KOMATSU LTD
Form 20-F
June 28, 2011

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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, 2011

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)

Masahiko Kanagawa or Masataka Mino
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 or to be 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)

* 21,937,535 American Depositary Shares evidenced by American Depositary Receipts, each American Depositary Share representing 1 share 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.

967,902,641 shares (excluding 30,841,419 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 þ 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 are identified in Item 3.D. Risk Factors and elsewhere in this annual report and 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 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, 2007 through March 31, 2011 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, 2010 and 2011, the related consolidated statements of income, shareholders equity and cash flows for the three fiscal years ended March 31, 2011 and the notes thereto that appear elsewhere in this annual report.

Selected Financial Data

	(Millions of yen, except per share amounts)				
	2011	**2010**	**2009**	**2008**	**2007**
Income Statement Data:					
Net sales 1)	1,843,127	1,431,564	2,021,743	2,243,023	1,893,343
Operating income 1)	222,929	67,035	151,948	332,850	244,741
Income from continuing operations before income taxes and equity in earnings of affiliated companies 1)	219,809	64,979	128,782	322,210	236,491
Income taxes 1)	64,706	25,364	42,293	115,794	79,745
Income from continuing operations attributable to Komatsu Ltd. less applicable income taxes 1)	150,752	33,559	78,797	203,826	153,264
Income from discontinued operations attributable to Komatsu Ltd. less applicable income taxes 1)				4,967	11,374
Net income attributable to Komatsu Ltd.	150,752	33,559	78,797	208,793	164,638
Per Share Data:					
Income from continuing operations attributable to Komatsu Ltd. less applicable income taxes					
- Basic	155.77	34.67	79.95	204.88	154.25
- Diluted	155.66	34.65	79.89	204.61	153.97
Net income attributable to Komatsu Ltd.					
- Basic	155.77	34.67	79.95	209.87	165.70
- Diluted	155.66	34.65	79.89	209.59	165.40
Cash dividends					
Yen	26.00	26.00	44.00	38.00	23.00
U.S. cents 2)	31.33	27.96	44.44	38.00	
Depreciation and amortization	89,467	91,319	98,354	75,664	72,709
Capital Investment 1) 3)	97,738	96,191	162,512	145,730	129,680

Research and development expenses 1)	49,005	46,449	53,736	49,673	46,306

	(Millions of yen)				
Balance Sheet Data:					
Total assets	2,149,137	1,959,055	1,969,059	2,105,146	1,843,982
Komatsu Ltd. shareholders equity	923,843	833,975	814,941	887,126	776,717
Capital stock	67,870	67,870	67,870	67,870	67,870
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	967,902,641	968,039,976	967,822,292	995,103,847	993,786,759

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 attributable to Komatsu Ltd. less applicable income taxes.

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2) The conversion rate between the Japanese yen to the U.S. dollar for the fiscal year ended March 31, 2011 is ¥83 to U.S.$1.00, the approximate buying rate of Japanese yen as of noon on March 31, 2011 in The City of New York 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 reflect 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 for the periods indicated. The average Japanese yen exchange rates represent average noon buying rates on the last business day of each month for the respective period. On June 17, 2011, the noon buying rate in The City of New York as reported by the Federal Reserve Board for Japanese yen was ¥80.10 = U.S.$1.00.

Yen Exchange Rates per U.S. dollar:

(Yen)

	Average	High	Low	Period-End
Year ended March 31				
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
2010	92.49	86.12	100.71	93.40
2011	85.00	78.74	94.68	82.76

	High	Low	Period-End
2010			
December	81.67	84.23	81.67
2011			
January	81.56	83.36	81.97
February	81.48	83.79	81.94
March	78.74	82.98	82.76
April	81.31	85.26	81.31
May	80.12	82.12	81.29

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B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Given that Komatsu operates on a global scale with development, production, sales and other bases established around the world, 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 that appear elsewhere in 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. 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 also be affected in the future by other risks that are currently unknown or that are not currently considered significant or material.

(1) Economic and market conditions

The business environment in which Komatsu operates and the market demand for its products may change substantially as a result of economic and market conditions, which differ from region to region.

In economically-advanced regions in which Komatsu operates, Komatsu s business is generally affected by cyclical changes in the economies of such regions. 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.

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In newly-developing markets, where Komatsu has expanded its business in recent years, Komatsu has been making capital investments in line with the increase in business it has experienced as a result of such expansion. Particularly in China, Komatsu has been making aggressive investments to expand the production capacity of its subsidiaries and reinforce its sales and service operations. If a temporary disorder or stagnation were to occur in the Chinese economy, Komatsu s business results would be adversely affected. In addition, in the other newly-developing markets, Komatsu is constantly paying careful attention to the changes in demand for its products. However, these economies are impacted by a number of unstable factors, such as commodity prices and considerable reliance on exports to economically-advanced countries, and thus, changes in these factors could adversely affect Komatsu s business results. Furthermore, when economic and/or market conditions change more drastically than forecasted, Komatsu may also experience, among other things, fewer orders of its products, an increase in cancellation of orders by customers and a delay in the collection of receivables.

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

(2) Foreign currency exchange rate fluctuations

A substantial portion of Komatsu s 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 by reducing its interest-bearing debt, its aggregate short- and long-term interest-bearing debt was approximately ¥540 billion as of March 31, 2011. Although Komatsu has strived to reduce the effect of interest rate fluctuations by promoting the procurement of 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 governmental regulations and approval procedures in the countries in which it operates. If the government of a given country were to introduce new laws and regulations relating to, for example, custom duties, quotas, currency restrictions and taxation, Komatsu may be required to bear increased expenses in order to comply with such regulations. With respect to transfer pricing between Komatsu and its affiliated companies, Komatsu is careful to comply with applicable taxation laws of Japan and the concerned foreign governments. Nevertheless, it is possible that Komatsu may be viewed by the concerned tax authorities as having used inappropriate pricing. Furthermore, if intergovernmental negotiations were to fail, Komatsu may be charged with double or additional taxation. Such unexpected expenses could have an unfavorable impact on Komatsu s business results.

(5) Environmental laws and regulations

Komatsu s products and business operations are required to meet increasingly stringent environmental laws and regulations in the numerous countries in which Komatsu operates. To this end, Komatsu expends a significant share of its management resources, such as research and development expenses, to comply with environmental and other related regulations. However, if the existing environmental regulations were to change in the future, 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.

(6) Product and quality liability

While Komatsu endeavors to sustain and improve the quality and reliability of its operations and products based on stringent standards established internally, Komatsu may face product and quality liability claims or become exposed to other liabilities if unexpected defects in its products result in recalls or accidents. If the costs for addressing such claims or other liabilities are not covered by Komatsu s existing insurance policies or other protective means, such claims 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 fluctuations in commodity prices, mainly in the price of steel materials. Price increases in commodities may increase the cost 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 the cost of materials, Komatsu strives to reduce other costs and pass on any increase in the cost of materials to its customers through price adjustments of its products. Komatsu strives to minimize the effects of possible procurement or manufacturing issues by securing new suppliers or promoting closer collaboration among 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 safeguards 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 Komatsu were held liable for infringing on a third party s intellectual property rights, Komatsu s business results may be adversely affected.

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

If natural disasters (such as earthquakes and floods), epidemics, wars, terrorist acts, accidents (such as radioactive contamination), fires and explosions, unforeseeable criticism or interference by third parties or computer virus infections were to occur in the regions in which Komatsu operates, Komatsu may incur extensive damage to one or more of its facilities that then could not become fully operational within a short period of time. Even if Komatsu s operations were not directly harmed by such events, confusion in logistic and supply networks, shortages in the supply of electric power, gas and other utilities, telecommunication problems and/or problems of supplier s production may continue for a long period of time. Accordingly, if delays or disruption in the procurement of materials and parts, or the production and sales of Komatsu s products and services, or deterioration of the capital-raising environment or other adverse developments were to take place as a result of such events, Komatsu s business results may be adversely affected.

Item 4. Information on the Company

A. History and Development of the Company

The Company was incorporated in May 1921 as a joint stock corporation (kabushiki kaisha) 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 line-up 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) exports 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.

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 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.

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.

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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.

In April 2010, Komatsu Industries Corporation (Komatsu Industries), a wholly owned subsidiary of the Company, took over the product development and sales and service operations of the large-sized press business, previously conducted by the Company s Industrial Machinery Division, by way of an absorption-type corporate split.

In April 2011, the Company merged with Komatsu Utility Co., Ltd. in an absorption-type merger. Komatsu Utility Co., Ltd. was a wholly owned subsidiary of the Company that produced and sold forklift trucks and mini construction equipment.

In April 2011, the Company decided to acquire the outstanding shares of Komatsu Rental Ltd. owned by other shareholders, upon which Komatsu Rental Ltd. would become a wholly owned subsidiary of the Company, and merge such subsidiary into the Company in an absorption-type merger in July 2011. In advance of such merger, the Company has acquired the outstanding shares owned by other shareholders of Komatsu Rental Ltd. and Komatsu Rental Ltd. has established its own wholly owned subsidiary. Komatsu Rental Ltd. will execute an absorption-type company split such that its wholly owned subsidiary will succeed to certain of its assets and liabilities and the Company will succeed to the rest of its assets and liabilities. Upon the merger, the wholly owned subsidiary that Komatsu Rental Ltd. has established will become a wholly owned subsidiary of the Company.

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, 2011, 2010 and 2009 were ¥97,738 million, ¥96,191 million and ¥162,512 million, respectively. Capital investment for the fiscal year ended March 31, 2011 by operating segment was as follows.

Capital Investment by Operating Segment

	Millions of Yen	**Percentage Change as compared to the**
	Fiscal Year ended March 31, 2011	**Fiscal Year ended March 31, 2010**
Construction, Mining and Utility Equipment	¥ 92,049	-1.0%
Industrial Machinery and Others	5,689	77.1%
Total	¥ 97,738	1.6%

Notes:

1) Amounts include certain leased machinery and equipment accounted for as capital leases in accordance with Financial Accounting Standards Board Accounting Standards Codification 840.

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2) 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 reflect 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.

In the fiscal year ended March 31, 2011, Komatsu made capital investments in the construction, mining and utility equipment business to expand its production capacity and its product offerings in the Strategic Markets (see below for a further description of Strategic Markets), and to improve its ability to quickly adjust to future increases in demand for its equipment in such markets in the medium- to long-term. In the industrial machinery and others business, Komatsu built a new plant of Komatsu NTC Ltd. during the fiscal year ended March 31, 2011 to increase its capacity to produce wire saws as it expanded its market share with respect to such equipment in the solar cell market.

Komatsu considers the markets in Japan, North America and Europe to be its Traditional Markets and the markets in China, Latin America, Asia, Oceania, Africa, the Middle East and the Commonwealth of Independent States (CIS) as its Strategic Markets .

The following table sets forth in further detail the principal construction projects Komatsu undertook during the fiscal year ended March 31, 2011.

Main facilities completed in the fiscal year ended March 31, 2011

Operating segment	Main facilities
Construction, Mining and Utility Equipment	Komatsu Manufacturing Rus, LLC: Construction of a new plant Products: Medium-sized hydraulic excavators Location: Yaroslavl, Russia Komatsu Castex Ltd.: Expansion of manufacturing facilities for key components (iron castings) Products: Cylinder blocks, etc. Location: Himi City, Toyama, Japan

New constructions, expansions and overhauls of main facilities in progress during the fiscal year ended March 31, 2011

Operating segment	Main facilities
Construction, Mining and Utility Equipment	Komatsu (Changzhou) Construction Machinery Corp.: Relocation (and expansion) of existing plant Products: Hydraulic excavators, wheel loaders, dump trucks, etc. Location: Changzhou, Jiangsu, China

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Komatsu s capital investments for the fiscal year ended March 31, 2011 were primarily financed by funds on hand and bank borrowings.

For information on Komatsu s expected principal capital investments for the fiscal year ended March 31, 2011, see Item 4.D. Property, Plants and Equipment.

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.

The manufacturing operations of Komatsu are conducted primarily at plants located in Japan, the United States, Brazil, the United Kingdom, Germany, Sweden, Italy, Indonesia, China, Thailand and India. 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 independent 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, 2011, 2010 and 2009, which is reproduced from the Company s audited consolidated financial statements.

Net Sales by Operating Segments

	(Millions of Yen)					
	Fiscal Year Ended March 31, 2011		Fiscal Year Ended March 31, 2010		Fiscal Year Ended March 31, 2009	
Construction, Mining and Utility Equipment	¥1,615,689	87.7%	¥1,268,575	88.6%	¥1,744,733	86.3%
Industrial Machinery and Others	227,438	12.3%	162,989	11.4%	277,010	13.7%
Total	¥1,843,127	100.0%	¥1,431,564	100.0%	¥2,021,743	100.0%

(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 87.7% of Komatsu s total net sales for the fiscal year ended March 31, 2011.

Komatsu offers various types of construction, mining and utility equipment, ranging from super-large machines capable of mining applications to general construction equipment and mini construction equipment 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:

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	Transportation, warehousing and packing

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 such product is 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. 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 equipment rental 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.

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The principal products developed and introduced to the market in the Construction, Mining and Utility Equipment operating segment during the fiscal year ended March 31, 2011 are listed below:

Company	Product	Model
Komatsu Ltd.	Hydraulic Excavators	PC160LC-8, PC190LC-8, PC190NLC-8, HB205-1, HB215LC-1, PC228US-8, PC228USLC-8, PC800-8E0, PC800LC-8E0, PC850-8E0, PC800-8R, PC800LC-8R, PC850-8R
	Bulldozers	D65-12, D68ESS-12
	Wheel Loader	WA100-6, WA150-6, WA150PZ-6, WA1200-6
Komatsu Utility Co., Ltd.	Hydraulic Excavators	PC70-8

(2) Industrial Machinery and Others

Net sales from the Industrial Machinery and Others operating segment accounted for 12.3% of Komatsu s total net sales for the fiscal year ended March 31, 2011. 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:

Category	**Principal Products**
Metal Forging and Stamping Presses	Large-sized 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 and introduced to the market in the Industrial Machinery and Others operating segment during the fiscal year ended March 31, 2011 include the wire-sawing machine (PV1000 and PV500D) 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 CIS, (4) China, (5) Asia (excluding Japan and China) and Oceania and (6) the Middle East and Africa.

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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, 2011, 2010 and 2009. Net sales data by sales origin are set forth in Item 5.A. Operating and Financial Review and Prospectus as well as Note 22 to the Company s audited consolidated financial statements, included elsewhere in this report.

	(Millions of Yen)			
	Fiscal Year Ended March 31, 2011		Fiscal Year Ended March 31, 2010		Fiscal Year Ended March 31, 2009	
Japan	¥ 349,184	18.9%	¥ 323,813	22.6%	¥ 452,172	22.4%
Americas	397,427	21.6%	323,984	22.7%	503,450	24.9%
Europe and CIS	165,418	9.0%	127,377	8.9%	284,029	14.0%
China	428,208	23.2%	270,870	18.9%	236,226	11.7%
Asia (excluding Japan and China) and Oceania	398,366	21.6%	299,864	20.9%	335,574	16.6%
Middle East and Africa	104,524	5.7%	85,656	6.0%	210,292	10.4%
Total	¥ 1,843,127	100.0%	¥ 1,431,564	100.0%	¥ 2,021,743	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. Except as noted below where Komatsu s subsidiaries sell their products directly to customers, construction, mining and utility equipment is typically sold through independent distributors, who purchase such equipment from the Company and its subsidiaries that manufacture such equipment.

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, and are undertaken by independent distributors, and Komatsu s subsidiaries and affiliates who purchase such equipment from the Company. In addition, Komatsu has enhanced its equipment rental services business in Japan, especially for its construction and utility equipment, in response to strong demand from customers. Komatsu s subsidiaries and independent distributors form Komatsu s service network in Japan, providing total customer-support services.

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Komatsu s overseas construction, mining and utility equipment sales and service network is a global network and covers almost all parts of the world. With the exception of some sales of mining equipment in certain areas, Komatsu sells its products to customers through independent distributors around the world who typically purchase such equipment from the Company and its subsidiaries. With respect to mining equipment, in the areas where there is high demand, such as Australia, Chile and South Africa, there are situations when Komatsu s subsidiaries in such areas provide sales and services directly to customers. Komatsu s liaison offices provide both sales support and technical support to independent distributors. The Company s major sales subsidiaries and affiliates are located in the United States, Brazil, Chile, Peru, Belgium, France, Italy, Russia, China, Thailand, Indonesia, India, Australia, the United Arab Emirates and South Africa. These subsidiaries and affiliates provide technical assistance to the independent distributors and carry spare parts so that such parts can be delivered on a timely basis to its customers and distributors. These subsidiaries and affiliates as well as independent distributors provide the services that customers may require with respect to their construction, mining and utility equipment outside of Japan.

In addition, to provide customers with financing for their purchase of construction, mining and utility equipment, Komatsu has established finance subsidiaries in its major markets of Japan, the United States, Chile, Europe, Thailand, Indonesia, Australia and China.

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

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. Specialized suppliers are Komatsu s business partners that supply components and parts that are particularly important to maintaining the quality of Komatsu s products or business partners who specialize in supplying particular components and parts. Komatsu also procures some of its parts, such as metal forgings, machine components, sheet metal parts and various accessories, from other 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. While Komatsu is still experiencing uncertain procurement conditions for some electronic parts used in its construction equipment and the electronic power supply remains uncertain in Japan due to the Great East Japan Earthquake, Komatsu believes 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.

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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 is customarily the highest during the fourth quarter. However, this seasonality has generally not been material to Komatsu s results of operations.

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.

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-up 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, based on sales amount, Komatsu continues to be one of the market leaders in respect of construction and mining equipment in every geographic region in which it operates. In many countries in the Asian market, Komatsu is the market leader in respect of construction and mining equipment based on sales amount.

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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), Hitachi Construction Machinery Co., Ltd. (Hitachi Construction), Volvo Construction Equipment NV (Volvo) and CNH Global N.V. The competitive environment differs according to regions and product models.

In North America, while U.S. housing starts remained sluggish during the fiscal year ended March 31, 2011, overall demand for construction, mining and utility equipment showed signs of recovery, supported by strong demand in the rental equipment business and mining industries. North America is the largest market for construction equipment in the world and Caterpillar is the market leader based on sales. Deere & Company, which has formed an alliance with Hitachi Construction, also holds a strong market position in construction equipment in North America based on sales. With respect to mining equipment, Komatsu s main competitor in North America is Caterpillar, which has a full line-up of products.

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

In Asia, Komatsu s competitors in the construction equipment market include Caterpillar, Hitachi Construction and Korean manufacturers, such as Hyundai Heavy Industries Co., Ltd. and Doosan Infracore Co., Ltd. In China, demand for construction and mining equipment remained strong, reflecting strong demand in the mining industry coupled with advancements in infrastructure development and urbanization especially in the inner regions of China. Komatsu competes with a number of locally specialized construction equipment manufacturers in addition to the above-mentioned competitors. With respect to mining equipment, Komatsu s main competitor in Asia and China is Caterpillar, a mining equipment manufacturer with a full line-up of products.

As for industrial vehicles, Komatsu competes with global competitors that offer a full line-up of forklift trucks, such as Toyota Industries Corporation, as well as locally specialized manufacturers. The major markets for forklift trucks have traditionally been Europe, the United States and Japan. Recently, China has overtaken Europe and has developed into the largest 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 (excluding Toyota) of forklift trucks primarily focus on forklift trucks. In China, Komatsu competes with a number of locally specialized manufacturers in addition to European, U.S., Korean and Japanese manufacturers.

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

DANTOTSU products

DANTOTSU products are products that have truly outstanding features or qualities in terms of, among others, fuel efficiency, information and communication technology (ICT) and environmental features, such as lower CO_2 emissions and fuel consumption. Komatsu designates a product as a DANTOTSU product when it believes the product has features that 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 global positioning system (GPS) 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. In addition, more recently, this system has enabled distributors and dealers to improve their parts and service operations, thereby improving the time required to respond to customers service requests.

AHS (Autonomous Haulage System)

AHS is a system that controls the operation of super-large autonomous dump trucks that are used in large-scale mines. Komatsu first introduced AHS in copper mines 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. Komatsu is the only company that provides this type of system in the mining equipment industry.

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 the equipment is equipped with advanced technologies that reduce CO_2 emissions and fuel consumption, which are features that customers have been focused on in recent years. Komatsu plans to introduce hybrid excavators in North, Central and South America, Southeast Asia, Europe and Oceania during the fiscal year ended March 31, 2012.

Industrial Machinery and Others

In the Industrial Machinery and Others operating segment, Komatsu s principal products include (1) metal forging and stamping presses, (2) sheet metal machines and (3) machine tools. As discussed below, the market for 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. Komatsu s stamping presses can be divided into large-sized presses, and medium- and small-sized presses.

With respect to large-sized 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, 2011, orders for large-sized presses increased as the automobile manufacturing industry began to make capital investments in China, India, Brazil and other countries. Accordingly, Komatsu continued to strengthen its marketing activities of large-sized presses in such markets. For example, Komatsu focused on sales promotion activities in China and India as it expanded the product line-up of its AC Servo motor-driven large-sized presses, enhanced its technological edge, reinforced its global service operations and strengthened its collaboration with mold builders.

With respect to small- and medium-sized presses, Asia (including Japan) is Komatsu s largest market. 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. For the fiscal year ended March 31, 2011, Komatsu continued to increase the product line-up of its AC Servo motor-driven presses and worked to enhance its product quality by improving the standards by which Komatsu monitors the quality of its operating equipment and strengthening the evaluation process during the development stage of such equipment, which contributed to the increase in sales of small- and medium-sized presses. In addition, in light of increased demand for small- and medium-sized presses in China, Komatsu enhanced its sales and service infrastructure and started manufacturing such equipment in China in the fiscal year ended March 31, 2011.

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(2) Sheet Metal Machines

Komatsu s sheet metal machines business is primarily focused on machines that cut and bend steel sheets, and Japan is Komatsu s major market for such machines. 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 in this business due to its large product line-up.

One of 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 operating and initial costs while maintaining a cutting quality that is equivalent to that of laser cutting machines. Such features are highly valued in this market and has enabled 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 line-up. Capital investments for engine production by automobile manufacturers recovered in the fiscal year ended March 31, 2011 compared to the previous fiscal year. In particular, Chinese automobile manufacturers actively made capital investments. Investments by U.S. automobile manufacturers recovered as well. Komatsu was able to maintain its high position in the global market for machine tools used to cut and fabricate engine parts in the fiscal year ended March 31, 2011 due to steps it continued to take to reinforce its sales in such markets, such as expanding its product line-up and establishing an arrangement whereby customers can purchase through Komatsu all of the machinery (including some machinery not manufactured by Komatsu) necessary to manufacture an engine.

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In addition, the market for wire saws that are used to slice silicon ingots, which are used to manufacture solar cells, has expanded rapidly in recent years due to the increase in demand for solar power generator devices. 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 it uses advanced technologies, such as technologies that regulate the wire in ways that enable it to cut silicon ingots. More specifically, demand for solar cells increased in the fiscal year ended March 31, 2011, especially in Europe and North America. Demand for wire saws increased in China as a result of such increased demand in Europe and North America because many companies in China manufacture materials for solar cells. Komatsu further improved its market position in wire saws as it expanded its product line-up and improved the functionality of its wire saw products.

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, and 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. Under this system, manufacturers are required to file an application with MLIT for the approval of their low-emission type construction equipment which meets the standards set forth by MLIT. In 2006, a new law took effect in Japan to control exhaust emissions from off-road specific vehicles in the power range over 19kW. In connection with the implementation of this new law, maximum emission levels were lowered. Such new limits are known as the Tier 3 standards, compliance with which has been mandatory in Japan since 2006. MLIT and related ministries have introduced new maximum emission limits, which are expected to become effective in two stages in Japan, first in 2011 and second in 2014. The first stage of these new limits is similar to the Interim Tier 4 standards in the U.S. and the Stage III standards in Europe, which became effective in 2011, and the second stage of these new limits is similar to the Tier 4 standards in the U.S. and the Stage IV standards in Europe, which will become effective in 2014.

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 Interim Tier 4 standards, which are currently in effect, have been phased-in since 2011. The even more stringent Tier 4 standards are scheduled to be phased-in starting 2014.

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. The Directive was amended by several Directives and the new Directive 2010/26/EC took effect in 2010. The Stage III B standards have been phased-in since 2011. The next stage (Stage IV standards) is scheduled to be phased-in starting 2014, similar to Japan and the United States.

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 4 (Stage IV) standards that are to be phased-in in Japan, the United States and Europe starting in 2014.

Regulations regarding noise and vibration

In Japan, MLIT established the approval system for low-noise emission and low-vibration type construction equipment in 1983. Under this system, manufacturers are required to file an application with MLIT for the approval of their low-noise and low-vibration type construction equipment which meet the standards set forth by MLIT. Initially, this approval system for noise emission and vibration was only used for noise emission. The current measurement method and limits on noise emission levels for the type approval system have been in effect since October 1997. While the maximum standards for noise emission established by MLIT are not legally binding, these maximum standards must be complied with in Japan in practice since only construction equipment that have obtained the required approvals are allowed to be used in construction projects under the direct control of MLIT. The type approval system has been in use for low-vibration type construction equipment since October 1996. Similar to the type approval system for noise emission, the maximum standards for vibration set by MLIT are not legally binding. However, unlike the type approval system for noise emission, construction equipment, such as vibratory hammers and hydraulic excavators, that have not obtained such approvals are allowed to be used in construction projects under the direct control of MLIT.

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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 permissible 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 requires such products to bear a CE-mark and indicate their guaranteed sound-power level before they could be sold in the European 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 required further noise reduction, has been in effect since January 2006. The European Union periodically reviews and updates its noise regulations, and stricter noise limitations is expected to be imposed for some types of machines manufactured by Komatsu.

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 that are to become effective in the future.

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.

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 that will take effect in stages in future years regarding hazardous substances (such as substances that are recognized as being cancerous, having mutagenic properties, having effects on the reproductive organs or having high residual or accumulation characteristics).

Regulations regarding Safety

In Europe, the Machinery Directive 89/392/EEC, which sets forth the essential requirements on machine safety, was published in 1989 and became effective in 1995. This Directive requires manufacturers to consider and meet certain standards relating to the health and safety of the operator of the equipment when designing and manufacturing equipment. Since then Komatsu has been in compliance with the Directive and its updates. The Directive 89/392/EEC was amended by several Directives and codified into Directive 98/37/EC in 1998. Based on Directive 98/37/EC, a newly amending Machinery Directive 2006/42/EC was published in 2006 and became effective on December 29, 2009. This new Machinery Directive updated Directive 98/37/EC in several respects. For example, the new Machinery Directive required manufacturers to provide clearer instructions as to the operation of its equipment. More specifically, to avoid any misunderstandings as to the operation or handling of the equipment due to various languages being used in the EU member states, the new Directive recommended decals (pictorial diagrams) to be placed on the equipment warning the operator of safety and handling issues. In light of such recommendation, Komatsu replaced all safety labels that had a textual explanation with those that have pictorial diagrams and simplified its decal for the radiator cap by using a combination of symbols. Another update included in the new Machinery Directive was to require manufacturers to improve the visibility of the operator of the equipment. In response to such update, Komatsu has made rear view cameras or mirror systems a standard feature of large-size machines it sells in Europe.

Komatsu and its products are also in compliance with other health and safety regulatory standards, such as the Roll Over Protective Structures standards set forth by the Occupational Safety and Health Administration of the U.S. Department of Labor, and Komatsu continues to make progress in its preparations to comply with the health and safety standards that are to become effective in the future, including safety requirements for large machines that are used in the mining industry.

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 Group. 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 s production and procurement remain vulnerable to being affected by such conditions as the electronic power supply, suppliers recovery of operations, aftershocks and the crippled nuclear plant in Fukushima Prefecture. Komatsu will continue our all-out efforts to stabilize production and procurement as Komatsu monitors the conditions very carefully.

Concerning the restoration of the regions devastated by the Great East Japan Earthquake, Komatsu created the Tohoku Operation Department in Sendai City, Miyagi Prefecture. The Department will ensure dynamic decision-making operations in the affected regions, provide for the smooth transportation of construction equipment, forklift trucks, temporary housing materials, and spare parts for equipment, and reinforce our service operations.

Looking at our global group-wide business environment, Strategic Markets are steadily expanding in the construction and mining equipment business. Komatsu is projecting that the economic growth of countries in Strategic Markets will play the role of driving the demand for equipment. In the industrial machinery and others business, Komatsu is also anticipating that demand will continue to grow, as the volume of automobile production is increasing, especially in Strategic markets.

Komatsu draws its strengths especially from ICT applications, in-house development and production capabilities of key components, global sales and service networks, and flexible procurement and manufacturing operations. In the new mid-range management plan, Global Teamwork for Tomorrow, with the goals set for the fiscal year ending March 31, 2013, Komatsu is working to further refine our strengths by focusing our efforts on the following activities of importance and will steadfastly generate results. Komatsu will also continue our efforts to disseminate and anchor The KOMATSU Way, as all employees of Komatsu engage in Kaizen (improvement) activities in their own work. In addition, Komatsu will focus our efforts on our brand management activities designed to further enrich the relationship with our customers for mutual growth with them and foster the growth of employees who are needed for our global business expansion.

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1) Promotion of ICT Applications to Products and Parts

Komatsu have built on our record of ICT applications mainly in the domain of construction and mining equipment with the KOMTRAX for construction equipment, the AHS (Autonomous Haulage System) for dump trucks in large-scale mines and other systems. Komatsu will continue to apply leading-edge ICT to machine management, machine control, and construction site management in order to enhance our product competitiveness. Komatsu will also proactively promote ICT applications to our industrial machinery and forklift trucks. Furthermore, Komatsu is going to advance our utilization of a variety of information obtained from the KOMTRAX to improve customers productivity and our sales and production planning.

2) Further Advancement of Environmental Friendliness and Safety in Machine Performance

To help our customers reduce CO_2 emission volume from their equipment, Komatsu is going to advance our hybrid, HST (hydrostatic transmission) and motor-driven technologies for construction equipment and forklift trucks and our AC Servo technology for presses. With respect to hybrid hydraulic excavators, Komatsu is preparing for worldwide launchings of new HB205 and HB215LC models. By combining our in-house development and production of key components, such as engines, hydraulic equipment and control systems with leading-edge technologies, Komatsu is continuing our efforts to develop products to meet new emissions control regulations in Japan, North America and Europe and to ensure their smooth market introduction. In the domain of mining equipment, Komatsu has already introduced the AHS to mines in Chile and Australia, and Komatsu is going to further refine the performance and safety of the AHS. Komatsu is also going to generate steady results in the Biodiesel Fuel Project which Komatsu started in the previous fiscal year.

3) Expansion of Sales and Service Operations in Strategic Markets

In Strategic Markets and in the domain of mining equipment, which both have high growth potential, Komatsu is going to make a difference from competitors by not only supplying products which feature superior QCDS (quality, costs, delivery and safety) but also enhancing the operating rates of customers equipment through quick and responsive delivery of parts and service. To this end, Komatsu is going to upgrade our sales and service capabilities by developing and strengthening distributorships, expanding service support bases, reinforcing parts and Reman businesses and supporting customers through ICT applications. Also, in the domain of industrial machinery and forklift trucks, Komatsu is going to promote more synergy effects with the construction equipment business, and improve sales and service networks in response to an expanding weight on Strategic Markets centering on China.

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4) Promotion of Continuous Kaizen (Improvement) by Strengthening Workplace Capability

While the growth of emerging economies offers us a great chance to expand our business, Komatsu needs to expect new competition with companies of emerging economies in addition to conventional competition. To win this global mega competition, it is important for us to continuously refine our capability to meet the changes and sharpen our cost competitiveness, as Komatsu promotes our efforts for growth upheld in the mid-range management plan. To this end, it is absolutely necessary for us to have the power to demonstrate workplace capability and adaptability, i.e., the power to continue our Kaizen (improvement) activities. With this workplace capability and effective ICT utilization, Komatsu is going to further heighten our operational flexibility of global manufacturing operations, substantially reduce production costs, and maximize logistics. Komatsu is also continuing our efforts to reform and streamline our administrative work. Through these Kaizen (improvement) activities, Komatsu is going to further enhance our workplace capability and promote human resource development.

Based on the belief that our corporate value is the total sum of trust given to us by society and all our stakeholders, Komatsu are further strengthening our 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 our business performance, Komatsu will facilitate both the development of corporate strength and the achievement of 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. Komatsu s manager believes that Komatsu s strengths were forged by earlier generations of employees based on these principles and these principles are still ingrained in the minds of Komatsu employees today. Komatsu s management defines The KOMATSU Way to consist of Komatsu s strengths, the beliefs that support the strengths, and the basic attitudes and patterns of behavior. Komatsu s management believes that Komatsu can further enhance its reliability and achieve growth if its employees continue to believe in and pursue The KOMATSU Way.

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

Numerical Targets of the Global Teamwork for Tomorrow

Items	Targets for Fiscal Year Ending March 31, 2013
Operating margin	15% or above
ROE: Return on equity 1)	20%
Net debt-to-equity ratio 2)	0.4 or below
Excluding debt of retail finance companies	0.2 or below
Consolidated payout ratio	20 - 40% (stably)

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Notes:

1) ROE = Net income attributable to Komatsu Ltd. 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

Guidelines for the Numeric Targets of the Global Teamwork for Tomorrow

Items	Fiscal Year Ending March 31, 2013		
Guideline on sales	JPY2,000 billion ± JPY100 billion		
Guidelines on exchange rate	USD1	EUR1	RMB1
	JPY90	JPY125	JPY13.5

C. Organizational Structure

As of March 31, 2011, the Komatsu group included the Company, 144 consolidated subsidiaries and 39 affiliates accounted for by the equity method. The Company is the parent of the Komatsu group. The following is a list of the principal consolidated subsidiaries as of March 31, 2011.

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 Construction Equipment Sales and Service Japan Ltd.	Japan	100.0
Komatsu Used Equipment Corp.	Japan	100.0
Komatsu Rental Ltd.	Japan	79.0
Komatsu Forklift Japan Ltd.	Japan	100.0
Komatsu Logistics Corp.	Japan	100.0
Komatsu Industries 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 do Brasil Ltda.	Brazil	100.0
Komatsu Brasil International Ltda.	Brazil	100.0
Komatsu Holding South America Ltda.	Chile	100.0
Komatsu Cummins Chile Ltda.	Chile	81.8
Komatsu Cummins Chile Arrienda S.A.	Chile	81.8 (100.0)
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
Komatsu France S.A.S.	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 Marketing Support Australia Pty. Ltd.	Australia	60.0
Komatsu Australia Pty. Ltd.	Australia	60.0 (100.0)
Komatsu Australia Corporate Finance 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) Percentage of ownership interest includes indirect ownership.

2) The Company s significant subsidiaries (as such term is defined in Rule 1-02(w) of Regulation S-X) are Komatsu America Corp. and Komatsu (China) Ltd.

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D. Property, Plants and Equipment

Komatsu s manufacturing operations for the Construction, Mining and Utility Equipment operating segment are conducted in 44 plants, 12 of which are located in Japan. As of March 31, 2011, 28 principal plants (out of 44 plants) had an aggregate manufacturing floor space of 1,740 thousand square meters (18,729 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 such facilities are located. A portion of the properties owned by Komatsu is subject to mortgages or other types of liens. As of March 31, 2011, the net book value of the property owned by Komatsu was ¥508,387 million, none of which 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, 2011 are as follows:

	Floor Space		
Name and Location	Thousand sq. meter	Thousand sq. ft	**Principal products**
Japan			
Awazu Plant Komatsu, Ishikawa	248	2,669	Small- and medium-sized hydraulic excavators, small- and medium-sized wheel loaders, small- and medium-sized bulldozers, motor graders
Kanazawa Plant Kanazawa, Ishikawa	25	269	Super-large hydraulic excavators, presses
Osaka Plant Hirakata, Osaka	156	1,679	Medium- and large-sized hydraulic excavators, large-sized bulldozers, recycling equipment
Oyama Plant 1) Oyama, Tochigi	225	2,422	Diesel engines, hydraulic equipment, axle
Ibaraki Plant Hitachinaka, Ibaraki	63	678	Large-sized wheel loaders, dump trucks
Koriyama Plant Koriyama, Fukushima	34	366	Hydraulic equipment
Shonan Plant Shonan, Kanagawa	9	97	Controllers, monitors, KOMTRAX terminals, hybrid components
Komatsu Utility Co., Ltd. Oyama, Tochigi	75	807	Forklift trucks, mini excavators, mini wheel loaders
Komatsu Castex Ltd. Himi, Toyama	91	980	Steel castings, iron castings, pattern for casting
Komatsu NTC Ltd. Nanto, Toyama	68	732	Transfer machines, machining centers, laser cutting machines, grinding machines
The Americas			
Komatsu America Corp. Tennessee, U.S.A.	31	334	Medium-sized hydraulic excavators, articulated dump trucks, forestry equipment (crawler type)
South Carolina, U.S.A.	18	194	Wheel loaders, forklift trucks
Illinois, U.S.A.	61	657	Large-sized dump trucks
Hensley Industries, Inc. Texas, U.S.A.	19	205	Buckets, teeth, edges, adapters
Komatsu do Brasil Ltda. São Paulo, Brazil	67	721	Medium-sized hydraulic excavators, small- and medium-sized wheel loaders, medium-sized bulldozers, motor graders
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	15	161	Forestry equipment (wheel type)

Komatsu Mining Germany GmbH Düsseldorf, Germany	27	291	Super-large hydraulic excavators
Komatsu Utility Europe S.p.A. Este, Italy	43	463	Mini excavators, backhoe loaders, skid steer loaders
Komatsu Manufacturing Rus, LLC Yaroslavl, Russia	39	420	Medium-sized hydraulic excavators
Asia (excluding Japan) and Oceania			
PT Komatsu Indonesia Jakarta, Indonesia	139	1,496	Medium- and large-sized hydraulic excavators, small- and medium-sized bulldozers, motor graders, dump trucks and hydraulic equipment
PT Komatsu Undercarriage Indonesia Bekasi, Indonesia	14	151	Undercarriage components and spare parts
Komatsu (Changzhou) Construction Machinery Corp. Jiangsu, China	16	172	Medium-sized hydraulic excavators, medium-sized wheel loaders, dump trucks
Komatsu Shantui Construction Machinery Co., Ltd. Shandong, China	65	700	Small- and medium-sized hydraulic excavators
Komatsu Undercarriage China Corp. Shandong, China	18	194	Crawler components
Komatsu (Shandong) Construction Machinery Corp. Shandong, China	13	140	Mini excavators, forklift trucks, hydraulic equipment, steel castings
Bangkok Komatsu Co., Ltd. Chonburi, Thailand	24	258	Medium-sized hydraulic excavators

Note:

1) Komatsu Cummins Engine Co., Ltd, is 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 ¥116,600 million in the fiscal year ending March 31, 2012. Of such amount, Komatsu has committed to make capital investments totaling approximately ¥12,800 million as of March 31, 2011.

The amount of capital investment expected to be made in the fiscal year ending March 31, 2012, 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, 2012 (Millions of Yen)**	**Principal investment objectives**	**Sources of funding**
Construction, Mining and Utility Equipment	111,800	To expand production capacity, etc.	Funds on hand, bank borrowings, etc.
Industrial Machinery and Others	4,800	To expand production capacity, renew obsolete equipment and streamline production, etc.	Funds on hand, bank borrowings, etc.
Total	116,600		

Note: Capital investment amounts exclude consumption tax.

With respect to the Construction, Mining and Utility Equipment operating segment, Komatsu plans to continue making capital investments to expand its production capacity and its product offerings in the Strategic Markets, and to improve its ability to quickly adjust to future increases in demand for its equipment in such markets in the medium- to long-term.

With respect to the Industrial Machinery and Others operating segment, Komatsu plans to make capital investments to increase its capacity to produce wire saws in response to increased demand for its equipment in the solar cell market. In addition, Komatsu plans to make capital investments to expand its capacity to produce large presses and other machinery as it anticipates that the automobile industry will recover and start making larger capital investments, especially in the Strategic Markets. Furthermore, Komatsu plans to continue making capital investments to renew obsolete equipment and streamline its production operations.

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 ¥83 to U.S.$1.00, the approximate buying rate of Japanese yen as of noon on March 31, 2011 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. Komatsu has the following two operating segments: (1) Construction, Mining and Utility Equipment and (2) Industrial Machinery and Others.

For the fiscal year ended March 31, 2011, the Construction, Mining and Utility Equipment operating segment and the Industrial Machinery and Others operating segment accounted for approximately 87.7% and 12.3% of consolidated net sales, respectively. Of the consolidated net sales for the fiscal year ended March 31, 2011, 18.9% of net sales were derived from sales to external customers located in Japan and 81.1% of net sales were derived from sales to external customers located outside of Japan. For additional information regarding 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 ¥85.00 for the fiscal year ended March 31, 2011 and ¥92.49 for the fiscal year ended March 31, 2010. 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, 2011 and 2010 and Comparison of Fiscal Years ended March 31, 2010 and 2009 in Item 5.A. Operating Results.

General Overview

Effects of the Great East Japan Earthquake on Komatsu Group s Business Operations and Responses During the fiscal year ended March 31, 2011, the Great East Japan Earthquake and the subsequent tsunami brought about very extensive damages, especially in the Tohoku and northern Kanto regions of Japan. Immediately after this tragic disaster, the Komatsu Group checked the safety of its employees and their families, worked to secure their safety, and made extensive efforts in transporting relief items to disaster-stricken employees and their families. The Komatsu Group also focused its efforts to recover operations of affected plants, suppliers and other business bases.

With respect to production, the buildings and facilities of some plants of the Komatsu Group were damaged but we quickly worked to repair them. Komatsu employees from the Production and Procurement divisions visited our suppliers damaged facilities and worked with these suppliers employees to repair their facilities quickly. As a result of these efforts, while we are still experiencing uncertain procurement conditions for some electronic parts for our construction equipment and the electric power supply remains uncertain, all of our affected plants resumed production at almost full capacity by the end of March, 2011.

With respect to sales and services, our operations were seriously affected by the tsunami. At some facilities located along the Pacific Ocean side of the Tohoku region, their buildings, facilities and construction equipment were washed away or destroyed. We expect that it will take some time for such damaged facilities to recover and become fully operational. To assist the affected areas, shortly after the devastation brought by the tsunami, we restarted our maintenance and repair service for construction equipment, which is indispensable for the restoration and reconstruction of the affected areas, using our other operational facilities located near the affected area.

In an effort to provide the necessary equipment and materials needed in the affected regions to the maximum extent possible, we have decided to provide ¥800 million worth of assistance, which assistance will focus on lending our own construction equipment, forklift trucks, temporary housing and power generators free-of-charge. We are lending these items based on requests received from the local governments.

As a result of our efforts as described above, this disaster did not have a significant effect on our business results. For the fiscal year ended March 31, 2011, we recognized additional costs and expenses of ¥4.6 billion (U.S.$55 million) relating to this disaster. Such costs and expenses reflect a write-off expense of ¥3.3 billion (U.S.$40 million), relief expenses to the affected areas of ¥0.8 billion (U.S.$10 million) and losses resulting from temporary disruption of production of ¥0.5 billion (U.S.$6 million). In addition, due to sales being carried forward to the next fiscal year, we estimate that this disaster resulted in a reduced gross profit of ¥2.4 billion (U.S.$29 million) for the fiscal year ended March 31, 2011. We believe such amount will be recognized in the fiscal year ending March 31, 2012.

It is projected that the reconstruction work as a result of this disaster will last for a long time. Because we recognize the importance of (1) producing construction equipment, which is- an indispensable tool for restoration and reconstruction, (2) promptly delivering such equipment to the affected areas and (3) continuing our maintenance and repair operation to ensure trouble-free use of such equipment, we have established the Tohoku Operation Department in Sendai City, Miyagi Prefecture, and will continue to work to normalize our operations in the affected areas.

Operations and Business Results

During the fiscal year ended March 31, 2011, some of the world s economies showed signs of recovery, reflecting positive effects of the economic stimulus packages of their respective governments. In particular, the Chinese economy, with the support of its government s economic stimulus measures, lead the other economies by turning around its economy and recording growth. The positive effects of China s economic growth have reached the surrounding Asian countries and countries that produce natural resources, helping such countries economic recovery, which also encouraged economic recovery in developed countries. As a result, demand for Komatsu s equipment increased in all regions of the world and in both operating segments.

In light of such economic environment, Komatsu increased its production capabilities, introduced new hybrid hydraulic excavators and streamlined its utility business with respect to the Construction, Mining and Utility Equipment operating segment. More specifically, Komatsu continued to focus its efforts on expanding its production capacity and reinforcing its product support operations (such as increasing the number of depots that supply Komatsu parts) in the Strategic Markets in light of the fact that it anticipates medium- to long-term growth in such markets. For example, Komatsu increased its production capabilities by commencing production at Komatsu Manufacturing Rus, LLC in June 2010, which is Komatsu s first assembly plant in Russia for construction and mining equipment, and completing the construction of an additional plant in China of Komatsu (Changzhou) Construction Machinery Corp., which began production in January 2011. In addition, Komatsu China Mining Limited commenced operations in October 2010 to provide sales and product support operations for mining equipment and related parts exclusively for large-scale mining customers.

In addition, the fiscal year ended March 31, 2011 was the first fiscal year of the Mid to Long-Range Management Plan, which places product development for improved environmental friendliness as one of its focus activities. Consistent with such plan, Komatsu is working to expand the sales of hybrid hydraulic excavators that feature improved fuel consumption and CO_2 emissions volume. For example, Komatsu introduced the hybrid hydraulic excavator models HB205 and HB215LC in Japan in December 2010, which offer improved fuel consumption and CO_2 emissions volume as compared to prior models. Komatsu intends to gradually introduce these new hybrid hydraulic excavator models in North America, Europe, Latin America, China, Asia and Oceania in the coming fiscal years.

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When considering the future of the utility business (i.e., forklift trucks and mini construction equipment), management believes that the growth market for such equipment is in the overseas market, similar to construction and mining equipment. In order to strengthen Komatsu s competitiveness in this business at an early date, management concluded that it was imperative to integrate the utility business together with the construction and mining equipment businesses, which already have an established global operation and experience operating in the global business environment. Accordingly, the Company merged with Komatsu Utility Co., Ltd., a wholly owned subsidiary of the Company that manufactured and sold forklift trucks as well as mini construction equipment, in an absorption type merger on April 1, 2011. Through this merger and the integration of personnel and resources, management believes that Komatsu is better positioned to develop not only more technologically advanced forklift trucks and mini construction equipment but also products that it will be able to designate as DANTOTSU products, thereby improving its ability to capture a larger share in the global utility equipment market.

With respect to the Industrial Machinery and Others operating segment, the automobile industry, which decreased capital investments since the global economic downturn in 2008, showed signs of recovery during the fiscal year ended March 31, 2011, in light of increased automobile production volume in countries such as China, Indian and Brazil. In addition, capital investments by the solar cell manufacturers in Asia, especially in China, also increased during the fiscal year ended March 31, 2011. Based on these factors, management expects that the demand for industrial machinery will increase in the Strategic Markets, such as China, Asia and Latin America. In light of such environment, management decided to reorganize some of its companies in this operating segment with the goal of developing the industrial machinery business as one of Komatsu s core business. More specifically, Komatsu NTC Ltd. was merged with Komatsu Machinery Corporation and the Company merged with Komatsu Engineering Corp. in an absorption-type merger. With respect to the merger between Komatsu NTC Ltd. and Komatsu Machinery Corporation, both companies mainly engaged in the business of manufacturing and selling machine tools for the automobile industry and equipment to manufacture semiconductors. By combining the technological capabilities and expertise of these companies, Komatsu aims to strengthen the sales and service structure of this business in the Strategic Markets, enhance product selection, and develop and manufacture products that meet the next generation of technological advancements. With respect to the merger between the Company and Komatsu Engineering Corp., the Company intends to incorporate the advanced technology and expertise of Komatsu Engineering Corp. to improve its competitiveness. In addition, in light of the expanding solar cell market, Komatsu built a new plant of Komatsu NTC Ltd. during the fiscal year ended March 31, 2011 to increase its production capacity of wire saws.

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Summary of Operating Results

Consolidated net sales for the fiscal year ended March 31, 2011 increased by 28.7% from the fiscal year ended March 31, 2010 to ¥1,843,127 million (U.S.$22,206 million) due primarily to increased sales in the Construction, Mining and Utility Equipment operating segment as well as the Industrial Machinery and Others operating segment. Demand for construction and mining equipment remained high in the Strategic Markets, especially China, Asia and Latin America, while demand recovered and increased from the previous fiscal year in the Traditional Markets of Japan, North America and Europe. Demand for industrial machinery also turned toward recovery, reflecting growth of the solar cell industry in Asia, especially China, and recovery of the automobile industry in the Strategic Markets.

Operating income for the fiscal year ended March 31, 2011 was ¥222,929 million (U.S.$2,686 million), which increased by 232.6% from the fiscal year ended March 31, 2010. This increase in operating income was due primarily to positive factors such as (1) the increase in demand for Komatsu products as a result of increased natural resource developments on a worldwide basis and increased infrastructure developments by governments in various countries in an effort to stimulate their respective economies, (2) various efforts undertaken by Komatsu, such as the realization of sales of products at higher prices and the reduction of production costs, and (3) the decrease in expenses associated with structural reforms of its production and sales operations as compared to the fiscal year ended March 31, 2010, which outweighed negative factors such as (1) unfavorable changes in foreign exchange rates, such as the sharp appreciation of the Japanese yen against the U.S. dollar, Euro and Renminbi, and (2) costs and expenses resulting from the damages caused by the Great East Japan Earthquake and the subsequent tsunami.

Income before income taxes and equity in earnings of affiliated companies for the fiscal year ended March 31, 2011 increased by 238.3% from the fiscal year ended March 31, 2010 to ¥219,809 million (U.S.$2,648 million).

Net income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2011 increased by 349.2% to ¥150,752 million (U.S.$1,816 million) from the fiscal year ended March 31, 2010.

Key Management Indices

Management uses the following six financial indicators to assess Komatsu s consolidated financial condition and consolidated results of operations: (1) net sales, (2) segment profit, (3) operating income, (4) operating margin, (5) return on equity ratio (ROE) and (6) net debt-to-equity ratio (Net DER). Set forth below is a summary of these key indicators for the fiscal years ended March 31, 2011 and 2010.

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Management considers consolidated segment profit to be one of its key management indices because it enables management to evaluate financial data without taking into account the effect of nonrecurring events and other factors unrelated to business activities, such as impairment loss or interest income/expense. Consolidated segment profit is not a consolidated income statement measurement under U.S. GAAP.

The following table summarizes information relating to the reconciliation of consolidated segment profit and consolidated operating income.

	Million of yen		Millions of U.S. dollars
	2011	**2010**	**2011**
Consolidated Segment Profit	¥ 234,972	¥ 80,719	$ 2,831
Impairment loss on long-lived assets	(5,142)	(3,332)	(62)
Other operating income (expenses), net	(6,901)	(10,352)	(83)
Consolidated Operating Income	¥ 222,929	¥ 67,035	$ 2,686

Management Indices	**Results for Fiscal Year Ended March 31, 2011**	**2010**	**Percentage Change 2011 vs. 2010**
Consolidated Net Sales	¥ 1,843,127 million	¥ 1,431,564 million	28.7%
Consolidated Segment Profit	¥ 234,972 million	¥ 80,719 million	191.1%
Consolidated Operating Income	¥ 222,929 million	¥ 67,035 million	232.6%
Consolidated Operating Margin 1)	12.1%	4.7%	7.4 points
ROE 2)	17.2%	4.1%	13.1 points
Net DER 3)	0.50	0.60	-0.10

Notes:

1) Operating Margin = Operating Income/Net Sales

2) ROE = Net Income attributable to Komatsu Ltd. for the fiscal year/{(Komatsu Ltd. Shareholders Equity at the beginning of the fiscal year) + (Komatsu Ltd. Shareholders Equity at the end of the fiscal year)/2}

3) Net Debt-to-Equity Ratio = (Interest-bearing Debt - Cash and Cash Equivalents - Time Deposits)/Komatsu Ltd. Shareholders Equity

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Consolidated Net Sales

Consolidated net sales for the fiscal year ended March 31, 2011 increased by 28.7%, or ¥411,563 million, to ¥1,843,127 million (U.S.$22,206 million) from ¥1,431,564 million for the fiscal year ended March 31, 2010. This increase was due primarily to increased sales in the Construction, Mining and Utility Equipment operating segment as well as the Industrial Machinery and Others operating segment. Demand for construction and mining equipment remained high in the Strategic Markets, especially China, Asia and Latin America, while demand recovered and increased from the previous fiscal year in the Traditional Markets of Japan, North America and Europe. Demand for industrial machinery also turned toward recovery, reflecting growth of the solar cell industry in Asia, especially China, and recovery of the automobile industry in the Strategic Markets.

Consolidated Segment Profit

Consolidated segment profit for the fiscal year ended March 31, 2011 increased by 191.1% to ¥234,972 million (U.S.$2,831 million) as compared to the fiscal year ended March 31, 2010. This increase in segment profit was due primarily to positive factors such as (1) the increase in demand for Komatsu products as a result of increased natural resource developments on a worldwide basis and increased infrastructure developments by governments in various countries in an effort to stimulate their respective economies, and (2) various efforts undertaken by Komatsu, such as the realization of sales of products at higher prices and the reduction of production costs, which outweighed negative factors such as (1) unfavorable changes in foreign exchange rates, such as the sharp appreciation of the Japanese yen against the U.S. dollar, Euro and Renminbi, and (2) costs and expenses resulting from the damages caused by the Great East Japan Earthquake and the subsequent tsunami.

Consolidated Operating Income, Consolidated Operating Margin

Consolidated operating income for the fiscal year ended March 31, 2011 was ¥222,929 million (U.S.$2,686 million), up by 232.6% or ¥155,894 million from ¥67,035 million for the fiscal year ended March 31, 2010. This increase in operating income was due primarily to positive factors such as (1) the increase in demand for Komatsu products as a result of increased natural resource developments on a worldwide basis and increased infrastructure developments by governments in various countries in an effort to stimulate their respective economies, (2) various efforts undertaken by Komatsu, such as the realization of sales of products at higher prices and the reduction of production costs, and (3) the decrease in expenses associated with structural reforms of its production and sales operations as compared to the fiscal year ended March 31, 2010, which outweighed negative factors such as (1) unfavorable changes in foreign exchange rates, such as the sharp appreciation of the Japanese yen against the U.S. dollar, Euro and Renminbi, and (2) costs and expenses resulting from the damages caused by the Great East Japan Earthquake and the subsequent tsunami.

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Consolidated operating margin for the fiscal year ended March 31, 2011 increased by 7.4 percentage points to 12.1% from 4.7% for the fiscal year ended March 31, 2010.

ROE

Net income attributable to Komatsu Ltd. in the fiscal year ended March 31, 2011 increased by 349.2% to ¥150,752 million (U.S.$1,816 million) compared with the fiscal year ended March 31, 2010 due primarily to the increase in operating income. As a result, ROE for the fiscal year ended March 31, 2011 increased by 13.1 percentage points to 17.2% from 4.1% in the fiscal year ended March 31, 2010.

Net DER

Komatsu s aggregate interest-bearing debt as of March 31, 2011 was ¥544,068 million (U.S.$6,555 million), which decreased by ¥42,311 million as compared to March 31, 2010. This decrease was primarily due to the fact that Komatsu s increased net income enabled it to repay its loans from financial institutions and holders of its outstanding Euro medium-term notes and commercial paper notes by amounts that exceeded the total amount borrowed by its retail finance businesses that provide financing to customers purchasing Komatsu products.

Net interest-bearing debt after deducting cash and deposits also decreased by ¥43,708 million to ¥459,110 million (U.S.$5,531 million) in the fiscal year ended March 31, 2011. As a result, Net DER for the fiscal year ended March 31, 2011 decreased to 0.50 from 0.60 for the fiscal year ended March 31, 2010.

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.

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(1) Allowance for Doubtful Receivables

Komatsu estimates the collectability of its trade receivables taking into consideration numerous factors including the current financial position of 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 4 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 financial statements for the period during which such changes occur, until such time as the positions are effectively settled.

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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 15 to the Consolidated Financial Statements.

For the fiscal year ended March 31, 2011, management changed its assessment of the ability to realize the deferred tax assets of a certain wholly owned subsidiary and reduced its valuation allowance. The ability to merge the subsidiary with the Company was not considered prudent as of March 31, 2010 and March 31, 2009, and therefore management believed at that time the likelihood of the ability to realize the deferred tax assets of the subsidiary was unlikely. Consequently, a valuation allowance was established on those deferred tax assets. During the fiscal year ended March 31, 2011, the merger of the subsidiary into the Company was deemed prudent and therefore the company decided to execute it due to a change in the operations of the subsidiary and its business outlook.

(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.

(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 any 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 12 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.

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, 2011.

Change in assumption	Pension obligations (Billions of Yen)	Net periodic pension costs (Billions of Yen)
0.5% increase/ decrease in Discount rate	-11.4 /+12.3	-1,0 /+1.0
0.5% increase/ decrease in expected long-term rate of return		-0.5 / +0.5

Recent Accounting Standards Not Yet Adopted

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-13, Multiple-Deliverable Revenue Arrangements. ASU 2009-13 eliminates the residual method of revenue recognition and requires the use of management s best estimate as to the selling price for individual elements of an arrangement if vendor-specific objective evidence or third-party evidence is unavailable. ASU 2009-13 is effective for the fiscal periods beginning on or after June 15, 2010 and is required to be adopted by Komatsu in the fiscal year beginning April 1, 2011. Komatsu expects that the adoption of ASU 2009-13 will not have a material impact on its consolidated results of operations or financial condition.

In October 2009, the FASB issued ASU 2009-14, Certain Revenue Arrangements That Include Software Elements. ASU 2009-14 amends the scope of pre-existing software revenue guidance by removing tangible products containing software components and non-software components that function together to deliver the tangible products essential functionality. ASU 2009-14 is effective for the fiscal periods beginning on or after June 15, 2010 and is required to be adopted by Komatsu in the fiscal year beginning April 1, 2011. Komatsu expects that the adoption of ASU 2009-14 will not have any material impact on its consolidated results of operations or financial condition.

Comparison of the Fiscal Years Ended March 31, 2011 and 2010

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 Data

	Millions of Yen				Percentage	Millions of U.S. dollars
	Fiscal Years Ended March 31,				change 2011 vs.	
	2011		2010		2010	2011
Net sales	**¥1,843,127**	100.0%	¥1,431,564	100.0%	28.7%	**$ 22,206**
Cost of sales	**1,343,464**	72.9%	1,101,559	76.9%	22.0%	**16,186**
Selling, general and administrative expenses	**264,691**	14.4%	249,286	17.4%	6.2%	**3,189**
Impairment losses on long-lived assets	**5,142**	0.3%	3,332	0.2%	54.3%	**62**
Other operating expenses, net	**(6,901)**	-0.4%	(10,352)	-0.7%	-33.3%	**(83)**
Operating income	**222,929**	12.1%	67,035	4.7%	232.6%	**2,686**
Other income (expenses), net	**(3,120)**		(2,056)		51.8%	**(38)**
Interest and dividend income	**4,493**		6,158		-27.0%	**54**
Interest expense	**(6,475)**		(8,502)		-23.8%	**(78)**
Other, net	**(1,138)**		288		495.1%	**(14)**
Income before income taxes and equity in earnings of affiliated companies	**219,809**	11.9%	64,979	4.5%	238.3%	**2,648**
Income taxes						
Current	**57,923**		32,722			**698**
Deferred	**6,783**		(7,358)			**82**
Total	**64,706**	3.5%	25,364	1.8%	155.1%	**780**
Income before equity in earnings of affiliated companies	**155,103**	8.4%	39,615	2.8%	291.5%	**1,869**
Equity in earnings of affiliated companies	**2,724**	0.1%	1,588	0.1%	71.5%	**33**
Net income	**157,827**	8.6%	41,203	2.9%	283.0%	**1,902**
Less net income attributable to noncontrolling interests	**(7,075)**	-0.4%	(7,644)	-0.5%	-7.4%	**(85)**
Net income attributable to Komatsu Ltd.	**¥ 150,752**	8.2%	¥ 33,559	2.3%	349.2%	**$ 1,816**

	Yen		U.S. cents
Per share data			
Net income attributable to Komatsu Ltd.:			
Basic	**155.77**	34.67	**187.67**
Diluted	**155.66**	34.65	**187.54**
Cash dividends per share	**¥ 26.00**	¥ 26.00	**¢ 31.33**

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Net Sales

Consolidated net sales for the fiscal year ended March 31, 2011 increased by 28.7%, or ¥411,563 million, to ¥1,843,127 million (U.S.$22,206 million) from ¥1,431,564 million for the fiscal year ended March 31, 2010. This increase was due primarily to increased sales in the Construction, Mining and Utility Equipment operating segment as well as the Industrial Machinery and Others operating segment.

For the fiscal year ended March 31, 2011, net sales to external customers for the Construction, Mining and Utility Equipment operating segment increased by 27.4%, or ¥347,114, to ¥1,615,689 million (U.S.$19,466 million) as compared to the fiscal year ended March 31, 2010. Demand for construction and mining equipment remained high in the Strategic Markets, especially China, Asia and Latin America, and demand for such equipment recovered and increased from the previous fiscal year in the Traditional Markets of Japan, North America and Europe. Komatsu made various efforts to capitalize on this recovery in global demand for construction, mining and utility equipment and increase sales to customers, including expanding its production capacity and reinforcing its product support operations in the Strategic Markets in light of the fact that it anticipates medium- to long-term growth in such markets. More specifically, Komatsu increased its production capabilities by commencing production at Komatsu Manufacturing Rus, LLC in June 2010, which is Komatsu s first assembly plant in Russia for construction and mining equipment, and completing the construction of an additional plant in China of Komatsu (Changzhou) Construction Machinery Corp., which began production in January 2011. In addition, Komatsu established Komatsu China Mining Limited, which commenced operations in October 2010, to provide sales and product support for mining equipment and related parts exclusively for large-scale mining customers. In December 2010, Komatsu also introduced new HB205 and HB215LC hybrid hydraulic excavators in Japan, which offer improved fuel consumption and CO_2 emissions volume. These excavators were well received and contributed to the increase in net sales.

For the fiscal year ended March 31, 2011, net sales to external customers in the Industrial Machinery and Others operating segment increased by 39.5%, or ¥64,449 million, to ¥227,438 million (U.S.$2,740 million) as compared to the fiscal year ended March 31, 2010. This increase was partly due to increased sales of wire saws used to manufacture silicon ingots, which are used in solar cells, as solar cell manufacturers in Asia, especially in China, increased their capital investments in the fiscal year ended March 31, 2011. Increased sales in the Industrial Machinery and Others operating segment was also partly due to increased sales of large presses and other machinery as capital investments in the automobile industry started to recover in the Strategic Markets, such as China, India and Brazil.

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Cost of Sales

Cost of sales on a consolidated basis increased by 22.0%, or ¥241,905 million, to ¥1,343,464 million (U.S.$16,186 million) for the fiscal year ended March 31, 2011 from ¥1,101,559 million for the fiscal year ended March 31, 2010. On the other hand, the ratio of cost of sales to net sales for the fiscal year ended March 31, 2011 decreased to 72.9% from 76.9% for the fiscal year ended March 31, 2010. This decrease was due primarily to (1) certain cost being absorbed due to increased sales volume, (2) the realization of product sales at higher prices and (3) Komatsu s efforts to reduce manufacturing costs by improving production efficiency. Such factors offset (1) unfavorable changes in foreign exchange rates as the Japanese yen strengthened sharply against the U.S. dollar, Euro and Renminbi, and (2) losses resulting from temporary disruption of production of ¥470 million caused by the Great East Japan Earthquake and the subsequent tsunami.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 6.2% for the fiscal year ended March 31, 2011 to ¥264,691 million (U.S.$3,189 million) from ¥249,286 million for the fiscal year ended March 31, 2010, due primarily to (1) the increase in selling expenses, such as shipping and handling costs and sales commission, which primarily resulted from the increase in sales volume, (2) the increase in expenses to strengthen product support capabilities (such as expenses relating to increasing the number of depots that supply Komatsu parts) and services to customers (such as expenses relating to increasing the number of facilities that provide maintenance and repair services) and (3) the increase in R&D expenses such as the development of next generation engines that comply with newly adopted emissions regulations that will become effective in the near future and new hybrid products. On the other hand, the ratio of selling, general and administrative expenses to net sales decreased by a 3.0 percentage point to 14.4% as compared to 17.4% for the fiscal year ended March 31, 2010, due to Komatsu s continuous efforts to decrease fixed costs by reforming and improving the efficiency of its back-office functions.

Impairment Losses on Long-Lived Assets

Consolidated impairment losses on long-lived assets for the fiscal year ended March 31, 2011 increased by 54.3%, or ¥1,810 million, to ¥5,142 million (U.S.$62 million) as compared to ¥3,332 million for the fiscal year ended March 31, 2010. Such losses for the fiscal year ended March 31, 2011 include software asset impairment of ¥2,744 million and damaged losses of ¥1,217 million, which loss was caused by the Great East Japan Earthquake and the subsequent tsunami.

Other Operating Expenses, net

For the fiscal year ended March 31, 2011, consolidated other operating expenses, net decreased by ¥3,451 million to ¥6,901 million as compared to ¥10,352 million for the fiscal year ended March 31, 2010. This decrease was due primarily to the fact that Komatsu recorded a decrease of its expenses associated with structural reforms of its production and sales operations, such as reorganization and relocation costs, because the structural reforms engaged in during fiscal year ended March 31, 2011 were not as extensive as in the prior fiscal year. Such decrease in expenses associated with structural reforms was partially offset by costs and expenses of the amount of ¥2,860 million resulting from the damages caused by the Great East Japan Earthquake and the subsequent tsunami. Such costs and expenses reflect a write-off expense of ¥2,060 million and relief expenses to the affected areas of ¥800 million.

Operating Income

Consolidated operating income for the fiscal year ended March 31, 2011 increased by 232.6%, or ¥155,894 million, to ¥222,929 million (U.S.$2,686 million) as compared to ¥67,035 million for the fiscal year ended March 31, 2010. This increase in operating income was due primarily to positive factors such as (1) the increase in demand for Komatsu products as a result of increased natural resource developments on a worldwide basis and increased infrastructure developments by governments in various countries in an effort to stimulate their respective economies, (2) various efforts undertaken by Komatsu, such as the realization of sales of products at higher prices and the reduction of production costs, and (3) the decrease in expenses associated with structural reforms of its production and sales operations as compared to the fiscal year ended March 31, 2010, which outweighed negative factors such as (1) unfavorable changes in foreign exchange rates, such as the sharp appreciation of the Japanese yen against the U.S. dollar, Euro and Renminbi, and (2) costs and expenses resulting from the damages caused by the Great East Japan Earthquake and the subsequent tsunami.

As a result, operating margin for the fiscal year ended March 31, 2011 increased by 7.4 percentage points to 12.1% from 4.7% for the fiscal year ended March 31, 2010.

Other Income (Expenses), net

Consolidated other expenses, net for the fiscal year ended March 31, 2011 increased by 51.8%, or ¥1,064 million, to ¥3,120 million (U.S.$38 million) as compared to ¥2,056 million for the fiscal year ended March 31, 2010. This increase was due primarily to the increase in foreign exchange rate losses by ¥5,259 million for the fiscal year ended March 31, 2011 to a loss of ¥4,193 million as compared to a gain of ¥1,066 million for the fiscal year ended March 31, 2010. Interest expense for the fiscal year ended March 31, 2011 decreased by 23.8%, or ¥2,027 million, to ¥6,475 million as compared to ¥8,502 million for the fiscal year ended March 31, 2010. This decrease in interest expense, which contributed to the decrease in other expenses, was due primarily to lower interest rates and the decrease in borrowings from external sources during the fiscal year ended March 31, 2011. Interest and dividend income decreased by 27.0%, or ¥1,665 million, to ¥4,493 million for the fiscal year ended March 31, 2011 as compared to ¥6,158 million for the fiscal year ended March 31, 2010.

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Income Before Income Taxes and Equity in Earnings of Affiliated Companies

As a result of the above factors, consolidated income before income taxes and equity in earnings of affiliated companies for the fiscal year ended March 31, 2011 increased by 238.3%, or ¥154,830 million, to ¥219,809 million (U.S.$2,648 million) as compared to ¥64,979 million for the fiscal year ended March 31, 2010.

Income Taxes

Consolidated income tax expense for the fiscal year ended March 31, 2011 increased by ¥39,342 million to ¥64,706 million (U.S.$780 million) from ¥25,364 million for the fiscal year ended March 31, 2010. The actual effective tax rate for the fiscal year ended March 31, 2011 decreased to 29.4% from 39.0% for the fiscal year ended March 31, 2010. This decrease was due primarily to a reduction in the valuation allowance at certain consolidated subsidiaries related to changes in assessment about the likelihood of recovery of certain deferred tax assets.

The difference between the Japanese statutory tax rate of 40.8% and the actual effective tax rate of 29.4% was caused by income of certain foreign subsidiaries being taxed at a rate lower than the Japanese statutory tax rate, and deferred tax benefits caused by the reduction of the valuation allowance for certain deferred tax assets. For additional information, see Note 15 to the Consolidated Financial Statements.

Income Before Equity in Earnings of Affiliated Companies

As a result of the above factors, consolidated income before equity in earnings of affiliated companies for the fiscal year ended March 31, 2011 increased by ¥115,488 million to ¥155,103 million (U.S.$1,869 million) as compared to ¥39,615 million for the fiscal year ended March 31, 2010.

Equity in Earnings of Affiliated Companies

Consolidated equity in earnings of affiliated companies for the fiscal year ended March 31, 2011 increased by ¥1,136 million to ¥2,724 million (U.S.$33 million) as compared to ¥1,588 million for the fiscal year ended March 31, 2010, due primarily to increased earnings recorded by affiliated companies held under the equity accounting method, such as Komatsu Cummins Engine Co., Ltd., Gigaphoton Inc. and other affiliated companies

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Net income

As a result of the above factors, consolidated net income for the fiscal year ended March 31, 2011 increased by 283.0%, or ¥116,624 million, to ¥157,827 million (U.S.$1,902 million) as compared to ¥41,203 million for the fiscal year ended March 31, 2010.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the fiscal year ended March 31, 2011 decreased by ¥569 million to ¥7,075 million (U.S.$85 million) as compared to ¥7,644 million for the fiscal year ended March 31, 2010. Noncontrolling interests in income of consolidated subsidiaries decreased mainly as a result of a decline in earnings recorded primarily by subsidiaries in the Construction, Mining and Utility Equipment operating segment, such as Komatsu Shantui Construction Machinery Co, Ltd.

Net Income Attributable to Komatsu Ltd.

As a result of the above, consolidated net income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2011 increased by 349.2%, or ¥117,193 million, to ¥150,752 million (U.S.$1,816 million) as compared to ¥33,559 million for the fiscal year ended March 31, 2010. Accordingly, basic net income attributable to Komatsu Ltd. per share rose to ¥155.77 for the fiscal year ended March 31, 2011 from ¥34.67 for the fiscal year ended March 31, 2010. Diluted net income attributable to Komatsu Ltd. per share rose to ¥155.66 for the fiscal year ended March 31, 2011 from ¥34.65 for the fiscal year ended March 31, 2010.

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, 2011 and 2010. In evaluating the financial data for each operating segment, Komatsu s management considers sales by the location of its external 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 external customer.

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Performance by Operating Segments

	Millions of Yen Fiscal Years Ended March 31, 2011	2010	Percentage Change 2011 vs. 2010	Millions of U.S. dollars 2011
Net sales:				
Construction, Mining and Utility Equipment				
External Customers	**¥ 1,615,689**	¥ 1,268,575	27.4%	**$ 19,466**
Japan	**251,597**	228,505	10.1%	**3,031**
The Americas	**386,758**	306,135	26.3%	**4,660**
Europe and CIS	**164,007**	122,018	34.4%	**1,976**
China	**334,270**	244,509	36.7%	**4,027**
Asia (excluding Japan, China) and Oceania	**374,577**	281,878	32.9%	**4,513**
Middle East and Africa	**104,480**	85,530	22.2%	**1,259**
Intersegment	**2,392**	2,690	-11.1%	**29**
Total	**1,618,081**	1,271,265	27.3%	**19,495**
Industrial Machinery and Others				
External Customers	**227,438**	162,989	39.5%	**2,740**
Intersegment	**10,916**	15,619	-30.1%	**132**
Total	**238,354**	178,608	33.5%	**2,872**
Elimination	**(13,308)**	(18,309)	-27.3%	**(160)**
Consolidated Net Sales	**¥ 1,843,127**	¥ 1,431,564	28.7%	**$ 22,206**
Segment Profit:				
Construction, Mining and Utility Equipment	**¥ 220,830**	¥ 83,061	165.9%	**$ 2,661**
Industrial Machinery and Others	**20,965**	2,998	599.3%	**253**
Total	**241,795**	86,059	181.0%	**2,913**

Notes:

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

Construction, Mining and Utility Equipment

Net sales

Total net sales to external customers in the Construction, Mining and Utility Equipment operating segment for the fiscal year ended March 31, 2011 increased by 27.4%, or ¥347,114 million, to ¥1,615,689 million (U.S.$19,466 million) as compared to ¥1,268,575 million for the fiscal year ended March 31, 2010. This increase in sales was due primarily to positive factors such as (1) the increase in demand for Komatsu products during the fiscal year as a result of increased natural resource developments on a worldwide basis and increased infrastructure developments by governments in various countries in an effort to stimulate their respective economies (which increased net sales in this operating segment by approximately ¥398.8 billion) and (2) the realization of product sales at higher prices (which increased net sales in this operating segment by approximately ¥29.3 billion). Such factors offset unfavorable changes in foreign exchange rates as the Japanese yen strengthened sharply against the U.S. dollar, Euro and Renminbi (which decreased net sales in this operating segment by approximately ¥81.6 billion).

Net sales to external customers in Japan for the fiscal year ended March 31, 2011 increased by 10.1%, or ¥23,092 million, to ¥251,597 million (U.S.$3,031 million) as compared to ¥228,505 million for the fiscal year ended March 31, 2010. While public works began to decline in the second half of the fiscal year ended March 31, 2011, private-sector capital investment, such as housing starts and capital investments by corporation, remained strong throughout the fiscal year. Against this backdrop, demand for construction equipment in Japan increased, especially sales to equipment rental companies, which also contributed to an increase in sales of construction equipment as compared to the previous fiscal year. In addition, in December 2010, Komatsu launched new HB205 and HB215LC hybrid hydraulic excavators in the Japanese market. Customers responded well to such newly introduced hydraulic excavators, which also contributed to the increase in net sales to customers in Japan.

Net sales to external customers in the Americas for the fiscal year ended March 31, 2011 increased by 26.3%, or ¥80,623 million, to ¥386,758 million (U.S.$4,660 million) as compared to ¥306,135 million for the fiscal year ended March 31, 2010. While U.S. housing starts remained sluggish during the fiscal year ended March 31, 2011, overall demand for construction, mining and utility equipment in North America showed signs of recovery, supported by strong demand in the rental equipment business and mining industries. Equipment rental companies increased their construction and utility equipment fleet, and replaced some of their older equipment with newer equipment in light of the increase in demand for rental equipment. Mining customers increased their capital investments and purchased additional equipment to increase their production as demand for commodities increased in light of growth in the world economy. In Latin America, demand for equipment used in various areas, such as mining, construction, agriculture and forestry, continued to increase in Brazil, the largest market for Komatsu products in Latin America. This increased demand in Brazil was due in part to increased infrastructure developments to prepare for the 2014 World Cup and 2016 Olympics, which are to be held in Brazil. In addition, demand for mining equipment increased in Chile as the number of mining development projects increased.

Net sales to external customers in Europe and CIS for the fiscal year ended March 31, 2011 increased by 34.4%, or ¥41,989 million to ¥164,007 million (U.S.$1,976 million) as compared to ¥122,018 million for the fiscal year ended March 31, 2010. In Europe, demand for construction equipment headed for recovery mainly in major markets such as Germany, the United Kingdom and France during the fiscal year ended March 31, 2011, as construction activity started to show signs of recovery. In addition, Komatsu s efforts to strengthen its product support capability and expand sales of parts by teaming up with local distributors in this area also contributed to the improved sales in Europe as compared to the previous fiscal year. In CIS, demand increased for large equipment, centering on those equipment used in coal and gold mining as well as equipment used in the natural resources development projects, such as oil and gas projects. Mining customers in CIS increased their capital investments and purchased additional equipment to increase their production as demand for commodities increased in light of growth in the world economy.

Net sales to external customers in China for the fiscal year ended March 31, 2011 increased by 36.7%, or ¥89,761 million to ¥334,270 (U.S.$4,027 million) million as compared to ¥244,509 million for the fiscal year ended March 31, 2010. In China, demand for construction and mining equipment remained strong during the fiscal year ended March 31, 2011, reflecting a strong demand for natural resources in the mining industry and advancements in infrastructure development and urbanization especially in the inner regions of China. Komatsu s enhanced sales efforts following the Chinese New Year in February especially contributed to the increase in net sales to customers in China.

Net sales to external customers in Asia and Oceania for the fiscal year ended March 31, 2011 increased by 32.9%, or ¥92,699 million to ¥374,577 million (U.S.$4,513 million) as compared to ¥281,878 million for the fiscal year ended March 31, 2010. In Asia, the economies of various countries showed signs of recovery as governments increased the number of infrastructure development projects to stimulate their respective economies. In Indonesia, the largest market for Komatsu products in Southeast Asia, demand for mining equipment continued to expand. In addition, demand for construction equipment remained strong in the civil engineering, agriculture and forestry sectors in Indonesia. Demand for construction equipment was also strong in India, Thailand, Malaysia and some of the other Asian countries. Komatsu s concerted efforts in Southeast Asia to expand sales of KOMTRAX (Komatsu Machine Tracking System) installed construction equipment also contributed to the increase in sales in Asia. In Australia, although the major flood that occurred in the second half of the fiscal year ended March 31, 2011 caused some mining companies to experience operational difficulties that adversely affected the shipping of their commodities, which decreased demand for Komatsu s products for a short period thereafter, overall demand for mining equipment in Australia remained firm.

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Net sales to external customers in the Middle East and Africa for the fiscal year ended March 31, 2011 increased by 22.2%, or ¥18,950 million to ¥104,480 million (U.S.$1,259 million) as compared to ¥85,530 million for the fiscal year ended March 31, 2010. While political and social conditions have continued to be unstable in some countries in this region, demand for equipment increased as the conditions surrounding mining development projects and infrastructure development projects improved. As a result, sales improved from the previous fiscal year.

Segment Profit

Segment profit for the Construction, Mining and Utility Equipment operating segment for the fiscal year ended March 31, 201 increased by 165.9%, or ¥137,769 million, to ¥220,830 million (U.S.$2,661 million) from ¥83,061 million for the fiscal year ended March 31, 2010. Factors that contributed to this increase include (1) increased sales (which increased segment profit by approximately ¥131.9 billion), (2) the realization of sales at higher prices (which increased segment profit by approximately ¥29.3 billion) and (3) lower manufacturing costs (which increased segment profit by approximately ¥15.1 billion). Such factors were partially offset by (1) unfavorable changes in foreign exchange rates as the Japanese yen strengthened sharply against the U.S. dollar, Euro and Renminbi (which decreased segment profit by approximately ¥37.0 billion) and (2) an increase in depreciation expenses relating to fixed assets (which decreased segment profit by approximately ¥1.6 billion).

Industrial Machinery and Others

Net Sales

Total net sales to external customers in the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2011 increased by 39.5%, or ¥64,449 million, to ¥227,438 million (U.S.$2,740 million) as compared to ¥162,989 million for the fiscal year ended March 31, 2010. This increase was mainly due to the increase in sales of wire saws for use in slicing silicon ingots for the solar cell market, as capital investment remained brisk in Asia, especially in China. As the automobile manufacturing industry began to recover and make capital investments in the Strategic Markets, such as China, India, Brazil, and some other countries, orders for large presses and other machinery increased and contributed to the increase in net sales for the fiscal year ended March 31, 2011.

Segment Profit

Segment profit for the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2011 increased by 599.3%, or ¥17,967 million, to ¥20,965 million (U.S.$253 million) from ¥2,998 million for the fiscal year ended March 31, 2010. This increase was due primarily to the increase in demand for Komatsu products (which increased segment profit by approximately ¥18.9 billion), which fully offset the increase in costs, such as fixed costs (which decreased segment profit by approximately ¥0.9 billion).

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Comparison of the Fiscal Years ended March 31, 2010 and 2009

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 Data

	Millions of Yen Fiscal Years Ended March 31,				Percentage change 2010 vs. 2009
	2010		2009		
Net sales	**¥ 1,431,564**	100.0%	¥ 2,021,743	100.0%	-29.2%
Cost of sales	**1,101,559**	76.9%	1,510,408	74.7%	-27.1%
Selling, general and administrative expenses	**249,286**	17.4%	322,677	16.0%	-22.7%
Impairment losses on long-lived assets	**3,332**	0.2%	16,414	0.8%	-79.7%
Impairment loss on goodwill			2,003	0.1%	-100.0%
Other operating expenses, net	**(10,352)**	-0.7%	(18,293)	-0.9%	-43.4%
Operating income	**67,035**	4.7%	151,948	7.5%	-55.9%
Other income (expenses), net	**(2,056)**		(23,166)		-91.1%
Interest and dividend income	**6,158**		8,621		-28.6%
Interest expense	**(8,502)**		(14,576)		-41.7%
Other, net	**288**		(17,211)		-101.7%
Income from continuing operations before income taxes and equity in earnings of affiliated companies	**64,979**	4.5%	128,782	6.4%	-49.5%
Income taxes					
Current	**32,722**		60,511		
Deferred	**(7,358)**		(18,218)		
Total	**25,364**	1.8%	42,293	2.1%	-40.0%
Income from continuing operations before equity in earnings of affiliated companies	**39,615**	2.8%	86,489	4.3%	-54.2%
Equity in earnings of affiliated companies	**1,588**	0.1%	396	0.0%	301.0%
Net income	**41,203**	2.9%	86,885	4.3%	-52.6%
Less net income attributable to noncontrolling interests	**(7,644)**	-0.5%	(8,088)	-0.4%	-5.5%
Net income attributable to Komatsu Ltd.	**¥ 33,559**	2.3%	¥ 78,797	3.9%	-57.4%

	Yen	
Per share data		
Net income attributable to Komatsu Ltd.:		
Basic	**34.67**	79.95
Diluted	**34.65**	79.89
Cash dividends per share	**¥ 26.00**	¥ 44.00

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Net Sales

Consolidated net sales for the fiscal year ended March 31, 2010 decreased by 29.2%, or ¥590,179 million, to ¥1,431,564 million from ¥2,021,743 million for the fiscal year ended March 31, 2009. This decrease was due primarily to decreased sales in the Construction, Mining and Utility Equipment operating segment as well as decreased sales in the Industrial Machinery and Others operating segment. 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, 2010, net sales to external customers for the Construction, Mining and Utility Equipment operating segment decreased by 27.3%, or ¥476,158, to ¥1,268,575 million as compared to the fiscal year ended March 31, 2009. While demand for construction, mining and utility equipment recovered in China and showed signs of recovery in certain emerging economies that are rich in natural resources, such as Indonesia, India and Brazil, such trend was not generally observed in developed countries and regions, such as Japan, North America and Europe. Despite various governments efforts to stimulate their respective economies through stimulus packages, demand for construction, mining and utility equipment continued to decrease in developed countries as a result of the economic downturn. In light of such circumstances, Komatsu continued to suspend equipment sales to its dealers and distributors in developed countries to support their efforts to quickly adjust inventory levels, which further decreased Komatsu s net sales. In addition, 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 ¥69.8 billion. While Komatsu was successful in realizing product sales at higher prices, this success did not offset the decrease in sales discussed above.

As the automobile and other industries to which Komatsu supplied industrial machinery and other products continued to limit their capital investments in light of the global economic downturn, as evidenced by the reduction in the number of new orders, net sales to external customers in the Industrial Machinery and Others operating segment decreased by 41.2%, or ¥114,021 million, to ¥162,989 million as compared to the fiscal year ended March 31, 2009.

Cost of Sales

Cost of sales on a consolidated basis decreased by 27.1%, or ¥408,849 million, to ¥1,101,559 million for the fiscal year ended March 31, 2010 from ¥1,510,408 million for the fiscal year ended March 31, 2009, due primarily to decreased sales. Despite various efforts undertaken by Komatsu, such as the realization of sales of products at higher prices and the reduction of production costs (as a result of the decrease in the prices of materials used in the production of Komatsu products), cost of sales to sales ratio increased by 2.2 percentage points to 76.9% for the fiscal year ended March 31, 2010 from 74.7% for the fiscal year ended March 31, 2009. This increase was mainly due to (1) unfavorable changes in foreign exchange rates, such as the appreciation of the Japanese yen against the U.S. dollar, the Euro and other currencies and (2) certain costs not being fully absorbed due to reduced production volumes.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 22.7% for the fiscal year ended March 31, 2010 to ¥249,286 million from ¥322,677 million for the fiscal year ended March 31, 2009, due primarily to (1) the decrease in selling expenses, such as expenses to transport products, as a result of decreased sales volume for the Construction, Mining and Utility Equipment operating segment, (2) the decrease in R&D expenses as Komatsu prioritized its R&D expenditures and postponed certain R&D activities and (3) the decrease in expenses associated with other activities aimed at reducing other fixed costs, such as personnel expenses and facility related expenses (that is, depreciation expenses relating to fixed assets), which Komatsu was able to reduce through structural reforms.

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Impairment Losses on Long-Lived Assets

Consolidated impairment loss on long-lived assets for the fiscal year ended March 31, 2010 decreased by 79.7%, or ¥13,082 million, to ¥3,332 million as compared to ¥16,414 million for the fiscal year ended March 31, 2009. This decrease was due primarily to the fact that Komatsu did not record any impairment loss similar to the loss recorded in the fiscal year ended March 31, 2009 in connection with the closing of the Mooka plant and the Komatsu plant.

Other Operating Expenses, net

For the fiscal year ended March 31, 2010, consolidated other operating expenses, net decreased by ¥7,941 million to ¥10,352 million as compared to ¥18,293 million for the fiscal year ended March 31, 2009. While Komatsu would have recorded income for the fiscal year ended March 31, 2010 as a result of gains recorded on the sale of some of its properties, such gains were fully offset by expenses incurred in connection with losses resulting from the disposal or sale of fixed assets. In addition, Komatsu recorded a decrease of its expenses associated with structural reforms of its production and sales operations, such as reorganization and relocation costs, during the fiscal year ended March 31, 2010, which also contributed to the decrease in other operating expenses.

Operating Income

Consolidated operating income for the fiscal year ended March 31, 2010 decreased by 55.9%, or ¥84,913 million, to ¥67,035 million as compared to ¥151,948 million for the fiscal year ended March 31, 2009. This decrease in operating income was due primarily to negative factors such as (1) the decrease in demand for Komatsu products and (2) unfavorable changes in foreign exchange rates, which outweighed positive factors such as (1) the decrease in fixed costs, such as R&D expenses, and personnel expenses and facility related expenses (that is, depreciation expenses relating to fixed assets), which Komatsu was able to reduce through structural reforms, (2) the realization of product sales at higher prices and (3) the decrease in expenses relating to structural reforms of its production and sales operations.

As a result, operating margin for the fiscal year ended March 31, 2010 decreased by 2.8 percentage points to 4.7% from 7.5% for the fiscal year ended March 31, 2009.

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Other Income (Expenses), net

Consolidated other expenses, net for the fiscal year ended March 31, 2010 decreased by 91.1%, or ¥21,110 million, to ¥2,056 million as compared to other income, net of ¥23,166 million for the fiscal year ended March 31, 2009. This decrease was due primarily to the decrease in foreign exchange rate losses and losses recorded as a result of impairments in Komatsu s securities investments. Foreign exchange rate losses decreased by ¥12,868 million for the fiscal year ended March 31, 2010 to a gain of ¥1,066 million as compared to a loss of ¥11,802 million for the fiscal year ended March 31, 2009 mainly due to the favorable changes in foreign exchange rates, such as the depreciation of the U.S. dollar against the Canadian Dollar and Russian Ruble. In addition, Komatsu recorded losses on its securities investments of ¥204 million for the fiscal year ended March 31, 2010, a decrease of ¥9,237 million as compared to ¥9,441 million for the fiscal year ended March 31, 2009. This decrease in losses on its securities investments was due primarily to the overall recovery in the stock markets. Interest expense for the fiscal year ended March 31, 2010 decreased by 41.7%, or ¥6,074 million, to ¥8,502 million as compared to ¥14,576 million for the fiscal year ended March 31, 2009, due primarily to lower interest rates and the decrease in borrowings from external sources, and contributed to the decrease in other expenses. Interest and dividend income decreased by 28.6%, or ¥2,463 million, to ¥6,158 million for the fiscal year ended March 31, 2010 as compared to ¥8,621 million for the fiscal year ended March 31, 2009, due primarily to a decrease in interest rates.

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

As a result of the above factors, consolidated income from continuing operations before income taxes and equity in earnings of affiliated companies for the fiscal year ended March 31, 2010 decreased by 49.5%, or ¥63,803 million, to ¥64,979 million as compared to ¥128,782 million for the fiscal year ended March 31, 2009.

Income Taxes

Consolidated income tax expense for the fiscal year ended March 31, 2010 decreased by ¥16,929 million to ¥25,364 million from ¥42,293 million for the fiscal year ended March 31, 2009. The actual effective tax rate for the fiscal year ended March 31, 2010 increased to 39.0% from 32.8% for the fiscal year ended March 31, 2009. This increase was due primarily to an increase in non-deductible expenses and valuation allowance of consolidated subsidiaries. The increase in the valuation allowance was mainly the result of additional valuation allowances recorded on deferred tax assets for net operating loss carryforwards at certain subsidiaries.

The difference between the Japanese statutory tax rate of 40.8% and the actual effective tax rate of 39.0% was caused by income of certain foreign subsidiaries being taxed at a rate lower than the Japanese statutory tax rate, which was offset in part by an increase in non-deductible expenses and valuation allowance. For additional information, see Note 16 to the Consolidated Financial Statements.

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Income from Continuing Operations Before Equity in Earnings of Affiliated Companies

As a result of the above factors, consolidated income from continuing operations before equity in earnings of affiliated companies for the fiscal year ended March 31, 2010 decreased by ¥46,874 million to ¥39,615 million as compared to ¥86,489 million for the fiscal year ended March 31, 2009.

Equity in Earnings of Affiliated Companies

Consolidated equity in earnings of affiliated companies for the fiscal year ended March 31, 2010 increased by ¥1,192 million to ¥1,588 million as compared to ¥396 million for the fiscal year ended March 31, 2009, due primarily to increased earnings recorded by affiliated companies held under the equity accounting method, such as L&T-Komatsu Limited whose products were in greater demand in the Indian market.

Net income

As a result of the above factors, consolidated net income for the fiscal year ended March 31, 2010 decreased by ¥45,682 million to ¥41,203 million as compared to ¥86,885 million for the fiscal year ended March 31, 2009.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the fiscal year ended March 31, 2010 decreased by ¥444 million to ¥7,644 million as compared to ¥8,088 million for the fiscal year ended March 31, 2009. Noncontrolling 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 Australia Pty. Ltd.

Net Income Attributable to Komatsu Ltd.

As a result of the above, consolidated net income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2010 decreased by 57.4%, or ¥45,238 million, to ¥33,559 million as compared to ¥78,797 million for the fiscal year ended March 31, 2009. Accordingly, basic net income attributable to Komatsu Ltd. per share fell to ¥34.67 for the fiscal year ended March 31, 2010 from ¥79.95 for the fiscal year ended March 31, 2009. Diluted net income attributable to Komatsu Ltd. per share fell to ¥34.65 for the fiscal year ended March 31, 2010 from ¥79.89 for the fiscal year ended March 31, 2009.

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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, 2010 and 2009. In evaluating the financial data for each operating segment, Komatsu s management considers sales by the location of its external 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 external customer.

	Millions of Yen Fiscal Years Ended March 31,		Percentage Change
	2010	**2009**	**2010 vs. 2009**
Net sales:			
Construction, Mining and Utility Equipment			
External Customers	**¥ 1,268,575**	¥ 1,744,733	-27.3%
Japan	**228,505**	309,895	-26.3%
Americas	**306,135**	462,405	-33.8%
Europe and CIS	**122,018**	273,259	-55.3%
China	**244,509**	179,221	36.4%
Asia (excluding Japan, China) and Oceania	**281,878**	309,721	-9.0%
Middle East and Africa	**85,530**	210,232	-59.3%
Intersegment	**2,690**	4,653	-42.2%
Total	**1,271,265**	1,749,386	-27.3%
Industrial Machinery and Others			
External Customers	**162,989**	277,010	-41.2%
Intersegment	**15,619**	26,389	-40.8%
Total	**178,608**	303,399	-41.1%
Elimination	**(18,309)**	(31,042)	-41.0%
Consolidated Net Sales	**¥ 1,431,564**	¥ 2,021,743	-29.2%
Segment Profit:			
Construction, Mining and Utility Equipment	**¥ 83,061**	¥ 180,455	-54.0%
Industrial Machinery and Others	**2,998**	12,891	-76.7%
Total	**86,059**	193,346	-55.5%

Notes:

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

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Construction, Mining and Utility Equipment

Net sales

Total net sales to external customers in the Construction, Mining and Utility Equipment operating segment for the fiscal year ended March 31, 2010 decreased by 27.3%, or ¥476,158 million, to ¥1,268,575 million as compared to ¥1,744,733 million for the fiscal year ended March 31, 2009. This decrease in sales was due primarily to negative factors such as (1) the decrease in demand for Komatsu products during the fiscal year (which decreased net sales of this operating segment by approximately ¥433.9 billion) and (2) 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 net sales in this operating segment by approximately ¥69.8 billion), which outweighed positive factors, such as the realization of product sales at higher prices (which increased net sales in this operating segment by approximately ¥27.5 billion).

Net sales to external customers in Japan for the fiscal year ended March 31, 2010 decreased by 26.3%, or ¥81,390 million, to ¥228,505 million as compared to ¥309,895 million for the fiscal year ended March 31, 2009. While public-sector investment remained firm in the fiscal year ended March 31, 2010, due primarily to the economic stimulus package provided by the Japanese government, private-sector capital investment and residential investment continued to remain slack. As a result, overall demand for construction, mining and utility equipment in Japan decreased from the previous fiscal year. Accordingly, Komatsu s sales of construction, mining and utility equipment in Japan decreased compared to the previous fiscal year.

Net sales to external customers in the Americas for the fiscal year ended March 31, 2010 decreased by 33.8%, or ¥156,270 million, to ¥306,135 million as compared to ¥462,405 million for the fiscal year ended March 31, 2009. While the operating rate of construction equipment in North America showed signs that the market had bottomed out during the fiscal year ended March 31, 2010, demand for such equipment fell short of increasing as a result of the continuing economic uncertainty. As a result, the business environment in North America remained challenging. In light of such market conditions, Komatsu (1) reorganized its production and sales operations in North America by, among other things, closing certain manufacturing facilities and merging certain sales companies, and (2) continued to make efforts to reduce distributors inventory to appropriate levels. In Latin America, market demand that decreased after the financial crisis showed signs of recovery in Brazil and some other countries. To capture such recovery in demand in Latin America, Komatsu reinforced its sales and service operations by establishing a new subsidiary in Chile and opening a service support center in Mexico. The positive signs in Latin America, however, were not sufficient to fully offset the decrease in demand in North America. As a result, overall sales in the Americas for the fiscal year ended March 31, 2010 decreased as compared to the fiscal year ended March 31, 2009.

Net sales to external customers in Europe and CIS for the fiscal year ended March 31, 2010 decreased by 55.3%, or ¥151,241 million to ¥122,018 million as compared to ¥273,259 million for the fiscal year ended March 31, 2009. A sharp drop in demand for construction, mining and utility equipment in Europe and CIS continued during the fiscal year ended March 31, 2010, against the backdrop of sluggish economies. Under such circumstances, Komatsu doubled sales promotion and other efforts in collaboration with its distributors in Europe, while reinforcing its product support capability for mines in CIS. However, net sales to external customers in Europe and CIS for the fiscal year ended March 31, 2010 decreased due primarily to Komatsu s continuing efforts to (1) reduce distributors inventory to an appropriate level and (2) decrease the number of construction, mining and utility equipment models that are manufactured in Europe, which action was undertaken to improve manufacturing efficiency and profitability by eliminating models that were no longer in demand.

Net sales to external customers in China for the fiscal year ended March 31, 2010 increased by 36.4%, or ¥65,288 million to ¥244,509 million as compared to ¥179,221 million for the fiscal year ended March 31, 2009. Demand for construction, mining and utility equipment increased in China in light of the Chinese government s economic stimulus measures, which advanced large-scale infrastructure developments, such as railways and highways projects, and resulted in an increase in year-on-year monthly demand since June 2009. The increase in year-on-year monthly demand was particularly significant after the Chinese New Year in February 2010. By increasing its production capacity at its existing plants, teaming up with its distributors to aggressively market its products and implementing an ICT system that enables Komatsu and its distributors to exchange real-time information in order to minimize excess inventory, Komatsu recorded an increase in net sales to customers in China for the fiscal year ended March 31, 2010. As a result, sales in China increased to account for 19.3% of total sales of the Construction, Mining and Utility Equipment operating segment.

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Net sales to external customers in Asia and Oceania for the fiscal year ended March 31, 2010 decreased by 9.0%, or ¥27,843 million to ¥281,878 million as compared to ¥309,721 million for the fiscal year ended March 31, 2009. In Indonesia, India and Thailand, year-on-year monthly demand showed signs of recovery in the second half of the fiscal year ended March 31, 2010. Demand remained firm for mining-related equipment in Australia throughout the entire fiscal year. Against this backdrop, Komatsu strived to strengthen its operations by (1) enhancing its global Reman (Re-manufacturing) capability by establishing and reorganizing its Reman entities in Indonesia and (2) reinforcing its market and product support capabilities by entering into a joint-venture arrangement with its distributors in Thailand. Notwithstanding such efforts, while sales picked up quickly in Asia in and after the third quarter, such increase in sales was not sufficient to fully offset the decrease in demand from customers in Asia and Oceania in the first half of the fiscal year ended March 31, 2010. As a result, Komatsu recorded a decrease in net sales in Asia and Oceania for the fiscal year ended March 31, 2010.

Net sales to external customers in the Middle East and Africa for the fiscal year ended March 31, 2010 decreased by 59.3%, or ¥124,702 million to ¥85,530 million as compared to ¥210,232 million for the fiscal year ended March 31, 2009. Although commodity prices showed signs of an increase from the drastic plunge in 2008, market demand failed to recover in the Middle East and Africa as affected by the recessionary economies. In light of such market conditions and Komatsu s continuing efforts to reduce distributors inventories, net sales to customers in the Middle East and Africa for the fiscal year ended March 31, 2010 decreased.

Segment Profit

Segment profit for the Construction, Mining and Utility Equipment operating segment for the fiscal year ended March 31, 2010 decreased by 54.0%, or ¥97,394 million, to ¥83,061 million from ¥180,455 million for the fiscal year ended March 31, 2009.

This decrease in segment profit was due primarily to negative factors such as (1) the decrease in demand for Komatsu products (which decreased segment profit by approximately ¥139.9 billion) and (2) 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 ¥34.9 billion), which outweighed positive factors such as (1) the decrease in fixed costs, such as R&D expenses, and personnel expenses and facility related expenses (that is, depreciation expenses relating to fixed assets), which Komatsu was able to reduce through structural reforms (which increased segment profit by approximately ¥43.3 billion), (2) the realization of product sales at higher prices (which increased segment profit by approximately ¥27.5 billion) and (3) the decrease in the prices of materials used in the production of Komatsu products (which increased segment profit by approximately ¥6.6 billion).

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Industrial Machinery and Others

Net Sales

Total net sales to external customers in the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2010 decreased by 41.2%, or ¥114,021 million, to ¥162,989 million as compared to ¥277,010 million for the fiscal year ended March 31, 2009. During the fiscal year ended March 31, 2010, the automobile and other industries to which Komatsu supplied industrial machinery and other products continued to limit their capital investments in light of the global economic downturn. As a result, new orders for Komatsu products decreased sharply and resulted in a decrease in net sales in the Industrial Machinery and Others operating segment.

Segment Profit

Segment profit for the Industrial Machinery and Others operating segment for the fiscal year ended March 31, 2010 decreased by 76.7%, or ¥9,893 million, to ¥2,998 million from ¥12,891 million for the fiscal year ended March 31, 2009. This decrease was due primarily to the decrease in demand for Komatsu products (which decreased segment profit by approximately ¥15.7 billion), which fully offset the decrease in costs, such as fixed costs (which increased segment profit by approximately ¥5.8 billion).

B. Liquidity and Capital Resources

Cash Flow

Set forth below is the condensed consolidated statements of cash flows information for the fiscal years ended March 31, 2011, 2010 and 2009.

Condensed Consolidated Statements of Cash Flows Information

	Millions of yen Fiscal Years Ended March 31, **2011**	 2010	 2009	Millions of U.S. dollars **2011**
Net cash provided by operating activities	¥ **150,402**	¥ 182,161	¥ 78,775	$ **1,812**
Net cash used in investing activities	**(88,509)**	(72,967)	(145,368)	**(1,066)**
Net cash provided by (used in) financing activities	**(56,365)**	(116,363)	57,219	**(679)**
Effect of exchange rate change on cash and cash equivalents	**(3,733)**	(965)	(2,073)	**(45)**
Net increase (decrease) in cash and cash equivalents	**1,795**	(8,134)	(11,447)	**22**
Cash and cash equivalents, beginning of year	**82,429**	90,563	102,010	**993**
Cash and cash equivalents, end of year	¥ **84,224**	¥ 82,429	¥ 90,563	$ **1,015**

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Fiscal Year Ended March 31, 2011

Despite the fact that net income increased from the previous fiscal year as Komatsu recorded increased net sales in light of growth in the world economy, net cash provided by operating activities decreased by ¥31,759 million from the previous fiscal year to ¥150,402 million (U.S.$ 1,812 million), mainly due to an increase in purchasing inventories for higher sales and productions, although cash collections increased from the previous fiscal year with an increase in sales reflecting the recovery in global demand.

Net cash used in investing activities increased by ¥15,542 million from the previous fiscal year to ¥88,509 million (U.S.$ 1,066 million). This increase was due primarily to capital expenditures for the fiscal year ended March 31, 2011 increasing by ¥8,419 million from the previous fiscal year to ¥100,820 million (U.S.$ 1,215 million). Capital expenditures increased mainly due to the need to expand production capacity in order to respond to increased sales.

Net cash used in financing activities decreased by ¥59,998 million from the previous fiscal year to ¥56,365 million (U.S.$ 679 million), mainly due to the decrease in repayments on debt. Repayments on debt decreased from the previous fiscal year mainly as payments of inventories and capital expenditures increased as compared to the previous fiscal year.

As a result, cash and cash equivalents, as of March 31, 2011, totaled ¥84,224 million (U.S.$ 1,015 million), an increase of ¥1,795 million from the previous fiscal year.

Fiscal Year Ended March 31, 2010

Net cash provided by operating activities for the fiscal year ended March 31, 2010 increased by ¥103,386 million to ¥182,161 million as compared to the fiscal year ended March 31, 2009, mainly due to decrease in payments of inventories.

Net cash used in investing activities for the fiscal year ended March 31, 2010 declined by ¥72,401 million to ¥72,967 million as compared to the fiscal year ended March 31, 2009, mainly due to restrained capital investments in both Japan and overseas.

Net cash used in financing activities for the fiscal year ended March 31, 2010 totaled ¥116,363 million, an increase of ¥173,582 million from the fiscal year ended March 31, 2009, mainly due to repayments on short-term debt.

As a result of the above, cash and cash equivalents as of March 31, 2010, totaled ¥82,429 million, a decrease of ¥8,134 million compared to the balance as of March 31, 2009.

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.

In the fiscal year ended March 31, 2011, Komatsu made capital investments in the construction, mining and utility equipment business to expand its production capacity and its product offerings in the Strategic Markets and improved its ability to quickly adjust to anticipated increases in demand for its equipment in such markets in the medium- to long-term. In the industrial machinery and others business, Komatsu built a new plant of Komatsu NTC Ltd. during the fiscal year ended March 31, 2011 to increase its capacity to produce wire saws as it expand its market share in such equipment in the solar cell market.

As a result, Komatsu s capital investment on a consolidated basis for the fiscal year ended March 31, 2011 was ¥97,738 million (U.S.$1,178 million), an increase of ¥1,547 million from the fiscal year ended March 31, 2010. Komatsu plans to make investments totaling ¥116,600 million for the fiscal year ending March 31, 2012. For information about capital investment plans for the fiscal year ending March 31, 2012, see Item 4.D. Property, Plants and Equipment.

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 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, in order to improve the efficiency and effectiveness of its cash management, Komatsu s overseas subsidiaries participate in a global cash pooling arrangement with a single financial institution, which is used to fund short-term liquidity needs. This arrangement contains specific provisions for the right to offset positive and negative cash balances on a global basis. The arrangement allows for cash withdrawals from this financial institution based upon our aggregate cash deposits within such financial institution. Our consolidated Balance Sheet as of March 31, 2011 reflects cash net of withdrawal of ¥39,729 million (U.S.$ 479 million).

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Transfer of funds from subsidiaries in the form of cash dividends, loans or advances are restricted by applicable local regulations of countries in which some of Komatsu s subsidairies 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 its operating activities, as well as by bank loans and the issuance of commercial paper. As of March 31, 2011, certain consolidated subsidiaries of the Company maintained committed credit line agreements totaling ¥42,660 million (U.S.$ 514 million) with financial institutions to secure liquidity. As of March 31, 2011, ¥17,562 million (U.S.$ 212 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 has a ¥120,000 million (U.S.$1,446 million) commercial paper program, none of which was used as of March 31, 2011. 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 under which it can issue up to ¥100,000 million (U.S.$1,205 million) of variable-term bonds. In addition, the Company, Komatsu Finance America Inc. and Komatsu Capital Europe S.A. have established a U.S.$1,200 million Euro medium term note (EMTN) program. As of March 31, 2011, the principal amount of bonds outstanding under the bond program was ¥100,000 million (U.S.$1,205 million) and the principal amount of notes outstanding under the EMTN program was ¥55,167 million (U.S.$ 665 million). Similar to short-term funding, 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.

For additional information about the interest rate structure and maturity dates for these borrowings, see Note 11 to the Consolidated Financial Statements.

Fiscal 2011 Financial Position

Komatsu s short-term debt as of March 31, 2011, which primarily consisted of short-term bank loans and commercial paper, increased by ¥6,870 million from March 31, 2010 to ¥130,308 million (U.S.$ 1,570 million). Such short-term debt was used for working capital purposes.

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Komatsu s long-term debt as of March 31, 2011, including debt that is scheduled to mature as of March 31, 2012, decreased by ¥49,181 million from March 31, 2010 to ¥413,760 million (U.S.$ 4985 million). As of March 31, 2011, Komatsu s long-term debt, excluding market value adjustment, consisted of (1) ¥220,067 million in loans from banks, insurance companies and other financial institutions, (2) ¥90,000 million in unsecured bonds, (3) ¥55,167 million in EMTNs and (4) ¥48,526 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 11 to the Consolidated Financial Statements.

As a result, Komatsu s interest-bearing debt as of March 31, 2011, including its capital lease obligations, decreased by ¥42,311 million from March 31, 2010 to ¥544,068 million (U.S.$ 6,555 million). Net interest-bearing debt after deducting cash and deposits as of March 31, 2011 also decreased by ¥43,708 million from March 31, 2010 to ¥459,110 million (U.S.$ 5,531 million). As a result, Komatsu s net debt-to-equity ratio as of March 31, 2011 improved and was 0.50, compared to 0.60 as of March 31, 2010.

At March 31, 2011, total working capital increased by ¥46,009 million to ¥444,384 million (U.S. $4,754 million). The current ratio, which is calculated by dividing current assets by current liabilities, as of March 31, 2011, was 155.5%, which reflected a decrease of 6.6 percentage points from the fiscal year ended March 31, 2010. In management s opinion, the working capital is sufficient for the Komatsu s present requirements.

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

As of March 31, 2011, Komatsu has committed to make capital investments totaling approximately ¥12,800 million (U.S.$154 million). With respect to the Construction, Mining and Utility Equipment operating segment, Komatsu plans to continue making capital investments to expand its production capacity and its product offerings in the Strategic Markets, and to improve its ability to quickly adjust to future increases in demand for its equipment in such markets in the medium- to long-term. With respect to the Industrial Machinery and Others operating segment, Komatsu plans to make capital investments to increase its capacity to produce wire saws in response to increased demand for its equipment in the solar cell market. In addition, Komatsu plans to make capital investments to expand its capacity to produce large presses and other machinery as it anticipates that the automobile industry will recover and start making larger capital investments, especially in the Strategic Markets. Furthermore, Komatsu plans to continue making capital investments to renew obsolete equipment and streamline its production operations.

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Credit Ratings

The Company obtains credit ratings from three rating agencies: Standard and Poor s Ratings Japan K.K. (S&P), Moody s Japan K.K. (Moody s) and Rating and Investment Information, Inc. (R&I). As of March 31, 2011, 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, new products and new services 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, 2011, 2010 and 2009. Research and development expenses are recognized when incurred.

	Millions of yen Fiscal Years Ended March 31,			Millions of U.S. dollars
R&D expenses	**2011**	2010	2009	**2011**
Construction, Mining and Utility Equipment	¥ **40,241**	¥ 40,359	¥ 47,036	$ **485**
Industrial Machinery and Others	**8,764**	6,090	6,700	**105**
Total	¥ **49,005**	¥ 46,449	¥ 53,736	$ **590**

The objectives of the research and development activities by operating segment for the fiscal years ended March 31, 2011, 2010 and 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 to improve their productivity, Komatsu s medium- and long-term research and development objectives are as follows: (1) to make advancements in the use of ICT and (2) to increase the environmental friendliness of its products.

Komatsu has been engaged in the research and development of ICT, 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. Equipment with control systems and management systems using these technologies have been rapidly penetrating the construction and mining equipment market. Komatsu is striving to achieve the complete automation of its equipment and is making advances to actively use ICT in its construction and mining equipment taking into consideration customers needs and preferences.

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, Komatsu has placed special emphasis on research and development activities relating to technologies that reduce fuel consumption, which are conducive to both the environment (by reducing CO_2 emissions) and the economy (by decreasing fuel expenses). For example, in the fiscal year ended March 31, 2008, Komatsu became the world s first company to release a hybrid excavator (PC200-8 Hybrid), which it released in the Japanese and Chinese markets. The hybrid excavator typically consumes less fuel when functioning at the maximum level as compared to conventional excavators and also emits lower levels of NOx and CO_2. Komatsu plans to introduce such hybrid excavator in the North, Central and South American, Southeast Asian, European and Oceania markets during the fiscal year ending March 31, 2012. In addition, during the fiscal year ended March 31, 2011, Komatsu completed the development of some of its new engines for its diesel-engine machines that meet the stringent clean-air standards that are to be phased in by Japan later this calendar year and that have been phased in by the US and the EU earlier this calendar year. Komatsu also has developed and introduced mini-construction equipment, which meet the clean-air standards enforced in China. Komatsu is continuously seeking to develop new technology to meet stricter exhaust gas emission standards that are to become effective in the future. In addition, Komatsu is working to make further improvements to the working conditions for machine operators by enhancing safety measures and reducing noise and vibration levels of its machines.

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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 presses (which is conducted by Komatsu Industries Corporation), fabricating machinery (which is conducted by Komatsu Industries Corporation), machine tools (which was conducted by Komatsu Machinery Corporation through the fiscal year ended March 31, 2011 and is now being conducted by Komatsu NTC Ltd.) and other industrial machinery (which is conducted by KELK Ltd.).

In the field of large size presses, Komatsu Industries Corporation has focused on developing functional enhancements to its AC servo presses to respond to the customers growing need to reduce production costs.

In the field of fabricating machinery, Komatsu Industries Corporation has focused on developing in-process controlled bending angle sensors for the press brake, which is a tool for bending sheet and plate materials. This function (called the Bending Eye) is expected to enable manufacturers to cut materials without a trial bend.

With respect to machine tools, Komatsu Machinery Corporation developed and introduced during the fiscal year ended March 31, 2011, the smallest crankshaft milling machine (GPM150F1-5). In addition, a vertical machining center (NV300V), which is smaller in size than prior models and lower in cost, received favorable reviews by customers that make cylinder head lines using such equipment. Komatsu Machinery Corporation also developed in the fiscal year ended March 31, 2011 a wire saw (PV800H) that is used in the manufacturing of solar cells. Such wire saw has the ability to cut thinner wafers at higher speeds thereby increasing wafer yields.

In terms of other products, KELK Ltd. has been engaged in the research and development of high-performance temperature control equipment, high-performance thermoelectric heat exchange units, micro thermo-modules for use in optical communications and thermoelectric power generation modules.

D. Trend Information

Looking at our global group-wide business environment, demand in the construction and mining equipment is on track to recover in the Traditional Markets, especially North America and Europe. In addition, demand for such equipment in the Strategic Markets is expected to show signs of strong growth. Komatsu is projecting that the economic growth of countries in the Strategic Markets will drive the demand for construction and mining equipment. Furthermore, because mining activities are brisk in light of the demand for natural resource commodities, Komatsu expects demand for mining equipment will continue. In the industrial machinery and others business, the press and machine tool markets are showing signs of recovery and the demand for wire saws is expected to remain strong as demand for solar energy products is expected to increase. Komatsu anticipates that demand for such products will continue to grow as the automobile industry recovers, especially in the Strategic Markets. Komatsu will strive to capitalize on these market expansions by not only expanding its sales of new equipment but also sales in the entire value chain, which includes its parts sales and services. Komatsu will also continue to increase the sales price of its products and decrease production costs.

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On the other hand, with respect to Japan, Komatsu needs to continue to closely monitor a number of problems caused by the Great East Japan Earthquake, such as the availability of electric power supply, the extent and pace of recovery of its suppliers, the frequency and severity of aftershocks and the state of the crippled nuclear plant in the Fukushima Prefecture. Komatsu s production and procurement remains vulnerable to being affected by such factors. While monitoring the conditions carefully, Komatsu will continue to work to stabilize production and procurement of its equipment and supplies. To assist in the restoration of the regions affected by the Great East Japan Earthquake, Komatsu established the Tohoku Operation Department in Sendai City, Miyagi Prefecture. This department will coordinate the transportation of construction equipment, forklift trucks, temporary housing materials and spare parts for equipment, and support our service operations in the affected region.

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.

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E. Off-Balance Sheet Arrangements

Komatsu has several account receivables securitization programs, which are sources of capital for Komatsu. However, as of March 31, 2011, Komatsu did not have any outstanding amounts in securitized account receivables.

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 did not have any cash flows from securitization activities from the sale of trade notes and account receivables for the fiscal year ended March 31, 2011. Cash flows received for all securitization activities from the sale of trade notes and accounts receivable for the fiscal year ended March 31, 2010 was ¥13,072 million.

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, 2011 and 2010 were as follows:

	Millions of yen Fiscal Years Ended March 31, 2011	Millions of yen Fiscal Years Ended March 31, 2010	Millions of U.S. Dollars 2011
Total amount of trade receivables that are managed and securitized	**¥ 731,735**	¥ 635,610	**$ 8,816**
Assets transferred		(22,004)	
Total amount of trade receivables on balance sheet	**¥ 731,735**	¥ 613,606	**$ 8,816**

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.

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Commitments and Contingent Liabilities

As of March 31, 2011, Komatsu had ¥1,347 million (U.S.$16 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, customers 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, customers and other companies are issued to enhance the creditworthiness of these affiliated companies, customers 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, customers 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 ¥99,312 million (U.S.$1,197 million) as of March 31, 2011. The fair value of the liabilities recognized for Komatsu s obligations as guarantor under these guarantees as of March 31, 2011 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.

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.

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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, 2011 and 2010 are summarized below:

	Millions of yen		Millions of U.S. dollars
	Fiscal Years Ended March 31,		
	2011	2010	**2011**
Balance at beginning of year	**¥ 23,758**	¥ 28,256	$ **286**
Addition	**27,091**	21,149	**326**
Utilization	**(21,352)**	(25,477)	**(257)**
Other	**(966)**	(170)	**(12)**
Balance at end of year	**¥ 28,531**	¥ 23,758	**$ 344**

F. Tabular Disclosure of Contractual Obligations

The following tables set forth Komatsu s contractual obligations as of March 31, 2011.

	Millions of yen				
	Cash payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term debt obligations	¥ 130,308	¥ 130,308	¥	¥	¥
Long-term debt obligations (excluding Capital lease obligations)	356,912	91,116	193,894	71,575	327
Capital (Finance) lease obligations	48,526	24,583	21,571	2,215	157
Operating lease obligations	10,036	3,240	3,633	1,613	1,550
Interest on interest-bearing debt (including Capital lease obligations)	16,911	10,948	4,984	975	4
Pension and other postretirement obligations	4,661	4,661			
Total	¥ 567,354	¥ 264,856	¥ 224,082	¥ 76,378	¥ 2,038

Long-term debt obligations exclude market value adjustments of ¥8,322 million (U.S.$100 million).
Interest on interest-bearing debt is based on rates in effect as of March 31, 2011.
Pension and other postretirement obligations reflect contributions expected to be made during the year ending March 31, 2011 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.

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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 23, 2011. 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 Director (since Jun. 2010)

Prior Positions:

Jun. 2007	Chairman of the Board and Representative Director
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
Outside Director of Asahi Glass Company, 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:	Executive Vice President and Representative Director (since Jun. 2010)
	President of Construction and Mining Equipment Marketing Division (since Apr. 2005)

Prior Positions:

Apr. 2007	Senior Executive Officer (Senmu)
Jun. 2005	Director
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

Mamoru Hironaka*

Date of Birth:	Sept. 27, 1950
Director Since:	Jun. 2011
Current Positions:	Director (since Jun. 2011)
	President of Utility Equipment Division (since Apr. 2011)
	Senior Executive Officer (Senmu) (since Apr. 2009)

Prior Positions:

Apr. 2010	Executive Vice President and Representative Director of Komatsu Utility Co., Ltd.
Apr. 2007	Senior Executive Officer (Joumu)
Apr. 2004	Vice President of Construction & Mining Equipment Marketing Division
Jun. 2001	Executive Officer
Jun. 2000	General Manager of Product Planning Department, Development Division
Apr. 1974	Joined the Company

Principal Business Activities outside the Company:

None

Tetsuji Ohashi*

Date of Birth:	Mar. 23, 1954
Director Since:	Jun. 2009
Current Positions:	Director (since Jun. 2009)
	Supervising Environment (since Apr. 2011)
	Senior Executive Officer (Joumu) (since Apr. 2008)
	President of Production Division (since Apr. 2007)
	Supervising Production and Information Strategy (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

Mikio Fujitsuka*

Date of Birth:	Mar. 13, 1955
Director Since:	Jun. 2011
Current Positions:	Director (since Jun. 2011)
	Chief Financial Officer (CFO) (since Apr. 2011)
	Supervising Investor Relations (since Apr. 2011)
	Senior Executive Officer (Joumu) (since Apr. 2010)

Prior Positions:

Feb. 2009	General Manager of Corporate Planning Department and President of Global Retail Finance Business Division
Apr. 2008	President of Global Retail Finance Business Division
Apr. 2005	Executive Officer

Jun. 2001	General Manager of Corporate Controlling Department
Apr. 1977	Joined the Company

Principal Business Activities outside the Company:

None

Fujitoshi Takamura*

Date of Birth:	Dec 21, 1954
Director Since:	Jun. 2011
Current Positions:	Director (since Jun. 2011)
	Supervising Research (since Apr. 2011)
	Senior Executive Officer (Joumu) (since Apr. 2010)
	President of Development Division (since Apr. 2010)

Prior Positions:

Apr. 2009	Vice President of Development Division
Apr. 2006	Executive Officer
Apr. 2004	General Manager of Construction Equipment Technical Center 1, Development Division
Apr. 1977	Joined the Company

Principal Business Activities outside the Company:

None

Kensuke Hotta

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

Prior Positions (outside the Company):

Dec. 2008	Chairman and Representative Director of Greenhill & Co. Japan Ltd. (current position)
Dec. 2007	Senior Advisor of Morgan Stanley Japan Securities Co., Ltd. (now known as Morgan Stanley MUFG 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. (now known as Morgan Stanley MUFG Securities Co., Ltd.)
Jan. 2001	Chairman of Morgan Stanley Japan Limited
Jun. 1997	Deputy President and Representative Director of the Sumitomo Bank, Ltd. (now known as 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.

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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:

Professor Emeritus at Tokyo University of Science

Kouichi Ikeda

Date of Birth:	Apr. 21, 1940
Director Since:	Jun. 2010
Current Position:	Outside Director (since Jun. 2010)

Prior Positions (outside the Company):

Mar. 2010	Corporate Advisor of Asahi Breweries, Ltd. (current position)
Mar. 2006	Chairman of the Board and Chief Executive Officer of Asahi Brewers, Ltd.
Jan. 2002	President and Chief Operating Officer of Asahi Brewers, Ltd.
Mar. 2001	Senior Managing Director and Senior Managing Executive Officer of Asahi Brewers, Ltd.
Mar. 2000	Senior Managing Executive Officer of Asahi Brewers, Ltd.
Mar. 1999	Senior Managing Director of Asahi Brewers, Ltd.
Mar. 1997	Managing Director of Asahi Brewers, Ltd.
Mar. 1996	Director of Asahi Brewers, Ltd.
Apr. 1963	Joined Asahi Brewers, Ltd.

Principal Business Activities outside the Company:

None

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

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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. 2008	Advisor of Teijin Limited (current position)
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
Outside Director of Sumitomo Life Insurance Company

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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:

Attorney-at-Law
Outside Director of Asahi Glass Co., Ltd.
Outside Director of Tokyo Stock Exchange Group, Inc.
Outside Corporate Auditor of Toyota Motor Corporation
Outside Corporate Auditor of Mitsui & Co., Ltd.
Outside Corporate Auditor of Sompo Japan Insurance Inc.

Notes:

1) Directors Kensuke Hotta, Noriaki Kano and Kouichi Ikeda 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 determined that Directors Kensuke Hotta, Noriaki Kano and Kouichi Ikeda satisfy the definition of Independent Director and Corporate Auditors Makoto Okitsu, Hiroyuki Kamano and Kunihiro Matsuo satisfy the definition of Independent Corporate Auditor as set forth by the Tokyo Stock Exchange and the Osaka Stock Exchange, and have notified each such Exchanges of such designation.

4) The Company introduced an executive officer system in June 1999. As of June 23, 2011, the Company has 35 officers including 6 persons simultaneously holding the position of director. Such persons have been marked with an asterisk in the above table.

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

6) 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.

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, each of whom satisfy the requirements for independence as set forth under the listed company rules of the Tokyo Stock Exchange and the Osaka Securities Exchange, have been appointed to the Company s Board of Directors (which consisted of ten persons as of March 31, 2011) to enhance management transparency and objectivity.

With respect to corporate auditors (which consisted of five persons as of March 31, 2011), Komatsu has consistently made sure that at least half of them are outside corporate auditors. Currently, all three outside corporate auditors also satisfy the requirements for independence as set forth under the listed company rules of the Tokyo Stock Exchange and the Osaka Securities Exchange. 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.

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.

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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 25 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.

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. Such remuneration for Directors and Corporate Auditors must be within the aggregate remuneration limits approved at a meeting of the shareholders. After such remuneration for Directors and Corporate Auditors are determined by the Board of Directors and Corporate Auditors, respectively, the determined remuneration is subject to approval at the general meeting of shareholders in accordance with the Corporation Act of Japan.

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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. The variable remuneration for Directors is linked to Komatsu s consolidated performance as measured by Komatsu s consolidated return-on-equity and return-on-asset performance indicators, subject to certain adjustment indicators for growth and segment profit margins as set forth in further detail in the below table. The variable remuneration can range from 0% up to a maximum of 60% of the total annual remuneration paid to Directors. Two-thirds of the total amount of the variable remuneration is expected to be paid out in the form of cash bonuses, and the remaining one-third as stock-based remuneration in the form of stock acquisition rights. Stock-based remuneration in the form of stock acquisition rights is provided so that Directors foster the same perspective on corporate value as shareholders and are incentivized to work towards enhancing the long-term corporate value of the Company. In the event that the variable remuneration is 0%, only the fixed, monthly remuneration will be paid out to Directors.

	Indicator	Ratio
Basic Indicators	Consolidated ROE (Net income attributable to Komatsu Ltd. divided by Komatsu Ltd. shareholders equity)	70%
	Consolidated ROA (Income before income taxes and equity in earnings of affiliated companies divided by total assets)	30%
Adjustment Indicators	Adjustment according to growth rate of consolidated sales and profit margin of segment	

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

While Komatsu had a retirement allowance system for its Directors and Corporate Auditors in the past, such system was terminated as of June 2007.

The aggregate compensation, including cash bonuses and stock reacquisition rights, paid to all Directors and Corporate Auditors by the Company for the fiscal year ended March 31, 2011 for their respective services, was ¥916 million. The breakdown of the compensation is set forth below.

Remuneration	Number of Persons Paid	Amount of Remuneration paid (Millions of Yen)		Reference
Directors	**11**		**807**	**Including cash bonuses and stock acquisition rights**
(Outside Directors included above)	**(4)**		**(52)**	
Corporate Auditors	**5**		**110**	
(Outside Corporate Auditors included above)	**(3)**		**(40)**	
Total	**16**	**¥**	**916**	
(Outside Directors and Outside Corporate Auditors included above)	**(7)**	**¥**	**(92)**	

Below are the names, titles and amounts of remuneration paid by the Company to persons whose remuneration (including cash bonuses and stock acquisition rights) equaled or exceeded ¥100 million for the fiscal year ended March 31, 2011.

(Millions of Yen)

Name and Title	Monetary Remuneration Salary	Cash Bonus	Total	Non-Monetary Remuneration, Etc. Stock Acquisition Rights	Total Amount of Remuneration Paid
Kunio Noji, President Representative Director and Chief Executive Officer	86	80	166	8	174
Masahiro Sakane, Chairman of the Board and Director	79	73	151	8	159
Yoshinori Komamura, Executive Vice President and Representative Director	50	48	98	5	102

Notes:

1) The remuneration value for stock acquisition rights included in the Total Amount of Remuneration Paid is the amount that has been recorded by the Company from an accounting perspective as Non-Monetary Compensation, etc. for the fiscal year ended March 31, 2011. More specifically, Kunio Noji and Masahiro Sakane have each been granted the right to acquire 4,300 shares of the common stock of the Company and Yoshinori Komamura has been granted the right to acquire 2,600 shares of the common stock of the Company (all at an exercise price per share of ¥1). In accordance with the Accounting Standards Board of Japan Statement No. 8 Accounting Standard for Share-based Payment, the remuneration value for stock acquisition rights that has been recorded by the Company from an accounting perspective for the fiscal year ended March 31, 2011 has been calculated by multiplying the fair value per share (¥1,785 per share) as of the grant date (August 2, 2010) by the number of shares granted.

2) The retirement allowance system for directors and corporate auditors has been abolished as of June 2007.

3) The figures in the above table have been rounded to the nearest Yen one million. Accordingly, the amounts do not necessarily add up to figures provided under Monetary Remuneration Total or Total Amount of Remuneration Paid.

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Cash Bonuses

Cash 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. Cash 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 its 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, 2011 and will not make any provision for retirement allowance in the future.

Stock-Based Remuneration

Komatsu has stock-based remuneration plans for (1) the 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 its Corporate Auditors.

At the 141st ordinary general meeting of shareholders held on June 23, 2010, 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 acquisition rights (of which no more than ¥50 million is allocated for outside directors). Within this maximum limit, the Company may issue stock acquisition rights 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 2,390 units (of which a total number of 330 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).

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During the fiscal year ended March 31, 2011, the Company granted to its Directors 210 stock acquisition rights conferring the right to purchase a total number of 21,000 shares of common stock of the Company. The exercise price for these stock acquisition rights granted as of August 2, 2010 was ¥1 per share. These stock acquisition rights are exercisable from August 2, 2013 to July 31, 2018.

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, 2011, 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 Company s 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 President and the Executive Vice President are Representative Directors.

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.

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For additional information regarding Director compensation, see Item 6.B. Compensation.

D. Employees

The following table shows the number of employees of the Company by operating segment as of March 31, 2011, 2010 and 2009.

Number of employees by operating segment

	As of March 31,		
	2011	2010	2009
Construction, Mining and Utility Equipment	**36,470**	33,766	34,986
	(4,950)	(3,926)	(7,354)
Industrial Machinery and Others	**3,924**	4,180	4,340
	(904)	(901)	(1,395)
Corporate	**665**	572	529
	(110)	(113)	(92)
Total	**41,059**	38,518	39,855
	(5,964)	(4,940)	(8,841)

Notes:

1) The numbers in parentheses refer to the average number of temporary employees during the relevant fiscal year ended March 31, which are not included in the number of employees.

2) The number of employees under Corporate refers to employees working for administrative departments who cannot be classified into the two operating segments.

3) The number of employees as of March 31, 2011 increased by 2,541 as compared to the number as of March 31, 2010. This increase was due primarily to the increase in hiring, including recruitment of non-permanent employees as permanent employees.

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 2012. 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 their 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.

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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, 2011.

Name	Position	Number of shares held (in thousands)
Masahiro Sakane	Chairman of the Board, Director	106
Kunio Noji	President, Representative Director	77
Yoshinori Komamura	Executive Vice President, Representative Director	29
Mamoru Hironaka	Director	19
Tetsuji Ohashi	Director	21
Mikio Fujitsuka	Director	16
Fujitoshi Takamura	Director	17
Kensuke Hotta	Director	1
Noriaki Kano	Director	6
Kouichi Ikeda	Director	
Masaji Kitamura	Corporate Auditor (Full time)	10
Kyoji Torii	Corporate Auditor (Full time)	18
Makoto Okitsu	Corporate Auditor	
Hiroyuki Kamano	Corporate Auditor	3
Kunihiro Matsuo	Corporate Auditor	
Total		**325**

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 held (in thousands) column may not add up to the figure provided as the Total.

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.

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The following table sets forth the number of stock acquisition rights granted by the Company to Kunio Noji, Masahiro Sakane and Yoshinori Komamura for the execution of their respective duties as of March 31, 2011.

Name	Grant Date	Number of Stock Acquisition Rights	Exercise Price (Yen per Share)	Vesting Date	Expiration Date
Kunio Noji	08/01/2006	37	2,325	08/01/2007	07/31/2014
	09/03/2007	44	3,661	09/03/2008	08/31/2015
	09/01/2008	34	2,499	09/01/2009	08/31/2016
	09/01/2009	44	1,729	09/01/2010	08/31/2017
	08/02/2010	43	1	08/02/2013	07/31/2018
Masahiro Sakane	08/01/2006	64	2,325	08/01/2007	07/31/2014
	09/03/2007	44	3,661	09/03/2008	08/31/2015
	09/01/2008	34	2,499	09/01/2009	08/31/2016
	09/01/2009	44	1,729	09/01/2010	08/31/2017
	08/02/2010	43	1	08/02/2013	07/31/2018
Yoshinori Komamura	08/01/2006	27	2,325	08/01/2007	07/31/2014
	09/03/2007	25	3,661	09/03/2008	08/31/2015
	09/01/2008	20	2,499	09/01/2009	08/31/2016
	09/01/2009	25	1,729	09/01/2010	08/31/2017
	08/02/2010	26	1	08/02/2013	07/31/2018

Note: Stock acquisition rights grant the right to subscribe for or purchase shares of common stock of the Company. The number of shares of common stock that can be subscribed for or purchased with one stock acquisition right granted by the Company through the fiscal year ended March 31, 2010 is 1,000 shares. The number of shares of common stock that can be subscribed for or purchased with one stock acquisition right granted by the Company starting with the fiscal year ended March 31, 2011 is 100 shares.

As noted in Item 6.B. Compensation, during the fiscal year ended March 31, 2011, Directors of the Company were granted 210 stock acquisition rights (conferring the right to purchase a total number of 21,000 shares of common stock of the Company), and the exercise price for these stock acquisition rights granted as of August 2, 2010 was ¥1 per share. These stock acquisition rights are exercisable from August 2, 2013 to July 31, 2018.

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 558 stock acquisition rights (conferring the right to purchase a total number of 55,800 shares of common stock of the Company) during the fiscal year ended March 31, 2011. The exercise price for these stock acquisition rights granted as of August 2, 2010 was ¥1 per share. These stock acquisition rights are exercisable from August 2, 2013 to July 31, 2018.

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At the 142nd ordinary general meeting of shareholders held on June 22, 2011, it was approved that the Company grant no more than 2,529 stock acquisition rights (conferring the right to purchase a total number of 252,900 shares of common stock of the Company) to employees of the Company and directors of major subsidiaries of the Company. At such ordinary general meeting of shareholders, the Company s Board of Directors was given the authority to issue such stock acquisition rights to employees of the Company and directors of major subsidiaries of the Company as it deems appropriate.

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, 2011.

Major Shareholders as of March 31, 2011

Name of Major Shareholders	Number of Shares Held (in thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	48,073	4.81
JPMorgan Chase Bank 380055	41,614	4.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,978	4.10
Taiyo Life Insurance Company	38,000	3.80
State Street Bank and Trust Company	33,290	3.33
Nippon Life Insurance Co.	33,283	3.33
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	21,937	2.19
SSBT OD05 OMNIBUS ACCOUNT TREATY CLIENTS	19,294	1.93
Sumitomo Mitsui Banking Corporation	17,835	1.78
State Street Bank and Trust Company 505223	17,582	1.76
Total of Top 10 Shareholders	**311,889**	**31.22**

Notes:

1) The figures for each shareholder are rounded. Accordingly, the sum of the amounts indicated in each column does not necessarily add up to the figures provided as Total of Top 10 Shareholders.

2) 30,289 thousand shares of treasury stock held by the Company are excluded from the Major Shareholders list above.

3) Shares held by the Japan Trustee Services Bank, Ltd. and The Master Trust Bank of Japan, Ltd. are held through trusts.

To the best knowledge of the Company, no significant change has occurred in the ownership percentage of the major shareholders listed above during the past three years except for the following changes in ownership as of March 31, 2011 as compared to March 31, 2010: (1) the increase of JPMorgan Chase Bank 380055 s ownership percentage to 4.16% from 2.33%, (2) the increase of State Street Bank and Trust Company s ownership percentage to 3.33% from 2.29% and (3) the increase of State Street Bank and Trust Company 505223 s ownership percentage to 1.76% from 0.42%.

The Company s major shareholders are not entitled to any voting rights that are not provided to the other shareholders.

As of March 31, 2011, 25.3% of the shares of common stock issued (998,744,060 shares) were held of record by 256 residents of the United States.

To the best knowledge of the Company, the Company is not, directly or indirectly, controlled by another corporation or another entity, by the Government of Japan or by any foreign government, nor does any person own more than 10% of the Company s common stock.

There are no arrangements that are known to the Company the operation of which may at a subsequent date result in a change in control of the Company.

B. Related Party Transactions

In the ordinary course of business, Komatsu purchases and sells materials, supplies and services from and to its affiliates accounted for by the equity method. Komatsu regularly has trade accounts and other receivables payable by, and accounts payable to, its affiliates accounted for by the equity method. Furthermore, Komatsu has made loans to or received borrowings from its affiliates accounted for by the equity method for the fiscal year ended March 31, 2011. Komatsu believes all of these transactions with, and loans to and borrowings from, its affiliates accounted for by the equity method to be arms-length transactions. In addition, Komatsu does not consider the amounts of these transactions with, or loans to or borrowings from, its affiliates accounted for by the equity method to be material to its business.

For additional information, see Note 7 to the Consolidated Financial Statements included elsewhere in this report.

C. Interests of Experts and Counsel

Not applicable.

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Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in the Company s Financial Report to Shareholders for the fiscal year ended March 31, 2011 attached hereto.

Legal Proceedings

Komatsu is involved in certain legal actions and claims arising out of the ordinary course of its business. It is the opinion of Komatsu s management and its legal counsel that such litigation and claims will be resolved without any material effect on Komatsu s financial position or profitability.

Dividend Policy

The Company makes effort to provide steady dividend payments, taking into consideration the consolidated business results in determining the amount of profit to redistribute. The Company s goal is to provide a consolidated dividend payout ratio of 20% or higher and the Company maintains a policy of not decreasing dividends as long as the consolidated payout ratio does not surpass 40%. The Company distributes dividends twice a year (i.e., year-end dividends and interim dividends). The resolutions for the distributions of year-end dividends and of interim dividends are adopted at the ordinary general meeting of shareholders and at the meeting of the Board of Directors. For the fiscal year ended March 31, 2011, the Company set interim dividends of ¥18.0 per share, and year-end dividends of ¥20.0 per share, for a total annual per share dividend of ¥38.0.

Any retained earnings will be used to expand Komatsu s business and to strengthen its business bases by making effective investments to further globalize its operations and to develop and introduce new products using the technologies in which Komatsu enjoys technological advantages.

The Company may distribute interim dividends pursuant to Article 454, Paragraph 5 of the Corporation Act of Japan. Under the Articles of Incorporation of the Company, the Company may distribute interim dividends upon adoption of resolutions by the Board of Directors. The record date for interim dividends is September 30 of each year.

B. Significant Changes

No significant change has occurred since the date of the Company s annual financial statements.

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Item 9. The Offer and Listing

A. Offer and Listing Details

The shares of common stock of the Company have been listed on the Tokyo Stock Exchange (TSE) and the Osaka Stock Exchange in Japan since May 1949.

In the United States, the Company s American Depositary Shares (ADSs) are traded over-the-counter in the form of ADRs and are issued and exchanged by The Bank of New York Mellon in New York as the depositary. The Bank of New York Mellon replaced Citibank, N.A. as depositary on September 29, 2008. During the fiscal year ended March 31, 2010, the Company changed the ratio of its ADSs. Prior to February 16, 2010, each ADS represented four shares of the Company s common stock. On and after February 16, 2010, each ADS represents one share of the Company s common stock.

As of March 31, 2011, 967,902,641 shares were outstanding out of a total of 998,744,060 shares of common stock issued. This incorporates 21,937,535 ADSs (equivalent to 21,937,535 shares of common stock when using the current ratio of one ADS representing one common stock, or approximately 2.3% of the total number of shares of common stock outstanding) held by 27 registered ADR holders.

The following table sets forth the reported high and low sales prices of the Company s stock on the TSE and the reported high and low sales prices of ADSs for the periods indicated.

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Period	TSE (Japanese Yen) High	TSE (Japanese Yen) Low	ADS (U.S. dollars) High	ADS (U.S. dollars) Low
Annual highs and lows				
The fiscal year ended March 31, 2007	2,870	1,857	23.80	16.60
The fiscal year ended March 31, 2008	4,090	2,175	34.68	20.68
The fiscal year ended March 31, 2009	3,440	702	32.62	8.18
The fiscal year ended March 31, 2010	2,099	1,090	22.93	11.25
The fiscal year ended March 31, 2011	2,858	1,571	35.00	17.47
Quarterly highs and lows				
The fiscal year ended March 31, 2010				
1st quarter	1,621	1,090	16.57	11.25
2nd quarter	1,808	1,286	20.00	14.01
3rd quarter	1,962	1,565	21.45	17.43
4th quarter	2,099	1,683	22.93	19.13
The fiscal year ended March 31, 2011				
1st quarter	2,023	1,580	21.53	17.47
2nd quarter	1,963	1,571	23.50	17.98
3rd quarter	2,515	1,880	30.50	22.74
4th quarter	2,858	2,060	35.00	28.61
Monthly highs and lows				
December 2010	2,515	2,322	30.50	27.75
January 2011	2,610	2,342	31.40	28.61
February 2011	2,613	2,388	31.44	29.24
March 2011	2,858	2,060	35.00	29.50
April 2011	2,849	2,658	35.53	31.68
May 2011	2,926	2,347	36.18	28.78

Note: During the fiscal year ended March 31, 2010, the Company changed the ratio of common stock represented by ADSs. Prior to February 16, 2010, each ADS represented four shares of the Company s common stock. On and after February 16, 2010, each ADS represents one share of the Company s common stock. The high and low sales prices set forth in the above table prior to March 2010 have been revised by dividing the actual sales price that were reported using the ratio of one ADS to four common stock (the ratio that was in effect prior to March 2010) by four.

B. Plan of Distribution

Not applicable.

C. Markets

See Item 9.A. Offer and listing details.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

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Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

I. Organization and Registration

The Company is a joint stock corporation (*kabushiki kaisha*) incorporated in Japan under the Corporation Act of Japan. It is registered in the Commercial Register (*Shogyo Tokibo*) maintained by the Minato Branch Office of Tokyo Legal Affairs Bureau, which has the jurisdiction over the district in which the Company s head office is currently located.

II. Objectives and Purposes

The objectives and purposes of the Company, provided in Article 2 of the Company s Articles of Incorporation, is to engage in the following businesses:

1. Manufacture, repair, sale and purchase of construction machinery, agricultural machinery, industrial machinery, automobiles, internal combustion engines and various types of other machinery and equipment and parts thereof.
2. Manufacture, sale and purchase of various iron and steel goods.
3. Smelting, processing, sale and purchase of various types of iron and steel, pig-iron, ferroalloys and other special metals.
4. Manufacture, sale and purchase of various types of electric materials and equipment.
5. Manufacture, sale and purchase of various synthetic resin products.
6. Manufacture, repair, sale and purchase of various armaments and parts thereof.
7. Mining industry, and sale and purchase of minerals.
8. Designing, executing, supervising and contracting various types of civil engineering and construction work for plants, dwelling house, and other structures.
9. Sale and purchase of lumber, processed lumber products and various types of civil engineering and construction materials, machinery and equipment.
10. Sale, purchase and lease of real property.
11. Manufacture, sale and repair of industrial waste and general waste treatment devices.
12. Collection, transportation, treatment and recycling of industrial waste and general waste, sale of such recycled products, and consulting on these matters.

13. Development, creation, sales and consulting on computer software and computer systems.

14. Electronic commerce using networks such as the internet.

15. Information processing and information providing service.

16. Financing services.

17. All business incidental to each and every one of the preceding items.

18. Investing in other companies or promoting the organization of other companies.

The objectives and purposes of other companies in which the Company may invest may not necessarily be restricted by the objectives and purposes of the Company.

III. Directors

The Corporation Act of Japan provides that the Directors must disclose the material facts on the relevant transactions to the Board of Directors and obtain approval of the Directors at such meeting on engaging in any business competing with the Company (Art. 356, Paragraph 1, Item 1) or effecting any transactions involving a conflict of interests (Art. 356, Paragraph 1, Items 2 and 3). It also provides that any Director who has a material interest in the subject matter of a resolution to be taken by the Board of Directors cannot vote in such resolution (Art. 369, Paragraph 2). Neither the Articles of Incorporation nor the Regulations of the Board of Directors of the Company have any additional provisions regarding a Director s power to vote on a proposal, arrangement or contract in which the Director is materially interested. The Corporation Act of Japan does not have an explicit provision concerning a director s obligation not to use the corporation s opportunity for his or her personal benefit or for the benefit of a third party, although such a conduct may be restricted by the duty of faithfulness (Art. 355).

With respect to directors compensation, the Corporation Act of Japan requires that, unless otherwise specified in the Articles of Incorporation (which specification does not exist in the case of the Company), the amount (if such payable amount is fixed), the calculation method (if the amount is unfixed) or the substance (in the case of non-cash benefits) of directors compensation shall be fixed by a resolution of a general meeting of shareholders (Art. 361, Paragraph 1). The Board of Directors of the Company may determine the other details of their compensation in accordance with what are resolved at a general meeting of shareholders as above.

The Corporation Act of Japan provides that the incurrence by a company of a significant amount of borrowings from a third party needs approval of the company s board of directors (Art. 362, Paragraph 4, Item 2). The Company s Regulations of the Board of Directors contain corresponding provisions. (The Articles of Incorporation of the Company have no specific provisions as to a borrowing power exercisable by the Directors.) There is no mandatory retirement age for Directors under the Corporation Act of Japan, the Articles of Incorporation or the Regulations of the Board of Directors of the Company. There is no requirement concerning the number of shares an individual must hold in order to qualify as a Director of the Company under the Corporation Act of Japan, the Articles of Incorporation or the Regulations of the Board of Directors of the Company.

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IV. Common Stock

Set forth below is information relating to the Company s shares of common stock, including brief summaries of the relevant provisions of its Articles of Incorporation and Share Handling Regulations of the Company, as currently in effect, and of the Corporation Act of Japan and related legislation.

General

The Company s authorized share capital is 3,955,000,000 shares, of which 998,744,060 shares were issued as of May 31, 2011. Under the Corporation Act of Japan and the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks and Other Securities (including regulations promulgated thereunder; the Book-Entry Law), the listed companies issue no share certificates and any share certificates of such companies are invalid after January 5, 2009, though the holder of the share certificates may have applied for registration through certain procedure until January 5, 2010. Shares of such companies must be registered, and are transferable by an agreement between the transferor and the transferee but such transfer may not be asserted against a third party without its registration. In order to assert shareholders rights against the Company, a shareholder must have its name and address, etc. registered on the shareholder register under the Corporation Act of Japan and the Book-Entry Law, in accordance with the Company s Share Handling Regulations.

A holder of shares must register its shares in the transfer account of the Japan Securities Depository Center, Inc. (hereinafter referred to as JASDEC) or the account management institutions of the securities companies, etc. at which shareholders have established transfer accounts (hereinafter referred to as the Securities Companies). Modification of entries in the shareholders register shall be generally made through notifications from JASDEC, including notifications and the like for all shareholder information (excluding such notices as set forth in Art. 154, Paragraph 3 of the Book-Entry Law). A shareholder shall place his/her name and address, etc. on file through Securities Companies and JASDEC, as prescribed by JASDEC. If a shareholder resides in a foreign country, he/she or his/her statutory agent shall appoint a standing proxy in Japan or specify a place in Japan to receive notices, and shall place the name or title and address of the standing proxy and the place to receive notice on file through Securities Companies and JASDEC, as prescribed by JASDEC.

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When a shareholder makes any request or exercises any other shareholders right, he/she shall attach or provide items attesting that he/she made the request by himself/herself. Provided, however, that this shall not apply when it can be verified by the Company that the request was made by the shareholder himself/herself.

The registered holder of deposited shares underlying the ADSs is the depositary for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders rights.

Rights of Shareholders

Dividends from Surplus

Under the Corporation Act of Japan, a joint stock corporation can make distribution of dividends from surplus to its shareholders (or pledgees) by the resolution of its shareholders meeting anytime. Under the Company s Articles of Incorporation, it is only stipulated that the record date of year-end dividends shall be March 31 of each year, but it does not prevent the Company from making distribution of dividends from surplus based on other record dates. In addition, under the Corporation Act of Japan, a joint stock corporation can stipulate in its Articles of Incorporation, that it may distribute interim dividends to its shareholders (or pledgees) once per business year by resolution of its Board of Directors. Under the Company s Articles of Incorporation, the Company may, by resolution of the Board of Directors, distribute interim dividends, on the record date of which is September 30 in each year. Furthermore, under the Corporation Act of Japan, the Company can stipulate that if the length of terms of office of its directors is not longer than one (1) year, it can stipulate that it can basically (i.e., other than the cases where its non-consolidated annual financial statements and certain documents relating to the latest fiscal year do not present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice) make distribution of dividends from surplus to its shareholders (or pledgees) by the resolution of its Board of Directors in its Articles of Incorporation. The Company has not stipulated such clauses in its Articles of Incorporation.

Dividends from surplus will usually be distributed in cash, but it can be distributed in kind under the Corporation Act of Japan. If a distribution of dividends from surplus is to be made in kind, the Company may, pursuant to a resolution of a general meeting of shareholders or the Board of Directors which determines to make the distribution, grant rights to its shareholders to require the Company to make such distribution in cash instead of in kind to shareholders. If no such rights are granted to shareholders, the relevant dividends from surplus must be approved by a special resolution of a general meeting of shareholders.

The Corporation Act of Japan requires that, until the aggregate amount of the Company s legal reserve and additional paid-in capital is at least one-quarter of its stated capital, it set aside in its legal reserve and/or additional paid-in capital an amount equal to at least one-tenth of the amount of the dividends of surplus distributed.

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The distributable amount of surplus is calculated by making some adjustments to the amount of surplus.
Under the Corporation Act of Japan, the amount of surplus is calculated by the following formula:
(1) base amount + (2) additional amount - (3) subtractive amount, where

(1) the total amount of other capital surplus and other retained earnings as of the end of the last business year.

(2) (a) the amount of the consideration for treasury stock disposed of after the end of the last business year less the book value thereof;
   (b) the amount of reduction of stated capital made after the end of the last business year less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);
   (c) the amount of reduction of additional paid-in capital or legal reserve made after the end of the last business year less the portion thereof that has been transferred to stated capital (if any).

(3) (a) the book value of treasury stock cancelled after the end of the last business year;
   (b) the total book value of surplus reduced by the distribution of dividends from surplus made after the end of the last business year;
   (c) other amounts set forth in ordinances of the Ministry of Justice.

The distributable amount of surplus is calculated by the following formula:

(A) the amount of surplus + (B) additional amounts - (C) subtractive amounts, where

(A) the amount of surplus

(B) (a) the amount of profit in the extraordinary financial statements
   (b) the amount of consideration for any of its treasury stock disposed of recorded in the extraordinary financial statements

(C) (a) the book value of its treasury stock

(b) the amount of consideration for any of its treasury stock disposed of after the end of the last business year

(c) the amount of loss in the extraordinary financial statements

(d) other amounts set forth in ordinances of the Ministry of Justice

Under the Corporation Act of Japan, a joint stock corporation can make extraordinary financial statements anytime during business years. If such extraordinary financial statements have been prepared and have been approved by the Board of Directors or (if so required by the Corporation Act of Japan) by a general meeting of shareholders, then the distributable amount of surplus must be adjusted as stated above.

Stock Splits

The Corporation Act of Japan permits the Company, by resolution of its Board of Directors, to make stock splits, regardless of the value of net assets (as appearing in its latest non-consolidated balance sheet) per share.

Under the Corporation Act of Japan, by resolution of the Company s Board of Directors, the Company may increase the authorized shares up to the number reflecting the rate of stock splits and amend its Articles of Incorporation by resolution of its Board of Directors to this effect without the approval of a shareholders meeting. Before a stock split, the Company must give public notice of such stock split specifying the record date not less than two weeks prior to such record date.

Japanese Unit Share System

On June 14, 2006, the Board of Directors of the Company adopted a resolution to decrease the number of shares constituting one unit of the Company to 100 shares effective as of August 1, 2006. Accordingly, since August 1, 2006, 100 shares of common stock constitute one trading unit . Prior to this change, the Company s Articles of Incorporation provided that 1,000 shares of common stock constitute one unit . The Corporation Act of Japan permits the Company, by resolution of its Board of Directors, to reduce the number of shares which constitutes one unit or abolish the unit share system, and amend its Articles of Incorporation to this effect without the approval of a shareholders meeting.

Transferability of Shares Representing Less than One Unit.

After January 5, 2009, shares representing less than one unit are automatically registered in the transfer account, and upon such registration shares representing less than one unit may be transferable through the book entry system, although such shares may not be sold in the market under the rules of the relevant stock exchange. A holder of shares representing less than one unit may collect such shares so that they constitute one unit and then sell them as one unit of shares in the market.

As the transfers of ADRs do not require a change in the ownership of the underlying shares, holders of ADRs evidencing ADSs, that constitute less than one unit of shares are not affected by these restrictions in their ability to transfer the ADRs. However, because transfers of less than one unit of the underlying shares are not normally permitted in the market in Japan, the deposit agreement provides that the right of ADR holders to surrender their ADRs and withdraw the underlying shares for sale in Japan may only be exercised as to whole units.

Right of a Holder of Shares Representing Less than One Unit to Require the Company to Purchase Its Shares.

A holder of shares representing less than one unit may, at any time, require the Company to purchase their shares through Securities Companies and JASDEC. These shares will be purchased at (a) the closing price of the shares of the Company reported by the Tokyo Stock Exchange on the day on which the application for the purchase request reached the handling office of the transfer agent, multiplied by the number of shares or (b) in case that no trading is effected at the Tokyo Stock Exchange on that day, the price of the first trade effected thereafter, multiplied by the number of shares. As a practical matter, however, because holders of ADRs representing less than one unit are not able to withdraw the underlying shares from deposit, these holders will not be able to exercise this right.

Right of a Holder of Shares Representing Less than One Unit to Purchase from the Company its Shares up to a Whole Unit.

The Articles of Incorporation of the Company provide that a holder of shares representing less than one unit may request that the Company sell a certain number of shares less than one unit so that the shares owned by such shareholder combined with such additional shares may constitute one unit through Securities Companies and JASDEC. These shares will be sold at (a) the closing price of the share of the Company reported at a market operated by the Tokyo Stock Exchange on the day on which the application for additional purchase become effective, multiplied by the number of shares applied for additional purchase or (b) in the case that no trading is effected on such day or if the Tokyo Stock Exchange is closed on such day, the price at which the share of the Company is first traded thereafter, multiplied by the number of shares applied for additional purchase.

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Voting Rights of a Holder of Shares Representing Less than One Unit.

A holder of shares representing less than one unit cannot exercise any voting rights of those shares. In calculating the quorum for various voting purposes, the aggregate number of shares representing less than one unit will be excluded from the number of outstanding shares. A holder of shares representing one or more whole units will have one vote for each whole unit represented.

A holder of shares representing less than one unit does not have any rights relating to voting, such as the right to participate in a demand for the resignation of a director, the right to participate in a demand for the convocation of a general meeting of shareholders and the right to join with other shareholders to propose an agenda item to be addressed at a general meeting of shareholders.

In addition, under the Corporation Act of Japan, a joint stock corporation can further restrict the rights of a holder of shares constituting less than one unit. Under the Company s Articles of Incorporation, a holder of shares constituting less than one unit does not have rights, other than the following:

- to receive annual and interim dividends,
- to receive shares and/or cash by way of consolidation, subdivision, gratis issue of shares to shareholders, exchange or transfer of shares, corporate split or merger,
- to receive shares, cash and/or other assets in which a shareholder of the Company has the option to acquire or which the Company has the option to acquire,
- to participate in any distribution of surplus assets upon liquidation,
- to request the Company to purchase shares constituting less than one unit, and
- any other rights which are prohibited from being restricted by Art. 189, Paragraph 2 of the Corporation Act of Japan and ordinances of the Ministry of Justice.

Ordinary and Extraordinary General Meeting of Shareholders

The Company usually holds its ordinary general meeting of shareholders in June of each year in Minato-ku, Tokyo or in a neighboring district. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks prior notice. Under the Corporation Act of Japan and the Company s Articles of Incorporation, notice of any shareholders meeting must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his or her resident proxy or mailing address in Japan, at least two weeks prior to the date of the meeting.

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Voting Rights

A shareholder is generally entitled to one vote per one unit of shares as described in this paragraph and under Rights of Shareholders *Japanese Unit Share System* above. In general, under the Corporation Act of Japan, a resolution can be adopted at a general meeting of shareholders by a majority of the shares having voting rights represented at the meeting. The Corporation Act of Japan and the Company s Articles of Incorporation require a quorum for the election of directors and corporate auditors of not less than one-third of the total number of outstanding shares having voting rights. The Company s shareholders are not entitled to cumulative voting in the election of directors under the Company s Articles of Incorporation. A corporate shareholder whose operation can be substantially controlled by the Company based on the reasons such as that the Company directly or indirectly owns not less than one-quarter of the total voting rights of such shareholder does not have voting rights. Shareholders may exercise their voting rights through proxies in accordance with the Company s Articles of Incorporation, provided that those proxies are also shareholders who have voting rights.

Pursuant to the Corporation Act of Japan and the Company s Articles of Incorporation, a quorum of, not less than one-third of the outstanding shares with voting rights must be present at a shareholders meeting to approve any material corporate actions such as:

- a reduction of stated capital;
- amendment of the articles of incorporation (except amendments which the board of directors are authorized to make under the Corporation Act of Japan as described in Rights of Shareholders *Stock Splits* and Rights of Shareholders *Japanese Unit Share System* above);
- establishment of a 100% parent-subsidiary relationship by way of share exchange or share transfer;
- a dissolution, merger or consolidation;
- a corporate split;
- the transfer of the whole or an important part of the Company s business;
- taking over of the whole of the business of any other corporation; or,
- any issuance of new shares at a specially favorable price, bonds or debentures with share acquisition rights to subscribe for new shares with specially favorable conditions or share acquisition rights with specially favorable conditions to persons other than shareholders, and the like.

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At least two-thirds of the outstanding shares having voting rights present at the meeting must approve these actions. The voting rights of holders of ADSs are exercised by the depositary based on instructions from those holders.

Share Acquisition Rights

A Share Acquisition Right shall mean the right under which, upon the exercise thereof against the Company by a person who has such right (hereinafter referred to as a Share Acquisition Rights Holder), the Company shall be obliged to issue new shares, or in lieu of such issuance, to transfer the shares that it owns, to such Share Acquisition Rights Holder.

The Company may basically issue Share Acquisition Rights as Share Acquisition Rights on their own or attached to bonds or debentures to any persons by the resolution of its board of directors. Holders of shares do not have the right to receive, upon the exercise thereof against the Company, an allotment of Share Acquisition Rights to be issued by the Company (hereinafter referred to as a Right to Subscribe for Share Acquisition Rights) under the Company s Articles of Incorporation when it issues Share Acquisition Rights. Under the Corporation Act of Japan, the board of directors may, however, determine that shareholders be given Right to Subscribe for Share Acquisition Rights in connection with a particular issue of Share Acquisition Rights. In the case of an issue of Share Acquisition Rights, public or individual notice (public notice is basically made via internet on the Company s website) must be given to each of the shareholders at least two weeks prior to the allotment date unless the terms of such issuance are already disclosed in a securities registration statement or other disclosure document.

Share Acquisition Rights may be made transferable or nontransferable by the resolution of the board of directors under the Corporation Act of Japan.

Liquidation Rights

In the event of liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the shareholders in proportion to the number of shares they own.

Liability to Further Calls or Assessments

All of the Company s currently outstanding shares, including shares represented by the ADSs, are fully paid and nonassessable.

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Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation (Mitsubishi UFJ Trust) is the transfer agent for the Company s shares. Mitsubishi UFJ Trust s office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan. Mitsubishi UFJ Trust maintains the Company s register of shareholders and records transfers of record ownership.

Record Date

The close of business on March 31 is the record date for the Company s year-end dividends, if payable. September 30 is the record date for its interim dividends, if payable. A holder of shares constituting one or more whole units who is registered as a holder on the Company s register of shareholders at the close of business as of March 31 is also entitled to exercise shareholders voting rights at the ordinary general meeting of shareholders with respect to the fiscal year ending on March 31. In addition, the Company may set a record date for determining the shareholders entitled to the rights by giving at least two weeks public notice which is basically made via internet on the Company s website.

The shares generally trade ex-dividends or ex-rights in the Japanese stock exchanges on the second business day before a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings.

Acquisition of Own Shares

Under the Corporation Act of Japan, the Company may acquire its own shares for any purposes subject to the authorization of shareholders at a general meeting of shareholders. In addition, the Company is authorized to purchase its own shares pursuant to a resolution of the board of directors pursuant to its Articles of Incorporation. The acquisition is generally subject to the condition that the aggregate amount of the purchase price must not exceed the distributable amount of surplus mentioned in Rights of Shareholders *Dividends from Surplus* above.

In the case of shares listed on a Japanese stock exchange or traded in the over-the-counter market, acquisition shall be made through the market or by way of tender offer by the close of the following ordinary general meeting, subject to certain exceptions such as where acquisition of the shares from a specified person is authorized by the approval of two-thirds of outstanding shares having voting rights present at the shareholders meeting at which a quorum of at least one-third of the outstanding shares having voting rights must be present.

In addition, the Company may acquire its shares by means of repurchase of any number of shares constituting less than one unit upon the request of the holder of those shares, as described under Rights of Shareholders *Japanese Unit Share System* above.

Holding of Shares by Foreign Investors

Other than the Japanese unit share system that is described in Rights of Shareholders *Japanese Unit Share System* above, there are no limitations on the rights of non-residents or foreign shareholders to hold or exercise voting rights on the Company s shares imposed by the laws of Japan or the Company s Articles of Incorporation or other constituent documents.

C. Material Contracts

All contracts entered into by the Company or any member of Komatsu during the two years immediately preceding this report were entered into in the ordinary course of business.

D. Exchange Controls

THE FOREIGN EXCHANGE AND FOREIGN TRADE LAW OF JAPAN

The Foreign Exchange and Foreign Trade Law of Japan, as amended, and the cabinet orders and ministerial ordinances thereunder (collectively, the Foreign Exchange Law), regulate certain transactions involving a non-resident of Japan (as defined below) or a foreign investor (as defined below), including issuance of securities by a resident of Japan outside of Japan, transfer of securities between a resident of Japan and a non-resident of Japan, inward direct investment by a foreign investor, and a payment from Japan to a foreign country or by a resident of Japan to a non-resident of Japan.

Non-residents of Japan include individuals who are not resident in Japan and corporations whose principal offices are located outside of Japan. Generally, branches and other offices of Japanese corporations located outside of Japan are regarded as non-residents of Japan, but branches and other offices of non-resident corporations located within Japan are regarded as residents of Japan. Foreign investors are defined to be: (1) individuals not resident in Japan, (2) corporations which are organized under the laws of foreign countries or whose principal offices are located outside of Japan, (3) corporations of which not less than 50% of the voting rights are held directly or indirectly by (1) or (2) above, and (4) corporations in which: (a) a majority of the officers are non-resident individuals or (b) a majority of the officers having the power to represent the corporation are non-resident individuals.

The following is a summary of the pertinent provisions under the Foreign Exchange Law insofar as they affect debt securities of the Company, shares of the Company s common stock or depositary receipts representing such shares.

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Debt Securities

The Foreign Exchange Law requires that a resident of Japan whose debt securities are being issued or offered outside of Japan file a post facto report of capital transaction with the Minister of Finance. Under the Foreign Exchange Law, payment of the principal of and interest on these debt securities (including any additional amounts payable pursuant to the terms of the securities) may in general be made by the issuer without any restrictions. The Foreign Exchange Law gives the Minister of Finance the power in certain limited and exceptional circumstances to require prior approval for any such capital transaction (or for such payment).

Acquisition of Shares

The Foreign Exchange Law requires that a resident of Japan whose shares are being issued or offered outside of Japan file a post facto report of capital transaction with the Minister of Finance.

In general, the acquisition of shares in a Japanese corporation listed on any stock exchange in Japan or traded on the over-the-counter market in Japan (the listed shares) from a resident of Japan by a non-resident of Japan requires the resident of Japan to file a post facto report with the Minister of Finance of the transaction. The Foreign Exchange Law gives the Minister of Finance the power in certain limited and exceptional circumstances to require prior approval for any such acquisition.

If a foreign investor intends to acquire the listed shares and as a result of such acquisition the aggregate of the shares in the relevant corporation already held by that foreign investor and certain related parties (as specified under the Foreign Exchange Law) and the number of such shares proposed to be acquired by that foreign investor would be 10% or more of the total issued shares, such foreign investor will generally be subject to a requirement to provide a post facto report to the Minister of Finance and any other competent Minister having jurisdiction over the business of the issuer by the 15th day of the month following the month in which it acquired such shares. In certain exceptional cases, prior notification may be required. In case the prior notification requirement is applicable, the Minister of Finance and the competent Minister will ultimately have the power to order the alternation or suspension of the acquisition in certain special circumstances.

While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company for consideration exceeding 100 million yen to a non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer, unless the transfer was made through a bank, securities company or financial futures trader licensed under Japanese law.

Dividends and Proceeds of Sale

Under the Foreign Exchange Law, dividends paid on the shares of a Japanese corporation (including those in the form of depositary receipts) held by non-residents of Japan and the proceeds of any sale of such shares within Japan may in general be converted into any foreign currency and repatriated abroad. The acquisition of shares by non-resident shareholders by way of stock splits is not subject to any of the prior notification and/or post facto reporting requirements.

Exercise or Transfer of Share Acquisition Rights

The acquisition by a foreign investor of shares in a Japanese corporation upon the exercise of acquisition rights in respect of share acquisition rights or bonds with share acquisition rights issued inside or outside of Japan is subject to the formalities and restrictions described in the second paragraph under Acquisitions of Shares above. However, if a foreign investor wishes to dispose of, rather than exercise, any acquisition rights, such foreign investor may sell the rights inside or outside of Japan without material foreign exchange restriction; provided that the resident of Japan who acquired such rights is in general subject to post facto reporting requirements.

Depositary Receipts

When shares are deposited with a depositary located outside of Japan and depositary receipts are issued in exchange therefor, the depositary is treated like any other foreign investor acquiring shares.

THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW

The Financial Instruments and Exchange Law of Japan requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total outstanding voting shares of capital stock of a company listed on any Japanese stock exchange to file with the relevant Local Finance Bureau of the Minister of Finance within five business days a report concerning such share ownership. A similar report must also be made in respect of any subsequent change of 1% or more in any such holding. Copies of any such report must also be furnished to the issuer of such shares and all Japanese stock exchanges on which the shares are listed. For this purpose, shares issuable exercise of rights for subscription of shares held by such holder are taken into account in determining both the size of a holding and a company s total outstanding share capital.

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E. Taxation

JAPANESE TAXATION

The discussion of Japanese taxation set forth below is intended only as a summary and does not purport to be a complete analysis or discussion of all the potential Japanese tax consequences that may be relevant to the ownership of the Company s shares or ADSs by a person who is not a resident of Japan.

A non-resident of Japan or a non-Japanese corporation is generally subject to a Japanese withholding tax on cash dividends. Stock splits and allotment of shares without consideration, in general, are not subject to Japanese withholding tax since they are characterized merely as an increase in the number of shares (as opposed to an increase in the value of the shares) from a Japanese tax perspective. Due to the 2001 Japanese tax legislation effective April 1, 2001, a conversion of retained earnings or legal earned reserve into stated capital is not deemed a dividend payment to shareholders for Japanese tax purposes and therefore such a conversion does not trigger Japanese withholding taxation.

In the absence of any applicable treaty or agreement reducing the maximum rate of withholding tax, the standard rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-residents of Japan or non-Japanese corporations is generally 20%. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of common stock of the Company) to any corporate or individual shareholders (including those shareholders who are non-Japanese corporations or Japanese non-resident individuals), except for any individual shareholder who holds 5% or more of the total shares issued by the relevant Japanese corporation, the aforementioned standard 20% withholding tax rate is reduced to (i) 7% for dividends due and payable on or before December 31, 2011 and (ii) 15% for dividends due and payable on or after January 1, 2012.

Pursuant to the Convention Between the Government of the United States of America and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the Treaty), (i) the withholding tax rate on dividends is generally 10% for portfolio investors who are qualified U.S. residents eligible to enjoy treaty benefits and (ii) the dividends are exempt from Japanese taxation by way of withholding or otherwise for pension funds which are qualified U.S. residents eligible to enjoy treaty benefits, unless the dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. For Japanese tax purposes, a treaty rate generally supersedes the tax rate under Japanese tax law. However, due to the so-called preservation doctrine under the Treaty, and/or due to the Special Measurement Law for the Income Tax Law, Corporation Tax Law and Local Taxes Law with respect to the Implementation of Tax Treaties, if the tax rate under Japanese tax law is lower than the treaty rate (which is currently the case with respect to the treaty), the Japanese tax rate applies (which, as discussed above, is currently 7% with respect to dividends paid on the Company s shares).

The amount of withholding tax imposed on dividends payable to the holders of the Company s shares or ADSs who reside in a country other than the United States is dependent upon the provisions of such treaties or agreements as may exist between such country and Japan.

Gains derived from the sale outside Japan of shares of common stock or ADSs by a non-resident of Japan or a non-Japanese corporation, or from the sale of the shares within Japan by a non-resident of Japan as an occasional transaction or by a non-Japanese corporation not having a permanent establishment in Japan, are in general not subject to Japanese income or corporation taxes. Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares of common stock or ADSs as a distributee, legatee or donee.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership, and disposition of shares of common stock and ADSs of the Company to U.S. holders (as defined below). This summary does not purport to be a comprehensive description of all of the tax consequences of the acquisition, ownership and disposition of shares of common stock or ADSs. This summary applies only to shares of common stock and ADSs acquired by U.S. holders and held as capital assets, within the meaning of section 1221(a) of the Internal Revenue Code of 1986, as amended (the Code), and does not apply to persons in special tax situations, including, but not limited to, a person with a functional currency other than the U.S. dollar, a person that actually or constructively owns 10% or more of the Company s voting stock, a tax-exempt organization, a bank, a financial institution, a real estate investment trust, a regulated investment company, a partnership or other flow-through entity, a dealer in securities or currencies, an insurance company, a securities trader electing to account for its investment in shares of common stock or ADSs on a mark-to-market basis, a person that owns shares of common stock or ADSs through a partnership or other entity treated as a partnership for U.S. federal income tax purposes or through a flow-through entity, a person who acquired shares of common stock or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation, or a person holding shares of common stock or ADSs in a hedging transaction or as part of a straddle or conversion transaction or other integrated financial transaction. In addition, this summary does not address the application, or the potential application, of the alternative minimum tax.

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This discussion is based on current provisions of the Code, final, temporary and proposed U.S. Treasury regulations, judicial opinions, published positions of the Internal Revenue Service (the IRS) and other applicable authorities, all as in effect on the date hereof and all of which are subject to differing interpretations or change, possibly with retroactive effect. The Company has not sought, and will not seek, any ruling from the IRS or any opinion of counsel with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a contrary position or that any position taken by the IRS would not be sustained.

As used in this summary, the term U.S. holder means a beneficial owner of shares of common stock or ADSs of the Company that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. Certain trusts not described in clause (iv) above in existence on August 20, 1996, that elect to be treated as United States persons will also be U.S. holders for purposes of the following discussion.

If a partnership is a beneficial owner of shares of common stock or ADSs, the treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A beneficial owner of shares of common stock or ADSs that is a partnership and partners in such a partnership should consult their tax advisors regarding the U.S. federal income tax consequences of acquiring, owning, and disposing of shares of common stock or ADSs.

This discussion is only a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of shares of common stock or ADSs. Investors should consult their own tax advisors with respect to the particular tax consequences of the acquisition, ownership and disposition of shares of common stock or ADSs, including the effect of any state, local, foreign or other tax laws. In addition, this summary assumes that the Company has not been, is not currently, and will not be treated as a passive foreign investment company (a PFIC) for U.S. federal income tax purposes. See the discussion below under Passive Foreign Investment Company Rules.

Treatment of ADSs

In general, a U.S. holder of ADSs evidencing shares of common stock will be treated as the beneficial owner of the underlying shares of common stock represented and evidenced by those ADSs for U.S. federal income tax purposes. Deposits or withdrawals of shares of common stock by U.S. holders in exchange for ADSs generally will not result in the recognition of gain or loss for U.S. federal income tax purposes.

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The United States Department of the Treasury (the U.S. Treasury) has expressed concerns that U.S. holders of foreign securities may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between the holder of a foreign security or an ADS and the issuer of the security has taken actions inconsistent with the ownership of the underlying security by the person claiming the credit, such as a disposition of such security. Such actions could also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. holders. Accordingly, the analysis of the creditability of Japanese taxes and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. holders, each as described below, could be affected by actions taken by the depositary or others or by future actions taken by the U.S. Treasury.

Taxation of Distributions on Shares of Common Stock or ADSs

Subject to the discussion below under Passive Foreign Investment Company Rules, the gross amount of distributions paid on shares of common stock or ADSs, other than certain pro rata distributions of shares of common stock, will generally be taxable as dividends to the extent paid out of the Company s current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported (where required) to U.S. holders as dividends. Such dividends will include any amounts withheld in respect of Japanese taxes and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations. Subject to applicable limitations that may vary depending upon a U.S. holder s individual circumstances (including with respect to certain short-term and hedged positions) and the discussion below under Passive Foreign Investment Company Rules, dividends received by certain non-corporate U.S. holders in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable at a maximum rate of 15% provided that certain conditions are met. Non-corporate U.S. holders should consult their own tax advisors regarding the availability of the reduced rate and to determine whether they are subject to any special rules that limit their ability to be taxed at this reduced rate.

Dividends paid in a foreign currency, such as Japanese yen, will be included in a U.S. holder s income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by the U.S. holder, in the case of shares of common stock, or by the depositary, in the case of ADSs, regardless of whether the payment is in fact converted into U.S. dollars on such date. A U.S. holder will have a tax basis in such foreign currency equal to the U.S. dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date of such receipt. Gain or loss, if any, realized by a U.S. holder on a subsequent sale or other disposition of the foreign currency will be ordinary income or loss, and will be income or loss from sources within the United States for U.S. foreign tax credit purposes. Prospective investors should consult their own tax advisors concerning the calculation and U.S. federal income tax treatment of foreign currency gain or loss.

For foreign tax credit purposes, dividends included in gross income by a U.S. holder in respect of shares of common stock or ADSs will generally constitute income from sources outside the United States. Japanese income taxes withheld from dividends on shares of common stock or ADSs may be claimed by a U.S. holder as a credit against U.S. federal income tax liability or, in the alternative, as a deduction in the computation of such U.S. holder s taxable income, subject, in each case, to certain conditions and limitations. For U.S. foreign tax credit limitation purposes, dividends will generally be treated as passive category income or, in certain cases, general category income. The U.S. federal income tax rules relating to foreign tax credits are extremely complex. U.S. holders should consult their own tax advisors concerning the availability of foreign tax credits based upon their particular situations.

Sales and Other Dispositions of Shares of Common Stock or ADSs

Subject to the discussion below under Passive Foreign Investment Company Rules, for U.S. federal income tax purposes, upon a sale or other taxable disposition of a share of common stock or an ADS, a U.S. holder will recognize gain or loss in an amount equal to the difference between the amount realized (determined in U.S. dollars) on the disposition and such U.S. holder s adjusted tax basis (determined in U.S. dollars) in the share of common stock or ADS (as the case may be). Any such gain or loss generally will constitute capital gain or loss, and will be long-term capital gain or loss if such U.S. holder held the share of common stock or the ADS (as the case may be) for more than one year as of the date of the disposition. The deduction of capital losses is subject to limitations under the Code. In addition, such gain or loss generally will be gain or loss from sources within the United States for foreign tax credit purposes.

Passive Foreign Investment Company Rules

The Company believes that it should not be a PFIC for U.S. federal income tax purposes for its taxable year ended March 31, 2011. In general, the Company will be a PFIC for any taxable year in which (i) at least 75% of its gross income is passive income, or (ii) the average percentage of its assets, as determined under applicable provisions of U.S. federal income tax laws, during the taxable year which produce passive income or which are held for the production of passive income is at least 50%. Passive income for this purpose generally includes dividends, interest, royalties, rents, annuities, gains from commodities and securities transactions and certain other types of income. The PFIC determination is made annually and generally will depend upon the composition of the Company s income and assets. There can be no assurance that the Company has not been, is not or will not be considered a PFIC for any taxable year. If the Company were treated as a PFIC for any taxable year during which a U.S. holder held shares of common stock or ADSs, certain adverse tax consequences could apply to such U.S. holder.

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If the Company were treated as a PFIC for any taxable year during which a U.S. holder held shares of common stock or ADSs, any gain recognized by the U.S. holder on the disposition of such shares of common stock or ADSs as well as any excess distribution received by the U.S. holder (i.e., generally, any distribution in respect of shares of common stock or ADSs in excess of 125% of the average of the annual distributions on such securities received by a U.S. holder during the preceding three taxable years or such U.S. holder s holding period, whichever is shorter) would be allocated ratably to each day in the U.S. holder s holding period for such securities. The amount of any such gain or excess distribution allocable to the year of the disposition or distribution or to any year before the Company became a PFIC will be taxed as ordinary income. The amount of any such gain or distribution allocable to taxable years in which the Company was a PFIC and thereafter, other than the year of the disposition or distribution, would be subject to tax at the highest rate in effect in each such taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax liability attributable to such allocated amounts.

Certain elections (including a mark-to-market election) may be available to a U.S. holder that may mitigate the adverse tax consequences resulting from PFIC status. However, if the Company were to be treated as a PFIC, U.S. holders may not be able to mitigate the adverse tax consequences resulting from PFIC status by electing to treat the Company as a qualified electing fund because the Company may not provide the information that a U.S. holder requires to make such an election.

In addition, if the Company were treated as a PFIC in a taxable year in which it pays a dividend or the prior taxable year, the 15% tax rate with respect to qualified dividend income, discussed above under Taxation of Distributions on Shares of Common Stock or ADSs, would not apply.

U.S. holders should consult their own tax advisors regarding the potential application of the PFIC rules to shares of common stock or ADSs.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to distributions on shares of common stock and ADSs, and to the proceeds received on the disposition of shares of common stock and ADSs paid within the United States (and in certain cases, outside the United States), unless an exemption is established. A backup withholding tax at the applicable statutory rate may apply to such amounts if a U.S. holder (i) fails to establish properly that such U.S. holder is entitled to an exemption, (ii) fails to furnish or certify a correct taxpayer identification number to the payor in the manner required, (iii) is notified by the IRS that such U.S. holder has failed to report payments of interest or dividends properly, or (iv) under certain circumstances, fails to certify that such U.S. holder has not been notified by the IRS that backup withholding applies due to the failure to report interest or dividend payments. The amount of any backup withholding will be allowed as a credit against or refund of the U.S. holder s U.S. federal income tax liability provided that the required information is furnished to the IRS in a timely manner.

Recently enacted legislation will require certain types of U.S. holders to report information with respect to their investments in the shares of common stock or ADSs not held through an account with a U.S. financial institution to the IRS. If a U.S. holder fails to report information required under this legislation, such U.S. holder could become subject to substantial penalties. U.S. holders are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in the shares of common stock or ADSs.

The preceding summary of certain U.S. federal income tax considerations is for general information only and is not intended to be construed as tax advice. Accordingly, prospective investors should consult their own tax advisors as to the particular tax consequences to them of the acquisition, ownership and disposition of shares of common stock and ADSs, including the applicability and effect of any U.S. federal, state, local or foreign tax laws, and of any proposed changes in applicable law.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, the Company files annual reports on Form 20-F and other reports on Form 6-K with the U.S. Securities and Exchange Commission (the SEC). These materials, including this annual report and exhibits thereto, may be inspected and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC in the U.S. at 1-800-SEC-0330. The materials filed via the Electronic Data Gathering, Analysis, and Retrieval system are also available for inspection on the SEC s website (http://www.sec.gov).

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I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Exposure

Komatsu is exposed to market risk primarily from changes in foreign currency exchange rates and interest rates with respect to its international operations and foreign currency denominated receivables and debts. In order to manage these risks that arise in the normal course of its business, Komatsu has entered into various derivative financial transactions pursuant to its policies and procedures. Komatsu does not enter into derivative financial transactions for trading or speculative purposes. Komatsu is exposed to credit-related losses in the event of nonperformance by counterparties to the derivative financial instruments. However, because of the counterparties credit ratings, Komatsu does not expect that any of its existing counterparties will default on their obligations.

Foreign Exchange Risk

To reduce foreign exchange risks against foreign currency denominated assets, liabilities and certain forecasted transactions, Komatsu executes forward exchange contracts and option contracts in a range of 50% to 100% based on its projected cash flow in foreign currencies. The following table provides information concerning derivative financial instruments of Komatsu in relation to foreign currency exchange transactions that existed as of March 31, 2011, which are translated into Japanese yen at the rate used on that date, together with the related weighted average contractual exchange rates as of March 31, 2011. The notional amount of option contracts was ¥490 million (U.S.$6 million).

Forward Exchange Contracts

Forwards to sell foreign	Millions of yen (except average contractual rates)					
currencies:	US$/Yen	EUR/Yen	CLP/US$	US$/EUR	Others	Total
Contract amounts	¥ 62,749	¥ 10,252	¥ 10,152	¥ 5,104	¥ 6,247	¥ 94,504
Average contractual rates	82.26Yen/US$	110.87Yen/EUR	0.0021US$/CLP	0.73EUR/US$		
Fair value	¥ (561)	¥ (463)	¥ 38	¥ 155	¥ 84	¥ (747)

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Forwards to buy foreign currencies:	Millions of yen (except average contractual rates)						
	Yen/Yuan	US$/ZAR	GBP/EUR	Yen/ZAR	US$/RUB	Others	Total
Contract amounts	¥38,704	¥ 6,940	¥ 6,235	¥ 5,197	¥ 4,977	¥25,552	¥87,605
Average contractual rates	12.50Yen/Yuan	0.13US$/ZAR	0.88GBP/EUR	11.30Yen/ZAR	0.03US$/RUB		
Fair value	¥ (888)	¥ 577	¥ (40)	¥ 306	¥ (72)	¥ (250)	¥ (367)

Almost all of the above forward exchange contracts are expected to mature during the fiscal year ending March 31, 2012.

Currency Option

Purchase to sell foreign currencies:	Millions of yen (except average contractual rates)		
	US$/EUR	Others	Total
Contract amounts	¥ 249		¥ 249
Average contractual rates	1.405US$/EUR		
Fair value	5		5

Purchase to buy foreign currencies:	Millions of yen (except average contractual rates)		
	GBP/EUR	Others	Total
Contract amounts	¥ 241		¥ 241
Average contractual rates	0.875EUR/GBP		
Fair value	2		2

All of the above currency options are expected to mature during the fiscal year ending March 31, 2012.

For the convenience of the reader, the below tables provide the U.S. dollar equivalent of the Japanese yen contract amounts for each transaction set forth in the above tables, calculated at the rate of U.S.$1.00 to ¥83.

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Forward Exchange Contracts

Forwards to sell foreign currencies:	US$/Yen	EUR/Yen	CLP/US$	US$/EUR	Others	Total
	Thousands of U.S. dollars					
Contract amounts	$ 756,012	$ 123,518	$ 122,313	$ 61,494	$ 75,265	$ 1,138,602
Fair value	$ (6,759)	$ (5,578)	$ 458	$ 1,867	$ 1,012	$ (9,000)

Forwards to buy foreign currencies:	Yen/Yuan	US$/ZAR	GBP/EUR	Yen/ZAR	US$/RUB	Others	Total
	Thousands of U.S. dollars						
Contract amounts	$ 466,313	$ 83,614	$ 75,120	$ 62,614	$ 59,964	$ 307,855	$ 1,055,482
Fair value	$ (10,699)	$ 6,952	$ (482)	$ 3,687	$ (867)	$ (3,012)	$ (4,422)

Currency Option

Purchase to sell foreign currencies:	US$/EUR	Others	Total
	Thousands of U.S. dollars		
Contract amounts	$ 3,000		$ 3,000
Fair value	60		60

Purchase to buy foreign currencies:	GBP/EUR	Others	Total
	Thousands of U.S. dollars		
Contract amounts	$ 2,904		$ 2,904
Fair value	24		24

Interest Rate Risk

To reduce interest rate risk, Komatsu has engaged in certain interest rate swaps, cross-currency swaps and interest cap option transactions for interest payments and interest receipts. Certain interest rate swap contracts are not qualified as hedges for financial reporting purposes and are recorded at the fair value with the gains and losses thereof recognized as income and expense. For the fiscal year ended March 31, 2011, Komatsu did not enter into any interest cap option transactions.

The following tables provide information concerning long-term debt excluding capital lease obligations (including those obligations that are due within one year), interest rate swaps and cross-currency swaps. For debt obligations, the tables present the weighted average interest rate, fair value and principal cash flows by expected maturity dates. For interest rate swaps and cross-currency swaps, the following tables present the weighted average receive and pay interest rates, fair value and notional amounts.

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Long-term debt excluding capital lease obligations (including due within one year)

	Average interest rate	Fair value	Total	Millions of yen Expected maturity date 2012	2013	2014	2015	2016	Thereafter
Japanese yen bonds	1.37%	¥ 89,155	¥ 90,000	¥	¥ 30,000	¥ 30,000	¥ 30,000	¥	¥
Euro medium-term notes (relating to variable interest rate)	1.00%	55,167	46,845	21,598	9,146	3,504	313	12,284	
Loans, principally from banks (relating to variable interest rate)	4.69%	76,749	76,749	19,683	29,056	25,081	2,555	212	162
Loans, principally from banks (relating to fixed interest rate)	2.71%	142,779	143,318	49,835	39,801	27,306	21,539	4,672	165
Total		¥ 363,850	¥ 356,912	¥ 91,116	¥ 108,003	¥ 85,891	¥ 54,407	¥ 17,168	¥ 327

Interest rate swaps and cross-currency swaps

	Average interest rate Receive	Pay	Fair value	Total	Millions of yen Expected maturity date 2012	2013	2014	2015	2016	Thereafter
U.S. dollar interest rate swap	0.45%	2.53%	¥ (292)	¥ 25,013	¥ 16,246	¥ 6,587	¥ 1,311	¥ 747	¥ 122	¥
Yen/US$ cross-currency swap	1.07%	0.61%	7,606	30,100	22,500	7,600				
Yen/EUR cross-currency swap	0.71%	1.30%	2,803	12,922	10,922		2,000			
Euro interest rate swap	1.25%	3.59%	(201)	17,690	7,894	5,578	2,696	1,070	390	62
AUD interest rate swap	4.90%	5.75%	(260)	36,032	9,819	9,818	7,192	3,904	2,490	2,809
Others			(56)	1,667	259	147	726	451	84	
Total			¥ 9,600	¥ 123,424	¥ 67,640	¥ 29,730	¥ 13,925	¥ 6,172	¥ 3,086	¥ 2,871

For the convenience of the reader, the below tables provide the U.S. dollar equivalent of the Japanese yen contract amounts for each transaction set forth in the above tables, calculated at the rate of U.S.$1.00 to ¥83.

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Long-term debt excluding capital lease obligations (including due within one year)

	Average interest rate	Fair value	Total	Thousands of U.S. dollars Expected maturity date 2012	2013	2014	2015	2016	Thereafter
Japanese yen bonds	1.37%	$ 1,074,157	$ 1,084,338	$	$ 361,446	$ 361,446	$ 361,446	$	$
Euro medium-term notes (relating to variable interest rate)	1.00%	664,663	564,398	260,217	110,193	42,217	3,771	148,000	
Loans, principally from banks (relating to variable interest rate)	4.69%	924,687	924,687	237,145	350,072	302,181	30,783	2,554	1,952
Loans, principally from banks (relating to fixed interest rate)	2.71%	1,720,229	1,726,723	600,422	479,530	328,988	259,506	56,289	1,988
Total		$ 4,383,736	$ 4,300,146	$ 1,097,784	$ 1,301,241	$ 1,034,832	$ 655,506	$ 206,843	$ 3,940

Interest rate swaps and cross-currency swaps

	Average interest rate Receive	Pay	Fair value	Total	Thousands of U.S. dollars Expected maturity date 2012	2013	2014	2015	2016	Thereafter
U.S. dollar interest rate swap	0.45%	2.53%	$ (3,518)	$ 301,361	$ 195,735	$ 79,361	$ 15,795	$ 9,000	$ 1,470	$
Yen/US$ cross-currency swap	1.07%	0.61%	91,639	362,650	271,084	91,566				
Yen/EUR cross-currency swap	0.71%	1.30%	33,771	155,686	131,590		24,096			
EUR interest c rate swap	1.25%	3.59%	(2,422)	213,133	95,108	67,205	32,482	12,892	4,699	747
AUD interest rate swap	4.90%	5.75%	(3,133)	434,120	118,301	118,289	86,651	47,036	30,000	33,843
Others			(674)	20,086	3,122	1,772	8,747	5,433	1,012	

Total	$ 115,663	$ 1,487,036	$ 814,940	$ 358,193	$ 167,771	$ 74,361	$ 37,181	$ 34,590

For additional information about derivative financial instruments, see Note 19 to the Consolidated Financial Statements included elsewhere in this report.

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Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges for Holders of American Depositary Receipts

The Bank of New York Mellon, as depositary for the Company s ADSs (the Depositary), collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal, or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deducting such fee from cash distributions, by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide services until its fees for those services are paid.

The below table sets forth the fees that an investor depositing or withdrawing shares must pay to the Depositary for certain services:

Investor depositing or withdrawing shares must pay:	For:
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution, sale or exercise of shares or rights or other property Cancellation of ADSs for the purpose of withdrawal including if the depositary agreement is terminated
$0.02 (or less) per ADS	Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders
Registration fees	Registration of transfer of shares on Komatsu s share register to the name of the depositary or its nominee or the custodian or its nominee when shares are deposited or withdrawn
Expenses of the Depositary	Cable, telex, and facsimile transmissions (when expressly provided in the depositary agreement) Converting foreign currency to US dollars
Taxes and other governmental charges the Depositary or custodian must pay on any ADSs or shares underlying ADSs	As necessary

For the fiscal year ended March 31, 2011, the Depositary paid the Company $30,000 for standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses for postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filings of U.S. Federal tax information, mailing required tax forms, stationary, postage, facsimile and telephone calls) and expenses relating to Komatsu s annual general shareholders meeting that are incurred with respect to Komatsu s ADR holders.

Fees to be Paid in the Future

The Depositary has agreed to reimburse the Company for expenses incurred by the Company that relate to the establishment and maintenance of the ADR program. The Depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses for postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filings of U.S. Federal tax information, mailing required tax forms, stationary, postage, facsimile and telephone calls. The Depositary has also agreed to reimburse the Company annually for certain investor relations programs or special investor relations promotional activities. While there are limits on the amount of expenses for which the Depositary will reimburse the Company for these investor relations activities, the amount of reimbursement available to the Company is not necessarily tied to the amount of fees the Depositary collects from investors.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Evaluation of disclosure controls and procedures

Komatsu s management performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures under the supervision and with the participation of its Chief Executive Officer and Chief Financial Officer. Based on Komatsu s evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2011, the end of the period covered by this report, the disclosure controls and procedures were adequate and effective.

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Management s annual report on internal control over financial reporting

The management of Komatsu is responsible for establishing and maintaining adequate internal control over financial reporting. Komatsu s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Komatsu s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Komatsu, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of Komatsu are being made only in accordance with authorizations of management and directors of Komatsu and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Komatsu s assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of Komatsu s internal control over financial reporting as of March 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control Integrated Framework.

Based on its assessment, management concluded that, as of March 31, 2011, Komatsu s internal control over financial reporting was effective.

Komatsu s independent registered public accountant firm, KPMG AZSA LLC, has issued an audit report on the effectiveness of Komatsu s internal control over financial reporting as of March 31, 2011.

Changes in internal control over financial reporting

There has been no change in Komatsu s internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

The Board of Corporate Auditors of the Company has determined that Mr. Kyoji Torii qualifies as an audit committee financial expert as such term is defined under the rules of the SEC. Mr. Torii meets the independence requirements imposed on corporate auditors under the Corporation Act of Japan. Mr. Torii has long engaged in accounting-related duties at the Company, and has extensive experience and expertise regarding financial affairs and accounting matters. Since joining the Company in 1974, Mr. Torii has worked in the fields of accounting and finance. Mr. Torii served as the chief project manager of the Tax & Corporate Controlling Dept. from 1998 to 1999, the general manager of the Affiliated Companies Dept. from 1999 to 2002 and the general manager of the Planning & Administration Dept., Defense Systems Division from 2007 to 2009.

Mr. Torii was elected as one of the corporate auditors of the Company at the ordinary general meeting of shareholders held in June 2009. See Item 6.A. for additional information regarding Mr. Torii.

Item 16B. Code of Ethics

In order to ensure that Komatsu s business is conducted honestly, ethically and in compliance with applicable laws, rules and regulations by its senior officers (including directors, executive officers, presidents of divisions, general managers of administrative departments at the Company as well as managers of the Finance & Treasury and Corporate Accounting departments at the Company), Komatsu has adopted the Code of Ethics for Senior Officers that stipulates the ethical duties and rules of conduct that its senior officers are required to comply with. This Code of Ethics for Senior Officers has been filed as Exhibit 11 hereto.

In addition, beginning in 1998, Komatsu has published a booklet entitled Komatsu s Code of Worldwide Business Conduct. Komatsu distributes this booklet to all of its worldwide employees and management officers in order to ensure that they understand how important it is to observe the rules of the business community. The content of the latest edition of this booklet published in April 2011 is available on the Company s website at http://www.komatsu.com/CompanyInfo/profile/conduct/.

No amendments have been made to the Code of Ethics for Senior Officers during or after the fiscal year ended March 31, 2011. As noted above, Komatsu updated the Komatsu s Code of Worldwide Business Conduct in April 2011.

Item 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

KPMG AZSA LLC and the various member firms of KPMG International served as Komatsu s principal independent registered public accounting firm for the fiscal years ended March 31, 2011 and 2010. Set forth below are the fees for services rendered by KPMG AZSA LLC and the various member firms of KPMG International for the fiscal years ended March 31, 2011 and 2010.

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	(Millions of Yen) Fiscal Year ended March 31, 2011	2010
Audit fees	¥ **1,689**	¥ **1,687**
Audit-related fees	**6**	**23**
Tax fees	**28**	**32**
All other fees	**11**	**3**
Total	¥ **1,734**	¥ **1,745**

Audit fees include fees billed for services rendered in connection with the audit of Komatsu s annual and semiannual consolidated financial statements, the review of consolidated quarterly financial statements and the review of associated documents filed with regulatory organizations.

Audit-related fees include fees billed for due diligence services related to mergers and acquisitions, agreed-upon or expanded audit procedures and the review of Komatsu s internal control procedures.

Tax fees include fees billed for tax compliance, the review of tax return documents, documentation relating to transfer pricing, international and domestic indirect tax.

All other fees consist of fees for all other services not included in any of the above categories.

Pre-Approval Policies and Procedures of the Board of Corporate Auditors

In accordance with the SEC rules regarding auditor independence, the Board of Corporate Auditors of the Company has established pre-approval policies and procedures for audit and non-audit services that are provided by its principal independent registered public accounting firm. These policies and procedures apply when the Company and/or its consolidated subsidiaries wish to engage an accounting firm for audit services and when the Company and/or its consolidated subsidiaries wish to engage the principal independent registered public accounting firm for permissible non-audit services.

When engaging an accounting firm for audit services, pre-approval is required prior to the commencement of such services. Similarly, when engaging the principal independent registered public accounting firm for permissible non-audit services (i.e., audit-related services, tax services and all other services), pre-approval must be obtained prior to the commencement of the services.

For the fiscal year ended March 31, 2011, no services were provided for which pre-approval was waived pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Item 16D. **Exemptions from the Listing Standards for Audit Committees**

Not applicable.

Item 16E. **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Not applicable.

Item 16F. **Change in Registrant s Certifying Accountant**

Not applicable.

Item 16G. **Corporate Governance**

Not applicable.

PART III

Item 17. **Financial Statements**

Not applicable.

Item 18. **Financial Statements**

See Consolidated Financial Statements attached hereto.

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Item 19. Exhibits

1.1	Articles of Incorporation of Komatsu Ltd., as amended (Translation)
1.2	Regulations of The Board of Directors (Translation)
2	Share Handling Regulations, as amended (Translation)
8	Significant subsidiaries of Komatsu Ltd., including additional subsidiaries that management has deemed to be significant, as of March 31, 2011 (See Item 4. Information on the Company Organizational Structure)
11	Code of Ethics for Senior Officers (Translation)
12 a.	Certification of the CEO of the Company required pursuant to Rule 15d-14(a).
12 b.	Certification of the CFO of the Company required pursuant to Rule 15d-14(a).
13 a.	Certification of the CEO of the Company required pursuant to Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
13 b.	Certification of the CFO of the Company required pursuant to Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

KOMATSU LTD.

Date: June 28, 2011	By: /s/ Mikio Fujitsuka
	Name: MIKIO FUJITSUKA
	Position: Director and Senior Executive Officer, Chief Financial Officer

KOMATSU LTD. AND CONSOLIDATED SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Komatsu Ltd.:

We have audited the accompanying consolidated balance sheets of Komatsu Ltd. and subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, equity and cash flows for each of the years in the three-year period ended March 31, 2011. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Komatsu Ltd. and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Komatsu Ltd s internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 28, 2011 expressed an unqualified opinion on the effectiveness of Komatsu Ltd s internal control over financial reporting.

The accompanying consolidated financial statements as of and for the year ended March 31, 2011 have been translated into United States dollars solely for convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into dollars on the basis set forth in Note 1 to the consolidated financial statements.

/s/ KPMG AZSA LLC
Tokyo, Japan
June 28, 2011

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Komatsu Ltd.:

We have audited the internal control over financial reporting of Komatsu Ltd. as of March 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting, which appears in Item 15. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Komatsu Ltd. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Komatsu Ltd. and subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, equity and cash flows for each of the years in the three-year period ended March 31, 2011, expressed in Japanese yen, and our report dated June 28, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG AZSA LLC
Tokyo, Japan
June 28, 2011

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Consolidated Balance Sheets
Komatsu Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2011**	2010	**2011**
Current assets			
Cash and cash equivalents (Note 9)	**¥ 84,224**	¥ 82,429	**$ 1,014,747**
Time deposits	**734**	1,132	**8,844**
Trade notes and accounts receivable (Notes 1, 4 and 25)	**532,757**	447,693	**6,418,759**
Inventories (Notes 1 and 5)	**473,876**	396,416	**5,709,349**
Deferred income taxes and other current assets (Notes 1, 9, 15, 19, 20, 21, 23 and 25)	**152,781**	112,451	**1,840,735**
Total current assets	**1,244,372**	1,040,121	**14,992,434**
Long-term trade receivables (Notes 4 and 25)	**183,270**	150,972	**2,208,072**
Investments			
Investments in and advances to affiliated companies (Notes 1 and 7)	**25,115**	24,002	**302,590**
Investment securities (Notes 1, 6, 20 and 21)	**60,855**	60,467	**733,193**
Other	**3,124**	2,399	**37,639**
Total investments	**89,094**	86,868	**1,073,422**
Property, plant and equipment less accumulated depreciation (Notes 1, 8, 9 and 16)	**508,387**	525,100	**6,125,144**
Goodwill (Notes 1 and 10)	**29,321**	29,570	**353,265**
Other intangible assets (Notes 1 and 10)	**53,971**	61,729	**650,253**
Deferred income taxes and other assets (Notes 1, 15, 19, 20, 21 and 25)	**40,722**	64,695	**490,627**
	¥ 2,149,137	¥ 1,959,055	**$ 25,893,217**

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and Equity	**2011**	2010	**2011**
Current liabilities			

Short-term debt (Note 11)	**¥ 130,308**	¥ 123,438	**$ 1,569,976**
Current maturities of long-term debt (Notes 9, 11, 16 and 20)	**122,608**	105,956	**1,477,205**
Trade notes, bills and accounts payable	**308,975**	207,024	**3,722,591**
Income taxes payable (Note 15)	**38,829**	22,004	**467,819**
Deferred income taxes and other current liabilities (Notes 1, 15, 19, 20, 21 and 23)	**199,268**	183,324	**2,400,819**
Total current liabilities	**799,988**	641,746	**9,638,410**
Long-term liabilities			
Long-term debt (Notes 9, 11, 16 and 20)	**291,152**	356,985	**3,507,855**
Liability for pension and retirement benefits (Notes 1 and 12)	**48,027**	46,354	**578,639**
Deferred income taxes and other liabilities (Notes 1, 15, 19, 20 and 21)	**37,290**	37,171	**449,277**
Total long-term liabilities	**376,469**	440,510	**4,535,771**
Total liabilities	**1,176,457**	1,082,256	**14,174,181**
Commitments and contingent liabilities (Note 18)			
Equity			
Komatsu Ltd. shareholders equity (Notes 1 and 13)			
Common stock:			
Authorized 3,955,000,000 shares			
Issued 998,744,060 shares			
Outstanding 967,902,641 shares in 2011 and 968,039,976 shares in 2010	**67,870**	67,870	**817,711**
Capital surplus	**140,523**	140,421	**1,693,048**
Retained earnings:			
Appropriated for legal reserve	**34,494**	31,983	**415,590**
Unappropriated	**847,153**	724,090	**10,206,663**
Accumulated other comprehensive loss (Notes 1, 6, 12 and 14)	**(131,059)**	(95,634)	**(1,579,024)**
Treasury stock at cost, 30,841,419 shares in 2011 and 30,704,084 shares in 2010 (Note 13)	**(35,138)**	(34,755)	**(423,349)**
Total Komatsu Ltd. shareholders equity	**923,843**	833,975	**11,130,639**
Noncontrolling interests	**48,837**	42,824	**588,397**
Total equity	**972,680**	876,799	**11,719,036**
	¥ 2,149,137	¥ 1,959,055	**$ 25,893,217**

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

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Consolidated Statements of Income
Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Net sales (Notes 1 and 7)	**¥ 1,843,127**	¥ 1,431,564	¥ 2,021,743	**$ 22,206,349**
Cost of sales (Notes 16 and 24)	**1,343,464**	1,101,559	1,510,408	**16,186,313**
Selling, general and administrative expenses (Notes 16 and 24)	**264,691**	249,286	322,677	**3,189,048**
Impairment loss on long-lived assets (Notes 1,8,10 and 24)	**5,142**	3,332	16,414	**61,952**
Impairment loss on goodwill (Notes 1 and 10)			2,003	
Other operating expenses, net (Note 24)	**(6,901)**	(10,352)	(18,293)	**(83,145)**
Operating income	**222,929**	67,035	151,948	**2,685,891**
Other expenses, net (Note 24)	**(3,120)**	(2,056)	(23,166)	**(37,590)**
Interest and dividend income	**4,493**	6,158	8,621	**54,133**
Interest expense	**(6,475)**	(8,502)	(14,576)	**(78,012)**
Other,net	**(1,138)**	288	(17,211)	**(13,711)**
Income before income taxes and equity in earnings of affiliated companies	**219,809**	64,979	128,782	**2,648,301**
Income taxes (Notes 1 and 15)				
Current	**57,923**	32,722	60,511	**697,867**
Deferred	**6,783**	(7,358)	(18,218)	**81,723**
Total	**64,706**	25,364	42,293	**779,590**
Income before equity in earnings of affiliated companies	**155,103**	39,615	86,489	**1,868,711**
Equity in earnings of affiliated companies	**2,724**	1,588	396	**32,819**
Net income	**157,827**	41,203	86,885	**1,901,530**
Less net income attributable to noncontrolling intersets	**(7,075)**	(7,644)	(8,088)	**(85,241)**
Net income attributable to Komatsu Ltd.	**¥ 150,752**	¥ 33,559	¥ 78,797	**$ 1,816,289**

	Yen			U.S. cents
Per share data (Notes 1 and 17):				
Net income attributable to Komatsu Ltd.:				
Basic	**155.77**	34.67	79.95	**¢ 187.67**
Diluted	**155.66**	34.65	79.89	**187.54**
Cash dividends per share (Note 1)	**26.00**	26.00	44.00	**31.33**

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

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Consolidated Statements of Equity
Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen								
			Retained earnings		Accumulated				
	Common stock	Capital surplus	Appropriated for legal reserve	Unappro-priated	other comprehensive loss	Treasury stock	Total Komatsu Ltd. shareholders equity	Non-controlling interests	Total equity
Balance at March 31, 2008	¥ 67,870	¥ 138,170	¥ 26,714	¥ 685,986	¥ (28,779)	¥ (2,835)	¥ 887,126	¥ 30,239	¥ 917,365
Cash dividends				(43,803)			(43,803)	(3,939)	(47,742)
Transfer to retained earnings appropriated for legal reserve			1,758	(1,758)					
Other changes								3,335	3,335
Comprehensive income (loss)									
Net income				78,797			78,797	8,088	86,885
Other comprehensive income (loss), for the period, net of tax (Note 14)									
Foreign currency translation adjustments					(49,695)		(49,695)	(4,333)	(54,028)
Net unrealized holding gains(losses) on securities available for sale					(16,090)		(16,090)	4	(16,086)
Pension liability adjustments					(10,027)		(10,027)	(1)	(10,028)
Net unrealized holding losses on derivative instruments					(1,153)		(1,153)		(1,153)
							1,832	3,758	5,590

Comprehensive income									
Issuance and exercise of stock acquisition rights (Notes 1 and 13)		352					352		352
Purchase of treasury stock						(33,090)	(33,090)		(33,090)
Sales of treasury stock		1,570				954	2,524		2,524
Balance at March 31, 2009	¥ 67,870	¥ 140,092	¥ 28,472	¥ 719,222	¥ (105,744)	¥ (34,971)	¥ 814,941	¥ 33,393	¥ 848,334
Cash dividends				(25,180)			(25,180)	(3,368)	(28,548)
Transfer to retained earnings appropriated for legal reserve			3,511	(3,511)					
Other changes								2,531	2,531
Comprehensive income(loss)									
Net income				33,559			33,559	7,644	41,203
Other comprehensive income (loss), for the period, net of tax (Note 14)									
Foreign currency translation adjustments					(904)		(904)	1,897	993
Net unrealized holding gains on securities available for sale					5,480		5,480		5,480
Pension liability adjustments					4,920		4,920	2	4,922
Net unrealized holding gains on derivative instruments					614		614	725	1,339

Comprehensive income							43,669	10,268	53,937
Issuance and exercise of stock acquisition rights (Notes 1 and 13)		413					413		413
Purchase of treasury stock						(40)	(40)		(40)
Sales of treasury stock		(84)				256	172		172
Balance at March 31, 2010	**¥ 67,870**	**¥ 140,421**	**¥ 31,983**	**¥ 724,090**	**¥ (95,634)**	**¥ (34,755)**	**¥ 833,975**	**¥ 42,824**	**¥ 876,799**
Cash dividends (Note 13)				**(25,178)**			**(25,178)**	**(994)**	**(26,172)**
Transfer to retained earnings appropriated for legal reserve			**2,511**	**(2,511)**					
Other changes		**(51)**			**7**		**(44)**	**2,168**	**2,124**
Comprehensive income(loss)									
Net income				**150,752**			**150,752**	**7,075**	**157,827**
Other comprehensive income (loss), for the period, net of tax (Note 14)									
Foreign currency translation adjustments					**(37,237)**		**(37,237)**	**(2,292)**	**(39,529)**
Net unrealized holding gains on securities available for sale					**1,978**		**1,978**		**1,978**
Pension liability adjustments					**(91)**		**(91)**		**(91)**
Net unrealized holding gains(losses)					**(82)**		**(82)**	**56**	**(26)**

on derivative instruments									
Comprehensive income							**115,320**	**4,839**	**120,159**
Issuance and exercise of stock acquisition rights (Notes 1 and 13)		**109**					**109**		**109**
Purchase of treasury stock						**(583)**	**(583)**		**(583)**
Sales of treasury stock		**44**				**200**	**244**		**244**
Balance at March 31, 2011	**¥ 67,870**	**¥ 140,523**	**¥ 34,494**	**¥ 847,153**	**¥ (131,059)**	**¥ (35,138)**	**¥ 923,843**	**¥ 48,837**	**¥ 972,680**

	Thousands of U.S. dollars (Note 1)								
			Retained earnings		Accumulated		Total Komatsu		
	Common stock	Capital surplus	Appropriated for legal reserve	Unappro-priated	other comprehensive loss	Treasury stock	Ltd. shareholders equity	Non-controlling interests	Total equity
Balance at March 31, 2010	**$ 817,711**	**$ 1,691,819**	**$ 385,337**	**$ 8,723,976**	**$ (1,152,217)**	**$ (418,735)**	**$ 10,047,891**	**$ 515,952**	**$ 10,563,843**
Cash dividends (Note 13)				**(303,349)**			**(303,349)**	**(11,976)**	**(315,325)**
Transfer to retained earnings appropriated for legal reserve			**30,253**	**(30,253)**					
Other changes		**(614)**			**84**		**(530)**	**26,120**	**25,590**
Comprehensive income(loss)									
Net income				**1,816,289**			**1,816,289**	**85,241**	**1,901,530**
Other comprehensive income(loss), for the period, net of tax (Note 14)					**(448,639)**		**(448,639)**	**(27,615)**	**(476,254)**

Foreign currency translation adjustments									
Net unrealized holding gains on securities available for sale					**23,831**		**23,831**		**23,831**
Pension liability adjustments					**(1,095)**		**(1,095)**		**(1,095)**
Net unrealized holding gains(losses) on derivative instruments					**(988)**		**(988)**	**675**	**(313)**
Comprehensive income							**1,389,398**	**58,301**	**1,447,699**
Issuance and exercise of stock acquisition rights (Notes 1 and 13)		**1,313**					**1,313**		**1,313**
Purchase of treasury stock						**(7,024)**	**(7,024)**		**(7,024)**
Sales of treasury stock		**530**				**2,410**	**2,940**		**2,940**
Balance at March 31, 2011	**$ 817,711**	**$ 1,693,048**	**$ 415,590**	**$ 10,206,663**	**$ (1,579,024)**	**$ (423,349)**	**$ 11,130,639**	**$ 588,397**	**$ 11,719,036**

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

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Consolidated Statements of Cash Flows
Komatsu Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Operating activities				
Net income	**¥ 157,827**	¥ 41,203	¥ 86,885	**$ 1,901,530**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**89,467**	91,319	98,354	**1,077,916**
Deferred income taxes	**6,783**	(7,358)	(18,218)	**81,723**
Net loss (gain) from sale of investment securities and subsidiaries	**54**	(679)	3,543	**650**
Net gain on sale of property	**(2,807)**	(373)	(269)	**(33,819)**
Loss on disposal of fixed assets	**1,928**	2,244	5,561	**23,229**
Impairment loss on long-lived assets	**5,142**	3,332	16,414	**61,952**
Impairment loss on goodwill			2,003	
Pension and retirement benefits, net	**(3,795)**	(55)	3,378	**(45,723)**
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	**(147,477)**	(71,459)	103,355	**(1,776,831)**
Decrease (increase) in inventories	**(97,790)**	117,707	(22,307)	**(1,178,193)**
Increase (decrease) in trade payables	**101,595**	(8,354)	(148,655)	**1,224,036**
Increase (decrease) in income taxes payable	**17,876**	11,311	(40,507)	**215,373**
Other, net	**21,599**	3,323	(10,762)	**260,229**
Net cash provided by operating activities	**150,402**	182,161	78,775	**1,812,072**
Investing activities				
Capital expenditures	**(100,820)**	(92,401)	(145,670)	**(1,214,699)**
Proceeds from sale of property	**9,605**	11,212	6,414	**115,723**
Proceeds from sale of available for sale investment securities	**2,132**	1,005	703	**25,687**
Purchases of available for sale investment securities	**(1,379)**	(4,826)	(6,785)	**(16,614)**
Proceeds from sale of subsidiaries, net of cash disposed		661		
Acquisition of subsidiaries and equity investees, net of cash acquired	**976**	1,107	(223)	**11,759**
Collection of loan receivables	**1,926**	11,559	7,736	**23,205**
Disbursement of loan receivables	**(1,236)**	(667)	(6,381)	**(14,892)**
Decrease (increase) in time deposits, net	**287**	(617)	(1,162)	**3,458**
Net cash used in investing activities	**(88,509)**	(72,967)	(145,368)	**(1,066,373)**

Financing activities				
Proceeds from long-term debt	**72,681**	155,641	129,327	**875,675**
Repayments on long-term debt	**(89,941)**	(73,052)	(88,058)	**(1,083,627)**
Increase (decrease) in short-term debt, net	**11,592**	(139,067)	127,589	**139,663**
Repayments of capital lease obligations	**(28,637)**	(31,240)	(30,770)	**(345,024)**
Sale (purchase) of treasury stock, net	**175**	132	(32,685)	**2,108**
Dividends paid	**(25,178)**	(25,180)	(43,803)	**(303,349)**
Other, net	**2,943**	(3,597)	(4,381)	**35,458**
Net cash provided by (used in) financing activities	**(56,365)**	(116,363)	57,219	**(679,096)**
Effect of exchange rate change on cash and cash equivalents	**(3,733)**	(965)	(2,073)	**(44,976)**
Net increase (decrease) in cash and cash equivalents	**1,795**	(8,134)	(11,447)	**21,627**
Cash and cash equivalents, beginning of year	**82,429**	90,563	102,010	**993,120**
Cash and cash equivalents, end of year	**¥ 84,224**	¥ 82,429	¥ 90,563	**$ 1,014,747**

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

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1. Description of Business, Basis of Financial Statement Presentation and Summary of Significant Accounting Policies

Description of Business

Komatsu Ltd. (Company) and subsidiaries (together Komatsu) primarily manufacture and market various types of construction, mining and utility equipment throughout the world. Komatsu is also engaged in the manufacture and sale of industrial machinery and others.

The consolidated net sales of Komatsu for the year ended March 31, 2011, consisted of the following: Construction, Mining and Utility Equipment 87.7%, Industrial Machinery and Others 12.3%.

Sales are made principally under the Komatsu brand name, and are almost entirely executed through sales subsidiaries and sales distributors. These subsidiaries and distributors are responsible for marketing and distribution and primarily sell to retail dealers in their geographical area. Of consolidated net sales for the year ended March 31, 2011, 81.1% were generated outside Japan, with 21.6% in the Americas, 9.0% in Europe and CIS, 23.2% in China, 21.6% in Asia (excluding Japan and China) and Oceania, and 5.7% in the Middle East and Africa.

The manufacturing operations of Komatsu are conducted primarily at plants in Japan, United States, Germany, United Kingdom, Sweden, Indonesia, Brazil, Italy, and China.

Basis of Financial Statement Presentation

The accompanying consolidated financial statements are prepared and presented in accordance with generally accepted accounting principals in the United States of America.

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into United States dollar amounts as of and for the year ended March 31, 2011, is included solely for the convenience of readers and has been made at the rate of ¥83 to $1, the approximate rate of exchange prevailing at the Federal Reserve Bank of New York on March 31, 2011. Such translation should not be construed as a representation that Japanese yen amounts could be converted into United States dollars at the above or any other rate.

Summary of Significant Accounting Policies

(1) Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all of its majority-owned domestic and foreign subsidiaries, except for certain immaterial subsidiaries.

Variable interest entities are consolidated in which the Company is the primary beneficiary in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (ASC) 810, Consolidation . The consolidated balance sheets as of March 31, 2011 and 2010, include assets of ¥26,020 million ($313,494 thousand) and ¥29,601 million, respectively, of consolidated variable interest entities, which engage in equipment leasing in Europe. The majority of these assets are trade notes and accounts receivable, and long-term trade receivables.

Investments in 20 to 50% owned affiliated companies whereby Komatsu has the ability to exercise significant influence over the operational and financial policies of a company are accounted for by the equity method.

(2) Foreign Currency Translation and Transactions

Assets and liabilities of foreign operations are translated at the exchange rates in effect at each fiscal year-end, and income and expenses of foreign operations are translated at the average rates of exchange prevailing during each fiscal year in consolidating the financial statements of overseas subsidiaries. The resulting translation adjustments are included as a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated financial statements. All foreign currency transaction gains and losses are included in other income (expenses) in the period incurred.

(3) Allowance for Doubtful Trade Receivables

Komatsu records allowance for doubtful receivables as the best estimate of the amount of probable credit losses in Komatsu s existing receivables including financing receivables. The amount is determined based on historical experience, credit information of individual customers, and assessment of overdue receivables. An additional allowance for individual receivables is recorded when Komatsu becomes aware of a customer s inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration of the customer s business performance. The amount of estimated credit losses is further adjusted to reflect changes in customer circumstances.

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(4) Inventories

Inventories are stated at the lower of cost or market. Komatsu determines cost of work in process and finished products using the specific identification method based on actual costs accumulated under a job-order cost system. The cost of finished parts is determined principally using the first-in first-out method. Cost of materials and supplies is stated at average cost.

(5) Investment Securities

Komatsu s investments in debt and marketable equity securities are categorized as available-for-sale securities which are stated at fair value. Changes in fair values are included as a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated financial statements.

Unrealized losses on marketable securities are charged against net earnings when a decline in market value below initial cost is determined to be other than temporary based primarily on the financial condition and near term prospects of the issuer and the extent and length of the time of the decline.

In assessing other-than-temporary impairment of investment securities which are stated at cost, Komatsu considers the financial condition and prospects of each investee company and other relevant factors. Impairment to be recognized is measured based on the amount by which the carrying amount of the investment securities exceeds its estimated fair value which is determined using discounted cash flows or other valuation techniques considered appropriate.

(6) Property, Plant and Equipment, and Related Depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed principally using the declining-balance method at rates based on the estimated useful lives of the assets. The weighted average depreciation periods are 24 years for buildings and 9 years for machinery and equipment. Effective rates of depreciation for buildings, machinery and equipment for the years ended March 31, 2011, 2010 and 2009, were as follows:

	2011	2010	2009
Buildings	**9%**	9%	9%
Machinery and equipment	**23%**	23%	25%

Certain leased machinery and equipment are accounted for as capital leases. The aggregate cost included in property, plant and equipment and related accumulated amortization as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Aggregate cost	**¥ 83,436**	¥ 136,171	**$ 1,005,253**
Accumulated amortization	**36,331**	49,512	**437,723**

Accumulated amortization related to capital leases is included in accumulated depreciation. Ordinary maintenance and repairs are charged to expense as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the costs of those properties and the related accumulated depreciation are relieved from the consolidated balance sheets and the differences between the costs of those properties and the related accumulated depreciation are recognized in other operating income (expenses) of the consolidated statements of income.

(7) Goodwill and Other Intangible Assets

Komatsu uses the acquisition method of accounting for business combinations. Goodwill is tested for impairment at least annually. Any recognized intangible assets determined to have an indefinite useful life are not to be amortized, but instead tested for impairment at least annually until its life is determined to no longer be indefinite. Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment whenever there is an indicator of possible impairment. An impairment loss would be recognized when the carrying amount of an asset or an asset group exceeds the estimated undiscounted cash flows expected to be generated by the asset or an asset group. The amount of the impairment loss to be recorded is determined by the difference between the fair value of the asset or an asset group using a discounted cash flow valuation model and carrying value.

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(8) Revenue Recognition

Komatsu recognizes revenue when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered for customers or dealers, (3) sales price is fixed or determinable, and (4) collectability is reasonably assured.

Revenue from sales of products including construction, mining and utility equipment and industrial machinery is recognized when title and risk of ownership is transferred to independently owned and operated customers or dealers, which occur upon the attainment of customer acceptance or when installation is completed. The conditions of acceptance are governed by the terms of the contract or arrangement. For arrangements with multiple elements, which may include any combination of products, installation and maintenance, Komatsu allocates revenue to each element based on its relative fair value if such elements meet the criteria for treatment as a separate unit of accounting. When Komatsu enters into a separate contract to render transportation or technical advice, principally related to a sale of large-sized industrial machinery such as large presses, these service revenues are accounted for separately from the product sale and recognized at the completion of the service delivery specified in the contract.

Service revenues from repair and maintenance and from transportation are recognized at the completion of service -delivery. Revenues from long-term fixed price maintenance contracts are recognized ratably over the contract period.

Certain consolidated subsidiaries rent construction equipment to customers. Rent revenue is recognized on a straight-line basis over the rental period.

Revenues are recorded net of discounts. In addition, taxes collected from customers and remitted to governmental -authorities on revenue-producing transactions are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of income.

(9) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Komatsu uses a specific identification method to release the residual tax effects associated with components of accumulated other comprehensive income (loss) resulting from a change in tax law or rate.

If a tax position meets the more-likely-than-not recognition threshold based on the technical merits of the position, Komatsu recognizes the benefit of such position in the financial statements. The benefit of the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement with appropriate taxing authority. For the years ended March 31, 2011, 2010 and 2009, Komatsu did not have material unrecognized tax benefits and thus, no significant interest and penalties related to unrecognized tax benefits were recognized.

(10) Product Warranties

Komatsu establishes a liability for estimated product warranty cost at the time of sale. Estimates for accrued product warranty cost are primarily based on historical experience and are classified as other current liabilities and other liabilities.

(11) Pension and Retirement Benefits

Komatsu recognizes the overfunded or underfunded status of the defined benefit plans as an asset or liability in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income, net of tax.

Amortization of actuarial net gain or loss is included as a component of Komatsu s net periodic pension cost for defined benefit plans for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of (1) the projected benefit obligation or (2) the fair value of that plan s assets.

In such case, the amount of amortization recognized is the resulting excess divided by average remaining service period of active employees expected to receive benefits under the plan. The expected return on plan assets is determined based on the historical long-term rate of return on plan assets. The discount rate is determined based on the rates of return of high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits.

(12) Share-Based Compensation

Komatsu recognizes share-based compensation expense using the fair value method. Compensation expense is measured at grant-date fair value of the share-based award and charged to expense over the vesting period.

(13) Per Share Data

Basic net income attributable to Komatsu Ltd. per share has been computed by dividing net income attributable to Komatsu Ltd. by the weighted-average number of common shares outstanding during each fiscal year, after deducting treasury shares. Diluted net income attributable to Komatsu Ltd. per share reflects the potential dilution computed on the basis that all stock options were exercised (less the number of treasury shares assumed to be purchased from proceeds using the average market price of the Company s common shares) to the extent that each is not antidilutive.

Dividends per share shown in the accompanying consolidated statements of income are based on dividends approved and paid in each fiscal year.

(14) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the date of purchase.

Our foreign subsidiaries participate in a global cash pooling arrangement with a single financial institution, which is used to fund short-term liquidity needs. This arrangement contains specific provisions for the right to offset positive and negative cash balances on a global basis. The facility allows for cash withdrawals from this financial institution based upon our aggregate cash deposits within the same financial institution. Komatsu s consolidated Balance Sheet as of March 31, 2011 reflects cash net of withdrawals of ¥39,729 million ($478,663 thousand).

(15) Derivative Financial Instruments

Komatsu uses various derivative financial instruments to manage its interest rate and foreign exchange exposure.

All derivatives, including derivatives embedded in other financial instruments, are measured at fair value and recognized as either assets or liabilities on the consolidated balance sheet. Changes in the fair values of derivative instruments not designated or not qualifying as hedges and any ineffective portion of qualified hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments which qualify as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair value of the effective portions of cash flow hedges are reported in accumulated other comprehensive income (loss), and recognized in earnings when the hedged item is recognized in earnings.

(16) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

Long-lived assets and certain identifiable intangibles to be held and used by Komatsu are reviewed for impairment based on a cash flow analysis of the asset or an asset group whenever events or changes in circumstances indicate that the carrying amount of an asset or an asset group may not be recoverable. The assets to be held for use are considered to be impaired when estimated undiscounted cash flows expected to result from the use of the assets and their eventual disposition is less than their carrying amounts. The impairment losses are measured as the amount by which the carrying amount of the asset or an asset group exceeds the fair value. Long-lived assets and identifiable intangibles to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

(17) Use of Estimates

Komatsu has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses presented in consolidated financial statements prepared in conformity with U.S. GAAP. Actual results could differ from the estimates and assumptions.

Komatsu has identified several areas where it believes estimates and assumptions are particularly critical to the financial statements. These are the determination of the useful lives of Property, Plant and Equipment, the allowance for doubtful receivables, impairment of long-lived assets and goodwill, pension liabilities and expenses, product warranty liabilities, fair value of financial instruments, realization of deferred tax assets, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates.

(18) Recently Adopted Accounting Standards

In the fiscal year ended March 31, 2011, Komatsu adopted Accounting Standards Update (ASU) 2009-16, Accounting for Transfers of Financial Assets. ASU 2009-16 eliminates the concept of a qualifying special-purpose entity (QSPE), establishes more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies the financial-asset derecognition criteria, and revises the initial measurement of a transferor s interest in transferred financial assets. The adoption of ASU 2009-16 did not have a material impact on our consolidated results of operations and financial condition.

In the fiscal year ended March 31, 2011, Komatsu adopted ASU 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 prescribes the change of the approach to determining the primary beneficiary of a variable interest entity and also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. The adoption of ASU 2009-17 did not have a material impact on our consolidated results of operations and financial condition.

In the fiscal year ended March 31, 2011, Komatsu adopted ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses . ASU 2010-20 establishes disclosure requirements to provide disaggregated information by portfolio segment or class of financial receivables, the credit quality of financing receivables and the allowance for credit losses. The disclosures required by ASU 2010-20 are provided in Note 4. Trade Notes and Accounts Receivable.

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2. Supplemental Cash Flow Information

Additional cash flow information and noncash investing and financing activities for the years ended March 31, 2011, 2010 and 2009, are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Additional cash flow information:				
Interest paid	¥ **6,367**	¥ 8,533	¥ 14,403	$ **76,711**
Income taxes paid	**46,227**	9,797	111,508	**556,952**
Noncash investing and financing activities:				
Capital lease obligations incurred	¥ **2,244**	¥ 14,285	¥ 29,762	$ **27,036**

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3. Acquisition

Komatsu Australia Corporate Finance Pty. Ltd.

In May, 2009, Komatsu acquired the additional shares of Komatsu Australia Corporate Finance Pty. Ltd. (hereinafter KACF) effected by a capital investment in KACF of ¥1,684 million, 3,144,898 shares out of 3,489,796 shares.
Prior to the additional acquisition, Komatsu held a 50.0% equity interest in KACF and accounted for the investment by the equity method. As a result of the additional investment, Komatsu s ownership increased to 60.0% and KACF became a consolidated subsidiary of Komatsu.
Komatsu expects the acquisition will expand its business in relation to construction and mining equipment in the entire value chain including retail finance in Oceania strengthening its control and governance to KACF.
Following is a summary of the consideration paid for KACF and the assets acquired and liabilities assumed adjusted to reflect purchase price allocation as of the date of acquisition as well as the fair value at the acquisition date of the noncontrolling interest:

		Millions of yen
Consideration		
Cash and cash equivalents	¥	1,684
Fair value of total consideration transferred		1,684
Fair value of Komatsu s equity interest in KACF held before the business combination		696
	¥	2,380
Recognized amounts of identifiable assets and liabilities assumed Current assets	¥	34,478
Property, plant and equipment		15,692
Intangible assets		2
Other assets		232
Total assets acquired		50,404
Current liabilities		(33,174)
Long-term liabilities		(13,999)
Total liabilities assumed		(47,173)
Net assets acquired		3,231
Noncontrolling interest		(1,587)
Goodwill		736
	¥	2,380

The goodwill of ¥736 million was assigned to the construction, mining and utility equipment segment. Goodwill is not deductible for tax purposes.
Remeasurement to fair value its 50% equity interest in KACF held before the business combination did not have a material impact on the consolidated income statement for the year ended March 31, 2010.
The amounts of KACF s sales and net income attributable to Komatsu Ltd. included in Komatsu s consolidated income statement for the year ended March 31, 2010 were immaterial. The sales and net income attributable to Komatsu Ltd. of the combined entity had the acquisition date been April 1, 2009 or April 1, 2008 would not also differ materially from the amounts reported in the consolidated financial statements for the fiscal years ended March 31, 2010 and 2009.

4. Trade Notes and Accounts Receivable

Receivables at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Trade notes	**¥ 84,372**	¥ 82,954	**$ 1,016,530**
Accounts receivable	**461,132**	379,680	**5,555,807**
Total	**545,504**	462,634	**6,572,337**
Long-term trade receivables	**186,316**	150,972	**2,244,771**
Total trade receivables	**731,820**	613,606	**8,817,108**
Less: total allowance	**(15,793)**	(14,941)	**(190,277)**
Net trade receivables	**¥ 716,027**	¥ 598,665	**$ 8,626,831**

Installment and lease receivables (less unearned interest) are included in trade notes and accounts receivable and long-term trade receivables.

The roll-forward schedule of the allowance for credit losses of the financing receivables for the year ended March 31, 2011 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Balance at March 31, 2010	**¥ 7,550**	**$ 90,964**
Provision	**2,277**	**27,433**
Charge-offs	**(1,855)**	**(22,349)**
Other	**(498)**	**(6,000)**
Balance at March 31, 2011	**¥ 7,474**	**$ 90,048**

Equipment sales revenue from sales-type leases are recognized at the inception of the lease. At March 31, 2011 and 2010, lease receivables comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Minimum lease payments receivable	**¥ 209,723**	¥ 166,983	**$ 2,526,783**
Unearned income	**(20,035)**	(16,078)	**(241,385)**
Net lease receivables	**¥ 189,688**	¥ 150,905	**2,285,398**

The residual values of leased assets at March 31, 2011 and 2010 were not material.

Cash flows received from the sale of trade notes and accounts receivable for the years ended March 31, 2011, 2010 and 2009 were ¥406 million ($4,892 thousand), ¥13,072 million and ¥243,495 million.

Certain consolidated subsidiaries retained responsibility to service sold trade notes and accounts receivable that were sold pursuant to a securitization transaction, however contractual servicing fees were not received from the third parties separately. The investors and the trusts that hold the receivables had no or limited recourse rights to certain subsidiaries assets in case of debtors default. Appropriate provisions had 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 did not retain any interest in the receivables sold. All securitization facilities have been cancelled and Komatsu is not a part of any securitization facilities at March 31, 2011.

The components of securitized trade receivables and other assets managed together at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Total amount of trade receivables that are managed and securitized	**¥ 731,820**	¥ 635,610	**$ 8,817,108**
Assets transferred		(22,004)	
Total amount of trade receivable on balance sheet	**¥ 731,820**	¥ 613,606	**$ 8,817,108**

A certain U.S. subsidiary s retained interests, which were included in the recourse provisions, were subordinate to investor s interests. Their values were 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 year ended March 31, 2010 were as follows:

	2010
Weighted-average life	23 months
Prepayment speed over the life	0.6%
Expected credit losses over the life	5.6%

The carrying amount of retained interest was ¥1,378 million liability as of March 31, 2010. There were no retained interests at March 31, 2011.

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5. Inventories

At March 31, 2011 and 2010, inventories comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Finished products, including finished parts held for sale	**¥ 294,807**	¥ 254,157	**$ 3,551,891**
Work in process	**135,167**	102,096	**1,628,518**
Materials and supplies	**43,902**	40,163	**528,940**
Total	**¥ 473,876**	¥ 396,416	**$ 5,709,349**

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6. Investment Securities

Investment securities at March 31, 2011 and 2010, primarily consisted of securities available for sale. Komatsu does not have intentions to sell these securities within a year as of the balance sheet date.

Unrealized holding gains and losses are included as a component of accumulated other comprehensive income (loss) until realized.

The cost, gross unrealized holding gains and losses, and fair value for such investment securities by major security types at March 31, 2011 and 2010, are as follows:

	Millions of yen			
		Gross unrealized holding		
	Cost	Gains	Losses	Fair value
At March 31, 2011				
Investment securities:				
Marketable equity securities available for sale	**¥ 23,887**	**¥ 25,599**	**¥ 114**	**¥ 49,372**
Other investment securities at cost	**11,483**			
	¥ 35,370			
At March 31, 2010				
Investment securities:				
Marketable equity securities available for sale	¥ 24,988	¥ 22,235	¥ 45	¥ 47,178
Other investment securities at cost	13,289			
	¥ 38,277			

	Thousands of U.S. dollars			
		Gross unrealized holding		
	Cost	Gains	Losses	Fair value
At March 31, 2011				
Investment securities:				
Marketable equity securities available for sale	**$ 287,795**	**$ 308,422**	**$ 1,373**	**$ 594,844**
Other investment securities at cost	**$ 138,349**			
	$ 426,144			

Other investment securities primarily include non-marketable equity securities. The fair value of other investment securities was not estimated as it was not practicable to estimate the fair value of investments and no significant events or changes that might have effected the fair value of those investments were observed.

Proceeds from the sale of investment securities available for sale were ¥2,132 million ($25,687 thousand), ¥1,005 million and ¥703 million for the years ended March 31, 2011, 2010 and 2009, respectively.

Impairment losses and net realized gains or losses from sale of investment securities available for sale during the years ended March 31, 2011, 2010 and 2009, amounted to losses of ¥54 million ($651 thousand), gains of ¥679 million and losses of ¥9,188 million, respectively. Such gains and losses were included in other income (expenses) in the accompanying consolidated statements of income. The cost of the investment securities sold was computed based on the average cost method.

In connection with the share exchange of SUMCO CORPORATION and SUMCO TECHXIV CORPORATION effective May 30, 2008, the Company exchanged shares of SUMCO TECHXIV CORPORATION for those of SUMCO CORPORATION.

In accordance with the ASC 325, Investments Other, a noncash gain of ¥6,148 million was recorded in Other income (expenses) in the accompanying consolidated statement of income for the year ended March 31, 2009. The Company recorded impairment losses of ¥5,645 million on its investment in SUMCO CORPORATION in connection with the decline of its fair value as Other income (expenses) in the accompanying consolidated statements of income for the year ended March 31, 2009. Gross unrealized holding gain of its investment in SUMCO CORPORATION was ¥2,246 million ($27,060 thousand) at March 31, 2011.

7. Investments in and Advances to Affiliated Companies

At March 31, 2011 and 2010, investments in and advances to affiliated companies comprised the following:

	Millions of yen		Thousands of U. S. dollars
	2011	2010	**2011**
Investments in capital stock	¥ **23,206**	¥ 21,688	$ **279,590**
Advances	**1,909**	2,314	**23,000**
Total	¥ **25,115**	¥ 24,002	$ **302,590**

The investments in and advances to affiliated companies relate to 20% to 50% owned companies whereby Komatsu has the ability to exercise significant influence over the operational and financial policies.

Dividends received from affiliated companies were ¥469 million ($5,651 thousand), ¥329 million and ¥869 million during the years ended March 31, 2011, 2010 and 2009, respectively.

Trade notes and accounts receivable from affiliated companies at March 31, 2011 and 2010, were ¥17,271 million ($208,084 thousand) and ¥17,838 million, respectively.

Short-term loans receivable from affiliated companies at March 31, 2011 and 2010, were ¥723 million ($8,711 thousand) and ¥2,222 million, respectively.

Trade notes and accounts payable to affiliated companies at March 31, 2011 and 2010, were ¥10,359 million ($124,807 thousand) and ¥10,180 million, respectively.

Net sales for the years ended March 31, 2011, 2010 and 2009, included net sales to affiliated companies in the amounts of ¥42,673 million ($514,133 thousand), ¥37,058 million and ¥41,821 million, respectively.

Intercompany profits (losses) have been eliminated in the consolidated financial statements. As of March 31, 2011 and 2010, consolidated unappropriated retained earnings included Komatsu s share of undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥11,380 million ($137,108 thousand) and ¥9,379 million, respectively.

The difference between the carrying value of the investments in affiliated companies and Komatsu s equity in the underlying net assets of such affiliated companies is insignificant as of March 31, 2011 and 2010.

Summarized financial information for affiliated companies at March 31, 2011 and 2010, and for the years ended March 31, 2011, 2010 and 2009, is as follows:

	Millions of yen		Thousands of U. S. dollars
	2011	2010	**2011**
Current assets	¥ **118,206**	¥ 107,097	$ **1,424,169**
Net property, plant and equipment less accumulated depreciation	**40,068**	42,207	**482,747**
Investments and other assets	**27,672**	22,246	**333,397**
Total assets	¥ **185,946**	¥ 171,550	$ **2,240,313**
Current liabilities	¥ **87,471**	¥ 79,894	$ **1,053,867**
Noncurrent liabilities	**38,923**	35,156	**468,952**
Equity	**59,552**	56,500	**717,494**
Total liabilities and equity	¥ **185,946**	¥ 171,550	$ **2,240,313**

Thousands of

	Millions of yen			U. S. dollars
	2011	2010	2009	2011
Net sales	¥ **208,959**	¥ 168,418	¥ 205,798	**$ 2,517,578**
Net income	¥ **5,602**	¥ 3,229	¥ 1,300	**$ 67,494**

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8. Property, Plant and Equipment

The major classes of property, plant and equipment at March 31, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Land	**¥ 95,409**	¥ 92,355	**$ 1,149,506**
Buildings	**337,619**	329,554	**4,067,699**
Machinery and equipment	**694,507**	710,511	**8,367,554**
Construction in progress	**20,220**	24,653	**243,614**
Total	**1,147,755**	1,157,073	**13,828,373**
Less: accumulated depreciation	**(639,368)**	(631,973)	**(7,703,229)**
Net property, plant and equipment	**¥ 508,387**	¥ 525,100	**$ 6,125,144**

For the fiscal year ended March 31, 2011, Komatsu recognized a damaged loss of ¥1,217 million related to property, plant and equipment within the construction, mining and equipment segment as the result of the Great East Japan Earthquake.

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9. Pledged Assets

At March 31, 2011, assets pledged as collateral for long-term debt and guarantees for debt are as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 2	$ 24
Other current assets	2,574	31,012
Total	¥ 2,576	$ 31,036

The above assets were pledged against the following liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees for debt	¥ 2,576	$ 31,036
Total	¥ 2,576	$ 31,036

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10. Goodwill and Other Intangible Assets

The information for intangible assets other than goodwill at March 31, 2011 and 2010 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			**2011**		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:									
Software	**¥ 33,367**	**¥ (17,531)**	**¥ 15,836**	¥ 34,699	¥ (13,280)	¥ 21,419	**$ 402,012**	**$ (211,217)**	**$ 190,795**
Leasehold	**8,926**	**(1,585)**	**7,341**	9,076	(1,586)	7,490	**107,542**	**(19,096)**	**88,446**
Other	**30,199**	**(12,392)**	**17,807**	30,166	(10,043)	20,123	**363,843**	**(149,301)**	**214,542**
Total	**72,492**	**(31,508)**	**40,984**	73,941	(24,909)	49,032	**873,397**	**(379,614)**	**493,783**
Other intangible assets not subject to amortization			**12,987**			12,697			**156,470**
Total other intangible assets			**¥ 53,971**			¥ 61,729			**$ 650,253**

At March 31, 2011, Net carrying amounts of other in other intangible assets subject to amortization mainly consist of customer relationships of ¥11,801 million ($142,181 thousand) and technology assets of ¥3,770 million ($45,422 thousand) resulting from the acquisition of additional shares of Komatsu NTC Ltd. for the fiscal year ended March 31, 2008.

For the fiscal year ended March 31, 2011, Komatsu recognized an impairment loss of ¥2,744 million ($33,060 thousand) related to the software to be disposed of in the construction, mining and utility equipment segment. This impairment loss was recognized based on the difference by which the carrying value of the software exceeds the fair value less cost to dispose of.

The aggregate amortization expense of other intangible assets subject to amortization for the year ended March 31, 2011, 2010 and 2009 were ¥8,149 million ($98,181 thousand), ¥8,633 million and ¥12,611 million, respectively. The future estimated amortization expenses for each of five years relating to intangible assets currently recorded in the consolidated balance sheet are as follows:

Year ending March 31	Millions of yen
2012	¥ 7,891
2013	6,702
2014	4,723
2015	3,461
2016	2,167

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The changes in carrying amounts of goodwill for the year ended March 31, 2011 and 2010 were as follow:

	Millions of yen		
	Construction, Mining and Utility Equipment segment	Industrial Machinery and Others segment	Total
Balance at March 31, 2009			
Goodwill	¥ 23,437	¥ 13,943	¥ 37,380
Accumulated impairment losses	(8,179)	(540)	(8,719)
	¥ 15,258	¥ 13,403	¥ 28,661
Goodwill acquired during the year	736		736
Foreign exchange impact	173		173
Balance at March 31, 2010			
Goodwill	24,346	13,943	38,289
Accumulated impairment losses	(8,179)	(540)	(8,719)
	¥ 16,167	¥ 13,403	¥ 29,570
Goodwill acquired during the year	578		578
Foreign exchange impact	(826)	(1)	(827)
Balance at March 31, 2011			
Goodwill	**24,098**	**13,942**	**38,040**
Accumulated impairment losses	**(8,179)**	**(540)**	**(8,719)**
	¥ 15,919	**¥ 13,402**	**¥ 29,321**

	Thousands of U.S. dollars		
	Construction, Mining and Utility Equipment segment	Industrial Machinery and Others segment	Total
Balance at March 31, 2010			
Goodwill	$ 293,325	$ 167,988	$ 461,313
Accumulated impairment losses	(98,542)	(6,506)	(105,048)
	$ 194,783	$ 161,482	$ 356,265
Goodwill acquired during the year	6,964		6,964
Foreign exchange impact	(9,952)	(12)	(9,964)
Balance at March 31, 2011			
Goodwill	**290,337**	**167,976**	**458,313**
Accumulated impairment losses	**(98,542)**	**(6,506)**	**(105,048)**

	$ 191,795	**$ 161,470**	**$ 353,265**

Goodwill acquired during the fiscal year ended March 31, 2010 resulted from the acquisition of additional shares of KACF.

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11. Short-Term and Long-Term Debt

Short-term debt at March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Banks, insurance companies and other financial institutions	¥ **130,308**	¥ 92,438	$ **1,569,976**
Commercial paper		31,000	
Short-term debt	¥ **130,308**	¥ 123,438	$ **1,569,976**

The weighted-average annual interest rates applicable to short-term debt outstanding at March 31, 2011 and 2010, were 3.7% and 1.9%, respectively. Certain consolidated subsidiaries have entered into contracts for committed credit lines totaling ¥42,660 million ($513,976 thousand) and have unused committed lines of credit amounting to ¥17,562 million ($211,590 thousand) with certain financial institutions at March 31, 2011, which are available for full and immediate borrowings. The Company is party to a committed ¥120,000 million ($1,445,783 thousand) commercial paper program and unused committed commercial paper program amounting to ¥120,000 million ($1,445,783 thousand) at March 31, 2011, is available upon the satisfaction of certain customary procedural requirements. Long-term debt at March 31, 2011 and 2010, consisted of the following:

	Millions of yen		U.S. dollars
	2011	2010	**2011**
Long-term debt with collateral (Note 9):			
Banks, insurance companies and other financial institutions,	¥	¥ 50	$
Long-term debt without collateral:			
Banks, insurance companies and other financial institutions, maturing serially through 2011-2025, weighted-average rate 3.3%	**217,554**	228,311	**2,621,132**
Euro Medium-Term Notes maturing serially through 2011-2015, weighted-average rate 1.0%	**55,167**	68,142	**664,663**
1.66% Unsecured Bonds due 2012	**20,000**	20,000	**240,964**
0.85% Unsecured Bonds due 2012	**10,000**	10,000	**120,482**
1.53% Unsecured Bonds due 2013	**30,000**	30,000	**361,446**
1.19% Unsecured Bonds due 2014	**30,000**	30,000	**361,446**
Capital lease obligations (Note 16)	**48,526**	72,951	**584,650**
Other	**2,513**	3,487	**30,277**
Total	**413,760**	462,941	**4,985,060**
Less: current maturities	**(122,608)**	(105,956)	**(1,477,205)**
Long-term debt	¥ **291,152**	¥ 356,985	$ **3,507,855**

In 1996, the Company, Komatsu Finance America Inc. and Komatsu Finance (Netherlands) B.V. registered the US$1.0 billion Euro Medium-Term Note Program (the Program) on the London Stock Exchange. On April 1, 1999, the registered amount of the Program was increased to US$1.2 billion. On October 14, 2003, Komatsu Europe Coordination Center N.V. and on September 25, 2008, Komatsu Capital Europe S.V. were added as an issuer under the Program, respectively. At March 31, 2011, the issuers under the Program were the Company, Komatsu Finance America Inc. and Komatsu Capital Europe S.A. Under the Program, each of the issuers may from time to time issue notes denominated in any currency as may be agreed between the relevant issuers and dealers. The issuers under the

Program issued ¥14,427 million ($173,819 thousand) during the fiscal year ended March 31, 2011, and ¥25,856 million during the fiscal year ended March 31, 2010 of Euro Medium-Term Notes with various interest rates and maturity dates. The Company has established a program to issue up to ¥100,000 million ($1,204,819 thousand) of variable term bonds.

As is customary in Japan, substantially all bank loans are made under agreements which provide that the banks may require, under certain conditions, the borrower to provide collateral, additional collateral or guarantors for its loans. Lending banks have a right to offset cash deposited with them against any debt or obligation that becomes due and, in the case of default and certain other specified events, against all other debt payable to the banks.

Under certain loan agreements, the lender may require the borrower to submit proposals for the payment of dividends and other appropriations of earnings for the lender s review and approval before presentation to the shareholders. Komatsu has never received such a request.

Annual maturities of long-term debt subsequent to March 31, 2011, excluding market value adjustments of ¥8,322 million ($100,265 thousand) are as follows:

Year ending March 31		Millions of yen
2012	¥	115,699
2013		121,955
2014		93,510
2015		55,526
2016		18,264
2017 and thereafter		484
Total	¥	405,438

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12. Liability for Pension and Other Retirement Benefits

The Company s employees, with certain minor exceptions, are covered by a severance payment and a defined benefit cash balance pension plan. The plan provides that approximately 60% of the employee benefits are payable as a pension payment, commencing upon retirement at age 60 (mandatory retirement age) and that the remaining benefits are payable as a lump-sum severance payment based on remuneration, years of service and certain other factors at the time of retirement. The plan also provides for lump-sum severance payments, payable upon earlier termination of employment.

Under the cash balance pension plan, each employee has an account which is credited yearly based on the current rate of pay and market-related interest rate.

Certain subsidiaries have various funded pension plans and/or unfunded severance payment plans for their employees, which are based on years of service and certain other factors. The Company and certain subsidiaries funding policy is to contribute the amounts to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets of the defined benefit plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Change in benefit obligation:			
Benefit obligation, beginning of year	**¥ 137,452**	¥ 139,569	**$ 1,656,048**
Service cost	**6,630**	7,224	**79,880**
Interest cost	**3,585**	3,745	**43,193**
Actuarial loss	**1,854**	4,048	**22,337**
Plan participants contributions	**55**	49	**663**
Acquisition	**125**		**1,506**
Plan amendment		208	
Benefits paid	**(13,505)**	(17,446)	**(162,711)**
Foreign currency exchange rate change	**(1,836)**	55	**(22,121)**
Benefit obligation, end of year	**¥ 134,360**	¥ 137,452	**$ 1,618,795**
Change in plan assets:			
Fair value of plan assets, beginning of year	**¥ 94,403**	¥ 88,252	**$ 1,137,386**
Actual return on plan assets	**251**	10,329	**3,024**
Employer contributions	**7,318**	6,465	**88,169**
Plan participants contributions	**55**	49	**663**
Acquisition	**55**		**663**
Benefits paid	**(8,381)**	(10,788)	**(100,976)**
Foreign currency exchange rate change	**(1,410)**	96	**(16,989)**
Fair value of plan assets, end of year	**¥ 92,291**	¥ 94,403	**$ 1,111,940**
Funded status, end of year	**¥ (42,069)**	¥ (43,049)	**$ (506,855)**
Prepaid benefit cost	**¥ 2,000**	¥ 22	**$ 24,096**

Other current liability		**(49)**		(89)		**(590)**
Accrued benefit liability		**(44,020)**		(42,982)		**(530,361)**
	¥	**(42,069)**	¥	(43,049)	**$**	**(506,855)**
Amounts recognized in accumulated other comprehensive income (loss):						
Actuarial loss	**¥**	**36,922**	¥	34,979	**$**	**444,843**
Prior service cost		**1,491**		1,370		**17,964**
	¥	**38,413**	¥	36,349	**$**	**462,807**

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The accumulated benefit obligations for all defined benefit plans were ¥125,743 million ($1,514,976 thousand) and ¥130,571 million, respectively, at March 31, 2011 and 2010.

Information for pension plans with accumulated benefit obligations in excess of plan assets and pension plans with projected benefit obligations in excess of plan assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**¥ 109,556**	¥ 119,363	**$ 1,319,952**
Plan assets	**73,171**	82,806	**881,578**
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥ 126,307**	¥ 134,348	**$ 1,521,771**
Plan assets	**82,238**	91,255	**990,819**

Components of net periodic pension cost

Net periodic cost of the companies defined benefit plans for the years ended March 31, 2011, 2010 and 2009, consisted of the following components:

	2011	2010	2009	**2011**
Service cost - Benefits earned during the year	**¥ 6,630**	¥ 7,224	¥ 8,460	**$ 79,880**
Interest cost on projected benefit obligation	**3,585**	3,745	3,885	**43,193**
Expected return on plan assets	**(2,961)**	(2,452)	(3,029)	**(35,675)**
Amortization of actuarial loss	**2,285**	2,478	1,622	**27,530**
Amortization of prior service cost	**227**	179	535	**2,735**
Curtailment and settlement loss (gain)	**(12)**	(28)	475	**(145)**
Net periodic cost	**¥ 9,754**	¥ 11,146	¥ 11,948	**$ 117,518**

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Current year actuarial loss (gain)	**¥ 4,216**	¥ (3,829)	**$ 50,795**
Amortization of actuarial loss	**(2,273)**	(2,450)	**(27,386)**
Current year prior service cost	**348**	208	**4,193**
Amortization of prior service cost	**(227)**	(179)	**(2,735)**
	¥ 2,064	¥ (6,250)	**$ 24,867**

The estimated actuarial loss and prior service cost for the defined benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic cost over the next fiscal year are summarized as follows.

	Millions of yen	Thousands of U.S. dollars

Actuarial loss	¥	2,440	$	29,398
Prior service cost		189		2,277

Information with respect to the defined benefit plans is as follows:

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Assumptions

Weighted-average assumptions used to determine benefit obligations at March 31:

	Domestic plans		Foreign plans	
	2011	2010	**2011**	2010
Discount rate	**2.0%**	2.0%	**6.0%**	6.0%
Assumed rate of increase in future compensation levels (Point-based benefit system)	**3.9%**	3.8%		
Assumed rate of increase in future compensation levels	**2.6%**	2.6%	**4.6%**	4.4%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended March 31:

	Domestic plans			Foreign plans		
	2011	2010	2009	**2011**	2010	2009
Discount rate	**2.0%**	2.0%	2.0%	**6.0%**	6.9%	6.7%
Assumed rate of increase in future compensation levels (Point-based benefit system)	**3.8%**	3.9%	3.9%			
Assumed rate of increase in future compensation levels	**2.6%**	2.4%	2.0%	**4.4%**	4.1%	4.4%
Expected long-term rate of return on plan assets	**1.9%**	1.9%	1.9%	**7.2%**	7.6%	7.5%

The Company and a certain domestic subsidiary have defined benefit cash balance pension plans. These companies adopt the assumed rate of increase in future compensation levels under the point-based benefit system.

The Company and certain subsidiaries determine the expected long-term rate of return on plan assets based on the consideration of the current expectations for future returns and actual historical returns of each plan asset category.

Plan assets

In order to secure long-term comprehensive earnings, the Company and certain subsidiaries investment policies are designed to ensure adequate plan assets to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company and certain subsidiaries formulate a basic portfolio comprised of the judged optimum combination of equity and debt securities. Plan assets are principally invested in equity securities, debt securities and life insurance company general accounts in accordance with the guidelines of the basic portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. The Company and certain subsidiaries evaluate the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the basic portfolio. The Company and certain subsidiaries revise the basic portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

The Pension and Retirement Benefit Committee is organized in the Company in order to periodically monitor the employment of such plan assets.

Komatsu s basic portfolio for plan assets consists of three major components: approximately 35% is invested in equity securities, approximately 30% is invested in debt securities, and approximately 35% is invested in other investment assets, primarily consisting of investments in life insurance company general accounts.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, Komatsu has investigated the business condition of the investee companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds and municipal bonds, and corporate bonds. Prior investing, Komatsu has investigated the quality of the issue, including rating, interest rate and repayment dates, and has appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity described above. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. With respect to investments in foreign investment assets, Komatsu has investigated the stability of the underlying governments and economies, the market characteristics such as settlement systems and the taxation systems. For each such investment, Komatsu has selected the appropriate investment country and currency. There is no significant concentration of risk within the portfolio of investments.

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The three levels of input used to measure fair value are more full described in Note 21.
The fair values of benefit plan assets at March 31, 2011 and 2010 are as follows:, by asset class are as follows:

	Millions of yen			
At March 31, 2011	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	¥ **4,822**			¥ **4,822**
Equity securities				
Japanese equities	**7,569**	**386**		**7,955**
Foreign equities	**15,223**	**4,375**		**19,598**
Pooled funds	**4,252**	**571**		**4,823**
Debt securities				
Government bonds and municipal bonds	**16,293**	**3,706**		**19,999**
Corporate bonds		**5,025**		**5,025**
Other assets				
Life insurance company general accounts		**28,932**		**28,932**
Other	**38**	**653**	**446**	**1,137**
Total	¥ **48,197**	¥ **43,648**	¥ **446**	¥ **92,291**

	Millions of yen			
At March 31, 2010	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	¥ 4,486			¥ 4,486
Equity securities				
Japanese equities	13,730			13,730
Foreign equities	17,358			17,358
Pooled funds	2,650			2,650
Debt securities				
Government bonds and municipal bonds	20,030	1,245		21,275
Corporate bonds		4,698		4,698
Other assets				
Life insurance company general accounts		29,638		29,638
Other	145		423	568
Total	¥ 58,399	¥ 35,581	¥ 423	¥ 94,403

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	Thousands of U.S. dollars			
At March 31, 2011	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	$ **58,097**			$ **58,097**
Equity securities				
Japanese equities	**91,193**	**4,651**		**95,844**
Foreign equities	**183,409**	**52,711**		**236,120**
Pooled funds	**51,229**	**6,879**		**58,108**
Debt securities				
Government bonds and municipal bonds	**196,301**	**44,651**		**240,952**
Corporate bonds		**60,543**		**60,543**
Other assets				
Life insurance company general accounts		**348,578**		**348,578**
Other	**458**	**7,867**	**5,373**	**13,698**
Total	$ **580,687**	$ **525,880**	$ **5,373**	$ **1,111,940**

(1) The plan s equity securities include common stock of the Company in the amount of ¥41 million ($494 thousand) (0.07% of the Company s total plan assets) and ¥48 million (0.08% of the Company s total plan assets) at March 31, 2011 and 2010, respectively.

(2) The plan s pooled funds which are primarily held by the U.S. subsidiaries include listed foreign equity securities primarily consisting U.S. equity.

(3) The plan s government bonds and municipal bonds include approximately 50% Japanese bonds and 50% foreign bonds.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not indicate the risks of the assets.

Level 1 assets are comprised principally of equity securities and debt securities, which are valued using quoted prices in active markets. Level 2 assets are comprised of equity securities, debt securities and investments in life insurance company general accounts. Equity securities and debt securities are valued using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. Investments in life insurance company general accounts are valued at conversion value.

The fair value of level 3 assets, consisting of the investment trusts held by foreign subsidiaries, was ¥446 million ($5,373 thousand) and ¥423 million at March 31, 2011 and 2010, respectively. Amounts of actual returns on, and purchases and sales of, these assets during the year ended March 31, 2011 and March 31, 2010 are not material to Komatsu s consolidated financial position or results of operations.

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Cash flows

(1) Contributions

The Company and certain subsidiaries expect to contribute ¥4,622 million to their benefit plans in the year ending March 31, 2012.

(2) Estimated future benefit payments

The benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter which reflect estimated future employee service are as follows:

Year ending March 31	Millions of yen
2012	¥ 13,482
2013	11,477
2014	7,605
2015	8,495
2016	9,323
Through 2017-2021	¥ 41,663

Other postretirement benefit plan

Some U.S. subsidiaries provide certain postretirement health care and life insurance benefits for substantially all of their employees. The plans are contributory, with contributions indexed to salary levels. Employee contributions are adjusted to provide for any costs of the plans in excess of those paid for by the subsidiaries. The policy is to fund the cost of these benefits as claims and premiums are paid. In the fiscal year ended March 31, 2008 certain U.S. subsidiaries established a Voluntary Employees Beneficiary Association (VEBA) trust to hold assets and pay substantially all of these subsidiaries self-funded post employment benefit plan obligations. The VEBA trust arrangement provides for segregation and legal restriction of the plan assets to satisfy plan obligations, and tax deductibility for contributions to the trust, subject to certain tax code limitations.

The reconciliation of beginning and ending balances of the accumulated postretirement benefit obligations and the fair value of the plan assets of the U.S. subsidiaries plans are as follows:

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	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Change in accumulated postretirement benefit obligation:			
Accumulated postretirement benefit obligation, beginning of year	¥ **9,416**	¥ 9,069	$ **113,446**
Service cost	**227**	231	**2,735**
Interest cost	**452**	528	**5,446**
Actuarial loss (gain)	**(134)**	979	**(1,615)**
Curtailment		(456)	
Plan participants contributions	**2**	2	**24**
Medicare Part D	**55**	68	**663**
Benefits paid	**(728)**	(659)	**(8,771)**
Foreign currency exchange rate change	**(981)**	(346)	**(11,820)**
Accumulated postretirement benefit obligation, end of year	¥ **8,309**	¥ 9,416	$ **100,108**
Change in plan assets:			
Fair value of plan assets, beginning of year	¥ **6,152**	¥ 6,579	$ **74,120**
Actual return on plan assets	**424**	1,156	**5,108**
Employer contributions	**726**	657	**8,747**
Plan participants contributions	**2**	2	**24**
Benefits paid	**(1,303)**	(1,894)	**(15,698)**
Foreign currency exchange rate change	**(650)**	(348)	**(7,831)**
Fair value of plan assets, end of year	¥ **5,351**	¥ 6,152	$ **64,470**
Funded status, end of year	¥ **(2,958)**	¥ (3,264)	$ **(35,638)**
Prepaid benefit cost	¥ **719**	¥ 700	$ **8,663**
Other current liabilities	**(38)**	(38)	**(458)**
Accrued benefit liability	**(3,639)**	(3,926)	**(43,843)**
	¥ **(2,958)**	¥ (3,264)	$ **(35,638)**
Amounts recognized in accumulated other comprehensive income (loss):			
Actuarial loss	¥ **3,050**	¥ 3,502	$ **36,747**
Prior service cost	**551**	616	**6,639**
	¥ **3,601**	¥ 4,118	$ **43,386**

Accumulated postretirement benefit obligations exceed plan assets for each of the U.S. subsidiaries plans.

Components of net periodic postretirement benefit cost

Net periodic postretirement benefit cost of the U.S. subsidiaries plans for the years ended March 31, 2011, 2010 and 2009, included the following components:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Service cost - Benefits earned during the year	¥ **227**	¥ 231	¥ 311	$ **2,735**
Interest cost on projected benefit obligation	**452**	528	575	**5,446**
Expected return on plan assets	**(302)**	(324)	(400)	**(3,639)**
Amortization of actuarial loss	**196**	250	201	**2,362**
Amortization of prior service cost	**65**	70	128	**783**
Curtailment and settlement gain		(116)		
Net periodic cost	¥ **638**	¥ 639	¥ 815	$ **7,687**

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Other changes in plan assets and accumulated postretirement benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Current year actuarial gain	¥ **(256)**	¥ (309)	$ **(3,084)**
Amortization of actuarial loss	**(196)**	(134)	**(2,362)**
Current year prior service cost			
Amortization of prior service cost	**(65)**	(70)	**(783)**
	¥ **(517)**	¥ (513)	$ **(6,229)**

The estimated actuarial loss and prior service cost for the postretirement benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic postretirement benefit cost over the next fiscal year are summarized as follows.

	Millions of yen	Thousands of U.S. dollars
Actuarial loss	¥ 174	$ 2,096
Prior service cost	65	783

Information with respect to the plans is as follows:

Assumptions

Weighted-average assumptions used to determine accumulated postretirement benefit obligations at March 31:

	2011	2010
Discount rate	**5.6%**	5.4%
Assumed rate of increase in future compensation levels	**4.0%**	4.0%
Current healthcare cost trend rate	**7.9%**	7.8%
Ultimate healthcare cost trend rate	**4.8%**	4.8%
Number of years to ultimate healthcare cost trend rate	**5**	7

Weighted average assumptions used to determine net periodic postretirement benefit cost for the years ended March 31:

	2011	2010	2009
Discount rate	**5.4%**	6.4%	5.9%
Assumed rate of increase in future compensation levels	**4.0%**	4.0%	4.0%
Expected long-term rate of return on plan assets	**5.6%**	5.5%	5.5%
Current healthcare cost trend rate	**7.8%**	7.8%	7.7%
Ultimate healthcare cost trend rate	**4.8%**	4.8%	4.8%
Number of years to ultimate healthcare cost trend rate	**7**	7	6

At March 31, 2011 and 2010, the impact of one percentage point change in the assumed health care cost trend rates would not be material to Komatsu s consolidated financial position or results of operations.

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Plan assets

The U.S. subsidiaries investment policies are to provide returns that will maximize principal growth while accepting only moderate risk.

The U.S. subsidiaries asset portfolio will be invested in a manner that emphasizes safety of capital while achieving total returns consistent with prudent levels of risk. The basic portfolio for the plan assets are comprised approximately of 35% equity securities and 65% debt securities.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, Komatsu has investigated the business condition of the invested companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds and municipal bonds, and corporate bonds. Prior investing, Komatsu has investigated the quality of the issue, including rating, interest rate and repayment dates, and has appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity described above. There is no significant concentration of risk within the portfolio of investments.

The three levels of input used to measure fair value are more full described in Note 21.

The fair values of postretirement benefit plan assets at March 31, 2011 and 2010, by asset class are as follows:

	Millions of yen			
At March 31, 2011	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	¥ **283**	¥	¥	¥ **283**
Equity securities				
Foreign equities	**650**			**650**
Pooled funds	**1,101**			**1,101**
Debt securities				
Government bonds and municipal bonds		**2,276**		**2,276**
Corporate bonds		**1,041**		**1,041**
Total	¥ **2,034**	¥ **3,317**	¥	¥ **5,351**

	Millions of yen			
At March 31, 2010	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	¥ 155	¥	¥	¥ 155
Equity securities				
Foreign equities	959			959
Pooled funds	1,113			1,113
Debt securities				
Government bonds		2,936		2,936
Corporate bonds		989		989
Total	¥ 2,227	¥ 3,925	¥	¥ 6,152

	Thousands of U.S. dollars			
At March 31, 2011	Level 1	Level 2	Level 3	Total
Plan assets				
Cash	$ **3,410**	$	$	$ **3,410**
Equity securities				
Foreign equities	**7,831**			**7,831**
Pooled funds	**13,265**			**13,265**
Debt securities				
Government bonds and municipal bonds		**27,422**		**27,422**
Corporate bonds		**12,542**		**12,542**
Total	$ **24,506**	$ **39,964**	$	$ **64,470**

(1) The plan s pooled funds include listed foreign equity securities primarily consisting U.S. equity.

(2) The plan s government bonds are U.S. government bonds.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not indicate the risks of the assets.

Level 1 assets are comprised principally of equity securities, which are valued using quoted prices in active markets. Level 2 assets are comprised of debt securities, which are valued using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Cash flows

(1) Contributions

The U.S. subsidiaries expect to contribute ¥39 million to their post retirement benefit plans in the year ending March 31, 2012.

(2) Estimated future benefit payments

The benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter which reflect estimated future employee service are as follows:

Year ending March 31	Millions of yen
2012	¥ 679
2013	702
2014	724
2015	738
2016	759
Through 2017-2021	¥ 4,132

Directors of the Company and domestic subsidiaries are primarily covered by unfunded retirement allowance plans. At March 31, 2011, 2010 and 2009, the amounts required if all directors covered by the plans had terminated their service have been fully accrued. Such amounts are not material to Komatsu s consolidated financial position or results of operations for any of the periods presented.

Certain subsidiaries maintain various defined contribution plans covering certain employees. The amount of cost recognized for all periods presented is not material to Komatsu s consolidated financial position or results of operations.

13. Komatsu Ltd. Shareholders Equity

(1) Common Stock and Capital Surplus

The Commercial Code of Japan (the Code) permitted, upon approval of the Board of Directors, transfer of amounts from capital surplus to common stock. Prior to October 2001, the Company from time to time made free share distributions that were accounted for by a transfer from capital surplus to common stock of the aggregate par value of shares issued. Effective on October 2001, the Code requires no accounting recognition for such free share distribution. Publicly owned corporations in the United States issuing shares in similar transactions would be required to account for them as stock dividends as of the shareholders record date by reducing retained earnings and increasing appropriate capital accounts by an amount equal to the fair value of the shares issued.

If such United States practice had been applied to the cumulative free distributions made by the Company, capital surplus at March 31, 2011, would have been increased by ¥103,189 million ($1,243,241 thousand) with a corresponding decrease in unappropriated retained earnings. At March 31, 2011 and 2010, affiliated companies owned 1,104,600 and 1,094,600 shares which represent 0.11% and 0.11% of the Company s common stock outstanding, respectively.

The Corporate Act, which has been in force since May 1, 2006 (the Act), requires a company to obtain the approval of shareholders for transferring an amount between common stock and capital surplus. Common stock and capital surplus also are available for being transferred to other capital surplus or being used to reduce a deficit mainly upon an approval of shareholders.

(2) Retained Earnings Appropriated for Legal Reserve

The Act provides that an amount equal to 10% of retained earnings distributed each fiscal period shall be appropriated as a capital surplus or a legal reserve until the total amount of capital surplus and legal reserve becomes equal to 25% of the amount of common stock.

Legal reserve is available for being transferred to other retained earnings or being used to reduce a deficit mainly upon an approval of shareholders.

(3) Retained Earnings and Dividends

The amount of retained earnings available for dividends under the Act is based on the amount recorded in the Company s general books of account maintained in accordance with accounting principles generally accepted in Japan. In addition to the Act provision requiring an appropriation for capital surplus or legal reserve as discussed above, the Act imposes certain limitations on the amount of retained earnings available for dividends. Accordingly, total shareholders equity of ¥294,738 million ($3,551,060 thousand), included in the Company s general books of account as of March 31, 2011 is available for dividends under the Act.

The Board of Directors recommended to and approved by the shareholders, at the general meeting held on June 22, 2011, payment of a cash dividend totaling ¥19,369 million ($233,361 thousand) to shareholders of record on March 31, 2011. In accordance with the Act, the approved dividend has not been reflected in the consolidated financial statements as of March 31, 2011. Dividends are reported in the consolidated statements of equity when approved and paid.

The Act provides that a company can make dividends of earnings anytime with resolution of the shareholders. It also provides that a company can declare an interim dividend once a fiscal year according to its charter of corporation.

(4) Share-Based Compensation

The Company has two types of stock option plans as share-based compensation for directors and certain employees and certain directors of subsidiaries.

The stock option plans resolved by the Board of Directors meetings held in and before June 2010.

The right to purchase treasury shares is granted at a predetermined price to directors and certain employees and certain directors of subsidiaries. The purchase price is the amount calculated by taking the average of the closing prices applicable to ordinary transactions of shares of the Company on the Tokyo Stock Exchange on all days for a month immediately preceding the month in which the date of grant of the right falls and multiplying by 1.05, provided that the exercise price shall not be less than the closing price of the shares of the Company on the Tokyo Stock Exchange on the date of the grant.

Based on the resolutions of the shareholders meeting on June 24, 2009 and June 24, 2008 and the Board of Directors on July 14, 2009 and July 15, 2008, the Company issued 642 rights and 463 rights of its share acquisition rights during the years ended March 31, 2010 and 2009, respectively. (The number of shares subject to be issued to one stock acquisition right shall be 1,000 shares.) The options vest 100% on each of the grant dates and are exercisable from September 1, 2010, September 1, 2009, respectively.

The stock option plans resolved by the Board of Directors meetings held in July 2010.

The right to purchase treasury shares is granted at an exercise price of ¥1 per share to directors and certain employees and certain directors of subsidiaries.

Based on the resolutions of the shareholders meeting on June 23, 2010 and the Board of Directors on July 13, 2010, the Company issued 768 rights of its share acquisition rights during the year ended March 31, 2011, respectively. (The number of shares subject to be issued to one stock acquisition right shall be 100 shares.) The options vest 100% on each of the grant dates and are exercisable from August 2, 2013.

Komatsu recognizes compensation expense using the fair value method. Compensation expenses during the years ended March 31, 2011, 2010 and 2009 were ¥137 million ($1,651 thousand), ¥413 million and ¥376 million, respectively, and were recoded in selling, general and administrative expenses. Compensation expenses after tax during the years ended March 31, 2011, 2010 and 2009 were ¥81 million ($976 thousand), ¥246 million and ¥224 million, respectively.

The following table summarizes information about stock option activity for the years ended March 31, 2011, 2010 and 2009:

	2011			2010		2009	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		Yen	U.S. dollars		Yen		Yen
Outstanding at beginning of year	**3,333,000**	**¥ 2,051**	**$ 24.71**	2,891,000	¥ 2,022	2,844,000	¥ 1,784
Granted	**76,800**	**1**	**0.01**	642,000	1,729	463,000	2,499
Exercised	**(174,000)**	**1,238**	**14.92**	(200,000)	595	(416,000)	926
Outstanding at end of year	**3,235,800**	**2,047**	**24.66**	3,333,000	2,051	2,891,000	2,022
Exercisable at end of year	**3,159,000**	**2,096**	**25.25**	2,691,000	2,128	2,428,000	1,931

The intrinsic values of options exercised were ¥199 million ($2,398 thousand), ¥153 million and ¥722 million for the years ended March 31, 2011, 2010 and 2009.
The information for options outstanding and options exercisable at March 31, 2011 are as follows.

	Outstanding						Options Exercisable					
Exercise Prices	Number of shares	Weighted average exercise price Yen	Weighted average exercise price U.S. dollars	Intrinsic value Millions of yen	Intrinsic value Thousands of U.S. dollars	Weighted average remaining contractual life years	Number of shares	Weighted average exercise price Yen	Weighted average exercise price U.S. dollars	Intrinsic value Millions of yen	Intrinsic value Thousands of U.S. dollars	Weighted average remaining contractual life years
¥1 - 650	76,800	¥ 1	$ 0.01	¥ 216	$ 2,602	7.3						
¥651 - 900	300,000	673	8.11	646	7,783	1.3	300,000	¥ 673	$ 8.11	¥ 646	$ 7,783	1.3
¥901 - 1,350	575,000	1,126	13.57	977	11,771	2.3	575,000	1,126	13.57	977	11,771	2.3
¥1,351 - 2,325	1,259,000	2,032	24.48	998	12,025	4.8	1,259,000	2,032	24.48	998	12,025	4.8
¥2,326 - 3,700	1,025,000	3,136	37.78	151	1,819	4.9	1,025,000	3,136	37.78	151	1,819	4.9
¥1 - 3,700	3,235,800	2,047	24.66	2,988	36,000	4.1	3,159,000	2,096	25.25	2,772	33,398	4.1

The fair value of each share option award is estimated on the date of grant using a discrete-time model (a binomial model) based on the assumptions noted in the following table. Because a discrete-time model incorporates ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on implied volatilities from historical volatility of the Company s shares.
The Company uses historical data to estimate share option exercise and employee departure behavior used in the discrete-time model. The expected term of share options granted represents the period of time that share options granted are expected to be outstanding. The risk-free rate for periods within the contractual term of the share option is based on the Japanese government bond yield curve in effect at the time of grant.

	2011	2010	2009
Grant-date fair value	**¥ 1,785 ($21.51)**	¥ 643	¥ 813
Expected term	**5 years**	7 years	7 years
Risk-free rate	**0.13% 1.11%**	0.17% 1.35%	0.60% 1.48%
Expected volatility	**54.00%**	44.00%	39.00%
Expected dividend yield	**0.96%**	2.07%	1.32%

* Interest rate corresponding to discount periods is applied to risk-free rate, that is as follows:

	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
2009	0.60%	0.71%	0.82%	0.94%	1.02%	1.07%	1.07%	1.16%	1.33%	1.48%
2010	0.17%	0.24%	0.32%	0.48%	0.63%	0.74%	0.88%	1.03%	1.19%	1.35%
2011	0.13%	0.14%	0.18%	0.25%	0.36%	0.47%	0.59%	0.76%	0.94%	1.11%

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14. Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of changes in foreign currency translation adjustments, net unrealized holding gains (losses) on securities available for sale, pension liability adjustments and net unrealized holding gains (losses) on certain derivative instruments, and is included in equity of the consolidated balance sheets.

Each component of accumulated other comprehensive income (loss) at March 31, 2011, 2010 and 2009, is as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Foreign currency translation adjustments:				
Balance, beginning of year	**¥ (85,056)**	¥ (84,152)	¥ (34,457)	**$ (1,024,771)**
Adjustment for the year	**(37,230)**	(904)	(49,695)	**(448,555)**
Balance, end of year	**¥ (122,286)**	¥ (85,056)	¥ (84,152)	**$ (1,473,326)**
Net unrealized holding gains on securities available for sale:				
Balance, beginning of year	**¥ 14,126**	¥ 8,646	¥ 24,736	**$ 170,193**
Net increase (decrease)	**1,978**	5,480	(16,090)	**23,831**
Balance, end of year	**¥ 16,104**	¥ 14,126	¥ 8,646	**$ 194,024**
Pension liability adjustments:				
Balance, beginning of year	**¥ (24,315)**	¥ (29,235)	¥ (19,208)	**$ (292,952)**
Adjustment for the year	**(91)**	4,920	(10,027)	**(1,095)**
Balance, end of year	**¥ (24,406)**	¥ (24,315)	¥ (29,235)	**$ (294,047)**
Net unrealized holding gains (losses) on derivative instruments:				
Balance, beginning of year	**¥ (389)**	¥ (1,003)	¥ 150	**$ (4,687)**
Net increase (decrease)	**(82)**	614	(1,153)	**(988)**
Balance, end of year	**¥ (471)**	¥ (389)	¥ (1,003)	**$ (5,675)**
Total accumulated other comprehensive loss;				
Balance, beginning of year	**¥ (95,634)**	¥ (105,744)	¥ (28,779)	**$ (1,152,217)**
Other comprehensive income (loss) for the year, net of tax	**(35,425)**	10,110	(76,965)	**(426,807)**
Balance, end of year	**¥ (131,059)**	¥ (95,634)	¥ (105,744)	**$ (1,579,024)**

For the fiscal year ended March 31, 2011, Adjustment for the year of Foreign currency translation adjustments included ¥7 million ($84 thousand) which transferred to non-controlling interests and is not recognized as other comprehensive income (loss).

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Tax effects allocated to each component of other comprehensive income (loss) and adjustments are as follows:

	Millions of yen		
	Pretax amount	Tax (expense) or benefit	Net of tax amount
2011:			
Foreign currency translation adjustments	**¥ (37,730)**	**¥ 493**	**¥ (37,237)**
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains arising during the year	**4,172**	**(1,678)**	**2,494**
Less: reclassification adjustment for gains included in net income attributable to Komatsu Ltd.	**(871)**	**355**	**(516)**
Net unrealized gains	**3,301**	**(1,323)**	**1,978**
Pension liability adjustments			
Unrealized holding losses arising during the year	**(4,308)**	**2,706**	**(1,602)**
Less: reclassification adjustment for losses included in net income attributable to Komatsu Ltd.	**2,761**	**(1,250)**	**1,511**
Net unrealized losses	**(1,547)**	**1,456**	**(91)**
Net unrealized holding losses on derivative instruments:			
Changes in fair value of derivatives	**7,315**	**(2,971)**	**4,344**
Net gains reclassified into earnings	**(7,475)**	**3,049**	**(4,426)**
Net unrealized losses	**(160)**	**78**	**(82)**
Other comprehensive loss	**¥ (36,136)**	**¥ 704**	**¥ (35,432)**
2010:			
Foreign currency translation adjustments	¥ (1,196)	¥ 292	¥ (904)
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains arising during the year	9,124	(3,843)	5,281
Less: reclassification adjustment for losses included in net income attributable to Komatsu Ltd.	336	(137)	199
Net unrealized gains	9,460	(3,980)	5,480
Pension liability adjustments			
Unrealized holding gains arising during the year	3,930	(1,224)	2,706
Less: reclassification adjustment for losses included in net income attributable to Komatsu Ltd.	2,833	(619)	2,214
Net unrealized gains	6,763	(1,843)	4,920
Net unrealized holding gains on derivative instruments:			
Changes in fair value of derivatives	2,121	(1,138)	983
Net gains reclassified into earnings	(621)	252	(369)
Net unrealized gains	1,500	(886)	614
Other comprehensive income	¥ 16,527	¥ (6,417)	¥ 10,110

2009:			
Foreign currency translation adjustments	¥ (50,243)	¥ 548	¥ (49,695)
Net unrealized holding losses on securities available for sale:			
Unrealized holding losses arising during the year	(29,333)	11,432	(17,901)
Less: reclassification adjustment for losses included in net income attributable to Komatsu Ltd.	3,058	(1,247)	1,811
Net unrealized losses	(26,275)	10,185	(16,090)
Pension liability adjustments			
Unrealized holding losses arising during the year	(16,843)	4,420	(12,423)
Less: reclassification adjustment for losses included in net income attributable to Komatsu Ltd.	2,961	(565)	2,396
Net unrealized losses	(13,882)	3,855	(10,027)
Net unrealized holding losses on derivative instruments:			
Changes in fair value of derivatives	855	(306)	549
Net gains reclassified into earnings	(2,892)	1,190	(1,702)
Net unrealized losses	(2,037)	884	(1,153)
Other comprehensive loss	¥ (92,437)	¥ 15,472	¥ (76,965)

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	Thousands of U.S. dollars		
	Pretax amount	Tax (expense) or benefit	Net of tax amount
2011:			
Foreign currency translation adjustments	**$ (454,579)**	**$ 5,940**	**$ (448,639)**
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains arising during the year	**50,265**	**(20,217)**	**30,048**
Less: reclassification adjustment for gains included in net income attributable to Komatsu Ltd.	**(10,494)**	**4,277**	**(6,217)**
Net unrealized gains	**39,771**	**(15,940)**	**23,831**
Pension liability adjustments			
Unrealized holding losses arising during the year	**(51,903)**	**32,602**	**(19,301)**
Less: reclassification adjustment for losses included in net income attributable to Komatsu Ltd.	**33,266**	**(15,060)**	**18,206**
Net unrealized losses	**(18,637)**	**17,542**	**(1,095)**
Net unrealized holding losses on derivative instruments:			
Changes in fair value of derivatives	**88,132**	**(35,795)**	**52,337**
Net gains reclassified into earnings	**(90,060)**	**36,735**	**(53,325)**
Net unrealized losses	**(1,928)**	**940**	**(988)**
Other comprehensive loss	**$ (435,373)**	**$ 8,482**	**$ (426,891)**

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15. Income Taxes

The sources of income (loss) before income taxes and equity in earnings of affiliated companies and the sources of income taxes for the years ended March 31, 2011, 2010 and 2009, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Income (loss) before income taxes and equity in earnings of affiliated companies:				
Domestic	¥ **68,682**	¥ (35,965)	¥ 5,426	$ **827,494**
Foreign	**151,127**	100,944	123,356	**1,820,807**
	¥ **219,809**	¥ 64,979	¥ 128,782	$ **2,648,301**
Income taxes:				
Current				
Domestic	¥ **15,391**	¥ 5,254	¥ 22,854	$ **185,434**
Foreign	**42,532**	27,468	37,657	**512,433**
	57,923	32,722	60,511	**697,867**
Deferred				
Domestic	**4,885**	(6,272)	(17,008)	**58,856**
Foreign	**1,898**	(1,086)	(1,210)	**22,867**
	6,783	(7,358)	(18,218)	**81,723**
Total	¥ **64,706**	¥ 25,364	¥ 42,293	$ **779,590**

Total income taxes recognized for the years ended March 31, 2011, 2010 and 2009 were applicable to the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Income before income taxes and equity in earnings of affiliated companies	¥ **64,706**	¥ 25,364	¥ 42,293	$ **779,590**
Other comprehensive income(loss):				
Foreign currency translation adjustments	**(493)**	(292)	(548)	**(5,940)**
Net unrealized holding gains(losses) on securities available for sale	**1,323**	3,980	(10,185)	**15,940**
Pension liability adjustments	**(1,456)**	1,843	(3,855)	**(17,542)**
Net unrealized holding gains(losses) on derivative instruments	**(78)**	886	(884)	**(940)**
Total income taxes	¥ **64,002**	¥ 31,781	¥ 26,821	$ **771,108**

Temporary differences and tax loss carryforwards which gave rise to deferred tax assets and liabilities at March 31, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deffered tax assets:			
Allowances provided, not yet recognized for tax	**¥ 3,944**	¥ 3,332	**$ 47,518**
Accrued expenses	**48,737**	43,835	**587,193**
Property, plant and equipment	**13,402**	13,289	**161,470**
Inventories	**7,517**	8,551	**90,566**
Net operating loss carryforwards	**37,095**	51,543	**446,928**
Research and development expenses	**557**	690	**6,711**
Other	**24,044**	31,536	**289,687**
Total gross deffered tax assets	**135,296**	152,776	**1,630,073**
Less valuation allowance	**(36,690)**	(49,081)	**(442,048)**
Total deffered tax assets	**¥ 98,606**	¥ 103,695	**$ 1,188,025**
Deffered tax liabilities:			
Unrealized holding gains on securities available for sale	**¥ 9,972**	¥ 7,829	**$ 120,145**
Deferral of profit from installment sales	**27**	104	**325**
Property, plant and equipment	**12,917**	11,519	**155,627**
Intangible assets	**17,503**	17,503	**210,880**
Undistributed earnings of foreign subsidiaries and affiliated companies accounted for by the equity method	**5,092**	3,847	**61,349**
Total deffered tax liabilities	**¥ 45,511**	¥ 40,802	**$ 548,326**
Total deffered tax assets	**¥ 53,095**	¥ 62,893	**$ 639,699**

Net deferred tax assets and liabilities as of March 31, 2011 and 2010 are reflected on the consolidated balance sheets under the following captions:

	Millions of yen		Thousand of U.S. dollars
	2011	2010	**2011**
Deferred income taxes and other current assets	**¥ 55,953**	¥ 43,390	**$ 674,132**
Deferred income taxes and other assets	**15,117**	36,467	**182,133**
Deferred income taxes and other current liabilities	**(380)**	(128)	**(4,578)**
Deferred income taxes and other liabilities	**(17,595)**	(16,836)	**(211,988)**
	¥ 53,095	¥ 62,893	**$ 639,699**

The valuation allowances were ¥31,420 million and ¥22,435 million as of March 31, 2009 and 2008, respectively. The net changes in the total valuation allowance for the years ended March 31, 2011, 2010 and 2009 were an decrease of ¥12,391 million ($149,289 thousand), an increase of ¥17,661 million and a increase of ¥8,985 million, respectively. The decrease for the year ended March 31, 2011 was due primarily to a reduction in the valuation allowance at certain consolidated subsidiaries related to changes in assessment about the likelihood of recovery of certain deferred tax assets. The valuation allowance had been recorded as the subsidiaries had not yet demonstrated consistent and/or sustainable profitability to support the recognition of net deferred tax assets.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and net operating losses available is to be utilized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets, net of the existing valuation allowances at March 31, 2011 and 2010, are deductible, management believes it is more likely than not that the companies will realize the benefits of these deductible differences and net operating loss carryforwards. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Company and its domestic subsidiaries are subject to a National Corporate tax rate of 30%, an inhabitant tax of approximately 6% and a deductible Enterprise tax of approximately 8%, which in the aggregate resulted in a Japanese statutory income tax rate of approximately 40.8%. The inhabitant tax rate and Enterprise tax rate vary by local jurisdiction.

The differences between the Japanese statutory tax rates and the effective tax rates for the years ended March 31, 2011, 2010 and 2009, are summarized as follows:

	2011	2010	2009
Japanese statutory tax rate	**40.8%**	40.8%	40.8%
Increase (decrease) in tax rates resulting from:			
Change in valuation allowance	**(4.5)**	25.2	7.1
Expenses not deductible for tax purposes	**1.5**	6.8	2.9
Realization of tax benefits on operating losses of subsidiaries	**(0.4)**	(0.8)	(1.4)
Income of foreign subsidiaries taxed at lower than Japanese normal rate	**(8.3)**	(22.6)	(11.3)
Tax credit for research and development expenses	**(1.3)**		(0.7)
Realization of loss for investment in a subsidiary		(10.2)	
Other, net	**1.6**	(0.2)	(4.6)

Effective tax rate	**29.4%**	39.0%	32.8%

Foreign subsidiaries are subject to income taxes of the countries in which they operate. At March 31, 2011 and 2010, undistributed earnings of foreign subsidiaries aggregated ¥520,980 million ($6,276,867 thousand) and ¥431,834 million, respectively. Komatsu has a policy to distribute a certain portion of undistributed earnings of foreign subsidiaries. As of March 31, 2011 and 2010, Komatsu recognized deferred tax liabilities of ¥677 million ($8,157 thousand) and ¥601 million, respectively, associated with those earnings. As of March 31, 2011 and 2010, Komatsu has not recognized deferred tax liabilities of ¥18,620 million ($224,337 thousand) and ¥14,077 million, respectively, for such portion of undistributed earnings of foreign subsidiaries that the Company intends to reinvest indefinitely. At March 31, 2011, certain subsidiaries had net operating loss carryforwards aggregating approximately ¥94,597 million ($1,139,722 thousand), which may be used as a deduction in determining taxable income in future periods. The period available to offset future taxable income varies in each tax jurisdiction as follows:

Year ending March 31, 2011	Millions of yen
Within 5 years	¥ 43,415
6 to 20 years	36,632
Indefinite periods	14,550
Total	¥ 94,597

Although Komatsu believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in the future periods. Based on the information available as of March 31, 2011, Komatsu does not expect significant changes to the unrecognized tax benefits within the next twelve months.

Komatsu files income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authority before and in the fiscal year ended March 31, 2009. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities before and in the fiscal year ended March 31, 2005 with few exceptions.

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16. Rent Expenses

Komatsu leases office space and equipment and employee housing under cancelable and non-cancelable lease agreements. Rent expenses under cancelable and non-cancelable operating leases amounted to ¥14,480 million ($174,458 thousand), ¥13,823 million and ¥14,625 million, respectively, for the years ended March 31, 2011, 2010 and 2009. At March 31, 2011, the future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

	Millions of yen		
Year ending March 31	Capital leases	Operating lease commitments	Total
2012	¥ 25,474	¥ 3,240	¥ 28,714
2013	14,557	2,129	16,686
2014	7,859	1,504	9,363
2015	1,189	1,000	2,189
2016	1,117	613	1,730
Thereafter	159	1,550	1,709
Total minimum lease payments	¥ 50,355	¥ 10,036	¥ 60,391
Less: amounts representing interest	(1,829)		
Present value of net minimum capital lease payments	¥ 48,526		

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17. Net Income Attributable to Komatsu Ltd. per Share

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to Komatsu Ltd. per share computations is as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Net income attributable to Komatsu Ltd.	**¥ 150,752**	¥ 33,559	¥ 78,797	**$ 1,816,289**

	Number of shares		
	2011	2010	2009
Weighted average common shares outstanding, less treasury stock	**967,803,446**	968,013,328	985,585,385
Dilutive effect of:			
Stock options	**671,477**	449,531	731,973
Weighted average diluted common shares outstanding	**968,474,923**	968,462,859	986,317,358

	Yen			U.S. cents
	2011	2010	2009	**2011**
Net income attributable to Komatsu Ltd. per share:				
Basic	**¥ 155.77**	¥ 34.67	¥ 79.95	**¢ 187.67**
Diluted	**155.66**	34.65	79.89	**187.54**

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18. Commitments and Contingent Liabilities

At March 31, 2011, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥1,347 million ($16,229 thousand) (Note 4).

Komatsu provides guarantees to third parties of loans of the employees, affiliated companies, customers and other companies. The guarantees relating to the employees are mainly made for their housing loans. The guarantees of loans relating to the affiliated companies, customers and other companies are made to enhance the credit of those companies.

For each guarantee provided, Komatsu would have to perform under a guarantee, if the borrower defaults on a payment within the contract terms. The contract terms are from 15 years to 30 years in the case of employees with housing loans, and from 1 year to 10 years in the case of loans relating to the affiliated companies, customers and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default is ¥99,312 million ($1,196,530 thousand) at March 31, 2011. The fair value of the liabilities recognized for Komatsu s obligations as guarantors under those guarantees at March 31, 2011 were insignificant. Certain of those guarantees were secured by collateral and insurance issued to the Company.

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

Commitments for capital investment outstanding at March 31, 2011, aggregated approximately ¥12,800 million ($154,217 thousand).

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

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

Komatsu also issues contractual product warranties under which it generally guarantee the performance of products delivered and services rendered for a certain period or term. Change in accrued product warranty cost for the years ended March 31, 2011 and 2010 is summarized as follows:

	2011	2010	**2011**
Balance at beginning of year	**¥ 23,758**	¥ 28,256	**$ 286,241**
Addition	**27,091**	21,149	**326,398**
Utilization	**(21,352)**	(25,477)	**(257,253)**
Other	**(966)**	(170)	**(11,639)**
Balance at end of year	**¥ 28,531**	¥ 23,758	**$ 343,747**

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19. Derivative Financial Instruments

Risk Management Policy

Komatsu is exposed to market risk primarily from changes in foreign currency exchange and interest rates with respect to debt obligations, international operations and foreign currency denominated credits and debts. In order to manage these risks that arise in the normal course of business, Komatsu enters into various derivative transactions for hedging pursuant to its policies and procedures (Notes 20 and 21). Komatsu does not enter into derivative financial transactions for trading or speculative purposes.

Komatsu has entered into interest rate swap and cap agreements, partly concurrent with currency swap agreements for the purpose of managing the risk resulting from changes in cash flow or fair value that arise in their interest rate and foreign currency exposure with respect to certain short-term and long-term debts.

Komatsu operates internationally which expose Komatsu to the foreign exchange risk against existing assets and liabilities and transactions denominated in foreign currencies (principally the U.S. dollar and the Euro). In order to reduce these risks, Komatsu executes forward exchange contracts and option contracts based on its projected cash flow in foreign currencies.

Komatsu is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments, but Komatsu does not expect any counterparties to fail to meet their obligations because of the high credit rating of the counterparties. Komatsu has not held any derivative instruments which consisted credit-risk-related contingent features.

Fair Value Hedges

Komatsu uses derivative financial instruments designated as fair value hedges to manage primarily interest rate and foreign exchange risks associated with debt obligations. Principally interest rate swaps and cross-currency swaps are used to hedge such risk for debt obligations. Changes in fair value of the hedged debt obligations and derivative instruments designated as fair value hedge are offset and recognized in other income (expenses). For the years ended March 31, 2011, 2010 and 2009, the amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness were not material to Komatsu s result of operations.

Cash Flow Hedges

Komatsu uses derivative financial instruments designated as cash flow hedges to manage Komatsu s foreign exchange risks associated with forecasted transactions and Komatsu s interest risks associated with debt obligations. For transactions denominated in foreign currencies, Komatsu typically hedges forecasted and firm commitment exposures to the variability in cash flow basically up to one year. For the variable rate debt obligations, Komatsu enters into interest rate swap contracts to manage the changes in cash flows. Komatsu records the changes in fair value of derivative instruments designated as cash flow hedges in other comprehensive income (loss). These amounts are reclassified into earnings through other income (expenses) when the hedged items impact earnings. Approximately ¥352 million ($4,241 thousand) of existing income included in accumulated other comprehensive income (loss) at March 31, 2011 will be reclassified into earnings within twelve months from that date. No cash flow hedges were discontinued during the years ended March 31, 2011 as a result of anticipated transactions that are no longer probable of occurring.

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Undesignated Derivative Instruments

Komatsu has entered into interest rate swap and cross-currency swap contracts not designated as hedging instruments under ASC 815, Derivatives and Hedging as a means of managing Komatsu s interest rate exposures for short-term and long-term debts. Forward contracts and option contracts not designated as hedging instruments under ASC815 are also used to hedge certain foreign currency exposures. The changes in fair value of such instruments are recognized currently in earnings.

Notional Principal Amounts of Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at March 31, 2011 and 2010 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Forwards and options:			
Sale of foreign currencies	**¥ 94,504**	¥ 40,209	**$ 1,138,602**
Purchase of foreign currencies	**87,605**	48,809	**1,055,482**
Option contracts (purchased)	**490**	949	**5,904**
Interest rate swaps, cross-currency swaps and interest rate cap agreements	**123,424**	184,487	**1,487,036**

Fair value of derivative instruments at March 31, 2011 and 2010 on the consolidated balance sheets are as follows:

	Millions of yen 2011			
	Derivative Assets		Derivative Liabilities	
Derivative instruments designated as hedging instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	**¥ 11**	Deferred income taxes and other current liabilities	**¥ 817**
	Deferred income taxes and other assets	**2**	Deferred income taxes and other liabilities	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	**126**	Deferred income taxes and other current liabilities	**471**
	Deferred income taxes and other assets		Deferred income taxes and other liabilities	
Total		**¥ 139**		**¥ 1,288**

	Derivative Assets		Derivative Liabilities	
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	**¥ 403**	Deferred income taxes and other current liabilities	**¥ 2,025**
	Deferred income taxes and other assets		Deferred income taxes and other liabilities	**126**
Option contracts	Deferred income taxes and other current assets	**7**	Deferred income taxes and other current liabilities	
		6,967		**382**

Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets		Deferred income taxes and other current liabilities	
	Deferred income taxes and other assets	**3,515**	Deferred income taxes and other liabilities	**155**
Total		**¥10,892**		**¥2,688**
Total Derivative Instruments		**¥11,031**		**¥3,976**

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	Millions of yen 2010			
	Derivative Assets		Derivative Liabilities	
Derivative instruments designated as hedging instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 73	Deferred income taxes and other current liabilities	¥ 830
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	354	Deferred income taxes and other current liabilities	734
	Deferred income taxes and other assets	99	Deferred income taxes and other liabilities	
Total		¥ 526		¥ 1,564

	Derivative Assets		Derivative Liabilities	
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 90	Deferred income taxes and other current liabilities	¥ 1,248
Option contracts	Deferred income taxes and other current assets	18	Deferred income taxes and other current liabilities	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	1,730	Deferred income taxes and other current liabilities	915
	Deferred income taxes and other assets	6,989	Deferred income taxes and other liabilities	901
Total		¥ 8,827		¥ 3,064
Total Derivative Instruments		¥ 9,353		¥ 4,628

	Thousands of U.S. dollars **2011**			
	Derivative Assets		Derivative Liabilities	
Derivative instruments designated as hedging instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	**$ 133**	Deferred income taxes and other current liabilities	**$ 9,843**
	Deferred income taxes and other assets	**24**	Deferred income taxes and other liabilities	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	**1,518**	Deferred income taxes and other current liabilities	**5,675**
	Deferred income taxes and other assets		Deferred income taxes and other liabilities	

Total		**$ 1,675**		**$ 15,518**

	Derivative Assets		Derivative Liabilities	
Undesignated derivative instruments	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	**$ 4,855**	Deferred income taxes and other current liabilities	**$ 24,398**
	Deferred income taxes and other assets		Deferred income taxes and other liabilities	**1,518**
Option contracts	Deferred income taxes and other current assets	**84**	Deferred income taxes and other current liabilities	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	**83,940**	Deferred income taxes and other current liabilities	**4,602**
	Deferred income taxes and other assets	**42,350**	Deferred income taxes and other liabilities	**1,868**
Total		**$ 131,229**		**$ 32,386**
Total Derivative Instruments		**$ 132,904**		**$ 47,904**

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The effects of derivative instruments on the consolidated statements of income for the year ended March 31, 2011, 2010 and 2009 are as follows:

Derivative instruments designated as fair value hedging relationships

	Millions of yen **2011**			
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Other income (expenses), net: Other, net	¥	Other income (expenses), net: Other, net	¥
Total		¥		¥

	Millions of yen 2010			
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Other income (expenses), net: Other, net	¥ (270)	Other income (expenses), net: Other, net	¥ 355
Total		¥ (270)		¥ 355

	Millions of yen 2009			
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Other income (expenses), net: Other, net	¥ 7,910	Other income (expenses), net: Other, net	¥ (6,958)
Total		¥ 7,910		¥ (6,958)

	Thousands of U.S. dollars			
	2011			
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Other income (expenses), net: Other, net	**$**	Other income (expenses), net: Other, net	**$**
Total		**$**		**$**

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Derivative instruments designated as cash flow hedging relationships

	Millions of yen 2011				
	Effective portion			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	**¥ 7,195**	Other income (expenses), net: Other, net	**¥ 7,475**		**¥**
Interest rate swaps, cross-currency swaps and interest rate cap agreements	**120**	Other income (expenses), net: Other, net			
Total	**¥ 7,315**		**¥ 7,475**		**¥**

	Millions of yen 2010				
	Effective portion			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	¥ 363	Other income (expenses), net: Other, net	¥ 532		¥
Interest rate swaps, cross-currency swaps and interest rate cap agreements	1,758	Other income (expenses), net: Other, net	89		
Total	¥ 2,121		¥ 621		¥

	Millions of yen 2009				
	Effective portion			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	¥ 790	Other income (expenses), net: Other, net	¥ 2,892		¥
Interest rate swaps, cross-currency swaps and interest rate cap agreements	65				
Total	¥ 855		¥ 2,892		¥

	Thousands of U.S. dollars **2011**				
	Effective portion			Ineffective portion and amount excluded from effectiveness testing	
	Amount of gains (losses) recognized in OCI on derivatives	Location of gains (losses) reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	**$ 86,687**	Other income (expenses), net: Other, net	**$ 90,060**		$
Interest rate swaps, cross-currency swaps and interest rate cap agreements	**1,446**	Other income (expenses), net: Other, net			
Total	**$ 88,133**		**$ 90,060**		$

* OCI stands for other comprehensive income (loss).

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Derivative instruments not designated as hedging instruments relationships

	Millions of yen **2011**		
	Location of gains (losses) recognized in income on derivatives		Amount of gains (losses) recognized
Forwards contracts	Other income (expenses), net: Other, net	¥	**(1,411)**
Option contracts	Other income (expenses), net: Other, net		**(9)**
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Cost of sales		**(455)**
	Other income (expenses), net: Other, net		**2,816**
Total		¥	**941**

	Millions of yen 2010		
	Location of gains (losses) recognized in income on derivatives		Amount of gains (losses) recognized
Forwards contracts	Other income (expenses), net: Other, net	¥	(972)
Option contracts	Other income (expenses), net: Other, net		3
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Cost of sales		(580)
	Other income (expenses), net: Other, net		1,900
Total		¥	351

	Millions of yen 2009		
	Location of gains (losses) recognized in income on derivatives		Amount of gains (losses) recognized
Forwards contracts	Other income (expenses), net: Other, net	¥	846
Option contracts	Other income (expenses), net: Other, net		(7)
Interest rate swaps, cross-currency swap and interest rate cap agreements	Cost of sales		94
	Other income (expenses), net: Other, net		(2,771)
Total		¥	(1,838)

	Thousands of U.S. dollars **2011**	
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized

Forwards contracts	Other income (expenses), net: Other, net	$	**(17,000)**
Option contracts	Other income (expenses), net: Other, net		**(109)**
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Cost of sales		**(5,482)**
	Other income (expenses), net: Other, net		**33,928**
Total		$	**11,337**

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20. Fair Values of Financial Instruments

(1) Cash and Cash Equivalents, Time Deposits, Trade Notes and Accounts Receivable, Other Current Assets, Short-Term Debt, Trade Notes, Bills and Accounts Payables, and Other Current Liabilities

The carrying amount approximates fair value because of the short maturity of these instruments.

(2) Investment Securities, Marketable Equity Securities

The fair values of investment securities available for sale for which it is practicable to estimate fair value are based on quoted market prices and are recognized on the accompanying consolidated balance sheets.

(3) Long-Term Trade Receivables, Including Current Portion

The fair values of long-term trade receivables are based on the present value of future cash flows through maturity, discounted using estimated current interest rates. The fair values computed on such a basis approximate the carrying amounts (Note 4).

(4) Long-Term Debt, Including Current Portion

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

(5) Derivatives(Notes 19 and 21)

The fair values of derivative financial instruments, consisting principally of foreign exchange contracts and interest swap agreements, are estimated by obtaining quotes from brokers and are recognized on the accompanying consolidated balance sheets.

The carrying amounts and the estimated fair values of the financial instruments, including financial instruments not qualifying as hedge, as of March 31, 2011 and 2010, are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		**2011**	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Investment securities, marketable equity securities	**¥ 49,372**	**¥ 49,372**	¥ 47,178	¥ 47,178	**$ 594,843**	**$ 594,843**
Long-term debt, including current portion	**413,760**	**412,375**	462,941	460,916	**4,985,060**	**4,968,373**
Derivatives:						
Forward and options						
Assets	**423**	**423**	181	181	**5,096**	**5,096**
Liabilities	**2,968**	**2,968**	2,078	2,078	**35,759**	**35,759**
Interest rate swaps, cross-currency swap and interest rate cap agreements						
Assets	**10,608**	**10,608**	9,172	9,172	**127,808**	**127,808**
Liabilities	**1,008**	**1,008**	2,550	2,550	**12,145**	**12,145**

Limitations

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

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21. Fair value measurements

ASC 820, Fair Value Measurements and Disclosures defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
Level 3	Unobservable inputs for the assets or liabilities

Assets and liabilities that are measured at fair value on a recurring basis

The fair value hierarchy levels of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2011 and 2010 are as follows:

	Millions of yen			
At March 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale				
Manufacturing industry	¥ **30,219**	¥	¥	¥ **30,219**
Financial service industry	**16,439**			**16,439**
Other	**2,714**			**2,714**
Derivatives				
Forward contracts		**416**		**416**
Option contracts		**7**		**7**
Interest rate swaps, cross currency swap and interest rate cap agreements		**10,608**		**10,608**
Total Assets	¥ **49,372**	¥ **11,031**	¥	¥ **60,403**
Liabilities				
Derivatives				
Forward contracts	¥	¥ **2,968**	¥	¥ **2,968**
Interest rate swaps, cross currency swap and interest rate cap agreements		**1,008**		**1,008**
Other		**26,665**	**859**	**27,524**
Total Liabilities	¥	¥ **30,641**	¥ **859**	¥ **31,500**

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At March 31, 2010	Millions of yen Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale				
Manufacturing industry	¥ 26,147	¥	¥	¥ 26,147
Financial service industry	18,935			18,935
Other	2,096			2,096
Derivatives				
Forward contracts		163		163
Option contracts		18		18
Interest rate swaps, cross currency swap and interest rate cap agreements		9,172		9,172
Total Assets	¥ 47,178	¥ 9,353	¥	¥ 56,531
Liabilities				
Derivatives				
Forward contracts	¥	¥ 2,078	¥	¥ 2,078
Interest rate swaps, cross currency swap and interest rate cap agreements		2,550		2,550
Other		22,839	2,280	25,119
Total Liabilities	¥	¥ 27,467	¥ 2,280	¥ 29,747

At March 31, 2011	Thousands of U.S. dollars Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale				
Manufacturing industry	**$ 364,084**	**$**	**$**	**$ 364,084**
Financial service industry	**198,060**			**198,060**
Other	**32,699**			**32,699**
Derivatives				
Forward contracts		**5,012**		**5,012**
Option contracts		**84**		**84**
Interest rate swaps, cross currency swap and interest rate cap agreement		**127,808**		**127,808**
Total Assets	**$ 594,843**	**$ 132,904**	**$**	**$ 727,747**
Liabilities				
Derivatives				
Forward contracts	**$**	**$ 35,759**	**$**	**$ 35,759**
Interest rate swaps, cross currency swap and interest rate cap agreement		**12,145**		**12,145**
Other		**321,265**	**10,349**	**331,614**
Total Liabilities	**$**	**$ 369,169**	**$ 10,349**	**$ 379,518**

Investment securities available for sale

Marketable equity securities are classified Level 1 in the fair value hierarchy. Marketable equity securities are measured using a market approach based on the quoted market prices in active markets.

Derivatives (Notes 19 and 20)

Derivatives primarily represent foreign exchange contracts and interest rate swap agreements. The fair value of foreign exchange contracts is based on a valuation model that discounts cash flows resulting from the differential between contract rate and the market-based forward rate and is classified in Level 2 in the fair value hierarchy. The fair value of interest rate swap agreements is based on a valuation model that discounts cash flows based on the terms of the contract and the swap curves and is classified in Level 2 in the fair value hierarchy.

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Other

Other primarily represents loans which are measured at fair value. The fair value of loans is based on a valuation model based on market yield curve data and credit spread data and is classified in Level 2 in the fair value hierarchy. The credit spread data was obtained through use of credit default swaps for each counterparty.

The following table summarizes information about changes of Level 3 for the year ended March 31, 2011, 2010 and 2009:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Balance at beginning of year	**¥ (2,280)**	¥ 919	¥ 3,015	**$ (27,470)**
Total gains or losses (realized/unrealized)	**219**	1,543	355	**2,639**
Included in earnings	**6**	1,605	349	**73**
Included in other comprehensive income (loss)	**213**	(62)	6	**2,566**
Purchases, issuance and settlements	**1,202**	(4,742)	(2,451)	**14,482**
Balance at end of year	**¥ (859)**	¥ (2,280)	¥ 919	**$ (10,349)**

The amount of unrealized gains and losses on classified in Level 3 assets and liabilities recognized in earnings for the year ended March 31, 2011, 2010 and 2009 related to assets and liabilities still held at March 31, 2011, 2010 and 2009 were gains of ¥6 million ($73 thousand) and ¥1,605 million and losses of ¥678 million, respectively. These gains and losses were reported in other income (expense), net of the consolidated statements of income.

Assets and liabilities that are measured at fair value on a non-recurring basis

Komatsu measured certain long-lived assets at fair value, which are classified as Level 2 in the fair value hierarchy, as of March 31, 2011 and 2010.

As a result, Komatsu recognized impairment losses of ¥5,142 million ($61,952 thousand) and ¥3,332 million for the years ended March 31, 2011 and 2010, respectively, which are reported in impairment loss on long-lived assets of the consolidated statements of income.

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22. Business Segment and Geographic Information

Komatsu has two operating segments: 1) Construction, Mining and Utility Equipment 2) Industrial Machinery and Others.

Segment profit is determined by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment. Segment profit excludes certain general corporate administration and finance expenses, such as costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations. Segment profit also excludes certain charges which may otherwise relate to operating segments, including impairments of long lived assets and goodwill.

The following tables present certain information regarding Komatsu s operating segments and geographic information at March 31, 2011, 2010 and 2009, and for the years then ended:

	Millions of yen			Thousands of U.S. dollars
Operating segments:	**2011**	2010	2009	**2011**
Net sales:				
Construction, Mining and Utility Equipment				
External customers	**¥ 1,615,689**	¥ 1,268,575	¥ 1,744,733	**$ 19,466,132**
Intersegment	**2,392**	2,690	4,653	**28,819**
Total	**1,618,081**	1,271,265	1,749,386	**19,494,951**
Industrial Machinery and Others				
External customers	**227,438**	162,989	277,010	**2,740,217**
Intersegment	**10,916**	15,619	26,389	**131,518**
Total	**238,354**	178,608	303,399	**2,871,735**
Elimination	**(13,308)**	(18,309)	(31,042)	**(160,337)**
Consolidated	**¥ 1,843,127**	¥ 1,431,564	¥ 2,021,743	**$ 22,206,349**
Segment profit:				
Construction, Mining and Utility Equipment	**¥ 220,830**	¥ 83,061	¥ 180,455	**$ 2,660,603**
Industrial Machinery and Others	**20,965**	2,998	12,891	**252,590**
Total segment profit	**241,795**	86,059	193,346	**2,913,193**
Corporate expenses and elimination	**(6,823)**	(5,340)	(4,688)	**(82,205)**
Total	**234,972**	80,719	188,658	**2,830,988**
Impairment loss on long-lived assets	**5,142**	3,332	16,414	**61,952**
Impairment loss on goodwill			2,003	
Other operating income (expenses)	**(6,901)**	(10,352)	(18,293)	**(83,145)**
Operating income	**222,929**	67,035	151,948	**2,685,891**
Interest and dividend income	**4,493**	6,158	8,621	**54,133**
Interest expense	**(6,475)**	(8,502)	(14,576)	**(78,012)**
Other-net	**(1,138)**	288	(17,211)	**(13,711)**
Consolidated income before income taxes and equity in earnings of affiliated companies	**¥ 219,809**	¥ 64,979	¥ 128,782	**$ 2,648,301**

Segment assets:				
Construction, Mining and Utility Equipment	**¥ 1,859,004**	¥ 1,682,542	¥ 1,639,720	**$ 22,397,638**
Industrial Machinery and Others	**270,736**	207,551	254,200	**3,261,880**
Corporate assets and elimination	**19,397**	68,962	75,139	**233,699**
Consolidated	**¥ 2,149,137**	¥ 1,959,055	¥ 1,969,059	**$ 25,893,217**
Depreciation and amortization:				
Construction, Mining and Utility Equipment	**¥ 80,780**	¥ 82,508	¥ 87,260	**$ 973,253**
Industrial Machinery and Others	**7,662**	7,707	9,981	**92,313**
Consolidated	**¥ 88,442**	¥ 90,215	¥ 97,241	**$ 1,065,566**
Capital investment:				
Construction, Mining and Utility Equipment	**¥ 92,049**	¥ 92,979	¥ 152,803	**$ 1,109,024**
Industrial Machinery and Others	**5,689**	3,212	9,709	**68,542**
Consolidated	**¥ 97,738**	¥ 96,191	¥ 162,512	**$ 1,177,566**

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

a) Construction, Mining and Utility Equipment Excavating equipment, loading equipment, grading and roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, recycling equipment, industrial vehicles, other equipment, engines and components, casting products and logistics

b) Industrial Machinery and Others Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment and others

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

Segment assets are those assets used in the operations of each segment. Unallocated corporate assets consist primarily of cash and cash equivalents and marketable investment securities maintained for general corporate purposes.

Amortization for the years ended March 31, 2011, 2010 and 2009 does not include amortization of long-term prepaid expenses of ¥1,025 million ($12,349 thousand), ¥1,104 million and ¥1,113 million. The term Capital investment should be distinguished from the term Capital expenditures as used in the consolidated statements of cash flows. The term Capital investment is defined to refer to the acquisition of property, plant and equipment including properties under capital leases on an accrual basis which reflects the effects of timing differences between acquisition dates and payment dates.

Impairment loss on long-lived assets and goodwill recorded in each segment asset for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Impairment loss on long-lived assets				
Construction, Mining and Utility Equipment	¥ **4,969**	¥ 3,063	¥ 13,998	$ **59,868**
Industrial Machinery and Others	**173**	269	2,416	**2,084**
Total	¥ **5,142**	¥ 3,332	¥ 16,414	$ **61,952**
Impairment loss on goodwill				
Construction, Mining and Utility Equipment	¥	¥	¥ 2,003	$
Industrial Machinery and Others				
Total	¥	¥	¥ 2,003	$

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Geographic information:

Net sales to external customers recognized by sales destination for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Net sales to external customers:				
Japan	**¥ 349,184**	¥ 323,813	¥ 452,172	**$ 4,207,036**
The Americas	**397,427**	323,984	503,450	**4,788,277**
Europe and CIS	**165,418**	127,377	284,029	**1,992,988**
China	**428,208**	270,870	236,226	**5,159,133**
Asia (excluding Japan, China) and Oceania	**398,366**	299,864	335,574	**4,799,590**
Middle East and Africa	**104,524**	85,656	210,292	**1,259,325**
Consolidated net sales	**¥ 1,843,127**	¥ 1,431,564	¥ 2,021,743	**$ 22,206,349**

Net sales recognized by geographic origin and property, plant and equipment at March 31, 2011, 2010 and 2009, and for the years then ended are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Net sales to external customers:				
Japan	**¥ 641,502**	¥ 498,568	¥ 831,569	**$ 7,728,939**
U.S.A.	**391,380**	311,170	469,047	**4,715,422**
Europe and CIS	**175,217**	141,510	269,139	**2,111,048**
China	**332,581**	238,102	174,466	**4,007,000**
Others	**302,447**	242,214	277,522	**3,643,940**
Total	**¥ 1,843,127**	¥ 1,431,564	¥ 2,021,743	**$ 22,206,349**
Property, plant and equipment:				
Japan	**¥ 354,797**	¥ 380,592	¥ 400,554	**$ 4,274,663**
U.S.A.	**63,972**	62,637	68,170	**770,747**
Europe and CIS	**29,868**	35,811	28,207	**359,855**
Others	**59,750**	46,060	28,531	**719,879**
Total	**¥ 508,387**	¥ 525,100	¥ 525,462	**$ 6,125,144**

No individual country within Europe and CIS or Others had a material impact on net sales.

There were no sales to a single major external customer for the years ended March 31, 2011, 2010 and 2009.

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23. Supplementary Information to Balance Sheets

At March 31, 2011 and 2010, deferred income taxes and other current assets were comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Prepaid expenses	**¥ 4,318**	¥ 3,804	**$ 52,024**
Short-term loans receivable:			
Affiliated companies	**723**	2,222	**8,711**
Other	**1,427**	914	**17,193**
Total	**¥ 2,150**	¥ 3,136	**$ 25,904**
Deferred income taxes	**55,953**	43,390	**674,132**
Other	**90,360**	62,121	**1,088,675**
Total	**¥ 152,781**	¥ 112,451	**$ 1,840,735**

At March 31, 2011 and 2010, deferred income taxes and other current liabilities were comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Accrued expenses	**¥ 80,195**	¥ 82,449	**$ 966,205**
Deferred income taxes	**380**	128	**4,578**
Other	**118,693**	100,747	**1,430,036**
Total	**¥ 199,268**	¥ 183,324	**$ 2,400,819**

24. Supplementary Information to Statements of Income

The following information shows research and development expenses and advertising costs, for the years ended March 31, 2011, 2010 and 2009. Research and development expenses and advertising costs are charged to expense as incurred and are included in cost of sales and selling, general and administrative expenses in consolidated statements of income.

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Research and development expenses	¥ **49,005**	¥ 46,449	¥ 53,736	$ **590,422**
Advertising costs	**2,627**	2,417	4,678	**31,651**

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2011, 2010 and 2009, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Shipping and handling costs	¥ **37,706**	¥ 25,697	¥ 46,264	$ **454,289**

For the fiscal year ended March 31, 2011 and 2010, Komatsu recognized an impairment loss of ¥5,142 million ($61,952 thousand) and ¥3,332 million, related to property, plant and equipment and intangible assets subject to amortization at the Company and certain subsidiaries, as profitability of the assets of each subsidiary was expected to be low in the future and Komatsu estimated the carrying amounts would not be recovered by the future cash flows.

Other operating income (expenses), net for the years ended March 31, 2011, 2010 and 2009, were comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Gain on sale of property	¥ **2,432**	¥ 1,036	¥ 630	$ **29,301**
Loss on disposal or sale of fixed assets*	**(1,553)**	(2,907)	(5,922)	**(18,711)**
Other*	**(7,780)**	(8,481)	(13,001)	**(93,735)**
Total	¥ **(6,901)**	¥ (10,352)	¥ (18,293)	$ **(83,145)**

* For the fiscal year ended March 31, 2011, Loss on disposal or sale of fixed assets and Other included losses of ¥73 million ($880 thousand), ¥2,787 million ($33,578 thousand) respectively resulted from the Great East Japan Earthquake.

For the fiscal year ended March 31, 2011 and 2010, the Company and certain subsidiaries recognized expenses associated with structural reforms of production and sales operations. Out of the expenses, reorganization costs of ¥3,771 million ($45,434 thousand), ¥8,883 million respectively, such as wind down and relocation costs related to the integration of facilities were included in other, except the expenses included in impairment loss on long-lived assets of the consolidated statements of income.

Other income (expenses), net for the years ended March 31, 2011, 2010 and 2009, were comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Interest income-				

Installment receivables	**¥**	**503**	¥	1,206	¥	1,843	**$**	**6,060**
Other		**2,670**		3,785		5,242		**32,169**
Dividends		**1,320**		1,167		1,536		**15,904**
Interest expense		**(6,475)**		(8,502)		(14,576)		**(78,012)**
Net gain (loss) from sale of investment securities		**(54)**		679		(3,543)		**(651)**
Exchange gain (loss), net		**(4,193)**		1,066		(11,802)		**(50,518)**
Other		**3,109**		(1,457)		(1,866)		**37,458**
Total	**¥**	**(3,120)**	¥	(2,056)	¥	(23,166)	**$**	**(37,590)**

25. Valuation and Qualifying Accounts

Valuation and qualifying accounts deducted from assets to which they apply:

	Millions of yen			Thousands of U.S. dollars
Allowance for doubtful receivables	**2011**	2010	2009	**2011**
Balance at beginning of fiscal period	**¥ 14,941**	¥ 15,330	¥ 11,470	**$ 180,012**
Additions				
Charged to costs and expenses	**5,307**	7,457	7,091	**63,940**
Charged to other accounts	**1,068**	957	23	**12,867**
Deductions	**5,523**	8,803	3,254	**66,542**
Balance at end of fiscal period	**¥ 15,793**	¥ 14,941	¥ 15,330	**$ 190,277**

Deductions were principally collectible or uncollectible accounts and notes charged to the allowance.

	Millions of yen			Thousands of U.S. dollars
Valuation allowance for deferred tax assets	**2011**	2010	2009	**2011**
Balance at beginning of fiscal period	**¥ 49,081**	¥ 31,420	¥ 22,435	**$ 591,337**
Additions				
Charged to costs and expenses	**7,596**	21,784	19,784	**91,518**
Charged to other accounts		8	587	
Deductions	**19,987**	4,131	11,386	**240,807**
Balance at end of fiscal period	**¥ 36,690**	¥ 49,081	¥ 31,420	**$ 442,048**

Deductions were principally realization or expiration of net operating loss carryforwards.

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Exhibit (8)	Significant subsidiaries of Komatsu Ltd., including additional subsidiaries that management has deemed to be significant, as of March 31, 2011: Incorporated by reference to Organizational Structure in Item 4. Information on the Company	
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