

KOMATSU LTD  
Form 6-K  
November 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 November, 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):  
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INFORMATION TO BE INCLUDED IN REPORT

1. Quarterly Report for the Second Quarter of the 142<sup>nd</sup> Fiscal Year filed on November 11, 2010

On November 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 six months period ended September 30, 2010 and the three months period ended September 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 October 28, 2010, a copy of which was submitted under cover of Form 6-K on October 29, 2010 by the registrant.

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

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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: November 12, 2010

By: /s/ Kenji Kinoshita

Kenji Kinoshita  
Director and Senior Executive  
Officer

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

Komatsu Ltd. and Consolidated Subsidiaries  
September 30, 2010 and March 31, 2010

|   | <b>September 30, 2010</b> |                  | <b>March 31, 2010</b> |                  |
|---|---------------------------|------------------|-----------------------|------------------|
|   | <b>Millions of</b>        | <b>Component</b> | <b>Millions of</b>    | <b>Component</b> |
|   | <b>yen</b>                | <b>ratio (%)</b> | <b>yen</b>            | <b>ratio (%)</b> |
| <b>Assets</b>   |                           |                  |                       |                  |
| <b>Current assets</b>   |                           |                  |                       |                  |
| Cash and cash equivalents   | ¥ 90,647                  |                  | ¥ 82,429              |                  |
| Time deposits   | 595                       |                  | 1,132                 |                  |
| Trade notes and accounts receivable, less allowance for doubtful receivables of ¥14,013 million at September 30, 2010 and ¥14,941 million at March 31, 2010 | 408,752                   |                  | 447,693               |                  |
| Inventories (Note 3)  | 412,891                   |                  | 396,416               |                  |
| Deferred income taxes and other current assets (Notes 8, 9 and 10)  | 124,412                   |                  | 112,451               |                  |
| <b>Total current assets</b>   | <b>1,037,297</b>          | <b>54.0</b>      | <b>1,040,121</b>      | <b>53.1</b>      |
| <b>Long-term trade receivables</b>  | <b>161,007</b>            | <b>8.4</b>       | <b>150,972</b>        | <b>7.7</b>       |
| <b>Investments</b>  |                           |                  |                       |                  |
| Investments in and advances to affiliated companies   | 23,710                    |                  | 24,002                |                  |
| Investment securities (Notes 4, 9 and 10)   | 55,892                    |                  | 60,467                |                  |
| Other   | 2,678                     |                  | 2,399                 |                  |
| <b>Total investments</b>  | <b>82,280</b>             | <b>4.3</b>       | <b>86,868</b>         | <b>4.4</b>       |
| <b>Property, plant and equipment less accumulated depreciation of ¥620,852 million at September 30, 2010 and ¥631,973 million at March 31, 2010</b>         | <b>499,542</b>            | <b>26.0</b>      | <b>525,100</b>        | <b>26.8</b>      |
| <b>Goodwill</b>   | <b>28,623</b>             | <b>1.5</b>       | <b>29,570</b>         | <b>1.5</b>       |
| <b>Other intangible assets</b>  | <b>58,824</b>             | <b>3.0</b>       | <b>61,729</b>         | <b>3.2</b>       |
| <b>Deferred income taxes and other assets</b><br>(Notes 8, 9 and 10)  | <b>54,932</b>             | <b>2.8</b>       | <b>64,695</b>         | <b>3.3</b>       |
|   | <b>¥ 1,922,505</b>        | <b>100.0</b>     | <b>¥ 1,959,055</b>    | <b>100.0</b>     |

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



|   | September 30, 2010 |                        | March 31, 2010     |                        |
|---|--------------------|------------------------|--------------------|------------------------|
|   | Millions of<br>yen | Component<br>ratio (%) | Millions of<br>yen | Component<br>ratio (%) |
| <b>Liabilities and Equity</b>   |                    |                        |                    |                        |
| <b>Current liabilities</b>  |                    |                        |                    |                        |
| Short-term debt   | ¥ 84,137           |                        | ¥ 123,438          |                        |
| Current maturities of long-term debt (Notes 9 and 10)   | 116,436            |                        | 105,956            |                        |
| Trade notes, bills and accounts payable   | 248,449            |                        | 207,024            |                        |
| Income taxes payable  | 14,910             |                        | 22,004             |                        |
| Deferred income taxes and other current liabilities (Notes 8, 9 and 10)                       | 170,638            |                        | 183,324            |                        |
| <b>Total current liabilities</b>  | <b>634,570</b>     | <b>33.0</b>            | <b>641,746</b>     | <b>32.7</b>            |
| <b>Long-term liabilities</b>  |                    |                        |                    |                        |
| Long-term debt (Notes 9 and 10)   | 325,354            |                        | 356,985            |                        |
| Liability for pension and retirement benefits   | 43,339             |                        | 46,354             |                        |
| Deferred income taxes and other liabilities (Notes 8, 9 and 10)                               | 33,003             |                        | 37,171             |                        |
| <b>Total long-term liabilities</b>  | <b>401,696</b>     | <b>20.9</b>            | <b>440,510</b>     | <b>22.5</b>            |
| <b>Total liabilities</b>  | <b>1,036,266</b>   | <b>53.9</b>            | <b>1,082,256</b>   | <b>55.2</b>            |
| <b>Commitments and contingent liabilities (Note 7)</b>  |                    |                        |                    |                        |
| <b>Equity</b>   |                    |                        |                    |                        |
| <b>Komatsu Ltd. shareholders' equity</b>  |                    |                        |                    |                        |
| Common stock:   |                    |                        |                    |                        |
| Authorized 3,955,000,000 shares at September 30, 2010 and at March 31, 2010                   |                    |                        |                    |                        |
| Issued 998,744,060 shares at September 30, 2010 and at March 31, 2010                         |                    |                        |                    |                        |
|   | 67,870             |                        | 67,870             |                        |
| Outstanding 967,762,273 shares at September 30, 2010 and 968,039,976 shares at March 31, 2010 |                    |                        |                    |                        |
| Capital surplus   | 140,476            |                        | 140,421            |                        |
| Retained earnings:  |                    |                        |                    |                        |
| Appropriated for legal reserve  | 32,726             |                        | 31,983             |                        |
| Unappropriated  | 779,362            |                        | 724,090            |                        |
| Accumulated other comprehensive income (loss) (Note 4)  | (142,174)          |                        | (95,634)           |                        |
| Treasury stock at cost, 30,981,787 shares at September 30, 2010 and 30,704,084 shares at      | (35,283)           |                        | (34,755)           |                        |

March 31, 2010

|   |             |       |             |       |
|---|-------------|-------|-------------|-------|
| <b>Total Komatsu Ltd. shareholders equity</b> | 842,977     | 43.8  | 833,975     | 42.6  |
| <b>Noncontrolling interests</b>               | 43,262      | 2.3   | 42,824      | 2.2   |
| <b>Total equity</b>                           | 886,239     | 46.1  | 876,799     | 44.8  |
|   | ¥ 1,922,505 | 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

Six months ended September 30, 2010 and 2009

|  | <b>Six months ended<br/>September 30, 2010</b> |                                | <b>Six months ended<br/>September 30, 2009</b> |                                |
|--|--|--------------------------------|--|--------------------------------|
|  | <b>Millions of<br/>yen</b>                     | <b>Component<br/>ratio (%)</b> | <b>Millions of<br/>yen</b>                     | <b>Component<br/>ratio (%)</b> |
| Net sales  | ¥ 859,763                                      | 100.0                          | ¥ 645,963                                      | 100.0                          |
| Cost of sales  | 629,877  | 73.3                           | 505,082  | 78.2                           |
| Selling, general and administrative expenses (Note 5)                            | 124,750  | 14.5                           | 119,483  | 18.5                           |
| Other operating income (expenses), net   | (1,224)  | (0.1)                          | (1,613)  | (0.2)                          |
| <b>Operating income</b>  | <b>103,912</b>                                 | <b>12.1</b>                    | <b>19,785</b>                                  | <b>3.1</b>                     |
| <b>Other income (expenses), net</b>  | <b>(3,801)</b>                                 |                                | <b>(1,333)</b>                                 |                                |
| Interest and dividend income   | 2,329  | 0.3                            | 3,965  | 0.6                            |
| Interest expense   | (3,289)  | (0.4)                          | (5,125)  | (0.8)                          |
| Other, net (Notes 4, 8 and 10)   | (2,841)  | (0.3)                          | (173)  | (0.0)                          |
| <b>Income before income taxes and equity in earnings of affiliated companies</b> | <b>100,111</b>                                 | <b>11.6</b>                    | <b>18,452</b>                                  | <b>2.9</b>                     |
| <b>Income taxes</b>  |  |                                |  |                                |
| Current  | 17,886   |                                | 15,488   |                                |
| Deferred   | 15,621   |                                | (8,845)  |                                |
| Total  | 33,507   | 3.9                            | 6,643  | 1.0                            |
| <b>Income before equity in earnings of affiliated companies</b>                  | <b>66,604</b>                                  | <b>7.7</b>                     | <b>11,809</b>                                  | <b>1.8</b>                     |
| <b>Equity in earnings of affiliated companies</b>                                | <b>1,198</b>                                   | <b>0.1</b>                     | <b>41</b>                                      | <b>0.0</b>                     |
| <b>Net income</b>  | <b>67,802</b>                                  | <b>7.9</b>                     | <b>11,850</b>                                  | <b>1.8</b>                     |
| <b>Less net income attributable to noncontrolling interests</b>                  | <b>(4,038)</b>                                 | <b>(0.5)</b>                   | <b>(3,652)</b>                                 | <b>(0.6)</b>                   |
| <b>Net income attributable to Komatsu Ltd.</b>                                   | <b>¥ 63,764</b>                                | <b>7.4</b>                     | <b>¥ 8,198</b>                                 | <b>1.3</b>                     |

**Yen**  
**Six months ended**



|   | <b>Six<br/>months<br/>ended<br/>September<br/>30, 2010</b> | <b>September 30,<br/>2009</b> |
|---|--|-------------------------------|
| <b>Net income attributable to Komatsu Ltd. per share</b> (Note 6) |  |                               |
| Basic   | ¥ 65.89  | ¥ 8.47                        |
| Diluted   | 65.85  | 8.47                          |
| <b>Cash dividends per share</b> (Note 12)                         | 8.00   | 18.00                         |

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

Three months ended September 30, 2010 and 2009

|  | <b>Three months ended<br/>September 30, 2010</b> |                                | <b>Three months ended<br/>September 30, 2009</b> |                                |
|--|--|--------------------------------|--|--------------------------------|
|  | <b>Millions of<br/>yen</b>                       | <b>Component<br/>ratio (%)</b> | <b>Millions of<br/>yen</b>                       | <b>Component<br/>ratio (%)</b> |
| Net sales  | ¥ 412,623  | 100.0                          | ¥ 325,535  | 100.0                          |
| Cost of sales  | 300,021  | 72.7                           | 252,609  | 77.6                           |
| Selling, general and administrative expenses (Note 5)                            | 61,803   | 15.0                           | 59,997   | 18.4                           |
| Other operating income (expenses), net   | (962)  | (0.2)                          | (1,417)  | (0.4)                          |
| <b>Operating income</b>  | <b>49,837</b>                                    | <b>12.1</b>                    | <b>11,512</b>                                    | <b>3.5</b>                     |
| <b>Other income (expenses), net</b>  | <b>170</b>                                       |                                | <b>(1,788)</b>                                   |                                |
| Interest and dividend income   | 1,308  | 0.3                            | 2,106  | 0.6                            |
| Interest expense   | (1,620)  | (0.4)                          | (2,394)  | (0.7)                          |
| Other, net (Notes 4, 8 and 10)   | 482  | 0.1                            | (1,500)  | (0.5)                          |
| <b>Income before income taxes and equity in earnings of affiliated companies</b> | <b>50,007</b>                                    | <b>12.1</b>                    | <b>9,724</b>                                     | <b>3.0</b>                     |
| <b>Income taxes</b>  |  |                                |  |                                |
| Current  | 8,728  |                                | 7,772  |                                |
| Deferred   | 7,313  |                                | (3,310)  |                                |
| Total  | 16,041   | 3.9                            | 4,462  | 1.4                            |
| <b>Income before equity in earnings of affiliated companies</b>                  | <b>33,966</b>                                    | <b>8.2</b>                     | <b>5,262</b>                                     | <b>1.6</b>                     |
| <b>Equity in earnings of affiliated companies</b>                                | <b>557</b>                                       | <b>0.1</b>                     | <b>142</b>                                       | <b>0.0</b>                     |
| <b>Net income</b>  | <b>34,523</b>                                    | <b>8.4</b>                     | <b>5,404</b>                                     | <b>1.7</b>                     |
| <b>Less net income attributable to noncontrolling interests</b>                  | <b>(1,456)</b>                                   | <b>(0.4)</b>                   | <b>(1,969)</b>                                   | <b>(0.6)</b>                   |
| <b>Net income attributable to Komatsu Ltd.</b>                                   | <b>¥ 33,067</b>                                  | <b>8.0</b>                     | <b>¥ 3,435</b>                                   | <b>1.1</b>                     |

**Yen**

**Three months ended**                      **Three months ended**

|   | <b>September<br/>30, 2010</b> | <b>September 30,<br/>2009</b> |
|---|-------------------------------|-------------------------------|
| <b>Net income attributable to Komatsu Ltd. per share</b> (Note 6) |                               |                               |
| Basic   | ¥ 34.17                       | ¥ 3.55                        |
| Diluted   | 34.15                         | 3.55                          |

**Cash dividends per share** (Note 12)

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

Six months ended September 30, 2010

Millions of yen

|   | Retained earnings Accumulated |                    |   |  | Treasury<br>stock | Total<br>Komatsu<br>Ltd.<br>sharehold-<br>ers' equity | Noncontrolling<br>interests | Total<br>equity |           |
|---|-------------------------------|--------------------|---|--|-------------------|---|-----------------------------|-----------------|-----------|
|   | Common<br>stock               | Capital<br>surplus | Appropriated<br>for<br>legal<br>reserve | other<br>comprehensive<br>income<br>Unappropriated |                   |   |                             |                 |           |
| Balance at<br>March 31, 2010  | ¥ 67,870                      | ¥ 140,421          | ¥ 31,983                                | ¥ 724,090  | ¥ (95,634)        | ¥ (34,755)  | ¥ 833,975                   | ¥ 42,824        | ¥ 876,799 |
| Cash dividends<br>(Note 12)   |                               |                    |   | (7,749)  |                   |   | (7,749)                     | (830)           | (8,579)   |
| Transfer to<br>retained<br>earnings<br>appropriated for<br>legal reserve                |                               |                    | 743                                     | (743)  |                   |   |                             | 317             | 317       |
| Other changes<br>Comprehensive<br>income (loss)   |                               |                    |   |  |                   |   |                             |                 |           |
| Net income  |                               |                    |   | 63,764   |                   |   | 63,764                      | 4,038           | 67,802    |
| Other<br>comprehensive<br>income (loss),<br>for the period,<br>net of tax               |                               |                    |   |  |                   |   |                             |                 |           |
| Foreign<br>currency<br>translation<br>adjustments                                       |                               |                    |   |  | (44,877)          |   | (44,877)                    | (3,087)         | (47,964)  |
| Net unrealized<br>holding gains<br>(losses) on<br>securities<br>available for<br>sale   |                               |                    |   |  | (2,398)           |   | (2,398)                     |                 | (2,398)   |
| Pension liability<br>adjustments  |                               |                    |   |  | 77                |   | 77                          |                 | 77        |
| Net unrealized<br>holding gains<br>(losses) on<br>derivative<br>instruments<br>(Note 8) |                               |                    |   |  | 658               |   | 658                         |                 | 658       |

|  |          |           |          |           |             |            |           |          |           |
|--|----------|-----------|----------|-----------|-------------|------------|-----------|----------|-----------|
| Comprehensive income (loss)                                |          |           |          |           |             | 17,224     | 951       | 18,175   |           |
| Issuance and exercise of stock acquisition rights (Note 5) | 55       |           |          |           |             | 55         |           | 55       |           |
| Purchase of treasury stock                                 |          |           |          |           | (551)       | (551)      |           | (551)    |           |
| Sales of treasury stock                                    |          |           |          |           | 23          | 23         |           | 23       |           |
| Balance at September 30, 2010                              | ¥ 67,870 | ¥ 140,476 | ¥ 32,726 | ¥ 779,362 | ¥ (142,174) | ¥ (35,283) | ¥ 842,977 | ¥ 43,262 | ¥ 886,239 |

Six months ended September 30, 2009

Millions of yen

|   | Retained earnings Accumulated |                 |               |                      | Total Komatsu Ltd. |                      |                          |              |                       |
|---|-------------------------------|-----------------|---------------|----------------------|--------------------|----------------------|--------------------------|--------------|-----------------------|
|   | Appropriated for              |                 | other         |                      | Treasury stock     | shareholders' equity | Noncontrolling interests | Total equity |                       |
|   | Common stock                  | Capital surplus | legal reserve | comprehensive income |                    |                      |                          |              | Unappropriated (loss) |
| 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  |                               |                 |               | (17,431)             |                    |                      | (17,431)                 | (1,727)      | (19,158)              |
| Transfer to retained earnings appropriated for legal reserve  |                               |                 | 2,309         | (2,309)              |                    |                      |                          |              |                       |
| Other changes   |                               |                 |               |                      |                    |                      |                          | 1,514        | 1,514                 |
| Comprehensive income (loss)                                   |                               |                 |               |                      |                    |                      |                          |              |                       |
| Net income  |                               |                 |               | 8,198                |                    |                      | 8,198                    | 3,652        | 11,850                |
| Other comprehensive income (loss), for the period, net of tax |                               |                 |               |                      |                    |                      |                          |              |                       |
| Foreign currency translation adjustments                      |                               |                 |               |                      | (10,953)           |                      | (10,953)                 | 564          | (10,389)              |
| Net unrealized holding gains                                  |                               |                 |               |                      | 4,274              |                      | 4,274                    |              | 4,274                 |

|  |          |           |              |              |
|--|----------|-----------|--------------|--------------|
| (losses) on securities available for sale                                |          |           |              |              |
| Pension liability adjustments  |          | 1,782     | 1,782        | 1,782        |
| Net unrealized holding gains (losses) on derivative instruments (Note 8) |          | 761       | 761          | 623          |
|  |          |           |              | 1,384        |
| Comprehensive income (loss)  |          |           | <b>4,062</b> | <b>4,839</b> |
|  |          |           |              | <b>8,901</b> |
| Issuance and exercise of stock acquisition rights (Note 5)               | 103      |           | 103          | 103          |
| Purchase of treasury stock   |          | (15)      | (15)         | (15)         |
| Sales of treasury stock  | (84)     | 256       | 172          | 172          |
| Balance at September 30, 2009  | ¥ 67,870 | ¥ 140,111 | ¥ 30,781     | ¥ 707,680    |
|  |          |           | ¥ (109,880)  | ¥ (34,730)   |
|  |          |           | ¥ 801,832    | ¥ 38,019     |
|  |          |           |              | ¥ 839,851    |

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  
Six months ended September 30, 2010 and 2009

|   | Millions of yen                              |   |
|---|--|---|
|   | Six months<br>ended<br>September<br>30, 2010 | Six months ended<br>September 30,<br>2009 |
| <b>Operating activities</b>   |  |   |
| Net income  | ¥ 67,802                                     | ¥ 11,850                                  |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |  |   |
| Depreciation and amortization   | 43,432                                       | 44,427                                    |
| Deferred income taxes   | 15,621                                       | (8,845)                                   |
| Net loss (gain) from sale of investment securities and subsidiaries                         | 90   | (252)                                     |
| Net loss (gain) on sale of property   | (1,160)                                      | (251)                                     |
| Loss on disposal of fixed assets  | 634  | 922                                       |
| Pension and retirement benefits, net  | (3,176)                                      | 199                                       |
| Changes in assets and liabilities:  |  |   |
| Decrease (increase) in trade receivables  | (11,005)                                     | 21,396                                    |
| Decrease (increase) in inventories  | (42,960)                                     | 69,679                                    |
| Increase (decrease) in trade payables   | 47,870                                       | (56,819)                                  |
| Increase (decrease) in income taxes payable   | (6,067)                                      | (4,215)                                   |
| Other, net  | (8,253)                                      | 9,363                                     |
| Net cash provided by (used in) operating activities   | 102,828                                      | 87,454                                    |
| <b>Investing activities</b>   |  |   |
| Capital expenditures  | (42,482)                                     | (50,342)                                  |
| Proceeds from sale of property  | 5,637  | 7,519                                     |
| Proceeds from sale of available for sale investment securities                              | 22   | 74  |
| Purchases of available for sale investment securities                                       | (520)  | (3,505)                                   |
| Proceeds from sale of subsidiaries and equity investees, net of cash disposed               |  | 661                                       |
| Acquisition of subsidiaries and equity investees, net of cash acquired                      | 654  | 627                                       |
| Collection of loan receivables  | 1,290  | 901                                       |
| Disbursement of loan receivables  | (576)  | (970)                                     |
| Decrease (increase) in time deposits  | 443  | (52)                                      |
| Net cash provided by (used in) investing activities   | (35,532)                                     | (45,087)                                  |
| <b>Financing activities</b>   |  |   |
| Proceeds from long-term debt  | 31,266                                       | 88,685                                    |
| Repayments on long-term debt  | (24,059)                                     | (26,566)                                  |
| Increase (decrease) in short-term debt, net   | (34,023)                                     | (61,988)                                  |
| Repayments of capital lease obligations   | (18,791)                                     | (17,902)                                  |

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|  |          |          |
|--|----------|----------|
| Sale (purchase) of treasury stock, net                             | 10       | 157      |
| Dividends paid   | (7,749)  | (17,431) |
| Other, net   | (928)    | (3,199)  |
| Net cash provided by (used in) financing activities                | (54,274) | (38,244) |
| <b>Effect of exchange rate change on cash and cash equivalents</b> | (4,804)  | (2,999)  |
| <b>Net increase (decrease) in cash and cash equivalents</b>        | 8,218    | 1,124    |
| <b>Cash and cash equivalents, beginning of year</b>                | 82,429   | 90,563   |
| <b>Cash and cash equivalents, end of period</b>                    | ¥ 90,647 | ¥ 91,687 |

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.

**Summary of Significant Accounting Policies**

There is no material change for Summary of Significant Accounting Policies stated in the 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 six months ended September 30, 2010 and 2009 are as follows:

|  | Millions of yen                                 |   |
|--|---|---|
|  | Six<br>months<br>ended<br>September<br>30, 2010 | Six months ended<br>September 30,<br>2009 |
| <b>Additional cash flow information:</b>           |   |   |
| Interest paid                                      | ¥ 2,877   | ¥ 5,141                                   |
| Income taxes paid (refunded)                       | 30,058  | (149)                                     |
| <b>Noncash investing and financing activities:</b> |   |   |
| Capital lease obligations incurred                 | ¥ 1,183   | ¥ 9,066                                   |

**3. Inventories**

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

|   | <b>Millions of yen</b>            |                           |
|---|-----------------------------------|---------------------------|
|   | <b>September<br/>30,<br/>2010</b> | <b>March 31,<br/>2010</b> |
| Finished products, including finished parts held for sale | ¥ 261,484                         | ¥ 254,157                 |
| Work in process   | 112,145                           | 102,096                   |
| Materials and supplies                                    | 39,262                            | 40,163                    |
| <b>Total</b>  | <b>¥ 412,891</b>                  | <b>¥ 396,416</b>          |

**4. Investment Securities**

Investment securities at September 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 September 30, 2010 and at March 31, 2010 are as follows:

|   | Cost     | Millions of yen<br>Gross unrealized holding |        | Fair value |
|---|----------|---|--------|------------|
|   |          | Gains                                       | Losses |            |
| <b>September 30, 2010</b>                       |          |   |        |            |
| Investment securities:                          |          |   |        |            |
| Marketable equity securities available for sale | ¥ 24,936 | ¥ 18,616                                    | ¥ 249  | ¥ 43,303   |
| Other investment securities at cost             | 12,589   |   |        |            |
|   | ¥ 37,525 |   |        |            |

|   | Cost     | Millions of yen<br>Gross unrealized holding |        | Fair value |
|---|----------|---|--------|------------|
|   |          | Gains                                       | Losses |            |
| <b>March 31, 2010</b>                           |          |   |        |            |
| 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 ¥22 million and ¥74 million for the six months ended September 30, 2010 and 2009, respectively.

Impairment losses and net realized gains or losses from sale of investment securities available for sale during the six months ended September 30, 2010 and 2009 amounted to losses of ¥90 million and gains of ¥252 million, respectively. Impairment losses and net realized gains or losses from sale of investment securities available for sale during the three months ended September 30, 2010 and 2009 amounted to losses of ¥57 million and gains of ¥317 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 has two types of stock option plans 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 22, 2007 and the Board of Directors on July 14, 2009, the Company issued 239 rights of its share acquisition rights to directors during the year ending March 31, 2010. The Company also issued 403 rights of its share acquisition rights to certain employees and certain directors of subsidiaries during the year ending March 31, 2010 based on the resolutions of the shareholders meeting on June 24, 2009 and the Board of Directors on July 14, 2009. The options vest 100% on each of the grant dates and are exercisable from September 1, 2010.

### **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 210 rights of its share acquisition rights to directors and 558 rights of its share acquisition rights to certain employees and certain directors of subsidiaries during the year ending March 31, 2011. 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 six months ended September 30, 2010 and 2009 were ¥55 million and ¥103 million, respectively, and were recorded in selling, general and administrative expenses. Compensation expenses after tax during the six months ended September 30, 2010 and 2009 were ¥33 million and ¥61 million, respectively. Compensation expenses during the three months ended September 30, 2010 and 2009 were ¥55 million and ¥103 million, respectively, and were recorded in selling, general and administrative expenses. Compensation expenses after tax during the three months ended September 30, 2010 and 2009 were ¥33 million and ¥61 million, respectively.

**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                                 |   |
|---|---|---|
|   | Six<br>months<br>ended<br>September<br>30, 2010 | Six months ended<br>September 30,<br>2009 |
| Net income attributable to Komatsu Ltd.                         | ¥ 63,764  | ¥ 8,198                                   |
|   | Number of shares                                |   |
|   | Six months<br>ended<br>September<br>30, 2010    | Six months ended<br>September 30,<br>2009 |
| Weighted average common shares outstanding, less treasury stock | 967,794,257                                     | 967,972,490                               |
| Dilutive effect of:   |   |   |
| Stock options   | 494,618   | 373,447                                   |
| Weighted average diluted common shares outstanding              | 968,288,875                                     | 968,345,937                               |
|   | Yen   |   |
|   | Six<br>months<br>ended<br>September<br>30, 2010 | Six months ended<br>September 30,<br>2009 |
| Net income attributable to Komatsu Ltd.:                        |   |   |
| Basic   | ¥ 65.89   | ¥ 8.47                                    |
| Diluted   | ¥ 65.85   | ¥ 8.47                                    |

|   | <b>Millions of yen</b>    |                           |
|---|---------------------------|---------------------------|
|   | <b>Three months ended</b> | <b>Three months ended</b> |
|   | <b>September 30, 2010</b> | <b>September 30, 2009</b> |
| Net income attributable to Komatsu Ltd. | ¥ 33,067                  | ¥ 3,435                   |

|   | <b>Number of shares</b>   |                           |
|---|---------------------------|---------------------------|
|   | <b>Three months ended</b> | <b>Three months ended</b> |
|   | <b>September 30, 2010</b> | <b>September 30, 2009</b> |
| Weighted average common shares outstanding, less treasury stock | 967,755,145               | 968,033,505               |
| Dilutive effect of:   |                           |                           |
| Stock options   | 526,731                   | 394,831                   |
| Weighted average diluted common shares outstanding              | 968,281,876               | 968,428,336               |

|  | <b>Yen</b>                |                           |
|--|---------------------------|---------------------------|
|  | <b>Three months ended</b> | <b>Three months ended</b> |
|  | <b>September 30, 2010</b> | <b>September 30, 2009</b> |
| Net income attributable to Komatsu Ltd.: |                           |                           |
| Basic                                    | ¥ 34.17                   | ¥ 3.55                    |
| Diluted                                  | ¥ 34.15                   | ¥ 3.55                    |

## **7. Contingent Liabilities**

At September 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 ¥3,717 million and ¥9,850 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 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 was ¥91,973 million and ¥88,379 million at September 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 September 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 September 30, 2010 and at March 31, 2010 are as follows:

|  | Millions of yen          |                   |
|--|--------------------------|-------------------|
|  | September<br>30,<br>2010 | March 31,<br>2010 |
| Forwards and options:  |                          |                   |
| Sale of foreign currencies   | ¥ 81,442                 | ¥ 40,209          |
| Purchase of foreign currencies   | 63,331                   | 48,809            |
| Option contracts (purchased)   | 210                      | 949               |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | 180,166                  | 184,487           |

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

|   | Millions of yen   |                         |   |                         |
|---|---|-------------------------|---|-------------------------|
|   | September 30, 2010  |                         |   |                         |
| Derivative instruments  | Derivative Assets   |                         | Derivative Liabilities  |                         |
|   | Location<br>on the<br>consolidated<br>Balance<br>Sheets       | Estimated<br>fair value | Location<br>on the<br>consolidated<br>Balance<br>Sheets         | Estimated<br>fair value |
| <b>designated<br/>as hedging instruments</b>                                  |   |                         |   |                         |
| Forwards contracts  | Deferred<br>income<br>taxes and<br>other<br>current<br>assets | ¥ 2,161                 | Deferred<br>income taxes<br>and other<br>current<br>liabilities | ¥ 145                   |
| Interest rate swaps, cross-currency swaps and<br>interest rate cap agreements | Deferred<br>income<br>taxes and<br>other<br>current<br>assets | 135                     | Deferred<br>income taxes<br>and other<br>current<br>liabilities | 658                     |
| Total   |   | ¥ 2,296                 |   | ¥ 803                   |
|   |   |                         |   |                         |
| Undesignated derivative<br>instruments  | Location<br>on the<br>consolidated                            | Estimated<br>fair value | Location<br>on the<br>consolidated                              | Estimated<br>fair value |
|   |   |                         |   |                         |

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|   |   |   |        |   |   |       |
|---|---|---|--------|---|---|-------|
| Forwards contracts  | Balance<br>Sheets<br>Deferred<br>income taxes<br>and other<br>current<br>assets                               | ¥ | 610    | Balance<br>Sheets<br>Deferred<br>income taxes<br>and other<br>current<br>liabilities                                    | ¥ | 1,195 |
| Option contracts  | Deferred<br>income taxes<br>and other<br>assets<br>Deferred<br>income taxes<br>and other<br>current<br>assets |   | 6      | Deferred<br>income taxes<br>and other<br>liabilities<br>Deferred<br>income taxes<br>and other<br>current<br>liabilities |   | 80    |
| Interest rate swaps, cross-currency swaps and<br>interest rate cap agreements | Deferred<br>income taxes<br>and other<br>current<br>assets<br>Deferred<br>income taxes<br>and other<br>assets |   | 4,209  | Deferred<br>income taxes<br>and other<br>current<br>liabilities<br>Deferred<br>income taxes<br>and other<br>liabilities |   | 610   |
|   |   |   | 10,260 |   |   | 459   |
| Total   |   | ¥ | 15,085 |   | ¥ | 2,344 |
| Total Derivative Instruments  |   | ¥ | 17,381 |   | ¥ | 3,147 |

| Millions of yen<br>March 31, 2010   |   |                         |  |                         |
|---|---|-------------------------|--|-------------------------|
| Derivative instruments  | Derivative Assets   |                         | Derivative Liabilities   |                         |
| designated  | Location<br>on the<br>consolidated<br>Balance<br>Sheets       | Estimated<br>fair value | Location<br>on the<br>consolidated<br>Balance<br>Sheets            | Estimated<br>fair value |
| as hedging instruments  |   |                         |  |                         |
| Forwards contracts  | Deferred<br>income<br>taxes and<br>other<br>current<br>assets | ¥ 73                    | Deferred<br>income<br>taxes<br>and other<br>current<br>liabilities | ¥ 830                   |
| Interest rate swaps, cross-currency swaps and<br>interest rate cap agreements | Deferred<br>income<br>taxes and<br>other<br>current<br>assets | 354                     | Deferred<br>income<br>taxes<br>and other<br>current<br>liabilities | 734                     |
|   | Deferred<br>income<br>taxes and<br>other<br>assets            | 99                      | Deferred<br>income<br>taxes<br>and other<br>liabilities            |                         |
| Total   |   | ¥ 526                   |  | ¥ 1,564                 |

| Derivative Assets   |   |                         |  |                         |
|---|---|-------------------------|--|-------------------------|
| Undesignated derivative   | Location<br>on the<br>consolidated<br>Balance<br>Sheets       | Estimated<br>fair value | Derivative Liabilities   |                         |
| instruments   | Deferred<br>income<br>taxes<br>and other<br>current<br>assets | Estimated<br>fair value | Location<br>on the<br>consolidated<br>Balance<br>Sheets            | Estimated<br>fair value |
| Forwards contracts  | Deferred<br>income<br>taxes<br>and other<br>current<br>assets | ¥ 90                    | Deferred<br>income<br>taxes<br>and other<br>current<br>liabilities | ¥ 1,248                 |
| Option contracts  | Deferred<br>income<br>taxes<br>and other<br>current<br>assets | 18                      | Deferred<br>income<br>taxes<br>and other<br>current<br>liabilities |                         |
| Interest rate swaps, cross-currency swaps and<br>interest rate cap agreements | Deferred<br>income<br>taxes<br>and other<br>current           | 1,730                   | Deferred<br>income<br>taxes<br>and other<br>current                | 915                     |

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|                              |   |         |   |         |
|------------------------------|---|---------|---|---------|
|                              | assets<br>Deferred<br>income taxes<br>and other<br>assets | 6,989   | liabilities<br>Deferred<br>income taxes<br>and other<br>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 six months ended September 30, 2010 and 2009 are as follows:

**Derivative instruments designated as fair value hedging relationships**

| Millions of yen   |  |  |  |   |
|---|--|--|--|---|
| <b>Six months ended</b>   |  |  |  |   |
| <b>September 30, 2010</b>   |  |  |  |   |
|   | Location<br>of<br>gains<br>(losses)<br>recognized<br>in<br>income<br>on<br>derivatives | Amount of<br>gains (losses)<br>recognized in<br>income<br>on derivatives | Location of<br>gains (losses)<br>recognized in<br>income<br>on hedged<br>items | Amount of<br>gains (losses)<br>recognized in<br>income<br>on hedged items |
| Interest rate swaps, cross-currency swaps<br>and interest rate cap agreements | Other<br>income<br>(expenses),<br>net:<br>Other, net                                   | ¥  | Other income<br>(expenses), net:<br>Other, net                                 | ¥   |
| Total   |  | ¥  |  | ¥   |

| Millions of yen   |  |  |   |   |
|---|--|--|---|---|
| <b>Six months ended</b>   |  |  |   |   |
| <b>September 30, 2009</b>   |  |  |   |   |
|   | Location<br>of<br>gains<br>(losses)<br>recognized<br>in<br>income<br>on<br>derivatives | Amount of<br>gains (losses)<br>recognized in<br>income<br>on derivatives | Location of<br>gains<br>(losses)<br>recognized<br>in income<br>on hedged<br>items | Amount of<br>gains (losses)<br>recognized in<br>income<br>on hedged items |
| Interest rate swaps, cross-currency swaps<br>and interest rate cap agreements | Other<br>income<br>(expenses),<br>net:   | ¥ 2,549  | Other income<br>(expenses), net:<br>Other, net                                    | ¥ (1,157)   |

Other, net

|       |   |       |   |         |
|-------|---|-------|---|---------|
| Total | ¥ | 2,549 | ¥ | (1,157) |
|-------|---|-------|---|---------|

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

|  | Millions of yen<br><b>Six months ended<br/>September 30, 2010</b> |  |  |   |  |
|--|---|--|--|---|--|
|  | Amount of gains (losses) recognized in OCI on derivatives         | Effective portion Location of gains (losses) reclassified from accumulated OCI into income | Amount of gains (losses) reclassified from accumulated OCI into income | Ineffective portion and amount excluded from effectiveness testing Location of gains (losses) recognized in income on derivatives | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts   | ¥ 6,006   | Other income (expenses), net: Other, net   | ¥ 4,903  |   | ¥  |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | 3   | Other income (expenses), net: Other, net   |  |   |  |
| <b>Total</b>   | <b>¥ 6,009</b>  |  | <b>¥ 4,903</b>   |   | <b>¥</b>   |

|                    | Millions of yen<br><b>Six months ended<br/>September 30, 2009</b> |  |  |   |  |
|--------------------|---|--|--|---|--|
|                    | Amount of gains (losses) recognized in OCI on derivatives         | Effective portion Location of gains (losses) reclassified from accumulated OCI into income | Amount of gains (losses) reclassified from accumulated OCI into income | Ineffective portion and amount excluded from effectiveness testing Location of gains (losses) recognized in income on derivatives | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts | ¥ 856   |  | ¥ 685  |   | ¥  |

|  |         |  |       |
|--|---------|--|-------|
| Interest rate swaps,<br>cross-currency swaps and<br>interest rate cap agreements | 184     | Other<br>income<br>(expenses),<br>net: Other,<br>net<br>Other<br>income<br>(expenses),<br>net: Other,<br>net | 91    |
| Total  | ¥ 1,040 |  | ¥ 776 |

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

**Derivative instruments not designated as hedging instruments relationships**

|  |  | Millions of yen<br><b>Six months ended<br/>September 30, 2010</b>  |  |
|--|--|--|--|
|  |  | Location of<br>gains (losses)<br>recognized<br>in income on<br>derivatives<br>Other income<br>(expenses),<br>net: Other, net | Amount of gains (losses)<br>recognized<br>in income on derivatives |
| Forwards contracts   |  | ¥  | 624  |
| Option contracts   |  |  | (9)  |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements |  |  | (268)  |
|  |  |  | 5,784  |
| Total  |  | ¥  | 6,131  |

|  |  | Millions of yen<br><b>Six months ended<br/>September 30, 2009</b>          |  |
|--|--|--|--|
|  |  | Location of<br>gains (losses)<br>recognized<br>in income on<br>derivatives | Amount of gains (losses)<br>recognized<br>in income on derivatives |

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|   |  |   |       |
|---|--|---|-------|
| Forwards contracts  | Other income<br>(expenses),<br>net: Other, net | ¥ | 797   |
| Option contracts  | Other income<br>(expenses),<br>net: Other, net |   |       |
| Interest rate swaps, cross-currency swaps and interest rate cap<br>agreements | Cost of sales                                  |   | (243) |
|   | Other income<br>(expenses),<br>net: Other, net |   | 3,971 |
| Total   |  | ¥ | 4,525 |



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

**Derivative instruments designated as fair value hedging relationships**

| Millions of yen  |  |  |  |   |
|--|--|--|--|---|
| <b>Three months ended<br/>September 30, 2010</b>                             |  |  |  |   |
|  | Location<br>of<br>gains<br>(losses)<br>recognized<br>in<br>income<br>on<br>derivatives | Amount of<br>gains (losses)<br>recognized in<br>income<br>on derivatives | Location of<br>gains (losses)<br>recognized in<br>income<br>on hedged<br>items | Amount of<br>gains (losses)<br>recognized in<br>income<br>on hedged items |
| Interest rate swaps, cross-currency swap<br>and interest rate cap agreements | Other<br>income<br>(expenses),<br>net:<br>Other, net                                   | ¥  | Other income<br>(expenses), net:<br>Other, net                                 | ¥   |
| Total  |  | ¥  |  | ¥   |

| Millions of yen  |  |  |  |   |
|--|--|--|--|---|
| <b>Three months ended<br/>September 30, 2009</b>                             |  |  |  |   |
|  | Location<br>of<br>gains<br>(losses)<br>recognized<br>in<br>income<br>on<br>derivatives | Amount of<br>gains (losses)<br>recognized in<br>income<br>on derivatives | Location of<br>gains (losses)<br>recognized in<br>income<br>on hedged<br>items | Amount of<br>gains (losses)<br>recognized in<br>income<br>on hedged items |
| Interest rate swaps, cross-currency swap<br>and interest rate cap agreements | Other<br>income<br>(expenses),<br>net:<br>Other, net                                   | ¥ 1,268  | Other income<br>(expenses), net:<br>Other, net                                 | ¥ 241   |
| Total  |  | ¥ 1,268  |  | ¥ 241   |

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

Millions of yen  
**Three months ended**

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**September 30, 2010**

|  | 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 |  | Location of gains (losses) recognized in income on derivatives     | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts   | ¥ 2,672   | Other income (expenses), net: Other, net                                 | ¥ 3,297  |  | ¥  |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | 130   | Other income (expenses), net: Other, net                                 |  |  |  |
| <b>Total</b>   | <b>¥ 2,802</b>  |  | <b>¥ 3,297</b>   |  | <b>¥</b>   |

Millions of yen  
**Three months ended  
September 30, 2009**

|   | 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 |  | Location of gains (losses) recognized in income on derivatives     | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts                            | ¥ 1,590   | Other income (expenses), net: Other, net                                 | ¥ 759  |  | ¥  |
| Interest rate swaps, cross-currency swaps and | 202   | Other income   | 91   |  |  |



**Derivative instruments not designated as hedging instruments relationships**

|   | Millions of yen  |  |
|---|--|--|
|   | <b>Three months ended</b>  |  |
|   | <b>September 30, 2010</b>  |  |
|   | Location of gains (losses)<br>recognized<br>in income on derivatives | Amount of gains (losses)<br>recognized<br>in income on derivatives |
| Forwards contracts  | Other income (expenses),<br>net: Other, net                          | ¥ (1,339)  |
| Option contracts  | Other income (expenses),<br>net: Other, net                          |  |
| Interest rate swaps, cross-currency swaps and interest<br>rate cap agreements | Cost of sales<br>Other income (expenses),<br>net: Other, net         | (119)<br>2,533   |
| Total   |  | ¥ 1,075  |

|   | Millions of yen  |  |
|---|--|--|
|   | <b>Three months ended</b>  |  |
|   | <b>September 30, 2009</b>  |  |
|   | Location of gains (losses)<br>recognized<br>in income on derivatives | Amount of gains (losses)<br>recognized<br>in income on derivatives |
| Forwards contracts  | Other income (expenses),<br>net: Other, net                          | ¥ 914  |
| Option contracts  | Other income (expenses),<br>net: Other, net                          | (4)  |
| Interest rate swaps, cross-currency swaps and interest<br>rate cap agreements | Cost of sales<br>Other income (expenses),<br>net: Other, net         | (161)<br>4,908   |
| Total   |  | ¥ 5,657  |

**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 September 30, 2010 and at March 31, 2010, are summarized as follows:

|   | Millions of yen    |                         |                    |                         |
|---|--------------------|-------------------------|--------------------|-------------------------|
|   | September 30, 2010 |                         | March 31, 2010     |                         |
|   | Carrying<br>amount | Estimated<br>fair value | Carrying<br>amount | Estimated<br>fair value |
| Investment securities, marketable equity securities                           | ¥ 43,303           | ¥ 43,303                | ¥ 47,178           | ¥ 47,178                |
| Long-term debt, including current portion                                     | 441,790            | 439,500                 | 462,941            | 460,916                 |
| Derivatives:  |                    |                         |                    |                         |
| Forwards and options  |                    |                         |                    |                         |
| Assets  | 2,777              | 2,777                   | 181                | 181                     |
| Liabilities   | 1,420              | 1,420                   | 2,078              | 2,078                   |
| Interest rate swaps, cross-currency swaps and<br>interest rate cap agreements |                    |                         |                    |                         |
| Assets  | 14,604             | 14,604                  | 9,172              | 9,172                   |
| Liabilities   | 1,727              | 1,727                   | 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 September 30, 2010 and at March 31, 2010 are as follows:

| <b>September 30, 2010</b>  | Millions of yen |          |         | Total    |
|--|-----------------|----------|---------|----------|
|  | Level 1         | Level 2  | Level 3 |          |
| <b>Assets</b>  |                 |          |         |          |
| Investment securities available for sale                                   |                 |          |         |          |
| Manufacturing industry   | ¥ 25,996        | ¥        | ¥       | ¥ 25,996 |
| Financial service industry   | 15,377          |          |         | 15,377   |
| Other  | 1,930           |          |         | 1,930    |
| Derivatives  |                 |          |         |          |
| Forward contracts  |                 | 2,771    |         | 2,771    |
| Option contracts   |                 | 6        |         | 6        |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements |                 | 14,604   |         | 14,604   |
| <b>Total</b>   | ¥ 43,303        | ¥ 17,381 | ¥       | ¥ 60,684 |
| <b>Liabilities</b>   |                 |          |         |          |
| Derivatives  |                 |          |         |          |
| Forward contracts  | ¥               | ¥ 1,420  | ¥       | ¥ 1,420  |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements |                 | 1,727    |         | 1,727    |
| Other  |                 | 19,688   | 1,444   | 21,132   |
| <b>Total</b>   | ¥               | ¥ 22,835 | ¥ 1,444 | ¥ 24,279 |

| <b>March 31, 2010</b>  | Millions of yen |         |         | Total    |
|--|-----------------|---------|---------|----------|
|  | Level 1         | Level 2 | Level 3 |          |
| <b>Assets</b>  |                 |         |         |          |
| 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    |
| <b>Total</b>   | ¥ 47,178        | ¥ 9,353 | ¥       | ¥ 56,531 |
| <b>Liabilities</b>   |                 |         |         |          |
| Derivatives  |                 |         |         |          |
| Forward contracts  | ¥               | ¥ 2,078 | ¥       | ¥ 2,078  |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements |                 | 2,550   |         | 2,550    |



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|       |   |        |        |       |       |        |        |
|-------|---|--------|--------|-------|-------|--------|--------|
| 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 six months ended September 30, 2010 and 2009.

|   | Millions of yen  |  |
|---|--|--|
|   | <b>Six<br/>months<br/>ended<br/>September<br/>30, 2010</b> | <b>Six months ended<br/>September 30,<br/>2009</b> |
| Balance, beginning of year                    | ¥ (2,280)  | ¥ 919  |
| Total gains or losses (realized / unrealized) | 269  | 1,156  |
| Included in earnings                          | 75   | 1,160  |
| Included in other comprehensive income (loss) | 194  | (4)  |
| Purchases, issuances and settlements          | 567  | (2,633)  |
| <br>  |  |  |
| Balance, end of period                        | ¥ (1,444)  | ¥ (558)  |

The amounts of unrealized gains (losses) on classified in Level 3 liabilities recognized in earnings for the six months ended September 30, 2010 and 2009 related to liabilities still held at September 30, 2010 and 2009 were gains of ¥75 million and losses of ¥586 million, respectively. These gains and losses were reported in other income (expenses), net of the consolidated statements of income.

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

|   | Millions of yen  |  |
|---|--|--|
|   | <b>Three<br/>months<br/>ended<br/>September<br/>30, 2010</b> | <b>Three months<br/>ended<br/>September 30, 2009</b> |
| Balance, beginning of year                    | ¥ (1,492)  | ¥ 18   |
| Total gains or losses (realized / unrealized) | (33)   | 564  |
| Included in earnings                          | (135)  | 554  |
| Included in other comprehensive income (loss) | 102  | 10   |
| Purchases, issuances and settlements          | 81   | (1,140)  |
| <br>  |  |  |
| Balance, end of period                        | ¥ (1,444)  | ¥ (558)  |

The amounts of unrealized losses on classified in Level 3 liabilities recognized in earnings for the three months ended September 30, 2010 and 2009 related to liabilities still held at September 30, 2010 and 2009 were losses of ¥135 million and ¥1,192 million, respectively. These 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 six months ended September 30, 2010, assets and liabilities that were measured at fair value on a non-recurring basis were not material.

During six months ended September 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 ¥44,279 million and ¥50,082 million, respectively, at September 30, 2010 and at March 31, 2010 with financial institutions to secure liquidity. At September 30, 2010 and at March 31, 2010, ¥21,282 million and ¥23,741 million, respectively, were available to be used under such credit line agreements.

**12. Dividends****(1) 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 : The amount is rounded down to nearest million yen.

**(2) Dividends to be paid for the six months ended September 30, 2010, of which effective date is after September 30, 2010**

| Resolution  | Type of stock | Aggregate amount of dividends (Millions of Yen) |
|---|---------------|---|
| Board of Directors meeting held on October 28, 2010 | Common stock  | 17,429  |

| Resource of dividends | Dividend per share (Yen) | Record date        | Effective date    |
|-----------------------|--------------------------|--------------------|-------------------|
| Retained earnings     | 18                       | September 30, 2010 | November 26, 2010 |

Note: The amount is 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:**

|  | <b>Millions of yen</b>                                 |  |
|--|--|--|
|  | <b>Six months<br/>ended<br/>September<br/>30, 2010</b> | <b>Six months ended<br/>September 30,<br/>2009</b> |
| <b>Net sales:</b>                          |  |  |
| Construction, Mining and Utility Equipment |  |  |
| Customers                                  | ¥ 763,645  | ¥ 569,605  |
| Intersegment                               | 991  | 1,417  |
| Total                                      | 764,636  | 571,022  |
| Industrial Machinery and Others            |  |  |
| Customers                                  | 96,118   | 76,358   |
| Intersegment                               | 5,431  | 8,331  |
| Total                                      | 101,549  | 84,689   |
| Elimination                                | (6,422)  | (9,748)  |
| Consolidated                               | ¥ 859,763  | ¥ 645,963  |
| <b>Segment profit:</b>                     |  |  |
| Construction, Mining and Utility Equipment | ¥ 102,302  | ¥ 20,787   |
| Industrial Machinery and Others            | 6,133  | 3,670  |
| Total                                      | 108,435  | 24,457   |
| Corporate expenses and elimination         | (3,299)  | (3,059)  |
| Consolidated segment profit                | 105,136  | 21,398   |
| Other operating income (expenses), net     | (1,224)  | (1,613)  |
| Operating income                           | 103,912  | 19,785   |
| Interest and dividend income               | 2,329  | 3,965  |
| Interest expense                           | (3,289)  | (5,125)  |

|  |           |          |
|--|-----------|----------|
| Other, net   | (2,841)   | (173)    |
| Consolidated income before income taxes and equity in earnings of affiliated companies | ¥ 100,111 | ¥ 18,452 |

|  | Millions of yen                                   |   |
|--|---|---|
|  | Three<br>months<br>ended<br>September<br>30, 2010 | Three months<br>ended<br>September 30, 2009 |
| <b>Net sales:</b>  |   |   |
| Construction, Mining and Utility Equipment   |   |   |
| Customers  | ¥ 358,439   | ¥ 284,910                                   |
| Intersegment   | 553   | 631   |
| Total  | 358,992   | 285,541                                     |
| Industrial Machinery and Others  |   |   |
| Customers  | 54,184  | 40,625                                      |
| Intersegment   | 3,128   | 4,288                                       |
| Total  | 57,312  | 44,913                                      |
| Elimination  | (3,681)   | (4,919)                                     |
| Consolidated   | ¥ 412,623   | ¥ 325,535                                   |
| <b>Segment profit:</b>   |   |   |
| Construction, Mining and Utility Equipment   | ¥ 48,037  | ¥ 13,350                                    |
| Industrial Machinery and Others  | 4,098   | 793   |
| Total  | 52,135  | 14,143                                      |
| Corporate expenses and elimination   | (1,336)   | (1,214)                                     |
| Consolidated segment profit  | 50,799  | 12,929                                      |
| Other operating income (expenses), net   | (962)   | (1,417)                                     |
| Operating income   | 49,837  | 11,512                                      |
| Interest and dividend income   | 1,308   | 2,106                                       |
| Interest expense   | (1,620)   | (2,394)                                     |
| Other, net   | 482   | (1,500)                                     |
| Consolidated income before income taxes and equity in earnings of affiliated companies | ¥ 50,007  | ¥ 9,724                                     |

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 six months ended September 30, 2010 and 2009 are as follows:

|                                | <b>Millions of Yen</b>                                 |  |
|--------------------------------|--|--|
|                                | <b>Six months<br/>ended<br/>September<br/>30, 2010</b> | <b>Six months ended<br/>September 30,<br/>2009</b> |
| <b>Net sales to customers:</b> |  |  |
| Japan                          | ¥ 163,119  | ¥ 150,732  |
| The Americas                   | 196,587  | 152,325  |
| Europe and CIS                 | 72,138   | 62,222   |
| China                          | 186,127  | 117,739  |
| Asia* and Oceania              | 192,186  | 123,784  |
| Middle East and Africa         | 49,606   | 39,161   |
| Consolidated net sales         | ¥ 859,763  | ¥ 645,963  |

\* Excluding Japan  
and China

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

|                                | <b>Millions of Yen</b>                                       |  |
|--------------------------------|--|--|
|                                | <b>Three<br/>months<br/>ended<br/>September<br/>30, 2010</b> | <b>Three months<br/>ended<br/>September 30, 2009</b> |
| <b>Net sales to customers:</b> |  |  |
| Japan                          | ¥ 91,694   | ¥ 81,973   |
| The Americas                   | 95,011   | 71,948   |
| Europe and CIS                 | 32,386   | 26,158   |
| China                          | 71,235   | 58,325   |
| Asia* and Oceania              | 94,167   | 66,133   |
| Middle East and Africa         | 28,130   | 20,998   |
| Consolidated net sales         | ¥ 412,623  | ¥ 325,535  |

\* Excluding Japan  
and China

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

**Millions of yen  
Six months ended**

|                                | <b>Six months<br/>ended<br/>September<br/>30, 2010</b> | <b>September 30,<br/>2009</b> |
|--------------------------------|--|-------------------------------|
| <b>Net sales to customers:</b> |  |                               |
| Japan                          | ¥ 296,919  | ¥ 225,427                     |
| U.S.A.                         | 191,650  | 145,552                       |
| Europe and CIS                 | 80,059   | 69,462                        |
| China                          | 147,524  | 96,957                        |
| Others                         | 143,611  | 108,565                       |
| Consolidated net sales         | ¥ 859,763  | ¥ 645,963                     |

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

|                                | Millions of yen                                   |   |
|--------------------------------|---|---|
|                                | Three<br>months<br>ended<br>September<br>30, 2010 | Three months<br>ended<br>September 30, 2009 |
| <b>Net sales to customers:</b> |   |   |
| Japan                          | ¥ 163,121   | ¥ 114,999                                   |
| U.S.A.                         | 90,726  | 70,567                                      |
| Europe and CIS                 | 37,110  | 35,380                                      |
| China                          | 51,484  | 45,991                                      |
| Others                         | 70,182  | 58,598                                      |
| <br>Consolidated net sales     | <br>¥ 412,623                                     | <br>¥ 325,535                               |

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 six months and three months ended September 30, 2009 have been reclassified according to the presentation for the six months and three months ended September 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.