

KOMATSU LTD
Form 6-K
February 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 February, 2010
COMMISSION FILE NUMBER: 1-7239
KOMATSU LTD.**

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

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

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

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

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

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

INFORMATION TO BE INCLUDED IN REPORT

1. Quarterly Report for the Third Quarter of the 141st Fiscal Year filed on February 10, 2010

On February 10, 2010, the registrant filed its Quarterly Report (Shihanki Houkokusho) with the Director of the Kanto Local Finance Bureau of Japan and provided it to the Tokyo Stock Exchange pursuant to the Financial Instruments and Exchange Law of Japan. This Quarterly Report contains, among other information, the Quarterly Consolidated Financial Statements for the nine months period ended December 31, 2009 and the three months period ended December 31, 2009.

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

Attached is an English translation of the registrant's Quarterly Consolidated Financial Statements for the nine months period ended December 31, 2009 and the three months period ended December 31, 2009.

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: February 12, 2010

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

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

Komatsu Ltd. and Consolidated Subsidiaries

December 31, 2009 and March 31, 2009

	December 31, 2009		March 31, 2009	
	Millions of	Component	Millions of	Component
	yen	ratio (%)	yen	ratio (%)
Assets				
Current assets				
Cash and cash equivalents	¥ 93,491		¥ 90,563	
Time deposits	1,027		44	
Trade notes and accounts receivable, less allowance for doubtful receivables of ¥13,262 million at December 31, 2009 and ¥15,330 million at March 31, 2009	403,998		373,901	
Inventories (Note 3)	424,802		507,357	
Deferred income taxes and other current assets (Notes 4, 9, 10 and 11)	104,942		131,374	
Total current assets	1,028,260	52.8	1,103,239	56.0
Long-term trade receivables	148,797	7.7	102,969	5.2
Investments				
Investments in and advances to affiliated companies	22,484		19,249	
Investment securities (Notes 4, 10 and 11)	56,097		53,854	
Other	2,695		12,017	
Total investments	81,276	4.2	85,120	4.3
Property, plant and equipment less accumulated depreciation of ¥622,674 million at December 31, 2009 and ¥589,629 million at March 31, 2009	527,649	27.1	525,462	26.7
Goodwill	29,656	1.5	28,661	1.5
Other intangible assets	61,111	3.1	60,346	3.1
Deferred income taxes and other assets (Notes 9, 10 and 11)	70,271	3.6	63,262	3.2
	¥ 1,947,020	100.0	¥ 1,969,059	100.0

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

	December 31, 2009		March 31, 2009	
	Millions of yen	Component ratio (%)	Millions of yen	Component ratio (%)
Liabilities and Equity				
Current liabilities				
Short-term debt	¥ 189,802		¥ 220,087	
Current maturities of long-term debt (Note 10)	86,249		87,662	
Trade notes, bills and accounts payable	182,945		214,375	
Income taxes payable	8,156		10,818	
Deferred income taxes and other current liabilities (Notes 9, 10 and 11)	179,514		199,345	
Total current liabilities	646,666	33.2	732,287	37.2
Long-term liabilities				
Long-term debt (Note 10)	362,653		292,106	
Liability for pension and retirement benefits	49,432		53,822	
Deferred income taxes and other liabilities (Notes 9, 10 and 11)	37,066		42,510	
Total long-term liabilities	449,151	23.1	388,438	19.7
Total liabilities	1,095,817	56.3	1,120,725	56.9
Commitments and contingent liabilities (Note 8)				
Komatsu Ltd. shareholders equity				
Common stock:				
Authorized 3,955,000,000 shares at December 31, 2009 and at March 31, 2009				
Issued 998,744,060 shares at December 31, 2009 and at March 31, 2009				
	67,870		67,870	
Outstanding 968,047,592 shares at December 31, 2009 and 967,822,292 shares at March 31, 2009				
Capital surplus	140,421		140,092	
Retained earnings:				
Appropriated for legal reserve	31,160		28,472	
Unappropriated	709,709		719,222	
Accumulated other comprehensive income (loss) (Notes 4 and 9)	(103,552)		(105,744)	
Treasury stock at cost, 30,696,468 shares at December 31, 2009 and 30,921,768 shares at March 31, 2009	(34,737)		(34,971)	

Edgar Filing: KOMATSU LTD - Form 6-K

Total Komatsu Ltd. shareholders equity	810,871	41.6	814,941	41.4
Noncontrolling interests	40,332	2.1	33,393	1.7
Total equity (Note 6)	851,203	43.7	848,334	43.1
	¥ 1,947,020	100.0	¥ 1,969,059	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

Nine months ended December 31, 2009 and 2008

	Nine months ended December 31, 2009		Nine months ended December 31, 2008	
	Millions of yen	Component ratio (%)	Millions of yen	Component ratio (%)
Net sales	¥ 1,003,927	100.0	¥ 1,642,689	100.0
Cost of sales	780,516	77.7	1,199,279	73.0
Selling, general and administrative expenses (Note 5)	181,204	18.0	242,444	14.8
Other operating income (expenses), net	(6,110)	(0.6)	(795)	(0.0)
Operating income	36,097	3.6	200,171	12.2
Other income (expenses), net	(1,409)		(22,067)	
Interest and dividend income	5,215	0.5	6,696	0.4
Interest expense	(7,276)	(0.7)	(11,273)	(0.7)
Other, net	652	0.1	(17,490)	(1.1)
Income before income taxes and equity in earnings of affiliated companies	34,688	3.5	178,104	10.8
Income taxes				
Current	24,169		58,994	
Deferred	(12,330)		1,476	
Total	11,839	1.2	60,470	3.7
Income before equity in earnings of affiliated companies	22,849	2.3	117,634	7.2
Equity in earnings of affiliated companies	556	0.1	829	0.1
Net income	23,405	2.3	118,463	7.2
Less net income attributable to noncontrolling interests	(5,050)	(0.5)	(5,142)	(0.3)
Net income attributable to Komatsu Ltd.	¥ 18,355	1.8	¥ 113,321	6.9

Yen

	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Net income attributable to Komatsu Ltd. per share (Note 7)		
Basic	¥ 18.96	¥ 114.30
Diluted	18.95	114.21
Cash dividends per share (Note 13)	26.00	44.00

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

Three months ended December 31, 2009 and 2008

	Three months ended December 31, 2009		Three months ended December 31, 2008	
	Millions of yen	Component ratio (%)	Millions of yen	Component ratio (%)
Net sales	¥ 357,964	100.0	¥ 431,401	100.0
Cost of sales	275,434	76.9	313,604	72.7
Selling, general and administrative expenses (Note 5)	61,721	17.2	76,220	17.7
Other operating income (expenses), net	(4,497)	(1.3)	(1,060)	(0.2)
Operating income	16,312	4.6	40,517	9.4
Other income (expenses), net	(76)		(19,141)	
Interest and dividend income	1,250	0.3	2,282	0.5
Interest expense	(2,151)	(0.6)	(3,708)	(0.9)
Other, net	825	0.2	(17,715)	(4.1)
Income before income taxes and equity in earnings of affiliated companies	16,236	4.5	21,376	5.0
Income taxes				
Current	8,681		5,644	
Deferred	(3,485)		1,425	
Total	5,196	1.5	7,069	1.6
Income before equity in earnings of affiliated companies	11,040	3.1	14,307	3.3
Equity in earnings of affiliated companies	515	0.1	(505)	(0.1)
Net income	11,555	3.2	13,802	3.2
Less net income attributable to noncontrolling interests	(1,398)	(0.4)	(822)	(0.2)
Net income attributable to Komatsu Ltd.	¥ 10,157	2.8	¥ 12,980	3.0

Yen

Three months ended	Three months ended
---------------------------	---------------------------

	December 31, 2009	December 31, 2008
Net income attributable to Komatsu Ltd. per share (Note 7)		
Basic	¥ 10.49	¥ 13.19
Diluted	10.49	13.19
Cash dividends per share (Note 13)	8.00	22.00

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

Consolidated Statements of Shareholders Equity (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2009 and 2008

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Common stock		
Balance, beginning of year	¥ 67,870	¥ 67,870
Balance, end of period	¥ 67,870	¥ 67,870
Capital surplus		
Balance, beginning of year	¥ 140,092	¥ 138,170
Sales of treasury stock	(84)	1,629
Issuance and exercise of stock acquisition rights (Note 5)	413	352
Balance, end of period	¥ 140,421	¥ 140,151
Retained earnings, appropriated for legal reserve		
Balance, beginning of year	¥ 28,472	¥ 26,714
Transfer from unappropriated retained earnings	2,688	627
Balance, end of period	¥ 31,160	¥ 27,341
Unappropriated retained earnings		
Balance, beginning of year	¥ 719,222	¥ 685,986
Net income attributable to Komatsu Ltd.	18,355	113,321
Cash dividends paid to Komatsu Ltd. shareholders (Note 13)	(25,180)	(43,803)
Transfer to retained earnings appropriated for legal reserve	(2,688)	(627)
Balance, end of period	¥ 709,709	¥ 754,877
Accumulated other comprehensive income (loss)		
Balance, beginning of year	¥ (105,744)	¥ (28,779)
Other comprehensive income(loss), for the period, net of tax	2,192	(90,649)
Balance, end of period	¥ (103,552)	¥ (119,428)

Treasury stock				
Balance, beginning of year	¥	(34,971)	¥	(2,835)
Purchase of treasury stock		(22)		(33,080)
Sales of treasury stock		256		826
Balance, end of period	¥	(34,737)	¥	(35,089)
Total Komatsu Ltd. shareholders equity	¥	810,871	¥	835,722
Noncontrolling interests				
Balance, beginning of year	¥	33,393	¥	30,239
Net income attributable to noncontrolling interests		5,050		5,142
Cash dividends paid to noncontrolling interests		(1,735)		(2,232)
Other comprehensive income(loss), for the period, net of tax		2,110		(5,918)
Other changes in noncontrolling interests		1,514		3,137
Balance, end of period	¥	40,332	¥	30,368
Total equity (Note 6)	¥	851,203	¥	866,090

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

Nine months ended December 31, 2009 and 2008

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Operating activities		
Net income	¥ 23,405	¥ 118,463
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	67,752	70,343
Deferred income taxes	(12,330)	1,476
Net loss (gain) from sale of investment securities and subsidiaries	(807)	2,182
Net loss (gain) on sale of property	(510)	162
Loss on disposal of fixed assets	1,313	2,314
Pension and retirement benefits, net	(1,884)	(2,266)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(28,410)	57,245
Decrease (increase) in inventories	86,846	(84,306)
Increase (decrease) in trade payables	(30,792)	(35,905)
Increase (decrease) in income taxes payable	(2,721)	(42,433)
Other, net	13,457	(40,159)
 Net cash provided by (used in) operating activities	 115,319	 47,116
Investing activities		
Capital expenditures	(69,103)	(107,408)
Proceeds from sale of property	11,077	4,481
Proceeds from sale of available for sale investment securities	720	619
Purchases of available for sale investment securities	(3,465)	(12,803)
Proceeds from sale of subsidiaries and equity investees, net of cash disposed	661	
Acquisition of subsidiaries and equity investees, net of cash acquired	638	135
Collection of loan receivables	10,512	5,128
Disbursement of loan receivables	(1,116)	(3,416)
Decrease (increase) in time deposits	(521)	(1,315)
 Net cash provided by (used in) investing activities	 (50,597)	 (114,579)
Financing activities		
Proceeds from long-term debt	104,021	96,685
Repayments on long-term debt	(41,069)	(54,944)

Edgar Filing: KOMATSU LTD - Form 6-K

Increase (decrease) in short-term debt, net	(70,869)	129,114
Repayments of capital lease obligations	(25,876)	(24,570)
Sale (purchase) of treasury stock, net	150	(32,831)
Dividends paid	(25,180)	(43,803)
Other, net	(1,752)	(257)
Net cash provided by (used in) financing activities	(60,575)	69,394
Effect of exchange rate change on cash and cash equivalents	(1,219)	(5,323)
Net increase (decrease) in cash and cash equivalents	2,928	(3,392)
Cash and cash equivalents, beginning of year	90,563	102,010
Cash and cash equivalents, end of period	¥ 93,491	¥ 98,618

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 Statements and Summary of Significant Accounting Policies

Basis of Quarterly Financial Statements

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

(2) The Company and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its foreign subsidiaries generally maintain their books of account in conformity with those in the country of their domicile. The accompanying consolidated financial statements reflect certain adjustments, not recorded in Komatsu s books, to present them in conformity with U.S. GAAP. These adjustments are made mainly in connection with accounting for liability for pension and other retirement benefits, derivative financial instruments, and recognition of certain accrued expenses.

Summary of Significant Accounting Policies

Komatsu adopted the FASB Accounting Standard Codification™ (ASC) 105, Generally Accepted Accounting Principles (Formerly the Statement of Financial Accounting Standards (SFAS) No. 168, The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No.162) in September 2009. ASC 105 prescribes that FASB Accounting Standard Codification™ (Codification) is the single source of authoritative U.S. generally accepted accounting principle, doing away with the previous four-level hierarchy.

The financial statements that adopted ASC 105 should follow the Codification in place of legacy accounting pronouncements. SFAS No. 168 is superseded by ASC 105. The adoption of ASC 105 did not have a material impact on our consolidated results of operations and financial condition.

Starting in the fiscal year which began April 1, 2009, Komatsu adopted ASC 805, Business Combinations . ASC 805 establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired or gain from a bargain purchase. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. The adoption of ASC 805 did not have a material impact on our consolidated results of operations and financial condition.

Starting in the fiscal year which began April 1, 2009, Komatsu adopted ASC 810, Consolidation . ASC 810 establishes accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. ASC 810 also establishes disclosure requirements that clearly identify and distinguish between the controlling and noncontrolling interests, and requires the separate disclosure of income attributable to controlling and noncontrolling interests. Previously reported amounts have been reclassified accordingly.

Excluding the above, there is no material change for Summary of Significant Accounting Policies stated in annual report for the year ended March 31, 2009.

2. Supplemental Cash Flow Information

Additional cash flow information and noncash investing and financing activities for the nine months ended December 31, 2009 and 2008 are as follows:

	Millions of yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Additional cash flow information:		
Interest paid	¥ 7,569	¥ 10,828
Income taxes paid	6,544	97,234
Noncash investing and financing activities:		
Capital lease obligations incurred	¥ 12,663	¥ 28,230

3. Inventories

At December 31, 2009 and at March 31, 2009, inventories comprised the following:

	Millions of yen	
	December 31, 2009	March 31, 2009
Finished products, including finished parts held for sale	¥ 272,622	¥ 328,643
Work in process	113,040	128,345
Materials and supplies	39,140	50,369
 Total	 ¥ 424,802	 ¥ 507,357

4. Investment Securities

Investment securities at December 31, 2009 and at March 31, 2009 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 December 31, 2009 and at March 31, 2009 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding Gains	Losses	Fair value
December 31, 2009				
Investment securities available for sale:				
Marketable equity securities	¥ 25,109	¥ 15,115	¥ 100	¥ 40,124
Other investment securities at cost	15,973			
Current portion of other investment securities at cost				
	¥ 41,082			

	Millions of yen			
	Cost	Gross unrealized holding Gains	Losses	Fair value
March 31, 2009				
Investment securities available for sale:				
Marketable equity securities	¥ 24,112	¥ 13,419	¥ 465	¥ 37,066
Other investment securities at cost	16,788			
Current portion of other investment securities at cost	101			
	¥ 41,001			

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 ¥720 million and ¥619 million for the nine months ended December 31, 2009 and 2008, respectively.

Impairment losses and net realized gains or losses from sale of investment securities available for sale during the nine months ended December 31, 2009 and 2008 amounted to gains of ¥807 million and losses of ¥7,827 million, respectively. Impairment losses and net realized gains or losses from sale of investment securities available for sale during the three months ended December 31, 2009 and 2008 amounted to gains of ¥555 million and losses of ¥6,516 million, respectively. Such gains and losses were included in other income (expenses), net in the accompanying consolidated statements of income.

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

5. Stock Option Plan

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

Komatsu recognizes compensation expense using the fair value method in accordance with ASC 718 Compensation Stock Compensation. Compensation expenses during the nine months ended December 31, 2009 and 2008 were ¥413 million and ¥376 million, respectively, and were recorded in selling, general and administrative expenses. Compensation expenses after tax during the nine months ended December 31, 2009 and 2008 were ¥246 million and ¥224 million, respectively. Compensation expenses during the three months ended December 31, 2009 and 2008 were ¥310 million and ¥282 million, respectively, and were recorded in selling, general and administrative expenses. Compensation expenses after tax during the three months ended December 31, 2009 and 2008 were ¥184 million and ¥168 million, respectively.

6. Equity

The changes in the carrying amount of equity attributable to Komatsu Ltd. shareholders, equity attributable to noncontrolling interests and the total equity in the accompanying consolidated balance sheets for the nine months ended December 31, 2009 and 2008 are as follows:

	Millions of yen		
	Komatsu Ltd. shareholders equity	Noncontrolling interests	Total equity
Nine months ended December 31, 2009			
Balance, beginning of year	¥ 814,941	¥ 33,393	¥ 848,334
Cash dividends paid to Komatsu Ltd. shareholders	(25,180)		(25,180)
Cash dividends paid to noncontrolling interests		(1,735)	(1,735)
Other changes	563	1,514	2,077
Comprehensive income:			
Net income	18,355	5,050	23,405
Other comprehensive income(loss), for the period, net of tax			
Foreign currency translation adjustments	(2,018)	1,431	(587)
Net unrealized holding gains on securities available for sale	1,244		1,244
Pension liability adjustments	2,326	1	2,327
Net unrealized holding gains on derivative instruments	640	678	1,318
Total comprehensive income	20,547	7,160	27,707
Balance, end of period	¥ 810,871	¥ 40,332	¥ 851,203

	Millions of yen		
	Komatsu Ltd. shareholders equity	Noncontrolling interests	Total equity
Nine months ended December 31, 2008			
Balance, beginning of year	¥ 887,126	¥ 30,239	¥ 917,365
Cash dividends paid to Komatsu Ltd. shareholders	(43,803)		(43,803)
Cash dividends paid to noncontrolling interests		(2,232)	(2,232)
Other changes	(30,273)	3,137	(27,136)
Comprehensive income:			
Net income	113,321	5,142	118,463
Other comprehensive income(loss), for the period, net of tax			
Foreign currency translation adjustments	(78,592)	(5,922)	(84,514)
Net unrealized holding gains(losses) on securities available for sale	(13,450)	4	(13,446)
Pension liability adjustments	467		467
Net unrealized holding gains on derivative instruments	926		926
Total comprehensive income(loss)	22,672	(776)	21,896

Balance, end of period	¥ 835,722	¥ 30,368	¥ 866,090
------------------------	-----------	----------	-----------

7. 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	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Net income attributable to Komatsu Ltd.	¥ 18,355	¥ 113,321
	Number of shares	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Weighted average common shares outstanding, less treasury stock	968,000,628	991,427,410
Dilutive effect of:		
Stock options	414,917	787,191
Weighted average diluted common shares outstanding	968,415,545	992,214,601
	Yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Net income attributable to Komatsu Ltd.:		
Basic	¥ 18.96	¥ 114.30
Diluted	18.95	114.21

	Millions of yen	
	Three months ended December 31, 2009	Three months ended December 31, 2008
Net income attributable to Komatsu Ltd.	¥ 10,157	¥ 12,980

	Number of shares	
	Three months ended December 31, 2009	Three months ended December 31, 2008
Weighted average common shares outstanding, less treasury stock	968,046,436	983,857,187
Dilutive effect of:		
Stock options	483,967	276,274
Weighted average diluted common shares outstanding	968,530,403	984,133,461

	Yen	
	Three months ended December 31, 2009	Three months ended December 31, 2008
Net income attributable to Komatsu Ltd.:		
Basic	¥ 10.49	¥ 13.19
Diluted	10.49	13.19

8. Contingent Liabilities

At December 31, 2009 and at March 31, 2009, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥12,980 million and ¥14,480 million, respectively. Komatsu provides guarantees to third parties of loans of the employees, affiliated companies and other companies. The guarantees relating to the employees are mainly made for their housing loans. The guarantees of loans relating to the affiliated companies and other companies are made to enhance the credit of those companies.

For each guarantee provided, Komatsu would have to perform under a guarantee, if the borrower defaults on a payment within the contract terms. The contract terms are from 10 years to 30 years in the case of employees with housing loans, and from 1 year to 10 years in the case of loans relating to the affiliated companies and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default was ¥80,319 million and ¥65,478 million at December 31, 2009 and at March 31, 2009, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at December 31, 2009 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 position.

Komatsu conducts 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.

9. Derivative Financial Instruments

Notional principal amounts of derivative financial instruments outstanding at December 31, 2009 and at March 31, 2009 are as follows:

	Millions of yen	
	December 31, 2009	March 31, 2009
Forwards and options:		
Sale of foreign currencies	¥ 31,053	¥ 30,868
Purchase of foreign currencies	44,200	48,424
Option contracts (purchased)	919	1,011
Interest rate swap, cross-currency swap and interest rate cap agreements	206,049	226,754

Net foreign currency exchange gains (losses) in the accompanying consolidated statements of income for the nine months ended December 31, 2009 and 2008 amounted to losses of ¥1,399 million and losses of ¥15,426 million, respectively. Net foreign currency exchange gains (losses) in the accompanying consolidated statements of income for the three months ended December 31, 2009 and 2008 amounted to gains of ¥1,475 million and losses of ¥11,152 million, respectively.

Fair values of derivative instruments at December 31, 2009 and at March 31, 2009 on the consolidated balance sheets are as follows:

Millions of yen				
December 31, 2009				
Derivative instruments designated as hedging instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 22	Deferred income taxes and other current liabilities	¥ 453
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	247	Deferred income taxes and other current liabilities	850
	Deferred income taxes and other assets	319	Deferred income taxes and other liabilities	
Total		¥ 588		¥ 1,303
Millions of yen				
March 31, 2009				
Undesignated derivative instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 67	Deferred income taxes and other current liabilities	¥ 928
Option contracts	Deferred income taxes and other current assets	14	Deferred income taxes and other current liabilities	
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	2,794	Deferred income taxes and other current liabilities	998
	Deferred income taxes and other assets	8,202	Deferred income taxes and other liabilities	1,114
Total		¥ 11,077		¥ 3,040
Total Derivative Instruments		¥ 11,665		¥ 4,343

Millions of yen				
March 31, 2009				
Derivative instruments designated as hedging instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 278	Deferred income taxes and other current liabilities	¥ 430
	Deferred income taxes and other assets	8	Deferred income taxes and other liabilities	
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	2,351	Deferred income taxes and other current liabilities	

Edgar Filing: KOMATSU LTD - Form 6-K

	Deferred income taxes and other assets	5,709	Deferred income taxes and other liabilities	
Total		¥ 8,346		¥ 430

Undesignated derivative instruments	Derivative Assets		Derivative Liabilities	
	Location on the consolidated Balance Sheets	Estimated fair value	Location on the consolidated Balance Sheets	Estimated fair value
Forwards contracts	Deferred income taxes and other current assets	¥ 1,016	Deferred income taxes and other current liabilities	¥ 1,387
Option contracts	Deferred income taxes and other current assets	19	Deferred income taxes and other current liabilities	
Interest rate swaps, cross-currency swap and interest rate cap agreements	Deferred income taxes and other current assets	766	Deferred income taxes and other current liabilities	980
	Deferred income taxes and other assets	1,704	Deferred income taxes and other liabilities	3,058
Total		¥ 3,505		¥ 5,425
Total Derivative Instruments		¥ 11,851		¥ 5,855

The effects of derivative instruments on the consolidated statements of income for the nine months ended December 31, 2009 are as follows:

Derivative instruments designated as fair value hedging relationships

	Millions of yen			
	Nine months ended December 31, 2009			
	Location of gains (losses) recognized in income on derivatives	Amount of gains (losses) recognized in income on derivatives	Location of gains (losses) recognized in income on hedged items	Amount of gains (losses) recognized in income on hedged items
Interest rate swaps, cross-currency swap and interest rate cap agreements	Other income (expenses), net: Other-net	¥ 2,271	Other income (expenses), net: Other-net	¥ (494)
Total		¥ 2,271		¥ (494)

Derivative instruments designated as cash flow hedging relationships

	Millions of yen				
	Nine months ended December 31, 2009				
	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	¥ 315	Other income (expenses), net: Other-net	¥ 373		¥
Interest rate swaps, cross-currency swap and interest rate cap agreements	181	Other income (expenses), net: Other-net	90		