

KOMATSU LTD
Form 6-K
August 12, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 under
the Securities Exchange Act of 1934
For the month of August, 2010
COMMISSION FILE NUMBER: 1-7239
KOMATSU LTD.**

Translation of registrant's name into English
3-6 Akasaka 2-chome, Minato-ku, Tokyo, Japan
Address of principal executive office

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____

INFORMATION TO BE INCLUDED IN REPORT

1. Quarterly Report for the First Quarter of the 142nd Fiscal Year filed on August 11, 2010

On August 11, 2010, the registrant filed its Quarterly Report (*Shihanki Houkokusho*) with the Director of the Kanto Local Finance Bureau of Japan pursuant to the Financial Instruments and Exchange Act of Japan. This Quarterly Report contains, among other information, Quarterly Consolidated Financial Statements for the three months period ended June 30, 2010.

Material information in the report, other than the Quarterly Consolidated Financial Statements, has already been reported by the registrant in its press release dated July 28, 2010, a copy of which was submitted under cover of Form 6-K on July 29, 2010 by the registrant.

Attached is an English translation of the registrant's Quarterly Consolidated Financial Statements for the three months ended June 30, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KOMATSU LTD.

(Registrant)

Date: August 12, 2010

By: /s/ Kenji Kinoshita
Kenji Kinoshita
Director and Senior Executive Officer

[Quarterly Consolidated Financial Statements]**Consolidated Balance Sheets (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

June 30, 2010 and March 31, 2010

	June 30, 2010		March 31, 2010	
	Millions of	Component	Millions of	Component
	yen	ratio (%)	yen	ratio (%)
Assets				
Current assets				
Cash and cash equivalents	¥ 84,329		¥ 82,429	
Time deposits	2,087		1,132	
Trade notes and accounts receivable, less allowance for doubtful receivables of ¥14,666 million at June 30, 2010 and ¥14,941 million at March 31, 2010	426,152		447,693	
Inventories (Note 3)	378,691		396,416	
Deferred income taxes and other current assets (Notes 8, 9 and 10)	122,549		112,451	
Total current assets	1,013,808	53.3	1,040,121	53.1
Long-term trade receivables	157,560	8.3	150,972	7.7
Investments				
Investments in and advances to affiliated companies	23,263		24,002	
Investment securities (Notes 4, 9 and 10)	54,482		60,467	
Other	2,121		2,399	
Total investments	79,866	4.2	86,868	4.4
Property, plant and equipment less accumulated depreciation of ¥620,892 million at June 30, 2010 and ¥631,973 million at March 31, 2010	504,058	26.5	525,100	26.8
Goodwill	28,697	1.5	29,570	15
Other intangible assets	59,851	3.1	61,729	32
Deferred income taxes and other assets (Notes 8, 9 and 10)	59,323	3.1	64,695	33
	¥ 1,903,163	100.0	¥ 1,959,055	100.0

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

	June 30, 2010		March 31, 2010	
	Millions of yen	Component ratio (%)	Millions of yen	Component ratio (%)
Liabilities and Equity				
Current liabilities				
Short-term debt	¥ 97,478		¥ 123,438	
Current maturities of long-term debt (Note 9)	111,160		105,956	
Trade notes, bills and accounts payable	229,918		207,024	
Income taxes payable	12,881		22,004	
Deferred income taxes and other current liabilities (Notes 8, 9 and 10)	166,062		183,324	
Total current liabilities	617,499	32.5	641,746	32.7
Long-term liabilities				
Long-term debt (Notes 9 and 10)	346,873		356,985	
Liability for pension and retirement benefits	42,260		46,354	
Deferred income taxes and other liabilities (Notes 8, 9 and 10)	35,764		37,171	
Total long-term liabilities	424,897	22.3	440,510	22.5
Total liabilities	1,042,396	54.8	1,082,256	55.2
Commitments and contingent liabilities (Note 7)				
Equity				
Komatsu Ltd. shareholders' equity				
Common stock:				
Authorized 3,955,000,000 shares at June 30, 2010 and at March 31, 2010				
Issued 998,744,060 shares at June 30, 2010 and at March 31, 2010				
	67,870		67,870	
Outstanding 967,746,557 shares at June 30, 2010 and 968,039,976 shares at March 31, 2010				
Capital surplus	140,421		140,421	
Retained earnings:				
Appropriated for legal reserve	32,726		31,983	
Unappropriated	746,295		724,090	
Accumulated other comprehensive income (loss) (Note 4)	(133,506)		(95,634)	
Treasury stock at cost, 30,997,503 shares at June 30, 2010 and 30,704,084 shares at March 31, 2010	(35,300)		(34,755)	

Total Komatsu Ltd. shareholders equity	818,506	43.0	833,975	42.6
Noncontrolling interests	42,261	2.2	42,824	2.2
Total equity	860,767	45.2	876,799	44.8
	¥ 1,903,163	100.0	¥ 1,959,055	100.0

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

Consolidated Statements of Income (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 2010 and 2009

	Three months ended June 30, 2010		Three months ended June 30, 2009	
	Millions of yen	Component ratio (%)	Millions of yen	Component ratio (%)
Net sales	¥ 447,140	100.0	¥ 320,428	100.0
Cost of sales	329,856	73.8	252,473	78.8
Selling, general and administrative expenses (Note 5)	62,947	14.1	59,486	18.6
Other operating income (expenses), net	(262)	(0.1)	(196)	(0.1)
Operating income	54,075	12.1	8,273	2.6
Other income (expenses), net	(3,971)		455	
Interest and dividend income	1,021	0.2	1,859	0.6
Interest expense	(1,669)	(0.4)	(2,731)	(0.9)
Other, net (Notes 4, 8 and 10)	(3,323)	(0.7)	1,327	0.4
Income before income taxes and equity in earnings of affiliated companies	50,104	11.2	8,728	2.7
Income taxes				
Current	9,158		7,716	
Deferred	8,308		(5,535)	
Total	17,466	3.9	2,181	0.7
Income before equity in earnings of affiliated companies	32,638	7.3	6,547	2.0
Equity in earnings of affiliated companies	641	0.1	(101)	(0.0)
Net income	33,279	7.4	6,446	2.0
Less net income attributable to noncontrolling interests	(2,582)	(0.6)	(1,683)	(0.5)
Net income attributable to Komatsu Ltd.	¥ 30,697	6.9	¥ 4,763	1.5

Yen

	Three months ended June 30, 2010	Three months ended June 30, 2009
Net income attributable to Komatsu Ltd. per share (Note 6)		
Basic	¥ 31.72	¥ 4.92
Diluted	31.70	4.92
Cash dividends per share (Note 12)	8.00	18.00

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

Consolidated Statements of Equity (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 2010

Millions of yen

	Retained earnings Accumulated				comprehensive income	treasury stock	Total Komatsu Ltd. sharehold equity	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Appropriated for legal reserve	other unappropriated					
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 12)				(7,749)			(7,749)	(102)	(7,851)
Transfer to retained earnings appropriated for legal reserve			743	(743)					
Other changes Comprehensive income(loss)									
Net income				30,697			30,697	2,582	33,279
Other comprehensive income(loss), for the period, net of tax									
Foreign currency translation adjustments					(35,245)		(35,245)	(2,983)	(38,228)
Net unrealized holding gains (losses) on securities available for sale (Note 8)					(3,350)		(3,350)		(3,350)
Pension liability adjustments					(215)		(215)		(215)
Net unrealized holding gains (losses) on derivative instruments					938		938	(60)	878

Comprehensive income (loss)							(7,175)	(461)	(7,636)
Purchase of treasury stock						(545)	(545)		(545)
Sales of treasury stock									
Balance at June 30, 2010	¥ 67,870	¥ 140,421	¥ 32,726	¥ 746,295	¥ (133,506)	¥ (35,300)	¥ 818,506	¥ 42,261	¥ 860,767

Three months ended June 30, 2009

Millions of yen

	Retained earnings		Accumulated		Treasury stock	Total Komatsu Ltd.			Total equity
	Common stock	Capital surplus	Appropriated for legal reserve	other comprehensive income		shareholders' equity	Noncontrolling interests		
Balance at March 31, 2009	¥ 67,870	¥ 140,092	¥ 28,472	¥ 719,222	¥ (34,971)	¥ 814,941	¥ 33,393	¥ 848,334	
Cash dividends				(17,431)		(17,431)	(300)	(17,731)	
Transfer to retained earnings									
appropriated for legal reserve			2,309	(2,309)					
Other changes Comprehensive income(loss)							1,753	1,753	
Net income				4,763		4,763	1,683	6,446	
Other comprehensive income(loss), for the period, net of tax									
Foreign currency translation adjustments						7,131	1,590	8,721	
Net unrealized holding gains (losses) on securities available for sale (Note 8)						3,477		3,477	
Pension liability adjustments						1,323		1,323	

Net unrealized holding gains (losses) on derivative instruments			28		28	254	282		
Comprehensive income(loss)					16,722	3,527	20,249		
Purchase of treasury stock				(7)	(7)		(7)		
Sales of treasury stock	(98)		206		108		108		
Balance at									
June 30, 2009	¥ 67,870	¥ 139,994	¥ 30,781	¥ 704,245	¥ (93,785)	¥ (34,772)	¥ 814,333	¥ 38,373	¥ 852,706

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

Consolidated Statements of Cash Flows (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 2010 and 2009

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Operating activities		
Net income	¥ 33,279	¥ 6,446
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,433	22,003
Deferred income taxes	8,308	(5,535)
Net loss (gain) from sale of investment securities and subsidiaries	33	65
Net loss (gain) on sale of property	(585)	(95)
Loss on disposal of fixed assets	457	396
Pension and retirement benefits, net	(3,074)	(1,290)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(15,202)	7,327
Decrease (increase) in inventories	(4,336)	32,124
Increase (decrease) in trade payables	32,280	(46,896)
Increase (decrease) in income taxes payable	(8,086)	(2,373)
Other, net	(9,261)	(11,265)
 Net cash provided by (used in) operating activities	 55,246	 907
Investing activities		
Capital expenditures	(18,829)	(24,927)
Proceeds from sale of property	2,043	5,342
Proceeds from sale of available for sale investment securities	2	73
Purchases of available for sale investment securities	(536)	(1,500)
Acquisition of subsidiaries and equity investees, net of cash acquired	762	1,153
Collection of loan receivables	305	353
Disbursement of loan receivables	(27)	(677)
Decrease (increase) in time deposits	(935)	(88)
 Net cash provided by (used in) investing activities	 (17,215)	 (20,271)
Financing activities		
Proceeds from long-term debt	17,893	55,954
Repayments on long-term debt	(5,367)	(7,207)
Increase (decrease) in short-term debt, net	(25,478)	(6,217)

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Repayments of capital lease obligations	(9,977)	(9,430)
Sale (purchase) of treasury stock, net	(6)	101
Dividends paid	(7,749)	(17,431)
Other, net	(133)	(1,117)
Net cash provided by (used in) financing activities	(30,817)	14,653
Effect of exchange rate change on cash and cash equivalents	(5,314)	310
Net increase (decrease) in cash and cash equivalents	1,900	(4,401)
Cash and cash equivalents, beginning of year	82,429	90,563
Cash and cash equivalents, end of period	¥ 84,329	¥ 86,162

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

Notes to Quarterly Consolidated Financial Statements (Unaudited)

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

Basis of Quarterly Financial Statement Presentation

Komatsu Ltd. (Company) and consolidated subsidiaries (together Komatsu) prepare and present the accompanying quarterly consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Summary of Significant Accounting Policies

There is no material change for Summary of Significant Accounting Policies stated in annual report for the year ended March 31, 2010.

2. Supplemental Cash Flow Information

Additional cash flow information and noncash investing and financing activities for the three months ended June 30, 2010 and 2009 are as follows:

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Additional cash flow information:		
Interest paid	¥ 1,628	¥ 2,752
Income taxes paid	20,301	10,694
Noncash investing and financing activities:		
Capital lease obligations incurred	¥ 1,177	¥ 4,273

3. Inventories

At June 30, 2010 and at March 31, 2010, inventories comprised the following:

	Millions of yen	
	June 30, 2010	March 31, 2010
Finished products, including finished parts held for sale	¥ 234,524	¥ 254,157
Work in process	108,307	102,096
Materials and supplies	35,860	40,163
Total	¥ 378,691	¥ 396,416

4. Investment Securities

Investment securities at June 30, 2010 and at March 31, 2010 primarily consisted of securities available for sale. The cost, gross unrealized holding gains and losses, and fair value for such investment securities by major security types at June 30, 2010 and at March 31, 2010 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding		Fair value
		Gains	Losses	
June 30, 2010				
Investment securities:				
Marketable equity securities available for sale	¥ 24,969	¥ 16,775	¥ 164	¥ 41,580
Other investment securities at cost	12,902			
	¥ 37,871			

	Millions of yen			
	Cost	Gross unrealized holding		Fair value
		Gains	Losses	
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			

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.

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

Proceeds from the sales of investment securities available for sale were ¥2 million and ¥73 million for the three months ended June 30, 2010 and 2009, respectively.

Impairment losses and net realized gains or losses from sale of investment securities available for sale during the three months ended June 30, 2010 and 2009 amounted to losses of ¥33 million and losses of ¥65 million, respectively. Such gains and losses were included in other income (expenses), net in the accompanying consolidated statements of income.

The cost of the investment securities sold was computed based on the average-cost method.

5. Stock Option Plan

The Company intends to transfer treasury shares to directors and certain employees and certain directors of subsidiaries and affiliated companies under an agreement granting the right for them to request such transfers at a predetermined price.

Komatsu recognizes compensation expense using the fair value method. For the three months ended June 30, 2010 and 2009, no compensation expense was recorded as no right was granted.

6. 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	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Net income attributable to Komatsu Ltd.	¥ 30,697	¥ 4,763
	Number of shares	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Weighted average common shares outstanding, less treasury stock	967,834,078	967,910,177
Dilutive effect of:		
Stock options	462,103	343,666
Weighted average diluted common shares outstanding	968,296,181	968,253,843
	Yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Net income attributable to Komatsu Ltd.:		
Basic	¥ 31.72	¥ 4.92
Diluted	¥ 31.70	¥ 4.92

7. Contingent Liabilities

At June 30, 2010 and at March 31, 2010, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥4,642 million and ¥9,850 million, respectively.

Komatsu provides guarantees to third parties of loans of the employees, affiliated companies 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 and other companies are made to enhance the credit of those companies.

For each guarantee provided, Komatsu would have to perform under a guarantee, if the borrower defaults on a payment within the contract terms. The contract terms are from 10 years to 30 years in the case of employees with housing loans, and from 1 year to 10 years in the case of loans relating to the affiliated companies and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default was ¥93,949 million and ¥88,379 million at June 30, 2010 and at March 31, 2010, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at June 30, 2010 was insignificant. Certain of those guarantees were secured by collateral and insurance issued to Komatsu.

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

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 and its trade receivables from such parties are well diversified to minimize concentrations of credit risks. Management does not anticipate incurring losses on its trade receivables in excess of established allowances.

8. Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at June 30, 2010 and at March 31, 2010 are as follows:

	Millions of yen	
	June 30, 2010	March 31, 2010
Forwards and options:		
Sale of foreign currencies	¥ 73,504	¥ 40,209
Purchase of foreign currencies	45,573	48,809
Option contracts (purchased)	301	949
Interest rate swaps, cross-currency swaps and interest rate cap agreements	181,532	184,487

Fair values of derivative instruments at June 30, 2010 and at March 31, 2010 on the consolidated balance sheets are as follows:

	Millions of yen			
	June 30, 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	¥ 2,395	Deferred income taxes and other current liabilities	¥ 2
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	84	Deferred income taxes and other current liabilities	771
	Deferred income taxes and other assets		Deferred income taxes and other liabilities	
Total		¥ 2,479		¥ 773
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	¥ 939	Deferred income taxes and other current liabilities	¥ 491
Option contracts	Deferred income taxes and other current assets	6	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	3,325	Deferred income taxes and other current liabilities	746
	Deferred income taxes and other assets	9,632	Deferred income taxes and other liabilities	950
Total		¥ 13,902		¥ 2,187
Total Derivative Instruments		¥ 16,381		¥ 2,960

Millions of yen
March 31, 2010

Derivative instruments designated as hedging instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	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

Undesignated derivative instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	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

The effects of derivative instruments on the consolidated statements of income for the three months ended June 30, 2010 and 2009 are as follows:

Derivative instruments designated as fair value hedging relationships

Millions of yen
**Three months ended
 June 30, 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

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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
**Three months ended
June 30, 2009**

	Location of gains (losses) recognized in income	Amount of gains (losses) recognized in income	Location of gains (losses) recognized in income	Amount of gains (losses) recognized in income on hedged items
	on derivatives	on derivatives	on hedged items	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Other income (expenses), net: Other, net	¥ 1,281	Other income (expenses), net: Other, net	¥ (1,398)
Total		¥ 1,281		¥ (1,398)

Derivative instruments designated as cash flow hedging relationships

		Millions of yen Three months ended June 30, 2010			Ineffective portion and amount excluded from effectiveness testing	
		Effective portion				
	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	¥ 3,334	Other income (expenses), net: Other, net	¥ 1,606		¥	
Interest rate swaps, cross-currency swaps and interest rate cap agreements	(127)					
Total	¥ 3,207		¥ 1,606		¥	

		Millions of yen Three months ended June 30, 2009			Ineffective portion and amount excluded from effectiveness testing	
		Effective portion				
	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	¥ (734)	Other income (expenses), net: Other, net	¥ (74)		¥	
	(18)					

Interest rate swaps,
cross-currency swaps and
interest rate cap
agreements

Total	¥	(752)	¥	(74)	¥
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* OCI stands for
other
comprehensive
income (loss).

Derivative instruments not designated as hedging instruments relationships

	Millions of yen Three months ended June 30, 2010	
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net ¥	1,963
Option contracts	Other income (expenses), net: Other, net	(9)
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Cost of sales	(149)
	Other income (expenses), net: Other, net	3,251
Total	¥	5,056

	Millions of yen Three months ended June 30, 2009	
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives
Forwards contracts	Other income (expenses), net: Other, net ¥	(117)
Option contracts	Other income (expenses), net: Other, net	4
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Cost of sales	(82)
	Other income (expenses), net: Other, net	(937)
Total	¥	(1,132)

9. The Fair Value 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.

(4) Long-Term Debt, Including Current Portion

The fair values of each of the long-term debts 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

The fair values of derivative financial instruments, consisting principally of foreign exchange contracts and interest swaps 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, at June 30, 2010 and at March 31, 2010, are summarized as follows:

	Millions of yen			
	June 30, 2010		March 31, 2010	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Investment securities, marketable equity securities	¥ 41,580	¥ 41,580	¥ 47,178	¥ 47,178
Long-term debt, including current portion	458,033	456,313	462,941	460,916
Derivatives:				
Forwards and options				
Assets	3,340	3,340	181	181
Liabilities	493	493	2,078	2,078
Interest rate swaps, cross-currency swaps and interest rate cap agreements				
Assets	13,041	13,041	9,172	9,172
Liabilities	2,467	2,467	2,550	2,550

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.

10. Fair value measurements

Financial Accounting Standards Board Accounting Standard Codification (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 June 30, 2010 and at March 31, 2010 are as follows:

June 30, 2010	Millions of yen			Total
	Level 1	Level 2	Level 3	
Assets				
Investment securities available for sale				
Manufacturing industry	¥ 23,319	¥	¥	¥ 23,319
Financial service industry	16,329			16,329
Other	1,932			1,932
Derivatives				
Forward contracts		3,334		3,334
Option contracts		6		6
Interest rate swaps, cross-currency swaps and interest rate cap agreements		13,041		13,041
Other				
Total	¥ 41,580	¥ 16,381	¥	¥ 57,961
Liabilities				
Derivatives				
Forward contracts	¥	¥ 493	¥	¥ 493
Interest rate swaps, cross-currency swaps and interest rate cap agreements		2,467		2,467
Other		22,781	1,492	24,273
Total	¥	¥ 25,741	¥ 1,492	¥ 27,233
March 31, 2010				
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 swaps and interest rate cap agreements		9,172		9,172
Other				
Total	¥ 47,178	¥ 9,353	¥	¥ 56,531
Liabilities				
Derivatives				
Forward contracts	¥	¥ 2,078	¥	¥ 2,078
		2,550		2,550

Interest rate swaps, cross-currency swaps and
interest rate cap agreements

Other			22,839		2,280		25,119
Total	¥	¥	27,467	¥	2,280	¥	29,747

Investment securities available for sale

Marketable equity securities are classified in 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

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.

Other

Other primarily represents loans which are measured at fair value and the retained interests in securitizations of accounts receivables. 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 fair value of retained interest in securitizations of accounts receivables is based on a valuation model using the present value of expected future cash flows using discount, prepayment and loss rates based on current market conditions and the historical performance of comparable receivables and is classified in Level 3 in the fair value hierarchy.

The following table summarizes information about changes of Level 3 for the three months ended June 30, 2010 and 2009.

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Balance, beginning of year	¥ (2,280)	¥ 919
Total gains or losses (realized / unrealized)	302	592
Included in earnings	210	606
Included in other comprehensive income (loss)	92	(14)
Purchases, issuances and settlements	486	(1,493)
Balance, end of period	¥ (1,492)	¥ 18

The amounts of unrealized gains on classified in Level 3 assets and liabilities recognized in earnings for the three months ended June 30, 2010 and 2009 related to assets and liabilities still held at June 30, 2010 and 2009 were gains of ¥210 million and ¥606 million, respectively. These gains were reported in other income (expenses), net of the consolidated statements of income.

Assets and liabilities that are measured at fair value on a non-recurring basis

During three months ended June 30, 2010, assets and liabilities that were measured at fair value on a non-recurring basis were not material.

During three months ended June 30, 2009, there were no assets and liabilities that were measured at fair value on a non-recurring basis.

11. Committed Credit Lines

Certain consolidated subsidiaries maintain committed credit line agreements totaling ¥45,298 million and ¥50,082 million, respectively, at June 30, 2010 and at March 31, 2010 with financial institutions to secure liquidity. At June 30, 2010 and at March 31, 2010, ¥22,000 million and ¥23,741 million, respectively, were available to be used under such credit line agreements.

12. Dividends

Payment amount of dividends

Resolution	Type of stock	Aggregate amount of dividends (Millions of yen)
Ordinary general meeting of shareholders held on June 23, 2010	Common stock	7,748

Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Retained earnings	8	March 31, 2010	June 24, 2010

Note: Amounts are rounded down to nearest million yen.

13. Business Segment Information

Komatsu has two operating segments: 1) Construction, Mining and Utility Equipment 2) Industrial Machinery and Others.

Segment profit is determined by Management in a manner that is consistent with Japanese accounting principles 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 non-recurring charges which may otherwise relate to operating segments, including impairments of long lived assets and goodwill.

Operating segments:

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Net sales:		
Construction, Mining and Utility Equipment		
Customers	¥ 405,206	¥ 284,695
Intersegment	438	786
Total	405,644	285,481
Industrial Machinery and Others		
Customers	41,934	35,733
Intersegment	2,303	4,043
Total	44,237	39,776
Elimination	(2,741)	(4,829)
Consolidated	¥ 447,140	¥ 320,428
Segment profit:		
Construction, Mining and Utility Equipment	¥ 54,265	¥ 7,437
Industrial Machinery and Others	2,035	2,877
Total	56,300	10,314
Corporate expenses and elimination	(1,963)	(1,845)
Consolidated segment profit	54,337	8,469
Other operating income (expenses), net	(262)	(196)
Operating income	54,075	8,273
Interest and dividend income	1,021	1,859
Interest expense	(1,669)	(2,731)
Other, net	(3,323)	1,327

Consolidated income before income taxes and equity in earnings of affiliated companies	¥	50,104	¥	8,728
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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.

Geographic information:

Net sales to customers recognized by sales destination for the three months ended June 30, 2010 and 2009 are as follows:

	Millions of Yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Net sales to customers:		
Japan	¥ 71,425	¥ 68,759
The Americas	101,576	80,377
Europe and CIS	39,752	36,064
China	114,892	59,414
Asia* and Oceania	98,019	57,651
Middle East and Africa	21,476	18,163
Consolidated net sales	¥ 447,140	¥ 320,428

* Excluding Japan and China

Net sales to customers recognized by geographic origin for the three months ended June 30, 2010 and 2009 are as follows:

	Millions of yen	
	Three months ended June 30, 2010	Three months ended June 30, 2009
Net sales to customers:		
Japan	¥ 133,798	¥ 110,428
U.S.A.	100,924	74,985
Europe and CIS	42,949	34,082
China	96,040	50,966

Others	73,429	49,967
Consolidated net sales	¥ 447,140	¥ 320,428

From the current fiscal year, Komatsu divided net sales to customers in China from net sales to customers in Others. Net sales to customers recognized by geographic origin for the three months ended June 30, 2009 have been reclassified according to the presentation for the three months ended June 30, 2010.

No individual country within Europe and CIS or Others had a material impact on net sales.

No single major external customer had a material impact on net sales.

14. Subsequent Event

There was no significant subsequent event to be disclosed.