

KOMATSU LTD  
Form 6-K  
August 10, 2012

**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, 2012**

**COMMISSION FILE NUMBER: 1-7239**

**KOMATSU LTD.**

**(Translation of registrant's name into English)**

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

**(Address of principal executive office)**

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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):

INFORMATION INCLUDED IN THIS REPORT

1. Quarterly Report for the First Quarter of the 144<sup>th</sup> Fiscal Year filed on August 9, 2012

On August 9, 2012, 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 month period ended June 30, 2012.

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 31, 2012, a copy of which was submitted under cover of Form 6-K on August 2, 2012 by the registrant.

Attached is an English translation of the registrant's Quarterly Consolidated Financial Statements for the three month ended June 30, 2012.

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.

Date: August 10, 2012

By:

KOMATSU LTD.  
(Registrant)

/S/ Mikio Fujitsuka  
Mikio Fujitsuka  
Director and Senior Executive Officer

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

Komatsu Ltd. and Consolidated Subsidiaries

June 30, 2012 and March 31, 2012

	June 30, 2012		March 31, 2012	
	Millions of yen	Component ratio (%)	Millions of yen	Component ratio (%)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	¥ 89,776		¥ 83,079	
Time deposits	344		907	
Trade notes and accounts receivable (Note 3)	478,892		559,749	
Inventories (Note 4)	615,400		612,359	
Deferred income taxes and other current assets (Notes 7, 10, 11 and 12)	146,298		144,278	
<b>Total current assets</b>	<b>1,330,710</b>	<b>59.3</b>	<b>1,400,372</b>	<b>60.3</b>
<b>Long-term trade receivables (Note 3)</b>	<b>193,243</b>	<b>8.6</b>	<b>184,294</b>	<b>8.0</b>
<b>Investments</b>				
Investments in and advances to affiliated companies	19,778		20,565	
Investment securities (Notes 5, 11 and 12)	46,359		54,192	
Other	2,300		2,582	
<b>Total investments</b>	<b>68,437</b>	<b>3.0</b>	<b>77,339</b>	<b>3.3</b>
<b>Property, plant and equipment less accumulated depreciation and amortization of ¥652,259 million at June 30, 2012 and ¥656,248 million at March 31, 2012</b>	<b>521,955</b>	<b>23.3</b>	<b>529,656</b>	<b>22.8</b>
<b>Goodwill</b>	<b>30,569</b>	<b>1.4</b>	<b>31,229</b>	<b>1.4</b>
<b>Other intangible assets less accumulated amortization</b>	<b>55,619</b>	<b>2.5</b>	<b>57,953</b>	<b>2.5</b>
<b>Deferred income taxes and other assets (Notes 7, 10, 11 and 12)</b>	<b>43,760</b>	<b>1.9</b>	<b>39,686</b>	<b>1.7</b>
	<b>¥ 2,244,293</b>	<b>100.0</b>	<b>¥ 2,320,529</b>	<b>100.0</b>

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

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	June 30, 2012		March 31, 2012	
	Millions of yen	Component ratio (%)	Millions of yen	Component ratio (%)
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Short-term debt	¥ 227,659		¥ 215,824	
Current maturities of long-term debt (Notes 11 and 12)	132,752		119,457	
Trade notes, bills and accounts payable	249,873		273,460	
Income taxes payable	16,418		23,195	
Deferred income taxes and other current liabilities (Notes 7, 10, 11 and 12)	208,157		231,774	
<b>Total current liabilities</b>	<b>834,859</b>	<b>37.2</b>	<b>863,710</b>	<b>37.2</b>
<b>Long-term liabilities</b>				
Long-term debt (Notes 11 and 12)	295,521		312,519	
Liability for pension and retirement benefits	49,943		50,685	
Deferred income taxes and other liabilities (Notes 7, 10, 11 and 12)	38,179		36,158	
<b>Total long-term liabilities</b>	<b>383,643</b>	<b>17.1</b>	<b>399,362</b>	<b>17.2</b>
<b>Total liabilities</b>	<b>1,218,502</b>	<b>54.3</b>	<b>1,263,072</b>	<b>54.4</b>
<b>Commitments and contingent liabilities (Note 9)</b>				
<b>Equity</b>				
<b>Komatsu Ltd. shareholders equity</b>				
Common stock:				
Authorized 3,955,000,000 shares at June 30, 2012 and at March 31, 2012				
Issued 983,130,260 shares at June 30, 2012 and at March 31, 2012	67,870		67,870	
Outstanding 952,333,808 shares at June 30, 2012 and 952,261,022 shares at March 31, 2012				
Capital surplus	138,384		138,384	
Retained earnings:				
Appropriated for legal reserve	38,250		37,954	
Unappropriated	963,160		951,395	
Accumulated other comprehensive income (loss) (Notes 5, 10 and 12)	(180,924)		(142,389)	
Treasury stock at cost, 30,796,452 shares at June 30, 2012 and 30,869,238 shares at March 31, 2012	(43,416)		(43,518)	
<b>Total Komatsu Ltd. shareholders equity</b>	<b>983,324</b>	<b>43.8</b>	<b>1,009,696</b>	<b>43.5</b>
<b>Noncontrolling interests</b>	<b>42,467</b>	<b>1.9</b>	<b>47,761</b>	<b>2.1</b>
<b>Total equity</b>	<b>1,025,791</b>	<b>45.7</b>	<b>1,057,457</b>	<b>45.6</b>
	<b>¥ 2,244,293</b>	<b>100.0</b>	<b>¥ 2,320,529</b>	<b>100.0</b>

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

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

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 2012 and 2011

**Consolidated Statements of Income**

	Three months ended June 30, 2012		Three months ended June 30, 2011	
	Millions of yen	Component ratio (%)	Millions of yen	Component ratio (%)
Net sales	¥ 469,948	100.0	¥ 494,177	100.0
Cost of sales (Note 10)	343,155	73.0	356,637	72.2
Selling, general and administrative expenses (Note 6)	71,529	15.2	69,428	14.0
Other operating income, net	454	0.1	257	0.1
<b>Operating income</b>	<b>55,718</b>	<b>11.9</b>	<b>68,369</b>	<b>13.8</b>
<b>Other income (expenses), net</b>	<b>(4,476)</b>		<b>72</b>	
Interest and dividend income	1,316	0.3	1,295	0.3
Interest expense	(2,123)	(0.5)	(1,888)	(0.4)
Other, net (Notes 5, 10 and 12)	(3,669)	(0.8)	665	0.1
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>51,242</b>	<b>10.9</b>	<b>68,441</b>	<b>13.8</b>
<b>Income taxes (Note 7)</b>				
Current	14,604		16,741	
Deferred	2,540		(5,605)	
Total	17,144	3.6	11,136	2.3
<b>Income before equity in earnings of affiliated companies</b>	<b>34,098</b>	<b>7.3</b>	<b>57,305</b>	<b>11.6</b>
<b>Equity in earnings of affiliated companies</b>	<b>230</b>	<b>0.0</b>	<b>581</b>	<b>0.1</b>
<b>Net income</b>	<b>34,328</b>	<b>7.3</b>	<b>57,886</b>	<b>11.7</b>
<b>Less net income attributable to noncontrolling interests</b>	<b>(2,204)</b>	<b>(0.5)</b>	<b>(2,180)</b>	<b>(0.4)</b>
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 32,124</b>	<b>6.8</b>	<b>¥ 55,706</b>	<b>11.3</b>

	Yen	
	Three months ended June 30, 2012	Three months ended June 30, 2011
<b>Net income attributable to Komatsu Ltd. per share (Note 8)</b>		
Basic	¥ 33.73	¥ 57.55
Diluted	33.71	57.50
<b>Cash dividends per share (Note 14)</b>	<b>21.00</b>	<b>20.00</b>

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





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**Consolidated Statements of Comprehensive Income**

	<b>Three months ended June 30, 2012 Millions of yen</b>	<b>Three months ended June 30, 2011 Millions of yen</b>
<b>Net income</b>	¥ 34,328	¥ 57,886
<b>Other comprehensive income (loss), for the period, net of tax (Notes 5, 10 and 12)</b>		
Foreign currency translation adjustments	(38,800)	(10,662)
Net unrealized holding gains (losses) on securities available for sale	(4,432)	(2,243)
Pension liability adjustments	564	(196)
Net unrealized holding gains (losses) on delivative instruments	1,361	520
<b>Total</b>	<b>(41,307)</b>	<b>(12,581)</b>
<b>Comprehensive income (loss)</b>	<b>(6,979)</b>	<b>45,305</b>
<b>Comprehensive income (loss) attributable to noncontrolling interests</b>	<b>(568)</b>	<b>1,743</b>
<b>Comprehensive income (loss) attributable to Komatsu Ltd.</b>	<b>¥ (6,411)</b>	<b>¥ 43,562</b>

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

**Consolidated Statements of Equity (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 2012

Millions of yen

	Common stock	Capital surplus	Retained earnings Appropriated for legal		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu		
			reserve	Unappropriated			Ltd. shareholders equity	Noncontrolling interests	Total equity
Balance at March 31, 2012	¥ 67,870	¥ 138,384	¥ 37,954	¥ 951,395	¥ (142,389)	¥ (43,518)	¥ 1,009,696	¥ 47,761	¥ 1,057,457
Cash dividends (Note 14)				(20,009)			(20,009)	(4,760)	(24,769)
Transfer to retained earnings appropriated for legal reserve			296	(296)					
Other changes								34	34
Comprehensive income(loss)									
Net income				32,124			32,124	2,204	34,328
Other comprehensive income(loss), for the period, net of tax									
Foreign currency translation adjustments					(36,162)		(36,162)	(2,638)	(38,800)
Net unrealized holding gains (losses) on securities available for sale					(4,432)		(4,432)		(4,432)
Pension liability adjustments					559		559	5	564
Net unrealized holding gains (losses) on derivative instruments (Note 10)					1,500		1,500	(139)	1,361
Comprehensive income (loss)							(6,411)	(568)	(6,979)
Issuance and exercise of stock acquisition rights (Note 6)									
Purchase of treasury stock						(5)	(5)		(5)
Sales of treasury stock					(54)	107	53		53
Balance at June 30, 2012	¥ 67,870	¥ 138,384	¥ 38,250	¥ 963,160	¥ (180,924)	¥ (43,416)	¥ 983,324	¥ 42,467	¥ 1,025,791

Three months ended June 30, 2011

Millions of yen

	Common stock	Capital surplus	Retained earnings Appropriated for legal		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu		
			reserve	Unappropriated			Ltd. shareholders equity	Noncontrolling interests	Total equity
Balance at March 31, 2011	¥ 67,870	¥ 140,523	¥ 34,494	¥ 847,153	¥ (131,059)	¥ (35,138)	¥ 923,843	¥ 48,837	¥ 972,680
Cash dividends (Note 14)				(19,369)			(19,369)	(6,063)	(25,432)
Transfer to retained earnings appropriated for legal reserve			2,653	(2,653)					
Other changes								(3,881)	(3,881)
Comprehensive income(loss)									

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Net income				55,706				55,706	2,180	57,886
Other comprehensive income(loss), for the period, net of tax										
Foreign currency translation adjustments				(10,241)				(10,241)	(421)	(10,662)
Net unrealized holding gains (losses) on securities available for sale				(2,243)				(2,243)		(2,243)
Pension liability adjustments				(196)				(196)		(196)
Net unrealized holding gains (losses) on derivative instruments (Note 10)				536				536	(16)	520
Comprehensive income(loss)								<b>43,562</b>	<b>1,743</b>	<b>45,305</b>
Issuance and exercise of stock acquisition rights (Note 6)				(61)				(61)		(61)
Purchase of treasury stock								(216)		(216)
Sales of treasury stock				120				178	298	298
Balance at June 30, 2011	¥ 67,870	¥ 140,582	¥ 37,147	¥ 880,837	¥ (143,203)	¥ (35,176)	¥ 948,057	¥ 40,636	¥ 988,693	

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

**Consolidated Statements of Cash Flows (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 2012 and 2011

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2011
<b>Operating activities</b>		
Net income	¥ 34,328	¥ 57,886
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,138	20,356
Deferred income taxes	2,540	(5,605)
Net loss (gain) from sale of investment securities and subsidiaries	70	(130)
Net loss (gain) on sale of property	(132)	(236)
Loss on disposal of fixed assets	272	388
Pension and retirement benefits, net	359	(838)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	47,612	5,160
Decrease (increase) in inventories	(33,942)	(57,626)
Increase (decrease) in trade payables	(20,090)	(14,083)
Increase (decrease) in income taxes payable	(5,868)	(18,466)
Other, net	(6,268)	7,249
Net cash provided by (used in) operating activities	40,019	(5,945)
<b>Investing activities</b>		
Capital expenditures	(32,382)	(24,067)
Proceeds from sale of property	2,304	2,991
Proceeds from sale of available for sale investment securities	418	410
Purchases of available for sale investment securities	(1)	(333)
Acquisition of subsidiaries and equity investees, net of cash acquired	283	(5,107)
Collection of loan receivables	591	213
Disbursement of loan receivables	(206)	(61)
Decrease (increase) in time deposits, net	614	(504)
Net cash provided by (used in) investing activities	(28,379)	(26,458)
<b>Financing activities</b>		
Proceeds from long-term debt	37,480	61,355
Repayments on long-term debt	(32,932)	(7,740)
Increase (decrease) in short-term debt, net	19,320	20,806
Repayments of capital lease obligations	(2,380)	(17,524)
Sale (purchase) of treasury stock, net	50	23
Dividends paid	(20,009)	(19,369)
Other, net	(3,244)	(4,925)
Net cash provided by (used in) financing activities	(1,715)	32,626
<b>Effect of exchange rate change on cash and cash equivalents</b>	(3,228)	(1,398)
<b>Net increase (decrease) in cash and cash equivalents</b>	6,697	(1,175)
<b>Cash and cash equivalents, beginning of year</b>	83,079	84,224

<b>Cash and cash equivalents, end of period</b>	¥ 89,776	¥	83,049
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The accompanying Notes are an integral part of these Quarterly Consolidated Financial Statements.

**Komatsu Ltd. and Consolidated Subsidiaries**

**Three months ended June 30, 2012 and 2011**

**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.

**Summary of Significant Accounting Policies**

The Company adopted the Accounting Standards Update (ASU) 2011-05, Presentation of Comprehensive Income, starting in the first quarter period of FY2012, ending March 31, 2013. The Update requires an entity to report comprehensive income either in a single continuous financial statement (one-statement approach) or in two separate but consecutive statements (two-statement approach). Concerning ASU2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income in ASU 2011-05, however, the effective date for amendments to the presentation of reclassification of items out of other comprehensive income has been deferred. ASU2011-05 being a disclosure regulation, such adoption did not have any impact on the Company s financial position and results of operations.

Excluding the above, there is no material change for Summary of Significant Accounting Policies stated in annual report for the year ended March 31, 2012.

**2. Supplemental Cash Flow Information**

Additional cash flow information and noncash investing and financing activities for the three months ended June 30, 2012 and 2011 are as follows:

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2011
<b>Additional cash flow information:</b>		
Interest paid	¥ 2,507	¥ 1,848
Income taxes paid	22,301	35,358
<b>Noncash investing and financing activities:</b>		
Capital lease obligations incurred	¥ 976	¥ 241

**3. Allowance for Doubtful Receivables**

At June 30, 2012 and at March 31, 2012, allowances for doubtful receivables deducted from Trade notes and accounts receivable and Long-term trade receivables are ¥14,026 million and ¥15,243 million, respectively.



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**4. Inventories**

At June 30, 2012 and at March 31, 2012, inventories comprised the following:

	Millions of yen	
	June 30, 2012	March 31, 2012
Finished products, including finished parts held for sale	¥ 421,560	¥ 422,001
Work in process	150,279	141,302
Materials and supplies	43,561	49,056
Total	¥ 615,400	¥ 612,359

**5. Investment Securities**

Investment securities at June 30, 2012 and at March 31, 2012 primarily consisted of securities available for sale.

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 June 30, 2012 and at March 31, 2012 are as follows:

	Cost	Millions of yen Gross unrealized holding		Fair value
		Gains	Losses	
<b>At June 30, 2012</b>				
Investment securities:				
Marketable equity securities available for sale	¥ 19,891	¥ 19,206	¥ 222	¥ 38,875
Other investment securities at cost	7,484			
	¥ 27,375			
<b>At March 31, 2012</b>				
Investment securities:				
Marketable equity securities available for sale	¥ 19,890	¥ 26,072	¥ 29	¥ 45,933
Other investment securities at cost	8,259			
	¥ 28,149			

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 sales of investment securities available for sale were ¥418 million and ¥410 million for the three months ended June 30, 2012 and 2011, respectively.

Impairment losses and net realized gains or losses from sale of investment securities available for sale during the three months ended June 30, 2012 and 2011 amounted to losses of ¥70 million and gains of ¥130 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.

Gross unrealized holding losses and the fair value of available-for-sale securities, aggregated by length of time that individual securities have been in a continuous unrealized loss position at June 30,2012 and March 31, 2012 are as follows:

	Less than 12 months		Millions of yen 12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
<b>At June 30, 2012</b>						
Investment securities:						
Marketable equity securities available for sale	¥ 988	¥ 222	¥	¥	¥ 988	¥ 222
<b>At March 31, 2012</b>						
Investment securities:						
Marketable equity securities available for sale	¥ 272	¥ 29	¥	¥	¥ 272	¥ 29

Komatsu judged the decline in fair value of investment securities to be temporary at June 30, 2012 and at March 31,2012, with considering such factors as financial and operating conditions of issuer, the industry in which the issuer operates and other relevant factors.

**6. Share-Based Compensation**

The Company intends to transfer the Company's shares to directors and certain employees and certain directors of subsidiaries 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, 2012 and 2011, no compensation expense was recorded as no right was granted.

**7. Income Taxes**

The effective tax rates for the three months ended June 30, 2012 and 2011 were 33.5% and 16.3%. At the three months ended June 30, 2011, the differences between the effective tax rate and the Japanese statutory tax rate 40.8% include a decrease of the valuation allowance of ¥12,686 million (18.5% on income before income taxes and equity in earnings of affiliated companies) by a change in assessment about the likelihood of recovery of a deferred tax asset related to the decision of the merger between Komatsu Rental Ltd. and the Company during the three months ended June 30, 2011.

**8. 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, 2012	Three months ended June 30, 2011
Net income attributable to Komatsu Ltd.	¥ 32,124	¥ 55,706

	Number of shares	
	Three months ended June 30, 2012	Three months ended June 30, 2011
Weighted average common shares outstanding, less treasury stock	952,310,027	967,942,471
Dilutive effect of:		
Stock options	757,193	877,259
Weighted average diluted common shares outstanding	953,067,220	968,819,730

	Yen	
	Three months ended June 30, 2012	Three months ended June 30, 2011
Net income attributable to Komatsu Ltd. per share:		
Basic	¥ 33.73	¥ 57.55
Diluted	¥ 33.71	¥ 57.50

## 9. Contingent Liabilities

At June 30, 2012 and at March 31, 2012, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥719 million and ¥1,875 million, respectively.

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 10 years to 30 years in the case of employees with housing loans, and from 1 year to 11 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 was ¥83,470 million and ¥92,955 million at June 30, 2012 and at March 31, 2012, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at June 30, 2012 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.

**10. Derivative Financial Instruments**

Notional principal amounts of derivative financial instruments outstanding at June 30, 2012 and at March 31, 2012 are as follows:

	Millions of yen	
	June 30, 2012	March 31, 2012
Forwards and options:		
Sale of foreign currencies	¥ 149,222	¥ 129,282
Purchase of foreign currencies	64,036	78,859
Option contracts (purchased)	238	247
Interest rate swaps, cross-currency swaps and interest rate cap agreements	78,996	83,014

Fair values of derivative instruments at June 30, 2012 and at March 31, 2012 on the consolidated balance sheets are as follows (Notes 11 and 12):

	Millions of yen			
	Derivative Assets		Derivative Liabilities	
	Location on the consolidated	Estimated	Location on the consolidated	Estimated
<b>Derivative instruments designated as hedging instruments</b>	Balance Sheets	fair value	Balance Sheets	fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 1,227	Deferred income taxes and other current liabilities	¥ 99
	Deferred income taxes and other assets	77	Deferred income taxes and other liabilities	134
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	7	Deferred income taxes and other current liabilities	1,170
Total		¥ 1,311		¥ 1,403
<b>Undesignated derivative instruments</b>	Derivative Assets	Estimated	Derivative Liabilities	Estimated
	Location on the consolidated	fair value	Location on the consolidated	fair value
	Balance Sheets		Balance Sheets	
Forwards contracts	Deferred income taxes and other current assets	¥ 1,099	Deferred income taxes and other current liabilities	¥ 1,214
	Deferred income taxes and other assets	71	Deferred income taxes and other liabilities	
Option contracts	Deferred income taxes and other current assets	5	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	1,362	Deferred income taxes and other current liabilities	385
	Deferred income taxes and other assets	588	Deferred income taxes and other liabilities	5
Total		¥ 3,125		¥ 1,604
<b>Total Derivative Instruments</b>		<b>¥ 4,436</b>		<b>¥ 3,007</b>



Millions of yen March 31, 2012				
Derivative instruments designated as hedging instruments	Derivative Assets Location on the consolidated	Estimated fair value	Derivative Liabilities Location on the consolidated	Estimated fair value
	Balance Sheets		Balance Sheets	
Forwards contracts	Deferred income taxes and other current assets	¥ 1,681	Deferred income taxes and other current liabilities	¥ 5,578
	Deferred income taxes and other assets		Deferred income taxes and other liabilities	105
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Deferred income taxes and other current assets	21	Deferred income taxes and other current liabilities	750
Total		¥ 1,702		¥ 6,433
Undesignated derivative instruments	Derivative Assets Location on the consolidated	Estimated fair value	Derivative Liabilities Location on the consolidated	Estimated fair value
	Balance Sheets		Balance Sheets	
Forwards contracts	Deferred income taxes and other current assets	¥ 569	Deferred income taxes and other current liabilities	¥ 2,805
	Deferred income taxes and other assets		Deferred income taxes and other liabilities	55
Option contracts	Deferred income taxes and other current assets	5	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	1,102	Deferred income taxes and other current liabilities	418
	Deferred income taxes and other assets	467	Deferred income taxes and other liabilities	9
Total		¥ 2,143		¥ 3,287
<b>Total Derivative Instruments</b>		<b>¥ 3,845</b>		<b>¥ 9,720</b>

The effects of derivative instruments on the consolidated statements of income and consolidated statements of comprehensive income for the three months ended June 30, 2012 and 2011 are as follows:

**Derivative instruments designated as cash flow hedging relationships**

	Millions of yen				
	<b>Three months ended June 30, 2012</b>				
	Amount of gains (losses) recognized in OCI on derivatives	Effective portion		Amount of gains (losses) reclassified from accumulated OCI into income	Ineffective portion and amount excluded from effectiveness testing
Location of gains (losses) reclassified from accumulated OCI into income		Other income (expenses), net: Other, net	Location of gains (losses) recognized in income on derivatives		Amount of gains (losses) recognized in income on derivatives
Forwards contracts	¥ 4,028			¥ 1,270	¥
Interest rate swaps, cross-currency swaps and interest rate cap agreements	(299)				
<b>Total</b>	<b>¥ 3,729</b>			<b>¥ 1,270</b>	<b>¥</b>

	Millions of yen				
	<b>Three months ended June 30, 2011</b>				
	Amount of gains (losses) recognized in OCI on derivatives	Effective portion		Amount of gains (losses) reclassified from accumulated OCI into income	Ineffective portion and amount excluded from effectiveness testing
Location of gains (losses) reclassified from accumulated OCI into income		Other income (expenses), net: Other, net	Location of gains (losses) recognized in income on derivatives		Amount of gains (losses) recognized in income on derivatives
Forwards contracts	¥ 1,797			¥ 852	¥
Interest rate swaps, cross-currency swaps and interest rate cap agreements	(33)				
<b>Total</b>	<b>¥ 1,764</b>			<b>¥ 852</b>	<b>¥</b>

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

## Derivative instruments not designated as hedging instruments relationships

Millions of yen			
Three months ended			
June 30, 2012			
	Location of gains (losses) recognized		Amount of gains (losses) recognized in income on derivatives
	in income on derivatives		
Forwards contracts	Other income (expenses), net:		
	Other, net		¥ 1,905
Option contracts	Other income (expenses), net:		
	Other, net		1
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Cost of sales		(77)
	Other income (expenses), net:		
	Other, net		307
Total			¥ 2,136

Millions of yen			
Three months ended			
June 30, 2011			
	Location of gains (losses) recognized		Amount of gains (losses) recognized in income on derivatives
	in income on derivatives		
Forwards contracts	Other income (expenses), net:		
	Other, net		¥ (735)
Option contracts	Other income (expenses), net:		
	Other, net		1
Interest rate swaps, cross-currency swaps and interest rate cap agreements	Cost of sales		(66)
	Other income (expenses), net:		
	Other, net		975
Total			¥ 175

**11. 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.

**(4) Long-Term Debt, Including Current Portion(Note 12)**

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 and is classified in Level 2 in the fair value hierarchy.

**(5) Derivatives(Notes 10 and 12)**

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, at June 30, 2012 and at March 31, 2012, are summarized as follows:

	Millions of yen			
	June 30, 2012		March 31, 2012	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Investment securities, marketable equity securities	¥ 38,875	¥ 38,875	¥ 45,933	¥ 45,933
Long-term debt, including current portion	428,273	422,930	431,976	429,357
Derivatives:				
Forwards and options				
Assets	2,479	2,479	2,255	2,255
Liabilities	1,447	1,447	8,543	8,543
Interest rate swaps, cross-currency swaps and interest rate cap agreements				
Assets	1,957	1,957	1,590	1,590
Liabilities	1,560	1,560	1,177	1,177

#### 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.

## 12. 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, 2012 and at March 31, 2012 are as follows:

	Millions of yen			Total
	Level 1	Level 2	Level 3	
<b>June 30, 2012</b>				
Assets				
Investment securities available for sale				
Manufacturing industry	¥ 21,677	¥	¥	¥ 21,677
Financial service industry	14,872			14,872
Other	2,326			2,326
Derivatives				
Forward contracts		2,474		2,474
Option contracts		5		5
Interest rate swaps, cross-currency swaps and interest rate cap agreements		1,957		1,957
<b>Total</b>	<b>¥ 38,875</b>	<b>¥ 4,436</b>	<b>¥</b>	<b>¥ 43,311</b>
Liabilities				
Derivatives				
Forward contracts	¥	¥ 1,447	¥	¥ 1,447
Interest rate swaps, cross-currency swaps and interest rate cap agreements		1,560		1,560
Other		51,352	604	51,956
<b>Total</b>	<b>¥</b>	<b>¥ 54,359</b>	<b>¥ 604</b>	<b>¥ 54,963</b>

	Millions of yen			Total
	Level 1	Level 2	Level 3	
<b>March 31, 2012</b>				
Assets				
Investment securities available for sale				
Manufacturing industry	¥ 27,172	¥	¥	¥ 27,172
Financial service industry	16,166			16,166
Other	2,595			2,595
Derivatives				
Forward contracts		2,250		2,250
Option contracts		5		5
Interest rate swaps, cross-currency swaps and interest rate cap agreements		1,590		1,590
<b>Total</b>	<b>¥ 45,933</b>	<b>¥ 3,845</b>	<b>¥</b>	<b>¥ 49,778</b>
Liabilities				
Derivatives				
Forward contracts	¥	¥ 8,543	¥	¥ 8,543
Interest rate swaps, cross-currency swaps and interest rate cap agreements		1,177		1,177
Other		53,103	752	53,855
<b>Total</b>	<b>¥</b>	<b>¥ 62,823</b>	<b>¥ 752</b>	<b>¥ 63,575</b>

**Investment securities available for sale**

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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 (Notes 10 and 11)**

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 under the Fair Value Option of FASB ASC 825, Financial Instruments. 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 three months ended June 30, 2012 and 2011.

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2011
Balance, beginning of year	¥ (752)	¥ (859)
Total gains or losses (realized / unrealized)	148	(20)
Included in earnings	124	(45)
Included in other comprehensive income (loss)	24	25
Total purchases, issuances and settlements		
Purchases		
Issuances		
Settlements		
Balance, end of period	¥ (604)	¥ (879)

The amounts of unrealized gains and losses on classified in Level 3 liabilities recognized in earnings for the three months ended June 30, 2012 and 2011 related to liabilities still held at June 30, 2012 and 2011 were gains of ¥124 million and losses of ¥45 million, respectively. These gains and losses 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, 2012 and 2011 assets and liabilities that were measured at fair value on a non-recurring basis were not material.

**13. Committed Credit Lines**

Certain consolidated subsidiaries maintain committed credit line agreements totaling ¥49,831 million and ¥58,395 million, respectively, at June 30, 2012 and at March 31, 2012 with financial institutions to secure liquidity. At June 30, 2012 and at March 31, 2012, ¥9,646 million and ¥12,544 million, respectively, were available to be used under such credit line agreements.

**14. Dividends****Three months ended June 30, 2012****Payment amount of dividends**

Resolution	Type of stock	Aggregate amount of dividends (Millions of yen)	Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 20, 2012	Common stock	20,008	Retained earnings	21	March 31, 2012	June 21, 2012

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

**Three months ended June 30, 2011****Payment amount of dividends**

Resolution	Type of stock	Aggregate amount of dividends (Millions of yen)	Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 22, 2011	Common stock	19,369	Retained earnings	20	March 31, 2011	June 23, 2011

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

**15. Business Segment and Geographic Information**

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

The accounting policies used by the segments are the same as those used in the preparation of the quarterly consolidated financial statements.

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.

**Operating segments:**

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2011
<b>Net sales:</b>		
Construction, Mining and Utility Equipment		
External customers	¥ 428,921	¥ 435,324
Intersegment	855	1,306
<b>Total</b>	<b>429,776</b>	<b>436,630</b>
Industrial Machinery and Others		
External customers	41,027	58,853
Intersegment	2,059	1,716
<b>Total</b>	<b>43,086</b>	<b>60,569</b>
Elimination	(2,914)	(3,022)
<b>Consolidated</b>	<b>¥ 469,948</b>	<b>¥ 494,177</b>
<b>Segment profit:</b>		
Construction, Mining and Utility Equipment	¥ 54,202	¥ 60,886
Industrial Machinery and Others	2,376	8,844
<b>Total segment profit</b>	<b>56,578</b>	<b>69,730</b>
Corporate expenses and elimination	(1,314)	(1,618)
<b>Total</b>	<b>55,264</b>	<b>68,112</b>
Other operating income, net	454	257
<b>Operating income</b>	<b>55,718</b>	<b>68,369</b>
Interest and dividend income	1,316	1,295
Interest expense	(2,123)	(1,888)
Other, net	(3,669)	665
<b>Consolidated income before income taxes and equity in earnings of affiliated companies</b>	<b>¥ 51,242</b>	<b>¥ 68,441</b>

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 determined by customer location for the three months ended June 30, 2012 and 2011 are as follows:

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2011
Japan	¥ 80,726	¥ 83,931
The Americas	129,090	109,062
Europe and CIS	55,074	53,646
China	47,311	101,904
Asia (excluding Japan and China) and Oceania	130,096	116,033
Middle East and Africa	27,651	29,601
Consolidated net sales	¥ 469,948	¥ 494,177

Net sales determined by geographic origin for the three months ended June 30, 2012 and 2011 are as follows:

	Millions of yen	
	Three months ended June 30, 2012	Three months ended June 30, 2011
Japan	¥ 148,455	¥ 171,699
U.S.A.	124,989	102,577
Europe and CIS	52,240	57,162
China	37,529	73,535
Others	106,735	89,204
Consolidated net sales	¥ 469,948	¥ 494,177

Other than in Japan, U.S.A. and China, no individual country had a material impact on net sales to external customers.

There were no sales to a single major external customer for the three months ended June 30, 2012 and 2011.

**16. Subsequent Event**

There was no significant subsequent event to be disclosed.