**79.95**	209.87	**80.76**
Diluted	**79.89**	209.59	**80.70**
Cash dividends per share	**¥ 44.00**	¥ 38.00	**¢ 44.44**

	Millions of Yen Fiscal Years Ended March 31, 2009		2008		Percentage change 2009 vs. 2008	Millions of U.S. dollars 2009
Segment profit	**188,658**	9.3%	334,586	14.9%	-43.6%	**$ 1,906**

Notes:

1) In the fiscal year ended

March 31, 2008, Komatsu sold the OPE business of Komatsu Zenoah Co. and its subsidiaries. As a result, operating results and the gain recognized on the sale of the OPE business of Komatsu Zenoah Co. and its subsidiaries are presented as "Income from discontinued operations less applicable income taxes" for the fiscal year ended March 31, 2008.

2) Segment profit is determined in a manner that is consistent with Japanese accounting principles. Segment profit is obtained by subtracting cost of sales and selling, general and administrative expenses from net sales.

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Net Sales

Consolidated net sales for the fiscal year ended March 31, 2009 decreased by 9.9%, or ¥221,280 million, to ¥2,021,743 million (U.S.$20,422 million) from ¥2,243,023 million for the fiscal year ended March 31, 2008. This decrease was due primarily to decreased sales in the Construction, Mining and Utility Equipment operating segment, which was partially offset by the increase in sales of the Industrial Machinery and Others operating segment due to the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008. Unfavorable changes in foreign exchange rates, such as the appreciation of the Japanese yen against the U.S. dollar, the Euro and other currencies, also contributed to the decrease in net sales.

For the fiscal year ended March 31, 2009, net sales to customers in the Construction, Mining and Utility Equipment operating segment decreased by 14.8%, or ¥303,978 million, to ¥1,744,733 million as compared to the fiscal year ended March 31, 2008. This decrease reflected the significant decrease in demand for construction, mining and utility equipment as a result of the global economic recession. Net sales of construction, mining and utility equipment became particularly challenging during the second half of the fiscal year with demand also decreasing in emerging economies and commodity-exporting countries. In light of such circumstances, Komatsu suspended equipment sales to its dealers and distributors to support their efforts to quickly adjust inventory levels, which decreased Komatsu s net sales. In addition, management believes that unfavorable changes in foreign exchange rates, such as the appreciation of the Japanese yen against the U.S. dollar, the Euro and other currencies, decreased net sales in the Construction, Mining and Utility Equipment operating segment by approximately ¥152,700 million.

The decrease in net sales to customers in the Construction, Mining and Utility Equipment operating segment was partially offset by the increase in net sales to customers in the Industrial Machinery and Others operating segment, which increased by 42.6%, or ¥82,698 million, to ¥277,010 million as compared to the fiscal year ended March 31, 2008 due primarily to the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008. A wide range of client industries, including the automobile manufacturing industry, rapidly restrained their capital investment and created a challenging environment for the Industrial Machinery and Others operating segment during the second half of the fiscal year. Excluding the net sales of Komatsu NTC Ltd., net sales to customers in the Industrial Machinery and Others operating segment would have decreased by 13.4% or ¥26,100 million in the fiscal year ended March 31, 2009. Foreign exchange rate fluctuations had only a limited effect on net sales in the Industrial Machinery and Others operating segment.

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Cost of Sales

Cost of sales on a consolidated basis decreased by 5.1%, or ¥80,555 million, to ¥1,510,408 million (U.S.$15,257 million) for the fiscal year ended March 31, 2009 from ¥1,590,963 million for the fiscal year ended March 31, 2008, due primarily to decreased sales. Despite various efforts undertaken by Komatsu, such as realization of sales of products at higher prices and reduction of production cost, cost of sales to sales ratio increased by 3.8 percentage points to 74.7% for the fiscal year ended March 31, 2009 from 70.9% for the fiscal year ended March 31, 2008. This increase was mainly due to (1) the increase in prices of materials used in the production of Komatsu products, (2) the adverse impact of foreign exchange rate fluctuations upon sales in relation to cost of sales and (3) certain costs not being fully absorbed due to reduced production volumes.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 1.6% for the fiscal year ended March 31, 2009 to ¥322,677 million (U.S.$3,259 million) from ¥317,474 million for the fiscal year ended March 31, 2008, due primarily to research and development activities relating to the Construction, Mining and Utility Equipment operating segment, including expenses incurred in connection with the development of new DANTOTSU products and next generation engines that comply with the latest emissions regulations that will become effective in the near future. The addition of BIGRENTAL Co., Ltd. and Komatsu NTC Ltd. as consolidated subsidiaries also contributed to the increase in selling, general and administrative expenses.

Impairment loss on long-lived assets

Consolidated impairment loss on long-lived assets for the fiscal year ended March 31, 2009 increased by ¥13,967 million, to ¥16,414 million (U.S.$166 million) as compared to ¥2,447 million for the fiscal year ended March 31, 2008. This increase was due primarily to the impairment loss recorded in connection with the decision to close the Mooka plant and the Komatsu plant and transfer the production capacity of such plants to other Komatsu plants and facilities.

Impairment loss on goodwill

Consolidated impairment loss on goodwill for the fiscal year ended March 31, 2009 decreased by ¥867 million, to ¥2,003million (U.S.$20 million) as compared to ¥2,870 million for the fiscal year ended March 31, 2008. Komatsu recognized an impairment loss of ¥2,003 million on goodwill allocated to a reporting unit in Japan that is engaged in the rental business, which is included in the Construction, Mining and Utility Equipment operating segment, due to unfavorable business circumstances.

Other Operating Income (Expenses)

For the fiscal year ended March 31, 2009, Komatsu recorded consolidated other operating expenses of ¥18,293 million as compared to consolidated other operating income of ¥3,581 million for the fiscal year ended March 31, 2008. While Komatsu would have recorded an income for the fiscal year ended March 31, 2009 as a result of gain recorded on the sale of some of its properties, such gain was fully offset by expenses incurred in connection with losses resulting from the disposal or sale of fixed assets. Komatsu also recorded expenses associated with structural reforms that it implemented during the fiscal year ended March 31, 2009 with respect to its production and sales operations, such as reorganization and relocation costs.

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Operating Income

Consolidated operating income for the fiscal year ended March 31, 2009 decreased by 54.3%, or ¥180,902 million, to ¥151,948 million (U.S.$1,535 million) as compared to ¥332,850 million for the fiscal year ended March 31, 2008. This decrease in operating income was due primarily to negative factors such as (1) the increase in prices of materials used in the production of Komatsu products, (2) the decrease in demand for Komatsu products during the second half of the fiscal year, (3) unfavorable changes in foreign exchange rates, (4) expenses associated with structural reforms of production and sales operations, (5) the decrease in equipment sales to dealers and distributors to support their efforts to quickly adjust inventory levels, which resulted in certain costs not being fully absorbed due to reduced production volumes and (6) higher fixed costs, such as R&D expenses and depreciation, which outweighed positive factors, such as the realization of product sales at higher prices.

As a result, operating income ratio for the fiscal year ended March 31, 2009 decreased by 7.3 percentage points to 7.5% from 14.8% for the fiscal year ended March 31, 2008.

Other Income (Expenses)

Consolidated other expenses for the fiscal year ended March 31, 2009 increased by 117.7%, or ¥12,526 million, to ¥23,166 million (U.S.$234 million) as compared to ¥10,640 million for the fiscal year ended March 31, 2008. This increase was due primarily to foreign exchange rate losses and losses recorded as a result of impairment in securities investments. Foreign exchange rate losses increased by ¥8,335 million for the fiscal year ended March 31, 2009 to ¥11,802 million as compared to ¥3,467 million for the fiscal year ended March 31, 2008 in light of the unfavorable changes in foreign exchange rates, such as the appreciation of the Japanese yen against the U.S. dollar, the Euro and other currencies. In addition, Komatsu recorded a loss on securities investments of ¥9,441 million for the fiscal year ended March 31, 2009, an increase of ¥9,152 million as compared to ¥289 million for the fiscal year ended March 31, 2008. This increase in loss on securities investments was due primarily to the overall decline in the stock markets. While interest expense for the fiscal year ended March 31, 2009 decreased by 12.7%, or ¥2,123 million, to ¥14,576 million as compared to ¥16,699 million for the fiscal year ended March 31, 2008, due primarily to lower interest rates, interest expenses also contributed to the increase in other expenses. The increase in other income resulting from the above factors was partially offset by interest and dividend income, which decreased by 16.0%, or ¥1,644 million, to ¥8,621 million for the fiscal year ended March 31, 2009 as compared to ¥10,265 million for the fiscal year ended March 31, 2008, due primarily to lower interest rates.

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Income from Continuing Operations Before Income Taxes, Minority Interests and Equity in Earnings of Affiliated Companies

As a result of the above factors, consolidated income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies for the fiscal year ended March 31, 2009 decreased by 60.0%, or ¥193,428 million, to ¥128,782 million (U.S.$1,301 million) as compared to ¥322,210 million for the fiscal year ended March 31, 2008.

Total Income Taxes

Total consolidated income taxes for the fiscal year ended March 31, 2009 decreased by ¥73,501 million to ¥42,293 million (U.S.$427 million) from ¥115,794 million for the fiscal year ended March 31, 2008. The actual effective tax rate for the fiscal year ended March 31, 2009 decreased to 32.8% from 35.9% for the fiscal year ended March 31, 2008. This decrease was due to the fact that the proportion of income before income taxes, minority interests and equity in earnings of affiliated companies derived from countries with lower tax rates increased in relation to the total income before income taxes, minority interests and equity in earnings of affiliated companies for the fiscal year ended March 31, 2009.

The difference between the Japanese statutory tax rate of 40.8% and the actual effective tax rate of 32.8% was caused by income of certain foreign subsidiaries taxed at a rate lower than the Japanese statutory tax rate and a realization of previously reserved tax benefits on operating losses of subsidiaries, which were offset in part by an increase in valuation allowance and non-deductible expenses. For additional information, see Note 16 to the Consolidated Financial Statements.

Income from Continuing Operations Before Minority Interests and Equity in Earnings of Affiliated Companies

As a result of the above factors, consolidated income from continuing operations before minority interests and equity in earnings of affiliated companies for the fiscal year ended March 31, 2009 decreased by ¥119,927 million to ¥86,489 million (U.S.$874 million) as compared to ¥206,416 million for the fiscal year ended March 31, 2008.

Minority Interests in Income of Consolidated Subsidiaries

Minority interests in income of consolidated subsidiaries for the fiscal year ended March 31, 2009 decreased by ¥1,347 million to ¥8,088 million (U.S.$82 million) as compared to ¥9,435 million for the fiscal year ended March 31, 2008. Minority interests in income of consolidated subsidiaries decreased mainly as a result of declined earnings recorded primarily by subsidiaries in the Construction, Mining and Utility Equipment operating segment, such as Komatsu Shantui Construction Machinery Co., Ltd. and Bangkok Komatsu Co., Ltd.

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Equity in Earnings of Affiliated Companies

Consolidated equity in earnings of affiliated companies for the fiscal year ended March 31, 2009 decreased by ¥6,449 million to ¥396 million (U.S.$4 million) as compared to ¥6,845 million for the fiscal year ended March 31, 2008, due primarily to decreased earnings recorded by affiliated companies held under the equity accounting method, such as L&T-Komatsu Limited and Gigaphoton Inc., as well as the absence of earnings of an affiliated company of Komatsu NTC Ltd. that was recorded during the fiscal year ended March 31, 2008 before Komatsu NTC Ltd. became a consolidated subsidiary in March 2008.

Income from Continuing Operations

As a result of the above, consolidated income from continuing operations for the fiscal year ended March 31, 2009 decreased by 61.3%, or ¥125,029 million, to ¥78,797 million (U.S.$785 million) as compared to ¥203,826 million for the fiscal year ended March 31, 2008.

Income from Discontinued Operations Less Applicable Income Taxes

There was no consolidated income from discontinued operations less applicable income taxes for the fiscal year ended March 31, 2009, which was ¥4,967 million for the fiscal year ended March 31, 2008.

Net Income

As a result of the above factors, Komatsu s consolidated net income for the fiscal year ended March 31, 2009 decreased by 62.3%, or ¥129,996 million, to ¥78,797 million (U.S.$796 million) as compared to ¥208,793 million for the fiscal year ended March 31, 2008. Accordingly, basic net income per share fell to ¥79.95 for the fiscal year ended March 31, 2009 from ¥209.87 for the fiscal year ended March 31, 2008. Diluted net income per share fell to ¥79.89 for the fiscal year ended March 31, 2009 from ¥209.59 for the fiscal year ended March 31, 2008.

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Segment Profit

Segment profit, which is one of Komatsu s key management indices, is determined in a manner that is consistent with Japanese accounting principles by subtracting cost of sales and selling, general and administrative expenses from net sales. Komatsu considers segment profit to be one of its key management indices because it enables management to evaluate financial data for each operating and geographic segment separately, without the effect of nonrecurring events and other factors unrelated to business activities, such as impairment loss or interest income/expense. Based on such evaluation of financial data for each operating and geographic segment, management assesses the performance of each such operating and geographic segment and determines how to allocate resources to each such segment.

Segment profit on a consolidated basis decreased by 43.6%, or ¥145,928 million, to ¥188,658 million (U.S.$1,906 million) for the fiscal year ended March 31, 2009 from ¥334,586 million for the fiscal year ended March 31, 2008.

This decrease in segment profit was due primarily to negative factors such as (1) the increase in prices of materials used in the production of Komatsu products, (2) the decrease in demand for Komatsu products during the second half of the fiscal year, (3) unfavorable changes in foreign exchange rates, (4) the decrease in equipment sales to dealers and distributors to support their efforts to quickly adjust inventory levels, which resulted in certain costs not being fully absorbed due to reduced production volumes and (5) higher fixed costs, such as R&D expenses and depreciation, which outweighed positive factors, such as the realization of product sales at higher prices.

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For information regarding segment profit by operating segments and geographic segments, see Performance by Operating Segments and Performance by Geographic Segments (based on the geographic origin of the seller) below.

Performance by Operating Segments

The following table presents net sales and segment profit broken down by operating segments for the fiscal years ended March 31, 2009 and 2008. In evaluating the financial data for each operating segment, Komatsu s management considers sales by the location of its customers to be particularly helpful for the Construction, Mining and Utility Equipment operating segment, its primary operating segment. Accordingly, in addition to providing performance information by operating segments, the below table and related discussion provide information regarding sales in the Construction, Mining and Utility Equipment operating segment broken down by geographic locations of Komatsu s customer. Performance information by geographic segments (which are separately identified by management), which provides performance information based on the geographic location of the seller (as opposed to the customer), is provided under Performance by Geographic Segments (based on the geographic origin of the seller).

Performance by Operating Segments

	Millions of Yen Fiscal Years Ended March 31,		Percentage Change 2009 vs.	Millions of U.S. dollars
	2009	**2008**	**2008**	**2009**
Net sales:				
Construction, Mining and Utility Equipment				
Customers	**¥ 1,744,733**	¥ 2,048,711	-14.8%	**$ 17,624**
Japan	**309,895**	370,744	-16.4%	**3,130**
Americas	**462,405**	510,552	-9.4%	**4,671**
Europe and CIS	**273,259**	427,029	-36.0%	**2,760**
China	**179,221**	181,468	-1.2%	**1,810**
Asia (excluding Japan, China) and Oceania	**309,721**	328,725	-5.8%	**3,128**
Middle East and Africa	**210,232**	230,193	-8.7%	**2,124**
Intersegment	**4,653**	6,127	-24.1%	**47**
Total	**1,749,386**	2,054,838	-14.9%	**17,671**
Industrial Machinery and Others				
Customers	**277,010**	194,312	42.6%	**2,798**
Intersegment	**26,389**	23,376	12.9%	**267**
Total	**303,399**	217,688	39.4%	**3,065**
Elimination	**(31,042)**	(29,503)	5.2%	**(314)**
Consolidated Net Sales	**¥ 2,021,743**	¥ 2,243,023	-9.9%	**$ 20,422**
Segment Profit:				
Construction, Mining and Utility Equipment	**¥ 180,455**	¥ 317,895	-43.2%	**$ 1,823**
Industrial Machinery and Others	**12,891**	19,947	-35.4%	**130**
Total	**193,346**	337,842	-42.8%	**1,953**

Corporate expenses and elimination	**(4,688)**	(3,256)	44.0%	**(47)**
Consolidated Segment Profit	¥ **188,658**	¥ 334,586	-43.6%	$ **1,906**

Notes:

1) Transfers between segments are made at estimated arm s-length prices.

2) Starting with the fiscal year ended March 31, 2009, Komatsu reclassified the forklift truck business of Komatsu Utility Co., Ltd. and the businesses of Komatsu Logistics Corp. (both of which were formerly in the Industrial Machinery, Vehicles and Others operating segment) so that such businesses are part of Komatsu s construction and mining equipment business, and accordingly, changed its operating segments by renaming the Construction and Mining Equipment operating segment as the Construction, Mining and Utility Equipment operating segment and the Industrial Machinery, Vehicles and Others operating

segment as the Industrial Machinery and Others operating segment. As a result of this reclassification, the financial data for the fiscal year ended March 31, 2008 in the above table have been retrospectively reclassified using the new operating segments.

3) Segment profit is determined in a manner that is consistent with Japanese accounting principles. Segment profit is obtained by subtracting cost of sales and selling, general and administrative expenses from net sales.

Construction, Mining and Utility Equipment

Net sales

Consolidated net sales to customers in the Construction, Mining and Utility Equipment operating segment for the fiscal year ended March 31, 2009 decreased by 14.8%, or ¥303,978 million, to ¥1,744,733 million (U.S.$17,624 million) as compared to ¥2,048,711 million for the fiscal year ended March 31, 2008. Management believes that this decrease in sales was due primarily to negative factors, such as (1) the significant drop in demand on a global basis of Komatsu s construction, mining and utility equipment (which decreased net sales of this operating segment by approximately ¥193,300 million), (2) unfavorable changes in foreign exchange rates, such as the appreciation of the Japanese yen against the U.S. dollar and the Euro (which decreased net sales in this operating segment by approximately ¥152,700 million) and (3) Komatsu s decision to suspend equipment sales to dealers and distributors to support their efforts to quickly adjust inventory levels to the new business environment (which decreased net sales in this operating segment by approximately ¥30,000 million), which outweighed positive factors, such as the realization of product sales at higher prices (which increased net sales in this operating segment by approximately ¥70,600 million).

Net sales to customers in Japan (based on sales destination) for the fiscal year ended March 31, 2009 decreased by 16.4%, or ¥60,849 million, to ¥309,895 million (U.S.$3,130 million) as compared to ¥370,744 million for the fiscal year ended March 31, 2008. In the fiscal year ended March 31, 2009, demand fell sharply in Japan as a result of slack public-sector investments and reduced private-sector investments against the backdrop of the worsened economy in the second half of the fiscal year and sluggish housing starts. In addition, the decrease in the number of exports of used equipment from Japan due to lower demand for used equipment outside of Japan adversely affected demand for new equipment in Japan, because customers in Japan tend to trade in their old equipment for new equipment. Despite such market conditions, Komatsu strived to realize higher prices and expand its rental equipment business. In light of the significant decrease in demand, however, sales in Japan declined from the fiscal year ended March 31, 2008.

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Net sales to customers in the Americas (based on sales destination) for the fiscal year ended March 31, 2009 decreased by 9.4%, or ¥48,147 million, to ¥462,405 million (U.S.$4,671 million) as compared to ¥510,552 million for the fiscal year ended March 31, 2008. Although demand for mining equipment remained strong in North America, demand for construction equipment decreased due primarily to reduced U.S. housing starts and the slack economy resulting from the financial crisis. In addition, Komatsu s decision to suspend sales to dealers and distributors in North America to support their efforts to bring down their inventory to an appropriate level in light of the new business environment also contributed to the decrease in net sales in North America. While Komatsu continued its efforts to realize higher prices, such efforts were not sufficient to offset the significant decrease in demand. As a result, Komatsu recorded a decrease in net sales to customers in North America for the fiscal year ended March 31, 2009. As a percentage of total sales to customers in the Americas, sales to customers in North America for the fiscal year ended March 31, 2009 was 53.6% as compared to 63.2% for the fiscal year ended March 31, 2008. Despite decreased sales to customers in North America, demand expanded in Latin America. In response to such increased demand, Komatsu made adjustment to its local operations in Latin America to strengthen its marketing capability. While sales to customers in Latin America for the fiscal year ended March 31, 2009 increased to 46.4% of the total net sales to customers in the Americas as compared to 36.8% for the fiscal year ended March 31, 2008, it fell short of fully offsetting the sales decrease in North America. Accordingly, sales in the Americas decreased from the fiscal year ended March 31, 2008.

Net sales to customers in Europe and CIS (based on sales destination) for the fiscal year ended March 31, 2009 decreased by 36.0%, or ¥153,770 million, to ¥273,259 million (U.S.$2,760 million) as compared to ¥427,029 million for the fiscal year ended March 31, 2008. European economies which showed signs of contraction in the first half of the fiscal year deteriorated further in the second half of the fiscal year in light of the global financial crisis. As a result, demand for construction equipment decreased significantly in Europe. In CIS, decreased demand for construction equipment became more articulated in light of the global financial crisis and the decrease in commodity prices in the second half of the fiscal year. In addition to lower demand in both regions, the decrease in net sales to customers in Europe and CIS was partly due to Komatsu s proactive efforts to support dealers and distributors in this region adjust their inventory to an appropriate level by suspending sales to them. The depreciation of the Euro and the Russian ruble against the Japanese yen also contributed to the decrease in sales to customers in Europe and CIS.

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Net sales to customers in China (based on sales destination) for the fiscal year ended March 31, 2009 decreased by 1.2%, or ¥2,247 million, to ¥179,221 million (U.S.$1,810 million) as compared to ¥181,468 million for the fiscal year ended March 31, 2008. While demand decreased in China in the second half of the fiscal year due primarily to the global financial crisis, such decrease was not as drastic as the other regions as demand for Komatsu products has begun to show signs of recovery since February 2009, as public work projects, such as the post-earthquake reconstruction project in Sichuan Province, became active in light of the support provided by the Chinese government s economic stimulus package. As a result, sales in China only decreased slightly from the fiscal year ended March 31, 2008.

Net sales to customers in Asia and Oceania (based on sales destination) for the fiscal year ended March 31, 2009 decreased by 5.8%, or ¥19,004 million, to ¥309,721 million (U.S.$3,128 million) as compared to ¥328,725 million for the fiscal year ended March 31, 2008. The decrease in demand became more evident in both Asia and Oceania in the second half of the fiscal year, reflecting recessionary economies and a significant decline in commodity prices. While working to realize higher prices of its products, Komatsu also strived to reduce inventory and delivery lead-times by encouraging (1) information sharing between local plants and distributors in Southeast Asia and (2) pre-delivery installation of optional features in plants, which Komatsu Australia Pty. Ltd. used to do at its facility. Despite such efforts, sales in Asia and Oceania declined from the fiscal year ended March 31, 2008, reflecting the significant fall in demand and sharp depreciation of the Australian dollar to the Japanese yen in the second half of the fiscal year.

Net sales to customers in the Middle East and Africa (based on sales destination) for the fiscal year ended March 31, 2009 decreased by 8.7%, or ¥19,961 million, to ¥210,232 million (U.S.$2,124 million) as compared to ¥230,193 million for the fiscal year ended March 31, 2008. Similar to the other regions, demand rapidly fell in the Middle East and Africa as a result of the financial crisis and the significant decrease in the price of crude oil and other commodities. In light of such circumstances, Komatsu made concerted efforts to reinforce its sales and product support capabilities in the Middle East and Africa by expanding its training programs for distributors. Due largely to the significant decrease in demand and the sharp depreciation of the rand (the currency of South Africa, which is one of the major markets in Africa) relative to the Japanese yen, however, sales in the Middle East and Africa decreased from the fiscal year ended March 31, 2008.

Segment Profit

Segment profit for the Construction, Mining and Utility Equipment operating segment for the fiscal year ended March 31, 2009 decreased by 43.2%, or ¥137,440 million, to ¥180,455 million (U.S.$1,823 million) from ¥317,895 million for the fiscal year ended March 31, 2008.

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Management believes that this decrease in segment profit was due primarily to negative factors such as (1) the increase in prices of materials used in the production of Komatsu products (which decreased segment profit by approximately ¥66,500 million), (2) the decrease in demand for Komatsu products during the second half of the fiscal year (which decreased segment profit by approximately ¥54,100 million), (3) unfavorable changes in foreign exchange rates, such as the appreciation of the Japanese yen against the U.S. dollar, the Euro and other currencies (which decreased segment profit by approximately ¥53,500 million), (4) the decrease in equipment sales to dealers and distributors to support their efforts to quickly adjust inventory levels, which resulted in certain costs not being fully absorbed due to reduced production volumes (which decreased segment profit by approximately ¥17,000 million) and (5) higher fixed costs, such as R&D expenses and depreciation (which decreased segment profit by approximately ¥16,900 million), which outweighed positive factors, such as the realization of product sales at higher prices (which increased segment profit by approximately ¥70,600 million).

Industrial Machinery and Others

Net Sales

Consolidated net sales to customers in the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2009 increased by 42.6%, or ¥82,698 million, to ¥277,010 million (U.S.$2,798 million) as compared to ¥194,312 million for the fiscal year ended March 31, 2008. Management believes that this increase was due primarily to the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008, which increased net sales by approximately ¥108,700 million. While sales of large presses, such as AC Servo presses and high-speed transfer lines, remained strong, sales of sheet metal machines and small- and medium-sized presses decreased significantly as the automobile manufacturing and other client industries restrained capital investments in the second half of the fiscal year. Meanwhile, sales of wire saws made by Komatsu NTC Ltd. steadily expanded against the backdrop of accelerating growth of the solar cell market. Excluding the net sales of Komatsu NTC Ltd., net sales to customers in the Industrial Machinery and Others operating segment would have decreased by 13.4% or ¥26,100 million in the fiscal year ended March 31, 2009.

Segment Profit

Segment profit for the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2009 decreased by 35.4%, or ¥7,056 million, to ¥12,891 million (U.S.$130 million) from ¥19,947 million for the fiscal year ended March 31, 2008. Management believes that this decrease was due primarily to negative factors, such as the decrease in segment profit of subsidiaries other than Komatsu NTC Ltd., which was mainly due to decreased sales by such subsidiaries (which decreased segment profit by approximately ¥10,000 million), and the adjustments made in connection with the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008 (which decreased segment profit by approximately ¥1,500 million), which outweighed the increase in segment profit derived from the ordinary business of Komatsu NTC Ltd.(which increased segment profit by approximately ¥4,500 million).

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Performance by Geographic Segments (based on the geographic origin of the seller)
The following table presents net sales and segment profit broken down by the geographic origin of the seller for the fiscal years ended March 31, 2009 and 2008.
Performance by Geographic Segments

	Millions of Yen Fiscal Years Ended March 31,		Percentage Change 2009 vs.	Millions of U.S. dollars
	2009	2008	2008	2009
Net sales:				
Japan	¥ **1,212,449**	¥ 1,292,314	-6.2%	$ **12,247**
Americas	**511,821**	567,243	-9.8%	**5,170**
Europe and CIS	**294,398**	452,222	-34.9%	**2,974**
Others	**481,250**	517,887	-7.1%	**4,861**
Elimination	**(478,175)**	(586,643)	-18.5%	**(4,830)**
Consolidated	¥ **2,021,743**	¥ 2,243,023	-9.9%	$ **20,422**
Segment Profit (loss):				
Japan	¥ **37,876**	¥ 173,063	-78.1%	$ **383**
Americas	**52,133**	56,667	-8.0%	**527**
Europe and CIS	**22,279**	44,088	-49.5%	**225**
Others	**61,008**	68,204	-10.6%	**616**
Corporate and elimination	**15,362**	(7,436)	-306.6%	**155**
Consolidated	¥ **188,658**	¥ 334,586	-43.6%	$ **1,906**

Note: Segment profit is determined in a manner that is consistent with Japanese accounting principles. Segment profit is obtained by subtracting cost of sales and selling, general and administrative expenses from net sales.

Japan
Net Sales

Net sales in the Japan geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2009 decreased by 6.2%, or ¥79,865 million, to ¥1,212,449 million (U.S.$12,247 million) as compared to ¥1,292,314 million for the fiscal year ended March 31, 2008. This decrease was due primarily to the decrease in sales of construction, mining and utility equipment as both domestic sales and export of such equipment decreased due mainly to the slack Japanese economy and the significant drop in demand in the second half of the fiscal year on a global basis as a result of the financial crisis. Komatsu s decision to suspend sales of equipment to dealers and distributors to support their efforts to quickly adjust their inventory levels also contributed to the decrease.

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In addition, decreased sales mainly of small- and medium- sized presses and sheet metal machines due primarily to the decrease in capital investments by a wide range of client industries, including the automobile manufacturing industry, also contributed to the decrease in net sales in this geographic segment. While the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008 increased net sales, such increase was not sufficient to fully offset the decrease in net sales as a result of the various factors discussed above.

Segment Profit

Segment profit for the Japan geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2009 decreased by 78.1%, or ¥135,187 million, from ¥173,063 million to ¥37,876 million (U.S.$383 million) as compared to the fiscal year ended March 31, 2008. This decrease in segment profit was due primarily to (1) the increase in prices of materials, (2) the decrease in demand, (3) unfavorable changes in foreign exchange rates, (4) the decrease in equipment sales to dealers and distributors to support their efforts to quickly adjust inventory levels, which resulted in certain costs not being fully absorbed due to reduced production volumes, and (5) higher fixed costs.

Americas

Net Sales

Net sales in the Americas geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2009 decreased by 9.8%, or ¥55,422 million, from ¥567,243 million to ¥511,821 million (U.S. $5,170 million) as compared to the fiscal year ended March 31, 2008. This decrease was due primarily to reduced U.S. housing starts and the slowdown in the North American economy. While exports of super-large dump trucks to commodity-exporting countries remained strong and sales in Latin America increased, such increase in sales was not sufficient to fully offset the overall decrease in net sales of other equipment.

Segment Profit

Segment profit for the Americas geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2009 decreased by 8.0%, or ¥4,534 million, from ¥56,667 million to ¥52,133 million (U.S.$527 million) as compared to the fiscal year ended March 31, 2008 due primarily to the decrease in net sales as discussed above.

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Europe and CIS

Net Sales

Net sales in the Europe and CIS geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2009 decreased by 34.9%, or ¥157,824 million, to ¥294,398 million (U.S.$2,974 million) as compared to ¥452,222 million for the fiscal year ended March 31, 2008. This decrease was due primarily to further decrease in demand in Europe as the economic slowdown spread from Western Europe to Central and Eastern Europe. In addition, Komatsu s decision to suspend equipment sales to dealers and distributors to support their efforts to quickly adjust their inventory levels also contributed to the decrease. While exports of super-large hydraulic excavators to commodity-exporting countries remained strong, the increase in sales of such excavators was not sufficient to fully offset the overall decrease in net sales.

Segment Profit

Segment profit for the Europe and CIS geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2009 decreased by 49.5%, or ¥ 21,809 million, to ¥22,279 million (U.S.$225 million) as compared to ¥44,088 million for the fiscal year ended March 31, 2008 due primarily to the decrease in net sales as discussed above.

Others

Net Sales

Net sales in the Others geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2009 decreased by 7.1%, or ¥36,637 million, to ¥481,250 million (U.S.$4,861 million) as compared to ¥517,887 million for the fiscal year ended March 31, 2008. This decrease was due primarily to the significant decrease in demand in the second half of the fiscal year.

Segment Profit

Segment profit for the Others geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2009 decreased by 10.6%, or ¥7,196 million, to ¥61,008 million (U.S.$616 million) as compared to ¥68,204 million for the fiscal year ended March 31, 2008 due primarily to the decrease in net sales as discussed above.

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Comparison of the Fiscal Years ended March 31, 2008 and 2007

The following tables set forth selected consolidated financial and operating data, including numerical data expressed as a percentage of total consolidated net sales for the periods indicated, and the changes in each consolidated financial line item between the indicated fiscal years.

Consolidated Statements of Income

	Millions of Yen Fiscal Years Ended March 31,				Percentage change 2008 vs. 2007
	2008		2007		
Net sales	**¥ 2,243,023**	100.0%	¥ 1,893,343	100.0%	18.5%
Cost of sales	**1,590,963**	70.9%	1,356,511	71.6%	17.3%
Selling, general and administrative expenses	**317,474**	14.2%	287,086	15.2%	10.6%
Impairment loss on long-lived assets held for use	**2,447**	0.1%	81	0.0%	
Impairment loss on goodwill	**2,870**	0.1%			
Other operating income (expenses)	**3,581**	0.1%	(4,924)	-0.3%	-172.7%
Operating income	**332,850**	14.8%	244,741	12.9%	36.0%
Other income (expenses)	**(10,640)**		(8,250)		29.0%
Interest and dividend income	**10,265**		8,532		20.3%
Interest expense	**(16,699)**		(15,485)		7.8%
Other-net	**(4,206)**		(1,297)		
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies	**322,210**	14.4%	236,491	12.5%	36.2%
Income taxes					
Current	**104,142**		76,102		
Deferred	**11,652**		3,643		
Total	**115,794**	5.2%	79,745	4.2%	45.2%

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	Millions of Yen Fiscal Years Ended March 31, 2008				Percentage change 2008 vs. 2007
	2008		2007		
Income from continuing operations before minority interests and equity in earnings of affiliated companies	**206,416**	9.2%	156,746	8.3%	31.7%
Minority interests in income of consolidated subsidiaries	**(9,435)**		(6,580)		
Equity in earnings of affiliated companies	**6,845**		3,098		
Income from continuing operations	**203,826**	9.1%	153,264	8.1%	33.0%
Income from discontinued operations less applicable income taxes	**4,967**	0.2%	11,374	0.6%	-56.3%
Net income	**¥ 208,793**	9.3%	¥ 164,638	8.7%	26.8%

	Yen	
Per share data		
Income from continuing operations:		
Basic	**¥ 204.88**	¥ 154.25
Diluted	**204.61**	153.97
Income from discontinued operations:		
Basic	**4.99**	11.45
Diluted	**4.98**	11.43
Net income:		
Basic	**209.87**	165.70
Diluted	**209.59**	165.40
Cash dividends per share	**¥ 38.00**	¥ 23.00

	Millions of Yen Fiscal Years Ended March 31,		Percentage change 2008 vs. 2007
	2008	2007	

Segment profit	**334,586**	14.9%	249,746	13.2%	34.0%

Notes:

1) In the fiscal year ended March 31, 2007, Komatsu disposed of its majority interest in KEM. In the fiscal year ended March 31, 2008, Komatsu sold the OPE business of Komatsu Zenoah Co. and its subsidiaries. As a result, operating results and the gain recognized on the sale of KEM and its subsidiaries as well as the OPE business of Komatsu Zenoah Co. and its subsidiaries are presented as Income from discontinued operations less applicable income taxes.

2) Segment profit is determined in a manner that is consistent with Japanese accounting principles. Segment profit is obtained by subtracting cost of sales and selling, general

and
administrative
expenses from
net sales.

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2008 increased by 18.5%, or ¥349,680 million, to ¥2,243,023 million from ¥1,893,343 million for the fiscal year ended March 31, 2007. For the sixth consecutive fiscal year, Komatsu recorded increased net sales. The 18.5% increase was due primarily to increased sales in the Construction, Mining and Utility Equipment operating segment. Steady increase in sales in the Industrial Machinery and Others operating segment also contributed to the 18.5% increase in consolidated net sales.

For the fiscal year ended March 31, 2008, net sales to customers in the Construction, Mining and Utility Equipment operating segment increased by 19.7%, or ¥337,436 million, as compared to the fiscal year ended March 31, 2007. While market demand in construction and mining equipment in North America continued to weaken due to an economic slowdown, which in part was facilitated by the subprime mortgage crisis in the U.S., worldwide market demand for construction and mining equipment increased against the backdrop of thriving resource development activities around the world and infrastructure development activities particularly in newly-developing markets. In addition, improved sales in the forklift truck business, particularly in Greater Asia, also contributed to the increase in consolidated net sales of this operating segment.

In addition, net sales to customers in the Industrial Machinery and Others operating segment increased by 6.7%, or ¥12,244 million, as compared to the fiscal year ended March 31, 2007. This increase was due primarily to increased sales in sheet metal and press machines, which reflected increased capital investments by the automobile manufacturing industry on a worldwide basis. See discussion in the operating segments provided below for additional information.

Cost of Sales

Cost of sales on a consolidated basis increased by 17.3%, or ¥234,452 million, to ¥1,590,963 million for the fiscal year ended March 31, 2008 from ¥1,356,511 million for the fiscal year ended March 31, 2007, due primarily to increased sales. While management believes that higher purchase prices of steel materials, tires and other purchased parts also increased the cost of sales by approximately ¥18,800 million, Komatsu improved cost of sales to sales ratio per product unit by improving production efficiency in several ways, such as by shortening the manufacturing time of certain products by utilizing newer equipment and achieving an optimal layout in its facilities. Such manufacturing cost reduction efforts contributed to a 0.7 percentage point decrease in the cost of sales to sales ratio to 70.9% for the fiscal year ended March 31, 2008 from 71.6% for the fiscal year ended March 31, 2007.

Selling, General and Administrative Expenses

Selling, general and administrative expenses rose by 10.6% for the fiscal year ended March 31, 2008 to ¥317,474 million from ¥287,086 million for the fiscal year ended March 31, 2007, due primarily to higher direct selling expenses, such as shipping and handling costs and sales commissions, which resulted principally from increased sales. Other factors that contributed to the increase in selling, general and administrative expenses included increased fixed expenses associated with Komatsu s efforts to reinforce its research and development, sales and product support and services structures, safety and environmental management systems, and regulatory compliance programs relating to environmental and other regulations. In particular, research and development expenses, a substantial portion of which is included in selling, general and administrative expenses, rose by 7.3% for the fiscal year ended March 31, 2008 to ¥49,673 million, due mainly to research and development activities relating to the Construction, Mining and Utility Equipment operating segment, such as the development of new DANTOTSU products and next generation engines that comply with newly adopted emissions regulations that will become effective in the near future.

Impairment loss on long-lived assets held for use

Consolidated impairment loss on long-lived assets held for use for the fiscal year ended March 31, 2008 increased by ¥2,366 million, to ¥2,447 million as compared to ¥81 million for the fiscal year ended March 31, 2007. This increase was due primarily to an impairment loss on intangible assets allocated to a reporting unit in North America that is engaged in the forestry equipment business, which is included in the Construction, Mining and Utility Equipment operating segment.

Impairment loss on goodwill

Consolidated impairment loss on goodwill for the fiscal year ended March 31, 2008 was ¥2,870 million while Komatsu recognized no impairment loss on goodwill for the fiscal year ended March 31, 2007. Komatsu recognized an impairment loss of ¥2,870 on goodwill allocated to a reporting unit in North America that is engaged in the forestry equipment business, which is included in the Construction, Mining and Utility Equipment operating segment, due to an unfavorable business circumstance where the reporting unit was located.

Operating Income

Consolidated operating income for the fiscal year ended March 31, 2008 increased by 36.0%, or ¥88,109 million, to ¥332,850 million as compared to ¥244,741 million for the fiscal year ended March 31, 2007. This increase in operating income was largely due to positive factors such as (1) increased sales, (2) the realization of sales at higher prices, (3) lower manufacturing costs and (4) beneficial changes in foreign exchange rates, which outweighed negative factors such as higher purchase prices of steel materials, tires and other purchased parts and higher fixed expenses related to research and development activities and reinforcement of Komatsu s sales and product support services. As a result, operating income ratio for the fiscal year ended March 31, 2008 increased by 1.9 percentage points to 14.8% from 12.9% for the fiscal year ended March 31, 2007 due primarily to improved gross margin.

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Other Income (Expenses)

Consolidated other expenses for the fiscal year ended March 31, 2008 increased by 29.0%, or ¥2,390 million, to ¥10,640 million (U.S. $106 million) as compared to ¥8,250 million for the fiscal year ended March 31, 2007. This increase was due primarily to foreign exchange losses, which increased by ¥2,544 million to ¥3,467 million as compared to ¥923 million for the fiscal year ended March 31, 2007. Interest expense for the fiscal year ended March 31, 2008 increased by 7.8%, or ¥1,214 million, to ¥16,699 million as compared to ¥15,485 million for the fiscal year ended March 31, 2007. Interest and dividend income for the fiscal year ended March 31, 2008 increased by 20.3%, or ¥1,733 million, to ¥10,265 million as compared to ¥8,532 million for the fiscal year ended March 31, 2007, and partially offset the increase in interest expenses.

Income from Continuing Operations Before Income Taxes, Minority Interests and Equity in Earnings of Affiliated Companies

As a result of the above factors, consolidated income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies for the fiscal year ended March 31, 2008 increased by 36.2%, or ¥85,719 million, to ¥322,210 million as compared to ¥236,491 million for the fiscal year ended March 31, 2007.

Total Income Taxes

Total consolidated income taxes for the fiscal year ended March 31, 2008 increased by ¥36,049 million to ¥115,794 million from ¥79,745 million for the fiscal year ended March 31, 2007. The actual effective tax rate for the fiscal year ended March 31, 2008 increased to 35.9% from 33.7% for the fiscal year ended March 31, 2007. The difference between the Japanese statutory tax rate of 40.8% and the actual effective tax rate of 35.9% was caused by income of foreign subsidiaries taxed at a rate lower than the Japanese statutory tax rate and a realization of previously reserved tax benefits on operating losses of subsidiaries, which were offset in part by non-deductible expenses. For additional information, see Note 16 to the Consolidated Financial Statements.

Income from Continuing Operations Before Minority Interests and Equity in Earnings of Affiliated Companies

As a result of the above factors, consolidated income from continuing operations before minority interests and equity in earnings of affiliated companies for the fiscal year ended March 31, 2008 increased by ¥49,670 million to ¥206,416 million as compared to ¥156,746 million for the fiscal year ended March 31, 2007.

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Minority Interests in Income of Consolidated Subsidiaries

Minority interests in income of consolidated subsidiaries for the fiscal year ended March 31, 2008 increased by ¥2,855 million to ¥9,435 million as compared to ¥6,580 million for the fiscal year ended March 31, 2007. Minority interests in income of consolidated subsidiaries increased mainly as a result of the improved earnings recorded primarily by subsidiaries in the Construction, Mining and Utility Equipment operating segment, such as Komatsu Australia Pty. Ltd. and Komatsu Shantui Construction Machinery Co., Ltd.

Equity in Earnings of Affiliated Companies

Consolidated equity in earnings of affiliated companies for the fiscal year ended March 31, 2008 increased by ¥3,747 million to ¥6,845 million as compared to ¥3,098 million for the fiscal year ended March 31, 2007, due to improved earnings recorded by affiliated companies held under the equity accounting method, such as L&T-Komatsu Limited, and the addition of new affiliated companies held under the equity method, such as NIPPEI TOYAMA (before it became a consolidated subsidiary in March 2008).

Income from Continuing Operations

As a result of the above, consolidated income from continuing operations for the fiscal year ended March 31, 2008 increased by 33.0%, or ¥50,562 million, to ¥203,826 million as compared to ¥153,264 million for the fiscal year ended March 31, 2007.

Income from Discontinued Operations Less Applicable Income Taxes

Consolidated income from discontinued operations less applicable income taxes for the fiscal year ended March 31, 2008 decreased by 56.3%, or ¥6,407 million, to ¥4,967 million as compared to ¥11,374 million for the fiscal year ended March 31, 2007. The total amount of consolidated income from discontinued operations less applicable income taxes for the fiscal year ended March 31, 2008 consisted entirely of the gain recognized from the sale of the OPE business of Komatsu Zenoah Co. and its subsidiaries.

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Net Income

As a result of the above factors, Komatsu s consolidated net income for the fiscal year ended March 31, 2008 increased by 26.8%, or ¥44,155 million, to ¥208,793 million as compared to ¥164,638 million for the fiscal year ended March 31, 2007. Accordingly, basic net income per share rose to ¥209.87 for the fiscal year ended March 31, 2008 from ¥165.70 for the fiscal year ended March 31, 2007. Diluted net income per share rose to ¥209.59 for the fiscal year ended March 31, 2008 from ¥165.40 for the fiscal year ended March 31, 2007.

Segment Profit

Segment profit, which is one of Komatsu s key management indices, is determined in a manner that is consistent with Japanese accounting principles by subtracting cost of sales and selling, general and administrative expenses from net sales. Komatsu considers segment profit to be one of its key management indices because it enables management to evaluate financial data for each operating and geographic segment separately, without the effect of nonrecurring events and other factors unrelated to business activities, such as impairment loss or interest income/expense. Based on such evaluation of financial data for each operating and geographic segment, management assesses the performance of each such operating and geographic segment and determines how to allocate resources to each such segment.

Segment profit on a consolidated basis increased by 34.0%, or ¥84,840 million, to ¥334,586 million for the fiscal year ended March 31, 2008 from ¥249,746 million for the fiscal year ended March 31, 2007, due primarily to increased segment profit for the Construction, Mining and Utility Equipment operating segment. For information regarding segment profit by operating segments and geographic segments, see Performance by Operating Segments and Performance by Geographic Segments (based on the geographic origin of the seller) below.

Performance by Operating Segments

The following table presents net sales and segment profit broken down by operating segments for the fiscal years ended March 31, 2008 and 2007. In evaluating the financial data for each operating segment, Komatsu s management considers sales by the location of its customers to be particularly helpful for the Construction, Mining and Utility Equipment operating segment, its primary operating segment. Accordingly, in addition to providing performance information by operating segments, the below table and related discussion provide information regarding sales in the Construction, Mining and Utility Equipment operating segment broken down by geographic locations of Komatsu s customer. Performance information by geographic segments (which are separately identified by management), which provides performance information based on the geographic location of the seller (as opposed to the customer), is provided under Performance by Geographic Segments (based on the geographic origin of the seller).

Performance by Operating Segments

	Millions of Yen Fiscal Years Ended March 31,		Percentage Change 2008 vs. 2007
	2008	**2007**	**2007**
Net sales:			
Construction, Mining and Utility Equipment			
Customers	**¥ 2,048,711**	¥ 1,711,275	19.7%
Japan	**370,744**	367,091	1.0%
Americas	**510,552**	510,030	0.1%
Europe and CIS	**427,029**	320,849	33.1%
China	**181,468**	112,570	61.2%
Asia (excluding Japan, China) and Oceania	**328,725**	238,848	37.6%
Middle East and Africa	**230,193**	161,887	42.2%
Intersegment	**6,127**	7,821	-21.7%
Total	**2,054,838**	1,719,096	19.5%
Industrial Machinery and Others			
Customers	**194,312**	182,068	6.7%
Intersegment	**23,376**	22,385	4.4%
Total	**217,688**	204,453	6.5%
Elimination	**(29,503)**	(30,206)	2.3%
Consolidated Net Sales	**¥ 2,243,023**	¥ 1,893,343	18.5%
Segment Profit:			
Construction, Mining and Utility Equipment	**¥ 317,895**	¥ 232,653	36.6%
Industrial Machinery and Others	**19,947**	20,399	-2.2%

Total	**337,842**	253,052	33.5%
Corporate expenses and elimination	**(3,256)**	(3,306)	1.5%
Consolidated Segment Profit	**¥ 334,586**	¥ 249,746	34.0%

Notes:

1) Transfers between segments are made at estimated arm s-length prices.

2) Starting with the fiscal year ended March 31, 2009, Komatsu reclassified the forklift truck business of Komatsu Utility Co., Ltd. and the businesses of Komatsu Logistics Corp. (both of which were formerly in the Industrial Machinery, Vehicles and Others operating segment) so that such businesses are part of Komatsu s construction and mining equipment business, and accordingly, changed its operating segments by renaming the Construction and Mining Equipment operating segment as the Construction, Mining and Utility Equipment operating segment and the Industrial Machinery, Vehicles and Others operating segment as the

Industrial Machinery and Others operating segment. As a result of this reclassification, the financial data for the fiscal years ended March 31, 2008 and 2007 in the above table have been retrospectively reclassified using the new operating segments.

3) Segment profit is determined in a manner that is consistent with Japanese accounting principles. Segment profit is obtained by subtracting cost of sales and selling, general and administrative expenses from net sales.

Construction, Mining and Utility Equipment

Net sales

Consolidated net sales to customers in the Construction, Mining and Utility Equipment operating segment for the fiscal year ended March 31, 2008 increased by 19.7%, or ¥337,436 million, to ¥2,048,711 million as compared to ¥1,711,275 million for the fiscal year ended March 31, 2007. As demand for construction and mining equipment manufactured by Komatsu continued to expand, Komatsu not only introduced new DANTOTSU models and increased sales of DANTOTSU products, which feature superior performance in fuel consumption and other areas, but also realized sales of its products at higher prices and strengthened its product support capability for products. In response to the increased demand for Komatsu s equipment, Komatsu took steps to further increase its production capacities by commencing plans to construct new facilities in Japan for manufacturing key components and new assembly plants, particularly in Asia, in concert with supplier partners. In the forklift truck business, Komatsu Utility Co., Ltd. expanded sales of its new models and strengthened its sales and service capabilities, mainly in Greater Asia.

Net sales to customers in Japan (based on sales destination) for the fiscal year ended March 31, 2008 increased by 1.0%, or ¥3,653 million, to ¥370,744 million as compared to ¥367,091 million for the fiscal year ended March 31, 2007. In the fiscal year ended March 31, 2008, public-sector investments remained weak in Japan and the demand for new equipment declined around the middle of the fiscal year resulting from a drop in housing construction in light of the tightening of the Japanese building standards. Despite such circumstances, an increase in demand for new equipment by customers who wished to replace their existing equipment, together with Komatsu s efforts to expand sales of new equipment centering on DANTOTSU models, realize higher prices and strengthen its used equipment business, resulted in an increase in net sales to customers in Japan. The increase in sales of new equipment was facilitated in part by the strong export demand of used equipment, which, combined with Komatsu s marketing efforts and strong used equipment prices, provided additional incentives to customers in Japan to replace their existing equipment with new equipment. In light of these market circumstances, Komatsu acquired a majority interest in BIGRENTAL in the fiscal year ended March 31, 2008 as a first step to integrate BIGRENTAL and Komatsu Rental Japan Ltd.to further build up its rental and used equipment business. In addition, Komatsu Utility Co., Ltd. made efforts to increase sales of electric forklift trucks in Japan by, among other things, introducing the industry s first hybrid electric forklift truck.

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In North America, demand for construction equipment has declined since the second half of 2006, reflecting a drop in U.S. housing starts. Demand for construction and mining equipment continued to weaken in North America for the fiscal year ended March 31, 2008 due to an economic slowdown, which was triggered in part by the subprime mortgage crisis in the U.S. In Latin America, demand for mining equipment continued to increase reflecting greater demand for natural resources. Given such environment, Komatsu made efforts to adjust distributors inventory levels in North America and strengthen sales and product support capabilities for the mining industry in the Americas. Against such backdrop, net sales to customers in North America decreased by 12.3% as compared to the fiscal year ended March 31, 2007 while net sales to customers in Latin America increased by 32.2% as compared to the fiscal year ended March 31, 2007. As a result, net sales to customers in the Americas (based on sales destination) for the fiscal year ended March 31, 2008 increased by only 0.1%, or ¥522 million, to ¥510,552 million as compared to ¥510,030 million for the fiscal year ended March 31, 2007.

In Europe, demand for construction and mining equipment expanded in Germany, which is the largest construction and mining equipment market in Europe, as well as Central and Eastern Europe reflecting Germany s healthy economic condition and the increase in infrastructure development in Central and Eastern Europe. In light of such increased demand, Komatsu has been working for the last several years to strengthen its network of distributors in this region by increasing the number of distributors and conducting trainings to familiarize its distributors with Komatsu s products. Due in part to such efforts, Komatsu accelerated sales of DANTOTSU models and realized sales at higher prices. Komatsu also shortened production lead-time. In CIS, demand sharply increased as a result of increased infrastructure developments in urban areas and natural resource and energy developments. In CIS, Komatsu has strived to (1) increase the number of distributors and strengthen their capabilities under the leadership of Komatsu CIS LLC, its regional headquarters, and (2) strengthen sales and product support capabilities for the mining industry by educating distributors and improving after sales support services. As a result, net sales to customers in Europe and CIS (based on sales destination) for the fiscal year ended March 31, 2008 increased by 33.1%, or ¥106,180 million, to ¥427,029 million as compared to ¥320,849 million for the fiscal year ended March 31, 2007.

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In China, demand for construction and mining equipment continued to record a high rate of growth supported mainly by the increase in infrastructure developments, exploration of new mines and greater reliance upon mechanical equipment. Komatsu increased sales of new equipment by launching the medium-sized PC200 renewed hydraulic excavator model, which offers better fuel economy, and by using information received from customers about current and future needs and real time data about its machines compiled through its deployment of information technology (such as KOMTRAX). In addition, Komatsu focused its efforts on improving the operational efficiency of its sales and production activities and increasing its competitiveness by strengthening its capability to analyze customers equipment utilizing data compiled by KOMTRAX, its machine tracking system. As a result, net sales to customers in China (based on sales destination) for the fiscal year ended March 31, 2008 increased by 61.2%, or ¥68,898 million, to ¥181,468 million as compared to ¥112,570 million for the fiscal year ended March 31, 2007.

In Indonesia, which is the largest construction and mining equipment market of Southeast Asia, demand continued to expand in the civil engineering, agricultural and forestry sectors. Demand for mining equipment also surged reflecting the high demand for natural resources. In India, demand for equipment used for infrastructure and resource development increased steadily driven by India s strong economic growth. In Oceania, demand for mining equipment was particularly strong driven by increased resource development activities. Given this environment, Komatsu focused its efforts on expanding production capacity and sales and product support capabilities for its mining equipment in Asia and Oceania. As a result, net sales to customers in Asia and Oceania (based on sales destination) for the fiscal year ended March 31, 2008 increased by 37.6%, or ¥89,877 million, to ¥328,725 million as compared to ¥238,848 million for the fiscal year ended March 31, 2007.

In the Middle East and Africa, against the backdrop of skyrocketing prices of crude oil and other commodities, demand for Komatsu s construction and mining equipment remained strong due primarily to increased infrastructure development in the Middle East and resource and infrastructure development in Africa. In light of this environment, Komatsu strengthened its sales and product support capabilities by providing more training for its distributors, strengthening its after sales support services and establishing parts depots. As a result, net sales to customers in the Middle East and Africa (based on sales destination) for the fiscal year ended March 31, 2008 increased by 42.2%, or ¥68,306 million, to ¥230,193 million as compared to ¥161,887 million for the fiscal year ended March 31, 2007.

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Segment Profit

Segment profit for the Construction, Mining and Utility Equipment operating segment for the fiscal year ended March 31, 2008 increased by 36.6%, or ¥85,242 million, to ¥317,895 million from ¥232,653 million for the fiscal year ended March 31, 2007. Management believes that factors that contributed to this increase for the fiscal year ended March 31, 2008 include: (1) increased sales (which increased segment profit by approximately ¥64,500 million), (2) the realization of sales at higher prices (which increased segment profit by approximately ¥42,400 million), (3) lower manufacturing costs (which increased segment profit by approximately ¥10,800 million) and (4) beneficial changes in foreign exchange rates as the Japanese yen strengthened against the U.S. Dollar and weakened against the Euro during the fiscal year ended March 31, 2008 (which increased segment profit by approximately ¥2,500 million). In addition, the reclassification of the utility equipment business into the Construction, Mining and Utility Equipment operating segment increased segment profit for the Construction, Mining and Utility Equipment operating segment by approximately ¥1,400 million. Such factors offset the higher purchase prices of steel materials, tires and other purchased parts (which decreased segment profit by approximately ¥18,800 million), and higher fixed expenses related to research and development activities and reinforcement of Komatsu s sales and product support services (which decreased segment profit by approximately ¥17,700 million).

Industrial Machinery and Others

Net Sales

Consolidated net sales to customers in the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2008 increased by 6.7%, or ¥12,244 million, to ¥194,312 million as compared to ¥182,068 million for the fiscal year ended March 31, 2007. This increase was due primarily to continued improvement in sales in the industrial machinery business, as it effectively took advantage of increased capital investments made by the automobile manufacturing industry. As a result, Komatsu recorded increased sales of large presses, sheet metal and press machines of Komatsu Industries Corporation and machine tools of Komatsu Machinery Corporation.

Segment Profit

Segment profit for the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2008 decreased by 2.2%, or ¥452 million, to ¥19,947 million from ¥20,399 million for the fiscal year ended March 31, 2007 due primarily to an unfavorable product mixture (i.e., the proportion of higher value-added products sold as a percentage of total products sold in this operating segment decreased as compared to lesser value-added products sold).

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Performance by Geographic Segments (based on the geographic origin of the seller)

The following table presents net sales and segment profit broken down by the geographic origin of the seller for the fiscal years ended March 31, 2008 and 2007.

Performance by Geographic Segments

	Millions of Yen Fiscal Years Ended March 31, 2008	Millions of Yen Fiscal Years Ended March 31, 2007	Percentage Change 2008 vs. 2007
Net sales:			
Japan	**¥ 1,292,314**	¥ 1,135,567	13.8%
Americas	**567,243**	566,013	0.2%
Europe and CIS	**452,222**	332,959	35.8%
Others	**517,887**	348,514	48.6%
Elimination	**(586,643)**	(489,710)	19.8%
Consolidated	**¥ 2,243,023**	¥ 1,893,343	18.5%
Segment Profit (loss):			
Japan	**¥ 173,063**	¥ 140,193	23.4%
Americas	**56,667**	51,842	9.3%
Europe and CIS	**44,088**	32,104	37.3%
Others	**68,204**	38,033	79.3%
Corporate and elimination	**(7,436)**	(12,426)	-40.2%
Consolidated	**¥ 334,586**	¥ 249,746	34.0%

Note: Segment profit is determined in a manner that is consistent with Japanese accounting principles. Segment profit is obtained by subtracting cost of sales and selling, general and administrative expenses from net sales.

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Japan

Net Sales

Net sales in the Japan geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2008 increased by 13.8%, or ¥156,747 million, to ¥1,292,314 million as compared to ¥1,135,567 million for the fiscal year ended March 31, 2007. This increase in net sales was due primarily to increased export from Japan of construction and mining equipment as a result of the significant increase in resource and infrastructure development activity in Latin America, Europe, CIS, Africa, Asia and Oceania. In addition, the continuing increase in sales of industrial machinery resulting from the increase in capital investments in the automobile manufacturing industry also contributed to the increase in net sales in the Japan geographic segment.

Segment Profit

Segment profit for the Japan geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2008 increased by 23.4%, or ¥32,870 million, from ¥140,193 million to ¥173,063 million as compared to the fiscal year ended March 31, 2007, due to the increase in net sales as discussed above.

Americas

Net Sales

Net sales in the Americas geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2008 increased by only 0.2%, or ¥1,230 million, from ¥566,013 million to ¥567,243 million as compared to the fiscal year ended March 31, 2007. Net sales remained flat as the increase in sales of mining equipment in Latin America was substantially offset by the decrease in sales of construction and utility equipment in North America as a result of decreased housing and infrastructure development in North America.

Segment Profit

Segment profit for the Americas geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2008 increased by 9.3%, or ¥4,825 million, from ¥51,842 million to ¥56,667million as compared to the fiscal year ended March 31, 2007. This increase was due primarily to a more optimal product mixture.

Europe and CIS

Net Sales

Net sales in the Europe and CIS geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2008 increased by 35.8%, or ¥119,263 million, to ¥452,222 million as compared to ¥332,959 million for the fiscal year ended March 31, 2007. This increase was due primarily to an increase in sales of construction and utility equipment in Europe and CIS markets as a result of increased infrastructure development in urban areas in addition to natural resource and energy developments in CIS. Increased sales of large excavators from Germany to various resource markets around the world also contributed to increased sales in this geographic segment.

Segment Profit

Segment profit for the Europe and CIS geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2008 increased by 37.3%, or ¥ 11,984 million, to ¥44,088 million as compared to ¥32,104 million for the fiscal year ended March 31, 2007, due to the increase in net sales as discussed above.

Others

Net Sales

Net sales in the Others geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2008 increased by 48.6%, or ¥169,373 million, to ¥517,887 million as compared to ¥348,514 million for the fiscal year ended March 31, 2007. This increase was due primarily to increased sales of construction and mining equipment in China as well as in other countries in Asia, Oceania and Africa reflecting the economic growth and the rise in infrastructure development.

Segment Profit

Segment profit for the Others geographic segment (based on the geographic origin of the seller) for the fiscal year ended March 31, 2008 increased by 79.3%, or ¥30,171 million, to ¥68,204 million as compared to ¥38,033 million for the fiscal year ended March 31, 2007, due primarily to increased sales in Asia.

Discontinued Operations

On October 18, 2006, the Company sold 51.0% of the shares of Komatsu Electronic Metals Co., Ltd. (KEM, now known as SUMCO TECHXIV CORPORATION) to SUMCO. Prior to the sale to SUMCO, the Company held a 61.9% equity interest in KEM, and KEM was a reporting unit in the Company s Electronics operating segment (an operating segment that has now been consolidated into the Industrial Machinery and Others operating segment). Accordingly, KEM and its subsidiaries are no longer consolidated in Komatsu s results. On April 2, 2007, the OPE business of Komatsu Zenoah Co., which was a reporting unit in the Industrial Machinery and Others operating segment was sold to a Japanese subsidiary of Husqvarna AB of Sweden. Accordingly, the OPE business of Komatsu Zenoah Co. and its subsidiaries engaging in the OPE business are no longer consolidated in Komatsu s results. In accordance with SFAS No. 144, the gain on the sale of KEM s shares and operating results less applicable income taxes relating to KEM and its subsidiaries as well as the gain on the sale of the OPE business of Komatsu Zenoah Co. and operating results less applicable income taxes of the OPE business of Komatsu Zenoah Co. and its OPE business subsidiaries are presented together as income from discontinued operations less applicable income taxes in the consolidated statements of income. The cash flows attributable to the discontinued operations are not presented separately from the cash flows attributable to activities of the continuing operations in the consolidated statements of cash flows.

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Selected financial information in connection with the discontinued operations for the years ended March 31, 2008 and 2007 are as follows:

	Millions of yen	
	2008	2007
Net sales	¥	¥ 63,416
Income before income taxes, minority interests and equity in earnings of affiliated companies (including gain on sale of the OPE business of Komatsu Zenoah Co. of ¥8,331 million in 2008 and gain on sale of KEM s shares of ¥18,769 million in 2007)	8,331	29,544
Income taxes	3,364	14,566
Minority interests in income of consolidated subsidiaries		(3,613)
Equity in earnings of affiliated companies		9
Income from discontinued operations less applicable income taxes	¥ 4,967	¥ 11,374

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B. Liquidity and Capital Resources

Cash Flow

Set forth below is the condensed consolidated statements of cash flows for the fiscal years ended March 31, 2009, 2008 and 2007.

Condensed Consolidated Statements of Cash Flows

	Millions of yen Fiscal Years Ended March 31,			Millions of U.S. dollars
	2009	2008	2007	**2009**
Net cash provided by operating activities	¥ **78,775**	¥ 160,985	¥ 162,124	$ **796**
Net cash used in investing activities	**(145,368)**	(128,182)	(99,620)	**(1,468)**
Net cash provided by (used in) financing activities	**57,219**	(17,422)	(41,389)	**578**
Effect of exchange rate change on cash and cash equivalents	**(2,073)**	(5,570)	1,087	**(21)**
Net increase (decrease) in cash and cash equivalents	**(11,447)**	9,811	22,202	**(116)**
Cash and cash equivalents, beginning of year	**102,010**	92,199	69,997	**1,030**
Cash and cash equivalents, end of year	¥ **90,563**	¥ 102,010	¥ 92,199	$ **915**

Fiscal Year ended March 31, 2009

Net cash provided by operating activities for the fiscal year ended March 31, 2009 decreased by ¥82,210 million to ¥78,775 million (U.S.$796 million) as compared to the fiscal year ended March 31, 2008, due mainly to decreased net income.

Net cash used in investing activities for the fiscal year ended March 31, 2009 increased by ¥17,186 million to ¥145,368 million (U.S.$1,468 million) as compared to the fiscal year ended March 31, 2008, due mainly to investments made to improve productivity of plants in Japan and overseas.

Net cash provided by financing activities for the fiscal year ended March 31, 2009 increased by ¥74,641 million to ¥57,219 million (U.S.$578 million) as compared to the fiscal year ended March 31, 2008, reflecting proceeds received from the issuance of long-term debt and an increase in short-term debt.

As a result of the above, cash and cash equivalents as of March 31, 2009 totaled ¥90,563 million (U.S.$915 million), a decrease of ¥11,447 million compared to the balance as of March 31, 2008.

Fiscal Year ended March 31, 2008

Net cash provided by operating activities for the fiscal year ended March 31, 2008 decreased by ¥1,139 million to ¥160,985 million (U.S.$1,610 million) as compared to the fiscal year ended March 31, 2007. Working capital increase partially offset an increase in net income resulting from good business performance.

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Net cash used in investing activities for the fiscal year ended March 31, 2008 increased by ¥28,562 million to ¥128,182 million (U.S.$1,282 million) as compared to the fiscal year ended March 31, 2007. Aggressive capital investments in Japan and overseas to expand production capacity and improve productivity as well as the acquisition of the shares of NIPPEI TOYAMA (for which Komatsu paid ¥41,234 million) and BIGRENTAL (for which Komatsu paid ¥8,564 million) offset cash received from the sale of the OPE business (for which Komatsu received ¥18,250 million).

Net cash used in financing activities in the fiscal year ended March 31, 2008 decreased by ¥23,967 million to ¥17,422 million (U.S.$174 million) as compared to the fiscal year ended March 31, 2007.

As a result of the above, cash and cash equivalents as of March 31, 2008 totaled ¥102,010 million (U.S.$1,020 million), an increase of ¥9,811 million compared to the balance as of March 31, 2007.

Capital Investment

Komatsu s management defines Capital Investment as costs relating to the purchase of property, plant and equipment including properties under capital leases on an accrual basis, which reflects the effect of timing differences between acquisition dates and payment dates. Komatsu s management uses this financial indicator to manage its capital investment and believes that this indicator is useful to investors in that this indicator presents accrual based capital investment in addition to the cash based capital expenditures provided in the consolidated statements of cash flows.

For the fiscal year ended March 31, 2009, Komatsu made investments to increase the production capacity of its construction, mining and utility equipment businesses with its primary focus on its mining equipment business because Komatsu believed that growth can be expected in such business. In addition, Komatsu made investments to develop and produce new construction, mining and utility equipment models and products that comply with the latest emissions regulations. Komatsu recorded increased capital investments in the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2009 due primarily to the addition of Komatsu NTC Ltd. as a consolidated subsidiary in March 2008.

As a result, Komatsu s capital investment on a consolidated basis for the fiscal year ended March 31, 2009 was ¥162,512 million (U.S.$1,642 million), an increase of ¥16,782 million from the fiscal year ended March 31, 2008.

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Source of Funds and Liquidity Management

Komatsu s principal capital resources policy is to maintain sufficient capital resources to be able to respond promptly to future capital needs in connection with its operations and to maintain an appropriate level of liquidity. Consistent with this policy, Komatsu has secured various sources of funding, such as loans, corporate bonds, notes, securitized receivables and lines of credit. Komatsu expects to use cash generated from its operations and funds procured through such external sources to satisfy future capital expenditures and working capital needs. In addition, Komatsu manages funds held by it and its subsidiaries through a group-wide cash management system in order to improve the efficiency and effectiveness of its cash management. Transfers of funds from subsidiaries in the form of cash dividend, loans or advances are restricted under regulatory requirements of countries in which some of its subsidiaries are located. Nonetheless, Komatsu does not expect these restrictions to have a significant impact on its ability to meet its cash obligations.

Komatsu s short-term funding needs have been met mainly by cash flows from operating activities, as well as by bank loans and the issuance of commercial paper. As of March 31, 2009, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥14,956 million (U.S.$151 million) with financial institutions to secure liquidity. As of March 31, 2009, approximately ¥861 million (U.S.$9 million) was available to be used under such credit line agreements, which contain customary covenants. Komatsu is not subject to any covenants limiting its ability to incur additional indebtedness. In addition, the Company had a ¥120,000 million (U.S.$1,212 million) commercial paper program, ¥25,000 million (U.S.$253 million) of which was unused as of March 31, 2009. The amount of capital raised through its commercial paper program has depended upon Komatsu s financing needs, investor demand and market conditions, as well as the ratings outlook for Komatsu.

To fulfill Komatsu s medium- to long-term funding needs, the Company has established a bond program and an Euro Medium Term Note (EMTN) program. In November 2008, the Company established a bond program for a period of two years under which it can issue up to ¥100,000 million (U.S.$1,010 million) of variable-term bonds. As of March 31, 2009, the Company had not issued any bonds under this bond program and ¥100,000 million remained unused. The principal amount of bonds of the Company issued and outstanding under its past bond programs as of March 31, 2009 was ¥60,000 million (U.S.$606 million). The Company, Komatsu Finance America Inc. and Komatsu Capital Europe S.A. have established a U.S.$1,200 million EMTN program under which the issuers may from time to time issue notes denominated in any currency as may be agreed between the relevant issuer(s) and dealer(s). As of March 31, 2009, the principal amount of notes outstanding under the EMTN program was ¥63,332 million (U.S.$640 million). The amount of capital raised through such programs has depended upon Komatsu s financing needs, investor demand and market conditions, as well as the ratings outlook for Komatsu.

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Komatsu has also established programs to securitize trade notes and accounts receivables for the purpose of accelerating the receipt of cash related to its finance receivables and diversifying its sources of funding. As of March 31, 2009, the balance of such off-balance sheet securitized receivables was ¥103,768 million (U.S.$1,048 million).

For additional information about the interest rate structure and maturity dates for these borrowings, see Note 12 to the Consolidated Financial Statements.

Fiscal 2009 Financial Position

Komatsu s short-term debt as of March 31, 2009, which primarily consisted of short-term bank loans and commercial paper, increased by ¥111,197 million from March 31, 2008 to ¥220,087 million (U.S.$2,223 million). Such short-term debt was used as working capital.

Komatsu s long-term debt as of March 31, 2009, including debt that is scheduled to mature by March 31, 2010, increased by ¥36,563 million from March 31, 2008 to ¥379,768 million (U.S.$3,836 million). As of March 31, 2009, Komatsu s long-term debt, excluding market value adjustment, consisted of (1)¥169,837 million in loans from banks, insurance companies and other financial institutions, and so on, (2)¥63,332 million in EMTN, (3)¥60,200 million in unsecured bonds and (4)¥86,399 million in capital lease obligations. Such long-term debt was used primarily for capital expenditures and long-term working capital needs. For information about the interest rate structure and maturity dates for these borrowings, see Note 12 to the Consolidated Financial Statements.

As a result, Komatsu s interest-bearing debt as of March 31, 2009, including its capital lease obligations, increased by ¥147,760 million from March 31, 2008 to ¥599,855 million (U.S.$6,059 million). Net interest-bearing debt after deducting cash and deposits as of March 31, 2009 also increased by ¥159,260 million from March 31, 2008 to ¥509,248 million (U.S.$5,144 million). As a result, Komatsu s net debt-to-equity ratio as of March 31, 2009 was 0.62, compared to 0.39 as of March 31, 2008.

As of March 31, 2009, total current assets decreased by ¥170,438 million to ¥1,103,239 million (U.S. $11,144 million), while total current liability decreased by ¥129,245 million to ¥732,287 million (U.S. $7,397 million). As a result, the current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2009, was 150.7%, which reflected an increase of 2.9 percentage points from the fiscal year ended March 31, 2008.

Based on the cash flow from its operating activities, the available sources of funds and the current ratio, Komatsu believes that it has sufficient means to satisfy its liquidity needs and future obligations.

Komatsu committed to make capital investments totaling approximately ¥24,000 million as of March 31, 2009. In the Construction, Mining and Utility Equipment operating segment, Komatsu plans to make investments to reorganize its production in Japan and the Americas. In addition, Komatsu plans to make investments to enhance production efficiency and develop hybrid construction equipment as well as products that comply with the latest engine emissions standards. In the Industrial Machinery and Others operating segment, Komatsu plans to make investments to renew obsolete equipment and streamline its production. These capital investments are being financed primarily by funds on hand and bank borrowings.

Credit Ratings

The Company obtains credit ratings from three rating agencies: Standard and Poor s Services (S&P), Moody s Investors Service, Inc. (Moody s) and Rating and Investment Information, Inc. (R&I). As of March 31, 2009, the Company s issuer ratings were as follows:

S&P: A (long-term)
Moody s: A2 (long-term)
R&I: AA- (long-term), a-1+ (short-term)

C. Research and Development, Patents and Licenses, etc.

Komatsu is actively engaged in research and development activities for new technologies and products consistent with its commitment to provide Quality and Reliability. Komatsu s research and development activities are conducted by various groups within Komatsu. With respect to the Construction, Mining and Utility Equipment operating segment, the Research Division and the Development Division as well as development centers that focus on construction, mining and utility equipment are involved in research and development activities. The Industrial Machinery Division and the technology departments of Komatsu s subsidiaries and affiliates are responsible for research and development activities relating to the Industrial Machinery and Others operating segment.

The following table presents Komatsu s research and development expenses for the fiscal years ended March 31, 2009, 2008 and 2007. Research and development expenses are recognized when incurred.

	Millions of yen			Millions of U.S. dollars
	Fiscal Years Ended March 31,			
R&D expenses	**2009**	2008	2007	**2009**
Construction, Mining and Utility Equipment	¥ **47,036**	¥ 44,036	¥ 39,752	$ **475**
Industrial Machinery and Others	**6,700**	5,637	6,554	**68**
Total	¥ **53,736**	¥ 49,673	¥ 46,306	$ **543**

Note: From the fiscal year ended March 31, 2009, Komatsu reclassified its operating segments. Accordingly, the financial data for the fiscal years ended March 31, 2008 and 2007 in the above table have been retrospectively adjusted to reflect the reclassification using the new

operating
segments.

The objectives of the research and development activities by operating segment for the fiscal year ended March 31, 2009 are described below.

(1) Construction, Mining and Utility Equipment

In order to develop construction, mining and utility equipment that can be used in various parts of the world, Komatsu has established research and development centers in Japan and overseas and has encouraged joint research and development programs as well as personnel exchanges. With the goal of assisting its customers improve their productivity, Komatsu s medium- and long-term research and development objectives are as follows: (1) to make advancements in the use of information technology and (2) to increase the environmental friendliness of its products. Komatsu has been engaged in the research and development of information technology, including remote management technology (which enables remote management of equipment by obtaining information regarding machine locations, operating conditions and vehicle health, using state-of-the-art remote sensing and telecommunication technologies), control technology and artificial intelligence. Control systems and management systems for construction and mining equipment using these technologies have been rapidly penetrating the market. Because these technologies enable automation and efficient operation of machines as well as efficient management of equipment, they have contributed to the increase in productivity of customers. From the perspective of its customers, Komatsu is making advances to further the active use of information technology in its construction and mining equipment.

Komatsu has made advances in research and development relating to energy conservation, component recycling and reuse, and the evaluation of environmental loads through lifecycle assessment techniques based on the belief that it is possible to reduce environmental burdens while achieving economic efficiency. In particular, in recent years, Komatsu s first priority in research and development has been to develop technology to reduce fuel consumption by its machines, which leads to both CO_2 emission reduction and economic benefits to customers. During the fiscal year ended March 31, 2009, Komatsu introduced the world s first hydraulic excavator (PC200-8 Hybrid), which reduced fuel consumption by 25% on average as compared to previous PC200-8 models. This newly introduced hydraulic excavator also achieved further NOx and CO_2 emission reductions. Komatsu has also been expending significant effort to develop technology that enables its machines to emit cleaner exhaust gas. In fact, Komatsu has been making progress in its preparations to comply with the emissions standards that are to be implemented in 2011 in the United States, the European Union and Japan, and has been steadily advancing its research and development activities to comply with the even stricter regulations that are to be introduced in the future. Komatsu is continuously seeking to develop new technology for cleaner exhaust gas to meet stricter emissions standards that are to become effective in the future. In addition, Komatsu has worked to improve the working conditions for machine operators by improving safety measures and reducing noise and vibration levels of its machines. With respect to the forklift business, Komatsu Utility Co., Ltd. introduced a series of 2 ton battery hybrid forklift trucks following the introduction of its 1 ton series.

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(2) Industrial Machinery and Others

Research and development in the Industrial Machinery and Others operating segment is principally conducted in the fields of large size presses, metal forging and sheet-metal machines, machine tools, and other industrial machinery, in order to respond to the growing customer need to increase productivity and flexibility.

In the field of large size presses and other stamping presses, Komatsu has been focused on developing functional enhancements to the AC servo press and increasing automation of peripheral equipment. For example, during the fiscal year ended March 31, 2009, Komatsu worked to increase the speed of the palletizing system used in connection with its large size presses. In addition, with respect to small size AC servo presses, Komatsu has received the CE certification designation in connection with its sales drive in the European market. With respect to sheet-metal machines, Komatsu developed the gantry-type TWISTER, which was developed by equipping large size laser machines with a high accuracy plasma power source.

With respect to machine tools, Komatsu developed the largest crankshaft milling machine (GPM2000E) and new milling machines for a vehicle engine s crankshaft (GPM190F-5 and 200F-5). In addition, Komatsu introduced a large size wire-sawing machine (PV800) that can be used to saw lengthy materials used in solar batteries.

In terms of other industrial machinery, during the fiscal year ended March 31, 2009, Komatsu developed and introduced the Chip ID Marker, which allows IC chip makers to write information (such as manufacturing history) on individual IC chips on the silicon wafers in response to the growing need to include such information on semiconductors used in electronic devices of hybrid cars and electric vehicles. In addition, Komatsu developed and promoted high-performance temperature control equipment for the semiconductor manufacturing industry, high-performance thermoelectric module heat exchange units and micro thermo-modules for use in optical communications.

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D. Trend Information

Construction, Mining and Utility Equipment

The worsening economic situation triggered by the financial crisis in the United States not only has affected the United States and Europe but also has extended to the emerging markets, which had previously expanded steadily, resulting in a significant decline in global economy and placing companies that operate on a global basis in a very difficult and unprecedented situation. In response to this economic recession, concerned governments have announced their economic stimulus packages with increased public spending and other efforts to stabilize the financial market. However, because certain preparatory steps must be taken before such stimulus packages can be put into effect (such as approving public works budgets), it is likely to take some time before such stimulus packages will produce any actual results. There was also a sizable drop in private-sector investment during the fiscal year ended March 31, 2009, due to various factors such as the economic recession as well as decreased capital investments by mining-related industries against the backdrop of plunging commodity prices. Taking these factors together, it is difficult to expect a rapid recovery of the global construction and mining equipment market. Komatsu is thus anticipating that a challenging environment will continue for some time.

In response to this drastic change in the business environment, Komatsu has been shoring up its efforts to build on its corporate strengths for the future, while making production and inventory adjustments.

Such efforts include structural reforms, such as consolidating and eliminating plants and production lines in Japan, the Americas and Europe, reducing the number of product models that are manufactured in North America and Europe, reorganizing its sales and service force in Japan, consolidating plants and head office operations of Komatsu Utility Co., Ltd., and undertaking group-wide efforts to reduce fixed costs. Komatsu expects that it will incur additional expenses related to the reorganization of its production facilities, including expenses for the transfer of operations and facilities, in the upcoming years.

Based on its expectation that the Chinese market will continue to expand against the backdrop of population growth and urbanization, Komatsu continued to aggressively launch new products and reinforce product support operations in China during the fiscal year ended March 31, 2009. In addition, Komatsu secured additional land in Changzhou where Komatsu (Changzhou) Construction Machinery Corp., one of the main local production bases, is located. On this new site, with space about four times the size of the current site, Komatsu plans to build a new plant and the KC Techno Center equipped with machine demonstration and operator training facilities.

Industrial Machinery and Others

With more than half of the sales of this operating segment being dependent on the automobile manufacturing industry, this operating segment is substantially affected by capital investment made by the automobile manufacturers. At present, major automobile manufacturers are cutting back their capital investment. As a result, new orders have been rapidly decreasing in all businesses which belong to this operating segment, such as large presses, small- and medium-sized sheet metal and press machines, and machine tools. In an effort to address such circumstance, Komatsu is engaging in structural reforms including reorganizing and consolidating its plants in Japan, and thus expects to incur expenses, such as expenses for the transfer of its operations and facilities, in the upcoming years.

Forward looking statements

This annual report contains forward-looking statements which reflect management s current views 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 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.

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 cost 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; and, the impact of regulatory changes and accounting principles and practices.

E. Off-Balance Sheet Arrangements

Komatsu has several accounts receivable securitization programs, which are important sources of capital for Komatsu. As of March 31, 2009, Komatsu had securitized accounts receivable of ¥103,768 million (U.S.$1,048 million) or approximately 17.4% of its total receivables as of that date.

The securitized receivables, net of retained interests, are removed from the consolidated balance sheet when they are sold. Komatsu has entered into contractual arrangements with special purpose entities solely for the purpose of securitizing its receivables. A downgrading or worsening of the quality of Komatsu s receivables portfolio could restrict it from using its receivables securitization programs. Komatsu s recognized receivables as of March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal Years Ended March 31,		
	2009	2008	**2009**
Trade notes	¥ 70,807	¥ 101,724	$ 715
Accounts receivable	318,424	433,370	3,216
Total	389,231	535,094	3,932
Less: allowance	(15,330)	(11,470)	(155)
Trade receivables-current	373,901	523,624	3,777
Long-term trade receivables	¥ 102,969	¥ 89,695	$ 1,040

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Installment and lease receivables (less unearned interests) are included in trade notes and accounts receivables and long-term trade receivables. The leases are primarily accounted for as sales-type leases in conformity with SFAS No. 13. Equipment sales revenue from sales-type leases is recognized at the inception of the leases.

As of March 31, 2009 and 2008, lease receivables consisted of the following:

	Millions of yen		Millions of U.S. dollars
	Fiscal Years Ended March 31,		
	2009	2008	**2009**
Minimum lease payments receivable	¥ 111,158	¥ 24,492	$ 1,123
Unearned income	(9,979)	(2,569)	(101)
Net lease receivables	¥ 101,179	¥ 21,923	$ 1,022

The residual values of leased assets as of March 31, 2009 and 2008 were not material.

Cash flows received for all securitization activities from the sale of trade notes and accounts receivable for the fiscal years ended March 31, 2009 and 2008 were ¥243,495 million (U.S.$2,460 million) and ¥343,457 million, respectively.

Certain consolidated subsidiaries retain responsibility to service sold trade receivables and accounts receivable that are sold pursuant to a securitization transaction. However, contractual servicing fees are not received from the third parties separately. The investors and the trusts that hold the receivables have no or limited recourse rights to certain subsidiaries assets in case of debtor s default. Appropriate reserves have been established for potential losses relating to the limited recourse of the sold receivables. Also certain subsidiaries, except for a certain U.S. subsidiary, as transferor do not retain any interest in the receivables sold.

The components of securitized trade receivables and other assets managed together as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Millions of U.S. dollars
	Fiscal Years Ended March 31,		
	2009	2008	**2009**
Total amount of trade receivables that are managed and securitized	**¥ 595,968**	¥ 791,045	**$ 6,020**
Assets transferred	**(103,768)**	(166,256)	**(1,048)**
Total amount of trade receivables on balance sheet	**¥ 492,200**	¥ 624,789	**$ 4,972**

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A certain U.S. subsidiary s retained interests, which are included in the recourse provisions, are subordinate to investors interests. The value of such U.S. subsidiary s retained interests are estimated based on the present value of future expected cash flows, using certain key assumptions such as a weighted average life, prepayment speed over the life and expected credit losses over the life.

Key assumptions used in measuring the fair value of retained interests related to securitization transactions completed during the fiscal years ended March 31, 2009 and 2008 were as follows:

	Fiscal Years Ended March 31,	
	2009	2008
Weighted-average life	**28 months**	29 months
Prepayment speed over the life	**0.6%**	0.5%
Expected credit losses over the life	**2.4%**	0.9%

The carrying amount of such retained interests was ¥919 million (U.S.$9 million) asset and ¥3,015 million liability as of March 31, 2009 and 2008, respectively. The impact of 10% and 20% changes to the key assumptions on the fair value of such retained interests as of March 31, 2009 is immaterial to Komatsu s business as a whole.

Commitments and Contingent Liabilities

As of March 31, 2009, Komatsu had ¥14,480 million (U.S.$146 million) of contingent liabilities with financial institutions for discounted and transferred receivables on a recourse basis.

Komatsu provides guarantees to third parties in connection with loans borrowed by its employees and affiliated companies and other companies. These guarantees relate mainly to housing loans extended to Komatsu s employees. The guarantees that support loans borrowed by Komatsu s affiliated companies and other companies are issued to enhance the creditworthiness of these affiliated companies and other companies.

For each guarantee issued, Komatsu is required to perform under such guarantee if the borrower defaults on a payment required to be made by the applicable contract s terms. The contract terms range from 10 years to 30 years in the case of employees housing loans, and from 1 to 10 years in the case of loans borrowed by Komatsu s affiliated companies and other companies. The maximum aggregate amount of undiscounted payments Komatsu would have had to make in the event that a payment default were to occur for these loans was ¥65,478 million (U.S.$661 million) as of March 31, 2009. The fair value of the liabilities recognized for Komatsu s obligations as guarantor under these guarantees as of March 31, 2009 were believed to be insignificant by Komatsu s management. Some of these guarantees were secured by collateral or insurance issued to the Company.

Komatsu s management believes that losses from these contingent liabilities, if any, would not have a material effect on the consolidated financial statements of Komatsu.

Commitments for capital investment as of March 31, 2009, totaled approximately ¥24,000 million (U.S.$242 million).
Komatsu is involved in certain legal actions and claims arising in the ordinary course of its business. It is the opinion of Komatsu s management and legal counsel that such litigation and claims will be resolved without any material effect on Komatsu s financial position.
Komatsu has business activities with customers, dealers and associates around the world and their trade receivables from such parties are well diversified to minimize credit risk concentrations. Komatsu s management does not expect to incur losses on their trade receivables in excess of established allowances.
Komatsu also issues contractual product warranties under which they generally guarantee the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty costs for the fiscal years ended March 31, 2009 and 2008 are summarized below:

	Millions of yen Fiscal Years Ended March 31,		Millions of U.S. dollars
	2009	2008	**2009**
Balance at beginning of year	**¥ 31,890**	¥ 28,999	**$ 322**
Addition	**25,288**	27,879	**255**
Utilization	**(26,369)**	(22,933)	**(266)**
Other	**(2,553)**	(2,055)	**(26)**
Balance at end of year	**¥ 28,256**	¥ 31,890	**$ 285**

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F. Tabular Disclosure of Contractual Obligations

The following tables set forth Komatsu s contractual obligations as of March 31, 2009.

	Millions of yen Expected Maturity Date				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term debt obligations	¥ 219,772	¥ 219,772	¥	¥	¥
Long-term debt obligations (excluding Capital lease obligations)	286,055	60,549	142,754	81,192	1,560
Capital (finance) lease obligations	86,399	24,486	44,393	16,414	1,106
Operating lease obligations	11,468	3,760	3,610	1,415	2,683
Interest on interest-bearing debt (including Capital lease obligations)	18,249	11,006	5,780	1,395	68
Pension and other postretirement obligations	4,694	4,694			
Total	¥ 626,637	¥ 324,267	¥ 196,537	¥ 100,416	¥ 5,417

	Millions of U.S. dollars Expected Maturity Date				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term debt obligations	$ 2,220	$ 2,220	$	$	$
Long-term debt obligations (excluding Capital lease obligations)	2,889	611	1,442	820	16
Capital (finance) lease obligations	873	247	449	166	11
Operating lease obligations	116	38	37	14	27
Interest on interest-bearing debt (including Capital lease obligations)	184	111	58	14	1
Pension and other postretirement obligations	47	47			
Total	$ 6,329	$ 3,274	$ 1,986	$ 1,014	$ 55

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Short-term and long-term debt obligations exclude SFAS No. 133 market value adjustments of ¥315 million (U.S.$3 million) and ¥7,314 million (U.S.$74 million), respectively.
Interest on interest-bearing debt is based on rates in effect as of March 31, 2009.
Pension and other postretirement obligations reflect contributions expected to be made during the year ending March 31, 2010 only, as the amounts of funding obligations beyond the next year are not yet determinable.
Obligations related to derivative activities are summarized in Foreign Exchange Risk and Interest Rate Risk under Item 11. Quantitative and Qualitative Disclosures about Market Risk.
Commitments for capital investment as of March 31, 2009 totaled approximately ¥24,000 million (U.S.$242 million).

G. Safe Harbor

Any information disclosed under Item 5.F. Tabular Disclosure of Contractual Obligations, that is not historical in nature is deemed to be a forward-looking statement. See Cautionary Statement with respect to forward-looking statements for more information.

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Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Set forth below are the Directors and Corporate Auditors of the Company, their date of birth, current position with the Company, prior positions, the dates when they assumed such positions and other principal business activities performed outside the Company as of June 25, 2009. The Company s senior management is comprised of all of the directors (excluding outside directors) listed below.

Board of Directors

Masahiro Sakane

Date of Birth:	Jan. 7, 1941
Director Since:	Jun. 1989
Current Positions:	Chairman of the Board and Representative Director (since Jun. 2007)

Prior Positions:

Jun. 2003	President, Representative Director and Chief Executive Officer
Jun. 2001	President and Representative Director
Jun. 1999	Executive Vice President and Representative Director
Jun. 1997	Executive Managing Director
Jun. 1994	Managing Director
Jun. 1989	Director
Jun. 1989	General Manager, Business Development Division
Apr. 1963	Joined the Company

Principal Business Activities outside the Company:

Outside Director of Nomura Holdings, Inc.
Outside Director of Tokyo Electron Limited

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Kunio Noji*

Date of Birth:	Nov. 17, 1946
Director Since:	Jun. 2001
Current Positions:	President, Representative Director and Chief Executive Officer (since Jun. 2007)

Prior Positions:

Apr. 2003	Director and Senior Executive Officer (Senmu)
Jun. 2001	Managing Director
Jun. 2000	Senior Executive Officer (Joumu)
Jun. 1999	Executive Officer
Jun. 1997	Director
Mar. 1997	General Manager, Information Systems Division
Apr. 1969	Joined the Company

Principal Business Activities outside the Company:
None

Yoshinori Komamura*

Date of Birth:	Feb. 20, 1948
Director Since:	Jun. 2005
Current Positions:	Director (since Jun. 2005)
	Senior Executive Officer (Senmu) (since Apr. 2007)
	President of Construction and Mining Equipment Marketing Division (since Apr. 2005)

Prior Positions:

Apr. 2005	Senior Executive Officer (Joumu)
Jun. 1999	President and Representative Director of Komatsu Europe International N.V.
Apr. 1970	Joined the Company

Principal Business Activities outside the Company:
None

Yasuo Suzuki*

Date of Birth:	Jan. 28, 1948
Director Since:	Jun. 2004
Current Positions:	Director (since Jun. 2004)
	Senior Executive Officer (Senmu) (since Apr. 2007)
	President of Industrial Machinery Division (since Apr. 2009)
	In charge of the Ishikawa Prefecture Area (since Apr. 2004)

Prior Positions:

Apr. 2008	President, Industrial Machinery General Headquarters
Apr. 2004	Senior Executive Officer (Joumu)
Jun. 2002	Executive Officer
Apr. 2002	President, Industry Machinery Division
Apr. 1970	Joined the Company

Principal Business Activities outside the Company:

Outside Director of Fuji Technica Inc.

Kenji Kinoshita*

Date of Birth:	Oct. 7, 1947
Director Since:	Jun. 2007
Current Positions:	Director (since Jun. 2007)
	Chief Financial Officer (CFO) (since Jun. 2001)
	Senior Executive Officer (Senmu) (since Apr. 2008)
	Supervising CSR and Corporate Communications and Investor Relations (since Apr. 2008)

Prior Positions:	
Apr. 2004	Senior Executive Officer (Joumu)
Jun. 2000	Executive Officer
Jan. 1996	General Manager, Finance and Treasury Dept., Accounting Division
Jul. 1971	Joined the Company

Principal Business Activities outside the Company:
None

Masao Fuchigami*

Date of Birth:	May 19, 1949
Director Since:	Jun. 2009
Current Positions:	Director (since Jun. 2009)
	Senior Executive Officer (Senmu) (since Apr. 2009)
	Supervising Environment, Research, Design & Development and Quality Assurance (since Apr. 2009)

Prior Positions:	
Apr. 2007	Senior Executive Officer (Joumu)
Jun. 2002	President of Research Division
Jun. 2001	Executive Officer
Sep. 1995	General Manager of the 4th Research Dept., Central Research Center, Research Division
Apr. 1972	Joined the Company

Principal Business Activities outside the Company:
None

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Tetsuji Ohashi*

Date of Birth:	Mar. 23, 1954
Director Since:	Jun. 2009
Current Positions:	Director (since Jun. 2009)
	Senior Executive Officer (Joumu) (since Apr. 2008)
	President of Production Division (since Apr. 2007)
	Supervising Production and e-KOMATSU (since Apr. 2007)

Prior Positions:

Apr. 2007	Executive Officer
Oct. 1998	General Manager of Planning & Coordination Dept. of Awazu Plant, Production Division
Apr. 1977	Joined the Company

Principal Business Activities outside the Company:

None

Morio Ikeda

Date of Birth:	Dec. 25, 1936
Director Since:	Jun. 2005
Current Position:	Outside Director (since Jun. 2005)

Prior Positions (outside the Company):

Jun. 2006	Advisor to Shiseido Co., Ltd. (current position)
Jun. 2005	Chairman and Director of Shiseido Co., Ltd.
Jun. 2001	Representative Director, President and Chief Executive Officer of Shiseido Co., Ltd.
Jun. 2000	Executive Vice President and Representative Director of Shiseido Co., Ltd.
Jun. 1997	Senior Executive Director and Representative Director of Shiseido Co., Ltd.
Jun. 1995	Executive Director of Shiseido Co., Ltd.
Jun. 1990	Director of Shiseido Co., Ltd.
Apr. 1961	Joined Shiseido Co., Ltd.

Principal Business Activities outside the Company:

Advisor to Shiseido Co., Ltd.
Chairman of the Board of Trustees of Toyo Eiwa Jogakuin
Chairman of the Board of Trustees of Shiseido Beauty Academy
Outside Director of Isetan Mitsukoshi Holdings Ltd.
Outside Director of Asahi Kasei Corporation

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Kensuke Hotta

Date of Birth:	Oct. 12, 1938
Director Since:	Jun. 2008
Current Position:	Outside Director (since Jun. 2008)

Prior Positions (outside the Company):

Mar. 2008	Retired from office of Morgan Stanley Japan Securities Co., Ltd.
Dec. 2007	Senior Advisor of Morgan Stanley Japan Securities Co., Ltd.
Oct. 2007	Chairman and Representative Director of Hotta Partners Inc. (current position)
Apr. 2006	Chairman and Representative Director of Morgan Stanley Japan Securities Co., Ltd.
Jan. 2001	Chairman of Morgan Stanley Japan Limited
Jun. 1997	Deputy President and Representative Director of the Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation, hereinafter the Bank)
Oct. 1992	Senior Managing Director and Representative Director of the Bank
Oct. 1990	Managing Director of the Bank
Jun. 1987	Director of the Bank
Apr. 1962	Joined the Bank

Principal Business Activities outside the Company:

Chairman and Representative Director of Greenhill & Co. Japan Ltd.
Chairman and Representative Director of Hotta Partners Inc.
Outside Corporate Auditor of Mitsui O.S.K. Lines, Ltd.
Outside Corporate Auditor of SEIREN CO., LTD.

Noriaki Kano

Date of Birth:	Apr. 29, 1940
Director Since:	Jun. 2008
Current Position:	Outside Director (since Jun. 2008)

Prior Positions (outside the Company):

Jun. 2006	Professor Emeritus at Tokyo University of Science (current position)
Oct. 1982	Professor at Faculty of Engineering, Tokyo University of Science

Principal Business Activities outside the Company:

Outside Corporate Auditor of Sekisui Chemical Co., Ltd.

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Corporate Auditors

Masaji Kitamura

Date of Birth:	Aug.19, 1947
Corporate Auditor Since:	Jun. 2008
Current Positions:	Corporate Auditor (Full Time) (since Jun. 2008)

Prior Positions:

Apr. 2007	Senior Executive Officer (Joumu)
Apr. 2005	President of Construction and Mining Equipment Strategy Division
Apr. 2003	Executive Officer
Jun. 1994	President of Procurement Division of Osaka Plant, Construction Equipment Division
Apr. 1971	Joined the Company

Principal Business Activities outside the Company:

None

Kyoji Torii

Date of Birth:	Sep. 5, 1951
Corporate Auditor Since:	Jun. 2009
Current Positions:	Corporate Auditor (Full Time) (since Jun. 2009)

Prior Positions:

Jun. 2009	Assistant to Corporate Auditor
Jun. 2007	General Manager of Planning & Administration Dept., Defense Systems Division
Jun. 1999	General Manager of Affiliated Companies Dept.
Apr. 1974	Joined the Company

Principal Business Activities outside the Company:

None

Makoto Okitsu

Date of Birth:	Dec. 2, 1939
Corporate Auditor Since:	Jun. 2006
Current Position:	Outside Corporate Auditor (since Jun. 2006)

Prior Positions (outside the Company):

Jun. 2006	Chairman and Director of Teijin Limited
Jun. 2005	Chairman and Director of Nabtesco Corporation (previously known as Teijin Seiki Co., Ltd.)
Jun. 2005	Chairman and Representative Director of Teijin Limited
Jun. 2004	Director of Teijin Limited
Sep. 2003	President and Representative Director of Nabtesco Corporation
Jun. 1999	Director of Teijin Limited
Jun. 1998	President and Representative Director of Teijin Seiki Co., Ltd.
Jun. 1996	Managing Director of Teijin Seiki Co., Ltd.
Jun. 1994	Director of Teijin Seiki Co., Ltd.
Apr. 1963	Joined Teijin Limited

Principal Business Activities outside the Company:

Advisor to Teijin Limited

Hiroyuki Kamano

Date of Birth:	Jul. 21, 1945
Corporate Auditor Since:	Jun. 2007
Current Position:	Outside Corporate Auditor (since Jun. 2007)

Prior Positions (outside the Company):

Oct. 1988	Partner of the Kamano Sogo Law Offices
Apr. 1981	Registered as attorney-at-law (bengoshi)
Dec. 1978	Retired from the Ministry of Foreign Affairs
Apr. 1971	Entered the Ministry of Foreign Affairs

Principal Business Activities outside the Company:

Partner (attorney-at-law) of Kamano Sogo Law Offices

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Kunihiro Matsuo

Date of Birth:	Sep. 13, 1942
Corporate Auditor Since:	Jun. 2009
Current Position:	Outside Corporate Auditor (since Jun. 2009)

Prior Positions (outside the Company):

Sep. 2006	Registered as attorney-at-law (bengoshi)
Jun. 2006	Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office
Jun. 2004	Prosecutor- General of Supreme Public Prosecutors Office
Sep. 2003	Superintending Prosecutor of Tokyo High Public Prosecutors Office
May 1998	Prosecutor of Supreme Public Prosecutors Office
Apr. 1988	Counsellor of Minister s Secretariat, Ministry of Justice
Apr. 1968	Appointed as Prosecutor of Tokyo District Public Prosecutors Office

Principal Business Activities outside the Company:

None

Notes:

1) Directors Morio Ikeda, Kensuke Hotta and Noriaki Kano satisfy the requirements for outside director set forth in Article 2, Item 15 of the Corporation Act of Japan.

2) Corporate auditors Makoto Okitsu, Hiroyuki Kamano and Kunihiro Matsuo satisfy the requirements for outside corporate auditors set forth in Article 2, Item 16 of the Corporation Act

of Japan.

3) The Company introduced an executive officer system in June 1999. As of June 25, 2009, the Company has 30 officers including 6 persons simultaneously holding the position of director. Such persons have been marked with an asterisk in the above table.

4) There are no family relationships between any of the directors or corporate auditors of the Company.

5) There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any of the directors or corporate auditors of the Company were selected as a director or member of senior management.

Corporate Governance

Basic Stance on Corporate Governance

To become a company which enjoys an ever larger trust of all stakeholders by maximizing its corporate value, Komatsu is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis. To further improve transparency of the management to shareholders and investors, Komatsu discloses information in a fair and timely manner and actively engages in investor relations activities by holding meetings in Japan and abroad to explain business results.

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Current State of Progress Concerning Corporate Governance

Current Conditions Concerning Management Organizations Relating to Decision-Making, Execution and Supervisory and Other Corporate Governance Functions

a. Organizational Framework

In 1999, Komatsu introduced the executive officer system and has since worked to separate management decision-making and supervisory functions within the confines of the law. At the same time, in addition to having reduced the number of members of the Board of Directors of the Company and appointed outside directors and corporate auditors, the Company has been implementing operational reforms of its Board of Directors through which Board members can discuss important management issues thoroughly and make decisions promptly in order to enhance the effectiveness of the Board of Directors.

The Company s Board of Directors meets every month, discusses and adopts resolutions concerning important matters and determines management policies of Komatsu. The Company s Board of Directors also closely supervises and monitors the performance of management duties by representative and other directors. Three outside directors have been appointed to the Company s Board of Directors (which consisted of ten persons as of March 31, 2009) to enhance management transparency and objectivity.

With respect to corporate auditors (which consisted of five persons as of March 31, 2009), Komatsu has consistently made sure that at least half of them are outside corporate auditors. Each corporate auditor attends the Company s Board of Directors meetings and other important meetings and audits the performance of duties by directors. The Board of Corporate Auditors of the Company performs such audit functions by meeting every month, determines audit policies, establishes scope of responsibilities and accountability and receives periodic status update reports from the directors as to the performance of his or her management duties. The Company has established the Office of Auditors Staff and assigned 5 employees who work as full-time and part-time assistants to the corporate auditors.

b. Support for Outside Directors (and Outside Corporate Auditors)

As a general rule, the Company provides the outside directors (and the outside corporate auditors) with the materials for Board meetings beforehand to ensure sufficient time for review. Concerning particularly important resolution matters, the Board of Directors discusses them in the Board meeting prior to the Board meeting where the concerned matters are scheduled for resolution. In this manner, the Company ensures that the directors will have sufficient time to review the matters before they resolve them and that they will be able to utilize the matters, which were pointed out during the earlier discussion, as proposals for review when resolving the concerned matters.

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c. Collaboration between Corporate Auditors and Independent Public Accounting Firm

When making audit plans, corporate auditors exchange opinions with the contracted independent public accounting firm concerning audit policies, audit items focused upon and audit approaches in order to accomplish effective and efficient auditing. Corporate auditors also observe the independent public accounting firm when the firm audits Komatsu s business bases, affiliated companies and other related entities. Corporate Auditors and the independent public accounting firm also hold meetings to exchange audit information as needed during a given fiscal year, thus improving mutual collaboration and engaging in expeditious auditing. In addition, Corporate Auditors receive review reports from the independent public accounting firm at the end of the first, second and third quarter and check important matters at the end of the second quarter and fiscal year-end. Furthermore, corporate auditors evaluate the methods and results of the independent public accounting firm by hearing their audit summary and receiving their audit report.

When the Board of Corporate Auditors approves of audit and non-audit work by the accounting firm, the Board defines the policies, procedures and other related matters and conducts preliminary reviews of individual procedures in order to maintain the independence of the accounting firm from Komatsu.

d. Collaboration between Corporate Auditors and the Internal Audit Department

The Internal Audit Department, in cooperation with other related departments, regularly audits business bases and affiliated companies both in Japan and overseas, evaluates the effectiveness of their internal control, reinforces their risk management and work to prevent frauds and errors. Corporate auditors observe audits by the Internal Audit Department, form their own audit opinions, and give advice and recommendations to the Internal Audit Department. In addition to reporting the audit results above to the Board of Corporate Auditors, the Internal Audit Department maintains close and substantive collaborations with corporate auditors, for example, by providing information on a routine basis. There are 23 employees in the Internal Audit Department.

e. Collaboration between the Internal Audit Department and Independent Public Accounting Firm

In assessing the effectiveness of internal control, Internal Audit Department and independent public accounting firm collaborate as needed by exchanging opinions and sharing information.

In order to ensure that each Outside Director and Outside Corporate Auditor can fully play the expected role and that the Company can invite best qualified people in the future, the Company has entered into limited liability agreements that limit the liability of the Outside Corporate Auditors in the event of dereliction of duty in accordance with Article 427, Paragraph 1 of the Corporation Act. The limit on liability provided in said agreement shall be as prescribed by laws and regulations.

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Komatsu has entered into an audit contract with KPMG AZSA & Co. and receives audit services for its accounts in connection with both non-consolidated and consolidated financial statements. Komatsu has also entered into consultation contracts with a number of law firms, receiving advice on important legal issues as needed, in an effort to reduce its legal risk.

In 1995, Komatsu established the International Advisory Board (IAB) to obtain objective advice and suggestions concerning Komatsu as a global company from internationally leading figures. IAB meets twice a year to exchange opinions on various matters.

B. Compensation

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Corporate Auditors of the Company are deliberated by the Compensation Advisory Committee, which consists of four external members (two Outside Corporate Auditors, one Outside Director and one outside expert) and one internal member. Taking its recommendations into consideration, the remuneration for Directors is determined by the Board of Directors and the remuneration for Corporate Auditors is determined by discussions amongst the Corporate Auditors. The remuneration shall be subject to the resolution of the General Meeting of Shareholders, which is required under the Corporation Act of Japan.

With regards to remuneration levels, comparison of other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its recommendations.

The remuneration for Directors is composed of a fixed, monthly remuneration and a variable remuneration linked to Komatsu s consolidated performance and stock price fluctuations. The variable remuneration consists of the annual bonus, reflecting business results, and stock options, granted to give Directors the same perspective on earnings as shareholders, both of which have the purpose of motivating the Directors to manage with the aim of enhancing corporate value. The variable remuneration linked to Komatsu s consolidated performance represents roughly 60% of the total remuneration of the Directors during periods of favorable performance.

The remuneration for Corporate Auditors only consists of a fixed, monthly remuneration designed to support their independent position with authority to audit the execution of duties by the Directors without being influenced by changes in the corporate performance of the Company.

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The aggregate compensation, including bonuses and stock options, paid by the Company for the fiscal year ended March 31, 2009 to all directors and corporate auditors for services in all capacities, was ¥729 million. The breakdown of the compensation is set forth below.

Remuneration (including bonuses and stock options to Directors)	**Number of Persons Paid**	**Amount Paid (Millions of Yen)**
Directors	**12**	**¥ 624**
Corporate Auditors	**6**	**105**
Total	**18**	**¥ 729**

Note: Of the aggregate remuneration paid to directors and corporate auditors, the amounts of remuneration paid to outside directors and outside corporate auditors are as follows.

Remuneration (including bonuses and stock options to Outside Directors)	**Number of Persons Paid**	**Amount Paid (Millions of Yen)**
Outside Directors	**5**	**¥ 68**
Outside Corporate Auditors	**3**	**37**
Total	**8**	**¥ 105**

Bonuses

Bonuses to be received by the directors are determined by a resolution adopted at the ordinary general meeting of shareholders of the Company held in June of each year. Bonuses so paid are not deductible by the Company for tax purposes, and are reported for financial reporting purposes under selling, general and administrative expenses as a charge against income for the fiscal year in which they are paid. The Company does not grant bonuses to corporate auditors.

Retirement Allowance

At the ordinary general meeting of shareholders held on June 22, 2007, a resolution was passed to abolish the retirement benefit system for directors and corporate auditors and to pay each director and corporate auditor the amount of retirement benefits for the period of service up to June 22, 2007 at the time of their respective retirement. Accordingly, Komatsu did not make any provision for retirement allowance for the fiscal year ended March 31, 2009 and will not make any provision for retirement allowance in the future.

Stock Options

Komatsu has stock option plans for (1) directors of the Company and (2) certain employees of the Company and directors of major subsidiaries of the Company. Under these plans, the Company may grant rights to subscribe for or purchase shares of common stock of the Company (Stock Acquisition Rights) upon approval by shareholders at the ordinary general meeting of shareholders. The Company does not grant Stock Acquisition Rights to corporate auditors.

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At the 138th ordinary general meeting of shareholders held on June 22, 2007, the shareholders approved the establishment of the maximum limit of ¥360 million for the yearly remuneration for directors of the Company in the form of stock options (of which, no more than ¥50 million is allocated for outside directors). Within this maximum limit, the Company may issue Stock Acquisition Rights as stock options upon resolution of the Board of Directors. The maximum number of Stock Acquisition Rights to be issued on a date within one year from the day of the ordinary general meeting of shareholders of the respective fiscal year is 239 units (of which a total number of 33 units is allocated for outside directors). The maximum number of shares of common stock of the Company subject to Stock Acquisition Rights is 239,000 shares (of which, 33,000 shares are allocated for outside directors).

During the fiscal year ended March 31, 2009, the Company granted to its Directors 192 Stock Acquisition Rights conferring the right to purchase a total number of 192,000 shares of common stock of the Company. The exercise price for these Stock Acquisition Rights granted as of September 1, 2008 was ¥2,499 per share. These Stock Acquisition Rights are exercisable from September 1, 2009 to August 31, 2016.

The Company plans to resolve an issuance and an allocation of the Stock Acquisition Rights as the stock options to Directors of the Company within the above annual maximum limits at a meeting of the Board of Directors to be held during the fiscal year ending March 31, 2010.

For additional information regarding the stock acquisition rights granted to Directors and certain employees of the Company and Directors of its subsidiaries during the fiscal year ended March 31, 2009, see Item 6.E. Share Ownership.

C. Board Practices

All directors and corporate auditors are elected at a general meeting of shareholders. Directors serve a one year term and corporate auditors serve a four year term pursuant to the Articles of Incorporation. However, a director or a corporate auditor may serve any number of consecutive terms.

The Board of Directors elects from its members a certain number of Representative Directors who have the power severally to represent the Company in all matters, and elects a President from the Representative Directors. At its discretion, the Board of Directors may also elect a Chairman from among its members and may grant special titles to one or more directors as it deems necessary. At the present time, the Chairman and the President are Representative Directors.

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The corporate auditors of the Company are not required to be, and are not, certified public accountants. Each corporate auditor audits the performance of the directors, and may at any time request the directors to report on the business activities of the Company or investigate the business as well as the financial situation of the Company. Certain powers are provided under the Corporation Act of Japan to enable the corporate auditors to carry out these functions. Further, each corporate auditor continues to perform the function of examining the annual financial documents and the rendering of an opinion thereon for the general meeting of shareholders. The corporate auditors may not at the same time be directors, managers or employees of the Company or of any of its subsidiaries. The Company does not have an audit committee.

For information relating to the period during which each of the Company s directors and corporate auditors have served in their respective offices, see Item 6.A.

The Company does not have a remuneration committee but does have a Compensation Council that is composed of a majority of external experts as noted in Item 6.A. Corporate Governance .

None of the directors have entered into service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment. For additional information regarding director compensation, see Item 6.B. Compensation .

D. Employees

The following table shows the number of employees by operating segment as of March 31, 2009, 2008 and 2007.

Number of employees by operating segment

	As of March 31,		
	2009	2008	2007
Construction, Mining and Utility Equipment	**34,986**	34,549	30,420
	(7,354)	(7,408)	(6,090)
Industrial Machinery and Others	**4,340**	4,251	2,502
	(1,395)	(1,108)	(1,270)
Corporate	**529**	467	451
	(92)	(72)	(55)
Total	**39,855**	39,267	33,373
	(8,841)	(8,588)	(7,415)

Notes:

1) Numbers in parentheses refer to the average number of temporary employees, which is not included in the total numbers of employees in each operating segment.

2) Number of employees under Corporate refers to employees working for administrative departments who cannot be classified into specific operating segments.

3) The number of employees as of March 31, 2009 increased by 588 as compared to the number as of March 31, 2008. This increase is due primarily to the increase in hiring, including recruitment of non-permanent employees as permanent employees.

4) Starting with the fiscal year ended March 31, 2009, Komatsu reclassified the forklift truck business of Komatsu Utility Co., Ltd. and the businesses of Komatsu Logistics Corp. (both of which were formerly in the Industrial Machinery, Vehicles and Others operating

segment) so that such businesses are part of Komatsu s construction and mining equipment business, and accordingly, changed its operating segments by renaming the Construction and Mining Equipment operating segment as the Construction, Mining and Utility Equipment operating segment and the Industrial Machinery, Vehicles and Others operating segment as the Industrial Machinery and Others operating segment. As a result of this reclassification, the numbers for the fiscal years ended March 31, 2008 and 2007 in the above table have been retrospectively reclassified using the new operating segments.

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The Company has a labor contract with the Komatsu Labor Union covering conditions of employment. This contract, which provides that all employees except management and certain other enumerated personnel must become union members, has been renegotiated every two years and its present term runs until September 2010. The employees of the Company s principal Japanese subsidiaries are covered by separate labor contracts between such subsidiaries and the unions representing their employees. These contracts contain provisions generally similar to those contained in the Company s contract with the Komatsu Labor Union. Certain overseas employees of the Company and subsidiaries are also covered by labor contracts between the employer and unions in the relevant locale representing the employees. Management and the Komatsu Labor Union have negotiations and meetings on a regular basis in order to discuss various issues and share concerns relating to the financial condition of Komatsu. The Company believes that management has a good relationship with the Komatsu Labor Union.

E. Share Ownership

The following table sets forth the number of shares owned by the directors and corporate auditors of the Company as of May 31, 2009.

Name	**Position**	**Number of shares (in thousands)**
Masahiro Sakane	Chairman of the Board, Representative Director	97
Kunio Noji	President, Representative Director	68
Yoshinori Komamura	Director	26
Yasuo Suzuki	Director	23
Kenji Kinoshita	Director	24
Masao Fuchigami	Director	13
Tetsuji Ohashi	Director	10
Morio Ikeda	Director	1
Kensuke Hotta	Director	1
Noriaki Kano	Director	6
Masaji Kitamura	Corporate Auditor (Full time)	10
Kyoji Torii	Corporate Auditor (Full time)	17
Makoto Okitsu	Corporate Auditor	
Hiroyuki Kamano	Corporate Auditor	3
Kunihiro Matsuo	Corporate Auditor	
Total		**303**

Note: The number of shares for each director and corporate auditor are rounded down. Accordingly, the sum of the amounts indicated in the Number of shares (in thousands) column may not add up to the figure provided as the Total.

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Each of the directors and corporate auditors owns less than one percent of the issued and outstanding shares of common stock of the Company. The number of shares listed above does not include options that are exercisable for shares of the Company s common stock. Directors and corporate auditors are entitled to voting rights that do not differ in any respect from voting rights granted to other shareholders of the common stock of the Company.

As noted in Item 6.B. Compensation, during the fiscal year ended March 31, 2009, directors of the Company were granted 192 Stock Acquisition Rights (conferring the right to purchase a total number of 192,000 shares of common stock of the Company), and the exercise price for these Stock Acquisition Rights granted as of September 1, 2008 was ¥2,499 per share. These Stock Acquisition Rights are exercisable from September 1, 2009 to August 31, 2016.

Pursuant to approval by the shareholders at the ordinary general meeting of shareholders, certain employees of the Company and directors of major subsidiaries of the Company were granted in the aggregate 271 Stock Acquisition Rights (conferring the right to purchase a total number of 271,000 shares of common stock of the Company) during the fiscal year ended March 31, 2009. The exercise price for these Stock Acquisition Rights granted as of September 1, 2008 was ¥2,499 per share. These Stock Acquisition Rights are exercisable from September 1, 2009 to August 31, 2016.

At the 140th ordinary general meeting of shareholders held on June 24, 2009, it was approved that the Company grant no more than 403 Stock Acquisition Rights (the number of shares of common stock of the Company subject to Stock Acquisition Rights is 403,000 shares) as stock options to employees of the Company and directors of major subsidiaries of the Company. It was also approved that the Company s Board of Directors is given the authority to issue such Stock Acquisition Rights.

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Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table shows the number of the Company s shares held by the 10 major shareholders of the Company and their ownership percentage as of March 31, 2009.

Major Shareholders as of March 31, 2009

Name of Major Shareholders	Number of Shares Held (in thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	62,830	6.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	51,689	5.17
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	49,046	4.91
Taiyo Life Insurance Company	42,000	4.20