

KOMATSU LTD
Form 6-K
November 14, 2008
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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, 2008

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

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

Form 20-F Form 40-F

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

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

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-_____

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INFORMATION TO BE INCLUDED IN REPORT

1. Quarterly Report for the Second Quarter of the 140th Fiscal Year filed on November 12, 2008

On November 12, 2008, 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 Law of Japan. This Quarterly Report contains, among other information, Consolidated Financial Statements for the six months period ended September 30, 2008 and the three months period ended September 30, 2008.

Material information in the report, other than the Consolidated Financial Statements, has already been reported by the registrant in its company announcement dated October 29, 2008, a copy of which was submitted under cover of Form 6-K on October 30, 2008 by the registrant.

Attached is an English translation of the registrant's Consolidated Financial Statements for the six months period ended September 30, 2008 and the three months period ended September 30, 2008.

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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 14, 2008

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

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

Komatsu Ltd. and Consolidated Subsidiaries

March 31, 2008 and September 30, 2008

| Assets | As of September 30, 2008 | | As of March 31, 2008 | |
|--|--------------------------|---------------------|----------------------|---------------------|
| | Millions of yen | Component ratio (%) | Millions of yen | Component ratio (%) |
| Current assets | | | | |
| Cash and cash equivalents | ¥ 77,216 | | ¥ 102,010 | |
| Time deposits | 177 | | 97 | |
| Trade notes and accounts receivable, less allowance for doubtful receivables of ¥10,802 million as of September 30, 2008, ¥11,470 million as of March 31, 2008 | 513,450 | | 523,624 | |
| Inventories (Note 3) | 560,436 | | 518,441 | |
| Deferred income taxes and other current assets (Notes 4, 9 and 10) | 130,304 | | 129,505 | |
| Total current assets | 1,281,583 | 58.9 | 1,273,677 | 60.5 |
| Long-term trade receivables | 110,462 | 5.1 | 89,695 | 4.3 |
| Investments | | | | |
| Investments in and advances to affiliated companies | 22,712 | | 22,884 | |
| Investment securities (Notes 4,10) | 84,100 | | 79,479 | |
| Other | 12,785 | | 11,575 | |
| Total investments | 119,597 | 5.5 | 113,938 | 5.4 |
| Property, plant and equipment less accumulated depreciation of ¥594,973 million as of September 30, 2008, ¥579,203 million as of March 31, 2008 | 527,958 | 24.3 | 491,146 | 23.3 |
| Goodwill | 32,299 | 1.5 | 31,833 | 1.5 |
| Other intangible assets | 64,356 | 3.0 | 61,916 | 2.9 |
| Deferred income taxes and other assets (Notes 9,10) | 38,942 | 1.7 | 42,941 | 2.1 |
| | ¥ 2,175,197 | 100.0 | ¥ 2,105,146 | 100.0 |

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

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| | As of September 30, 2008 | | As of March 31, 2008 | |
|--|--------------------------|---------------------|----------------------|---------------------|
| | Millions of yen | Component ratio (%) | Millions of yen | Component ratio (%) |
| Liabilities and Shareholders Equity | | | | |
| Current liabilities | | | | |
| Short-term debt | ¥ 106,045 | | 108,890 | |
| Current maturities of long-term debt | 97,959 | | 107,928 | |
| Trade notes, accounts payable and bills payable | 379,180 | | 387,104 | |
| Income taxes payable | 34,705 | | 52,453 | |
| Deferred income taxes and other current liabilities (Notes 9,10) | 197,297 | | 205,157 | |
| Total current liabilities | 815,186 | 37.5 | 861,532 | 40.9 |
| Long-term liabilities | | | | |
| Long-term debt | 284,729 | | 235,277 | |
| Liability for pension and retirement benefits | 37,783 | | 38,910 | |
| Deferred income taxes and other liabilities (Notes 9,10) | 48,049 | | 52,062 | |
| Total long-term liabilities | 370,561 | 17.0 | 326,249 | 15.5 |
| Minority interests | 33,661 | 1.6 | 30,239 | 1.5 |
| Commitments and contingent liabilities (Note 8) | | | | |
| Shareholders equity | | | | |
| Common stock: | | | | |
| Authorized 3,955,000,000 shares as of September 30, 2008 and as of March 31, 2008 | | | | |
| Issued 998,744,060 shares as of September 30, 2008 and as of March 31, 2008 | 67,870 | | 67,870 | |
| Outstanding 994,839,215 shares as of September 30, 2008, 995,103,847 shares as of March 31, 2008 | | | | |
| Capital surplus | 139,941 | | 138,170 | |
| Retained earnings: | | | | |
| Appropriated for legal reserve | 26,990 | | 26,714 | |
| Unappropriated | 764,147 | | 685,986 | |
| Accumulated other comprehensive income (loss) (Notes 4, 6 and 9) | (38,053) | | (28,779) | |
| Treasury stock at cost, 3,904,845 shares as of September 30, 2008, 3,640,213 shares as of March 31, 2008 | (5,106) | | (2,835) | |
| Total shareholders equity | 955,789 | 43.9 | 887,126 | 42.1 |
| | ¥ 2,175,197 | 100.0 | 2,105,146 | 100.0 |

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

Table of Contents**Consolidated Statements of Income (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

Six months ended September 30, 2008 and three months ended September 30, 2008

| | Six months ended September 30, 2008 | |
|--|--|--------------------------------|
| | Millions of yen | Component ratio (%) |
| Net sales | ¥ 1,211,288 | 100.0 |
| Cost of sales | 885,675 | 73.1 |
| Selling, general and administrative expenses (Note 5) | 166,224 | 13.7 |
| Other operating income (expenses) | 265 | 0.0 |
| Operating income | 159,654 | 13.2 |
| Other income (expenses) | (2,926) | |
| Interest and dividend income | 4,414 | 0.4 |
| Interest expense | (7,565) | (0.6) |
| Other net | 225 | 0.0 |
| Income before income taxes, minority interests and equity in earnings of affiliated companies | 156,728 | 12.9 |
| Income taxes | | |
| Current | 53,350 | |
| Deferred | 51 | |
| Total | 53,401 | 4.4 |
| Income before minority interests and equity in earnings of affiliated companies | 103,327 | 8.5 |
| Minority interests in income of consolidated subsidiaries | (4,320) | (0.4) |
| Equity in earnings of affiliated companies | 1,334 | 0.1 |
| Net income | ¥ 100,341 | 8.3 |

| | Yen | |
|---|--|--------------|
| | Six months ended September 30, 2008 | |
| Net income per share (Note 7) | | |
| Basic | ¥ | 100.82 |
| Diluted | | 100.72 |
| Cash dividends per share (Note 12) | | 22.00 |

The accompanying Notes to Quarterly Consolidated Financial Statements are an integral part of this statement.

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| | Three months ended September 30, 2008 | |
|--|--|--------------------------------|
| | Millions of yen | Component ratio (%) |
| Net sales | ¥ 604,456 | 100.0 |
| Cost of sales | 445,839 | 73.8 |
| Selling, general and administrative expenses (Note 5) | 80,882 | 13.4 |
| Other operating income (expenses) | (1,345) | (0.2) |
| Operating income | 76,390 | 12.6 |
| Other income (expenses) | (12,430) | |
| Interest and dividend income | 1,814 | 0.3 |
| Interest expense | (3,636) | (0.6) |
| Other net | (10,608) | (1.8) |
| Income before income taxes, minority interests and equity in earnings of affiliated companies | 63,960 | 10.6 |
| Income taxes | | |
| Current | 30,413 | |
| Deferred | (9,958) | |
| Total | 20,455 | 3.4 |
| Income before minority interests and equity in earnings of affiliated companies | 43,505 | 7.2 |
| Minority interests in income of consolidated subsidiaries | (1,467) | (0.2) |
| Equity in earnings of affiliated companies | 572 | 0.1 |
| Net income | ¥ 42,610 | 7.0 |

| | Yen Three months ended September 30, 2008 | |
|--------------------------------------|--|-------|
| Net income per share (Note 7) | | |
| Basic | ¥ | 42.81 |
| Diluted | | 42.78 |

Cash dividends per share

The accompanying Notes to Quarterly Consolidated Financial Statements are an integral part of this statement.

Table of Contents**Consolidated Statement of Shareholders' Equity (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

Six months ended September 30, 2008

| | Millions of yen | |
|---|--|----------|
| | Six months ended September 30, 2008 | |
| Common stock | | |
| Balance, beginning of year | ¥ | 67,870 |
| Balance, end of period | ¥ | 67,870 |
| Capital surplus | | |
| Balance, beginning of year | ¥ | 138,170 |
| Sales of treasury stock | | 1,702 |
| Issuance and exercise of stock acquisition rights (Note 5) | | 69 |
| Balance, end of period | ¥ | 139,941 |
| Retained earnings, appropriated for legal reserve | | |
| Balance, beginning of year | ¥ | 26,714 |
| Transfer from unappropriated retained earnings | | 276 |
| Balance, end of period | ¥ | 26,990 |
| Unappropriated retained earnings | | |
| Balance, beginning of year | ¥ | 685,986 |
| Net income | | 100,341 |
| Cash dividends paid (Note 12) | | (21,904) |
| Transfer to retained earnings appropriated for legal reserve | | (276) |
| Balance, end of period | ¥ | 764,147 |
| Accumulated other comprehensive income (loss) (Note 6) | | |
| Balance, beginning of year | ¥ | (28,779) |
| Other comprehensive income (loss) for the period, net of tax | | (9,274) |
| Balance, end of period | ¥ | (38,053) |
| Treasury stock | | |
| Balance, beginning of year | ¥ | (2,835) |
| Purchase of treasury stock | | (3,050) |
| Sales of treasury stock | | 779 |
| Balance, end of period | ¥ | (5,106) |
| Total shareholders' equity | ¥ | 955,789 |
| Disclosure of comprehensive income | | |
| Net income for the period | ¥ | 100,341 |
| Other comprehensive income (losses) for the period, net of tax (Note 6) | | (9,274) |

| | | |
|--|---|--------|
| Comprehensive income for the period | ¥ | 91,067 |
|--|---|--------|

The accompanying Notes to Quarterly Consolidated Financial Statements are an integral part of this statement.

Table of Contents**Consolidated Statement of Cash Flows (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

Six months ended September 30, 2008

| | Millions of yen |
|---|---------------------------|
| | Six months ended |
| | September 30, 2008 |
| Operating activities | |
| Net income | ¥ 100,341 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 45,914 |
| Deferred income taxes | 51 |
| Net loss on sale of investment securities and subsidiaries | 1,311 |
| Net gain on sale of property | (62) |
| Loss on disposal of fixed assets | 1,273 |
| Pension and retirement benefits, net | (42) |
| Changes in assets and liabilities: | |
| Increase in trade receivables | (2,515) |
| Increase in inventories | (42,501) |
| Decrease in trade payables | (10,104) |
| Decrease in income taxes payable | (18,240) |
| Other, net | (17,029) |
| Net cash provided by operating activities | 58,397 |
| Investing activities | |
| Capital expenditures | (68,586) |
| Proceeds from sale of property | 6,894 |
| Proceeds from sale of available for sale investment securities | 147 |
| Purchases of available for sale investment securities | (9,318) |
| Acquisition of subsidiaries and equity investees, net of cash acquired | 302 |
| Collection of loan receivables | 4,959 |
| Disbursement of loan receivables | (3,386) |
| Increase in time deposits | (1,519) |
| Net cash used in investing activities | (70,507) |
| Financing activities | |
| Proceeds from long-term debt | 77,173 |
| Repayments on long-term debt | (41,148) |
| Increase (decrease) in short-term debt, net | (3,182) |
| Repayments of capital lease obligations | (20,378) |
| Sale (purchase) of treasury stock, net | (2,791) |
| Dividends paid | (21,904) |
| Other, net | (1,481) |
| Net cash used in financing activities | (13,711) |
| Effect of exchange rate change on cash and cash equivalents | 1,027 |
| Net increase (decrease) in cash and cash equivalents | (24,794) |
| Cash and cash equivalents, beginning of year | 102,010 |

| | | |
|---|---|--------|
| Cash and cash equivalents, end of period | ¥ | 77,216 |
|---|---|--------|

The accompanying Notes to Quarterly Consolidated Financial Statements are an integral part of this statement.

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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. generally accepted accounting principles. 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

Starting in the fiscal year which began April, 2008, Komatsu has adopted the Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. The adoption of SFAS No. 157 did not have a material impact on our consolidated results of operations and financial condition. The disclosures required by SFAS No. 157 were omitted.

Excluding the above, there is no material change for Summary of Significant Accounting Policies stated in annual report for the year ended March 31, 2008.

Table of Contents**2. Supplemental Cash Flow Information**

Additional cash flow information and noncash investing and financing activities for the six months ended September 30, 2008 are as follows:

| | Millions of Yen Six months ended September 30, 2008 | |
|--|--|--------|
| Additional cash flow information: | | |
| Interest paid | ¥ | 7,260 |
| Income taxes paid | | 74,390 |
| Noncash investing and financing activities: | | |
| Capital lease obligations incurred | ¥ | 22,338 |

3. Inventories

At September 30, 2008 and at March 31, 2008, inventories comprised the following:

| | Millions of yen September 30, March 31, 2008 2008 | |
|---|--|-----------|
| Finished products, including finished parts held for sale | ¥ 365,142 | ¥ 341,363 |
| Work in process | 137,596 | 123,001 |
| Materials and supplies | 57,698 | 54,077 |
| Total | ¥ 560,436 | ¥ 518,441 |

Table of Contents**4. Investment Securities**

Investment securities at September 30, 2008 and at March 31, 2008 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, 2008 and at March 31, 2008 are as follows:

| | Millions of yen | | | |
|--|-----------------|--------------------------|---------|------------|
| | Cost | Gross unrealized holding | | Fair value |
| | | Gains | Losses | |
| At September 30, 2008 | | | | |
| Investment securities available for sale: | | | | |
| Marketable equity securities | ¥ 32,210 | ¥ 35,603 | ¥ 4,490 | ¥ 63,323 |
| Other investment securities at cost | 20,777 | | | 20,777 |
| Current portion of other investment securities at cost | 107 | | | 107 |
| | ¥ 53,094 | ¥ 35,603 | ¥ 4,490 | ¥ 84,207 |

| | Millions of yen | | | |
|--|-----------------|--------------------------|---------|------------|
| | Cost | Gross unrealized holding | | Fair value |
| | | Gains | Losses | |
| At March 31, 2008 | | | | |
| Investment securities available for sale: | | | | |
| Marketable equity securities | ¥ 27,648 | ¥ 40,557 | ¥ 1,477 | ¥ 66,728 |
| Other investment securities at cost | 12,751 | | | 12,751 |
| Current portion of other investment securities at cost | 103 | | | 103 |
| | ¥ 40,502 | ¥ 40,557 | ¥ 1,477 | ¥ 79,582 |

Other investment securities primarily include non-marketable equity securities.

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

Net realized gains (losses) on sale of investment securities available for sale during the six months ended September 30, 2008 and the three months ended September 30, 2008 amounted to losses of ¥1,311 million and losses of ¥647 million, respectively. Such losses were included in

Other income (expenses) 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.

In connection with the share exchange of SUMCO CORPORATION and SUMCO TECHXIV CORPORATION effective May 30, 2008, the Company exchanged shares of SUMCO TECHXIV CORPORATION for those of SUMCO CORPORATION. In accordance with the Emerging Issues Task Force (EITF) Issue No. 91-5 Nonmonetary Exchange of Cost-Method Investments , a non-cash gain of ¥6,148 million is included in Other income (expenses) in the accompanying consolidated statement of income.

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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 set to equal an amount obtained by multiplying by 1.05 an 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, 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 15, 2008, the Company issued 192 rights of its share acquisition rights to directors during the year ending March 31, 2009. The Company also issued 271 rights of its share acquisition rights to certain employees and certain directors of subsidiaries during the year ending March 31, 2009 based on the resolutions of the shareholders' meeting on June 24, 2008 and the Board of Directors on July 15, 2008. The options vest 100% on each of the grant dates and are exercisable from September 1, 2009.

Komatsu recognizes compensation expense using the fair value method in accordance with SFAS No. 123R "Share-Based Payment". For the three months ended September 30, 2008, compensation expense was ¥94 million and was recorded in selling, general and administrative expense. Compensation expense after tax for the three months ended September 30, 2008 was ¥56 million.

Table of Contents**6. Other Comprehensive Income (Loss)**

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

Changes in accumulated other comprehensive income (loss) for the six months ended September 30, 2008 are as follows:

| | Millions of Yen | |
|--|---------------------------|----------|
| | Six months ended | |
| | September 30, 2008 | |
| Foreign currency translation adjustments: | | |
| Balance, beginning of year | ¥ | (34,457) |
| Adjustment for the period | | (4,998) |
| Balance, end of period | ¥ | (39,455) |
| Net unrealized holding gains (losses) on securities available for sale: | | |
| Balance, beginning of year | ¥ | 24,736 |
| Net increase (decrease) | | (4,939) |
| Balance, end of period | ¥ | 19,797 |
| Pension liability adjustments: | | |
| Balance, beginning of year | ¥ | (19,208) |
| Adjustment for the period | | (202) |
| Balance, end of period | ¥ | (19,410) |
| Net unrealized holding gains (losses) on derivative instruments: | | |
| Balance, beginning of year | ¥ | 150 |
| Net increase (decrease) | | 865 |
| Balance, end of period | ¥ | 1,015 |
| Total accumulated other comprehensive income (loss) | | |
| Balance, beginning of year | ¥ | (28,779) |
| Other comprehensive income (loss) for the period, net of tax | | (9,274) |
| Balance, end of period | ¥ | (38,053) |

Table of Contents**7. Net Income per Share**

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations is as follows:

| | Millions of Yen Six months ended September 30, 2008 | Millions of Yen Three months ended September 30, 2008 |
|---|---|---|
| Net income | ¥ 100,341 | ¥ 42,610 |
| | Number of shares Six months ended September 30, 2008 | Number of shares Three months ended September 30, 2008 |
| Weighted average common shares outstanding, less treasury stock | 995,234,502 | 995,216,076 |
| Dilutive effect of: | | |
| Stock options | 987,725 | 844,352 |
| Weighted average diluted common shares outstanding | 996,222,227 | 996,060,428 |
| | Yen Six months ended September 30, 2008 | Yen Three months ended September 30, 2008 |
| Net income: | | |
| Basic | ¥ 100.82 | ¥ 42.81 |
| Diluted | 100.72 | 42.78 |

8. Contingent Liabilities

At September 30, 2008 and at March 31, 2008, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥11,304 million and ¥9,746 million.

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.

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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 8 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 is ¥75,725 million and ¥65,050 million at September 30, 2008 and at March 31, 2008, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at September 30, 2008 were 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 September 30, 2008 and at March 31, 2008 are as follows.

| | Millions of Yen | |
|--|-----------------------|-------------------|
| | September 30, 2008 | March 31, 2008 |
| Forwards and options: | | |
| Sale of foreign currencies | ¥ 104,349 | ¥ 89,531 |
| Purchase of foreign currencies | 70,249 | 68,460 |
| Option contracts (purchased) | 3,101 | 6,071 |
| Option contracts (sold) | 1,144 | 3,009 |
| Interest rate swap, cross-currency swap and interest rate cap agreements | 257,156 | 263,458 |

Net foreign currency exchange gains (losses) in the accompanying consolidated statements of income for the six months ended September 30, 2008 and the three months ended September 30, 2008 amounted to losses of ¥4,274 million and losses of ¥9,810 million, respectively.

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10. 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, Accounts Payable and Bills Payable, and Other Current Liabilities

The carrying amount approximates fair value because of the short maturity of these instruments.

(2) Investment 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) Installment Receivables

The fair values of installment 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) Derivative Financial Instruments

The fair values of derivative financial instruments, consisting principally of foreign currency contracts and interest swap agreements, are estimated by obtaining quotes from brokers and are recognized on the accompanying consolidated balance sheets.

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.

Table of Contents**11. Committed Credit Lines**

Certain consolidated subsidiaries maintain committed credit line agreements totaling ¥16,077 million and ¥10,846 million, respectively, as of September 30, 2008 and March 31, 2008 with financial institutions to secure liquidity. As of September 30, 2008 and March, 31 2008, ¥3,114 million and ¥2,087 million, respectively, are 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 24, 2008 | Common stock | 21,904 |

| Resource of dividends | Dividend per share (Yen) | Record date | Effective date |
|------------------------------|---------------------------------|--------------------|-----------------------|
| Retained earnings | 22 | March 31, 2008 | June 25, 2008 |

(2) Dividends to be paid for the six months ended September 30, 2008, of which effective date is after September 30, 2008

| Resolution | Type of stock | Aggregate amount of dividends (Millions of Yen) |
|---|----------------------|--|
| Board of Directors meeting held on October 29, 2008 | Common stock | 21,899 |

| Resource of dividends | Dividend per share (Yen) | Record date | Effective date |
|------------------------------|---------------------------------|--------------------|-----------------------|
| Retained earnings | 22 | September 30, 2008 | November 28, 2008 |

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13. Business Segment Information

Under SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and in assessing performance. The operating segments are managed separately because each operating segment represents a strategic business unit that offers different products and services.

Komatsu operates on a worldwide basis with two operating segments: 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others.

Until the fiscal year ended March 31, 2008, Komatsu had been disclosed two segments: 1) Construction and Mining Equipment and 2) Industrial Machinery, Vehicles and Others. Starting in April 2008, after the reassessment of its management decision-making units, Komatsu has changed its business segmentation.

Segment profit is determined 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 is used by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and 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.

Table of Contents**Operating segments:**

| | Millions of Yen |
|--|---------------------------|
| | Three months ended |
| | September 30, 2008 |
| Net sales: | |
| Construction, Mining and Utility Equipment | |
| Customers | ¥ 516,147 |
| Intersegment | 1,307 |
| Total | 517,454 |
| Industrial Machinery and Others | |
| Customers | 88,309 |
| Intersegment | 7,032 |
| Total | 95,341 |
| Elimination | (8,339) |
| Consolidated | ¥ 604,456 |
| Segment profit: | |
| Construction, Mining and Utility Equipment | ¥ 70,363 |
| Industrial Machinery and Others | 9,176 |
| Total | 79,539 |
| Corporate expenses and elimination | (1,804) |
| Consolidated segment profit | 77,735 |
| Other operating income (expenses) | (1,345) |
| Operating income | 76,390 |
| Interest and dividend income | 1,814 |
| Interest expense | (3,636) |
| Other net | (10,608) |
| Consolidated income before income taxes | ¥ 63,960 |

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| | Millions of Yen |
|--|---------------------------|
| | Six months ended |
| | September 30, 2008 |
| Net sales: | |
| Construction, Mining and Utility Equipment | |
| Customers | ¥ 1,050,225 |
| Intersegment | 2,726 |
| Total | 1,052,951 |
| Industrial Machinery and Others | |
| Customers | 161,063 |
| Intersegment | 13,022 |
| Total | 174,085 |
| Elimination | (15,748) |
| Consolidated | ¥ 1,211,288 |
| Segment profit: | |
| Construction, Mining and Utility Equipment | ¥ 148,748 |
| Industrial Machinery and Others | 13,944 |
| Total | 162,692 |
| Corporate expenses and elimination | (3,303) |
| Consolidated segment profit | 159,389 |
| Other operating income (expenses) | 265 |
| Operating income | 159,654 |
| Interest and dividend income | 4,414 |
| Interest expense | (7,565) |
| Other net | 225 |
| Consolidated income before income taxes | ¥ 156,728 |

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The main 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, engines and components, casting products, industrial vehicles and logistics.

b. Industrial Machinery and Others:

Metal forging and stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment, and others.

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

Geographic information:

Net sales to customers recognized by sales destination for the three months ended September 30, 2008 and the six months ended September 30, 2008 are as follows:

| | Millions of Yen | |
|---|---------------------------|---------|
| | Three months ended | |
| | September 30, 2008 | |
| Net sales: | | |
| Japan | ¥ | 128,420 |
| Americas | | 153,325 |
| Europe and CIS | | 91,652 |
| China | | 54,150 |
| Asia (excluding Japan, China) and Oceania | | 104,526 |
| Middle East and Africa | | 72,383 |
| Consolidated net sales | ¥ | 604,456 |

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| | Millions of Yen Six months ended September 30, 2008 | |
|---|--|-----------|
| Net sales: | | |
| Japan | ¥ | 234,957 |
| Americas | | 300,983 |
| Europe and CIS | | 200,521 |
| China | | 134,647 |
| Asia (excluding Japan, China) and Oceania | | 210,073 |
| Middle East and Africa | | 130,107 |
| Consolidated net sales | ¥ | 1,211,288 |

Net sales recognized by geographic origin for the three months ended September 30, 2008 and the six months ended September 30, 2008 are as follows:

| | Millions of Yen Three months ended September 30, 2008 | |
|-------------------|--|---------|
| Net sales: | | |
| Japan | ¥ | 263,855 |
| U.S.A. | | 139,835 |
| Europe and CIS | | 80,188 |
| Others | | 120,578 |
| Total | ¥ | 604,456 |

| | Millions of Yen Six months ended September 30, 2008 | |
|-------------------|--|-----------|
| Net sales: | | |
| Japan | ¥ | 480,584 |
| U.S.A. | | 279,166 |
| Europe and CIS | | 188,206 |
| Others | | 263,332 |
| Total | ¥ | 1,211,288 |

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

There were no sales to a single major external customer.

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The following information shows net sales and segment profit recognized by geographic origin for the three months ended September 30, 2008 and the six months ended September 30, 2008. In addition to the disclosure requirements under SFAS No. 131, Komatsu discloses this information as supplemental information in light of the disclosure requirements of the Japanese Financial Instruments and Exchange Law, which a Japanese public company is subject to:

| | Millions of Yen | |
|---------------------------|---------------------------|-----------|
| | Three months ended | |
| | September 30, 2008 | |
| Net sales: | | |
| Japan | | |
| Customers | ¥ | 263,855 |
| Intersegment | | 119,389 |
| Total | | 383,244 |
| Americas | | |
| Customers | | 139,835 |
| Intersegment | | 15,977 |
| Total | | 155,812 |
| Europe and CIS | | |
| Customers | | 80,188 |
| Intersegment | | 5,759 |
| Total | | 85,947 |
| Others | | |
| Customers | | 120,578 |
| Intersegment | | 10,721 |
| Total | | 131,299 |
| Elimination | | (151,846) |
| Consolidated | ¥ | 604,456 |
| Segment profit: | | |
| Japan | ¥ | 35,516 |
| Americas | | 20,949 |
| Europe and CIS | | 7,340 |
| Others | | 19,883 |
| Corporate and elimination | | (5,953) |
| Consolidated | ¥ | 77,735 |

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| | Millions of Yen Six months ended September 30, 2008 | |
|---------------------------|--|------------------|
| Net sales: | | |
| Japan | | |
| Customers | ¥ | 480,584 |
| Intersegment | | 239,197 |
| Total | | 719,781 |
| Americas | | |
| Customers | | 279,166 |
| Intersegment | | 26,369 |
| Total | | 305,535 |
| Europe and CIS | | |
| Customers | | 188,206 |
| Intersegment | | 12,004 |
| Total | | 200,210 |
| Others | | |
| Customers | | 263,332 |
| Intersegment | | 21,020 |
| Total | | 284,352 |
| Elimination | | (298,590) |
| Consolidated | ¥ | 1,211,288 |
| Segment profit: | | |
| Japan | ¥ | 68,542 |
| Americas | | 37,937 |
| Europe and CIS | | 19,418 |
| Others | | 42,278 |
| Corporate and elimination | | (8,786) |
| Consolidated | ¥ | 159,389 |

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

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| | Millions of Yen Three months ended September 30, 2008 | Millions of Yen Six months ended September 30, 2008 |
|--|---|---|
| Overseas sales: | | |
| Americas | ¥ 153,325 | ¥ 300,983 |
| Europe and CIS | 91,652 | 200,521 |
| Others | 231,059 | 474,827 |
| Total | 476,036 | 976,331 |
| Consolidated sales | ¥ 604,456 | ¥ 1,211,288 |
| | Three months ended September 30, 2008 | Six months ended September 30, 2008 |
| Overseas sales as a percentage of consolidated sales: | | |
| Americas | 25.4% | 24.8% |
| Europe and CIS | 15.2 | 16.6 |
| Others | 38.2 | 39.2 |
| Total | 78.8% | 80.6% |

Overseas sales are composed of the sales to external customers in the countries or areas outside Japan from Komatsu. These areas are grouped based on geographical proximity. Each geographic group is mainly consisted of the following areas:

- (1) Americas: North America and Latin America
- (2) Europe and CIS: Germany, U.K., and Russia
- (3) Others: China, Oceania, Southeast Asia, Middle East and Africa

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14. Subsequent Event

The Company resolved the purchase of its own shares at the meeting of the Board of Directors held on October 29, 2008, pursuant to Article 156 of the Corporation Act of Japan as modified by Article 165, Paragraph 3 of the Act.

(1) Reason for purchase of its own shares

To improve capital efficiency and promote redistribution of profits to shareholders

(2) Type of shares and total number of shares to be purchased

Up to 40,000,000 shares of common Stock

(3) Total cost of purchase

Up to 30 billion yen

(4) Period of purchase

From November 5 to December 30, 2008