KOMATSU LTD
Form 6-K
February 13, 2014

**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, 2014**

**COMMISSION FILE NUMBER: 1-7239**

**KOMATSU LTD.**

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

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

**(Address of principal executive office)**

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 x Form 40-F ¨

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

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

INFORMATION INCLUDED IN THIS REPORT

Quarterly Report for the Third Quarter of the 145th Fiscal Year filed on February 12, 2014

On February 12, 2014, 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 nine months ended December 31, 2013 and the three months ended December 31, 2013.

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 29, 2014, a copy of which was submitted under cover of Form 6-K on January 30, 2014 by the registrant.

Attached is an English translation of the registrant s Quarterly Consolidated Financial Statements for the nine months ended December 31, 2013 and the three months ended December 31, 2013.

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 13, 2014

By: /s/ Mikio Fujitsuka
Mikio Fujitsuka
Director and Senior Executive Officer
Chief Financial Officer

**[Quarterly Consolidated Financial Statements]**

**Consolidated Balance Sheets (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

December 31, 2013 and March 31, 2013

| | December 31, 2013 | | March 31, 2013 | |
|---|---|---|---|---|
| | Millions of yen | Component ratio (%) | Millions of yen | Component ratio (%) |
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents (Note 11) | ¥ 110,890 | | ¥ 93,620 | |
| Time deposits (Note 11) | 132 | | 217 | |
| Trade notes and accounts receivable, net (Notes 3 and 11) | 591,975 | | 606,904 | |
| Inventories (Note 4) | 728,217 | | 633,647 | |
| Deferred income taxes and other current assets (Notes 10, 11 and 12) | 171,164 | | 157,668 | |
| **Total current assets** | 1,602,378 | 58.9 | 1,492,056 | 59.3 |
| **Long-term trade receivables, net** (Notes 3 and 11) | 251,320 | 9.2 | 235,825 | 9.4 |
| **Investments** | | | | |
| Investments in and advances to affiliated companies | 20,403 | | 19,404 | |
| Investment securities (Notes 5, 11 and 12) | 69,572 | | 59,279 | |
| Other | 2,111 | | 2,574 | |
| **Total investments** | 92,086 | 3.4 | 81,257 | 3.2 |
| **Property, plant and equipment less accumulated depreciation and amortization of ¥740,534 million at December 31, 2013 and ¥706,297 million at March 31, 2013** | 645,957 | 23.7 | 585,220 | 23.2 |
| **Goodwill** | 36,124 | 1.3 | 34,703 | 1.4 |
| **Other intangible assets less accumulated amortization** | 58,798 | 2.2 | 58,523 | 2.3 |
| **Deferred income taxes and other assets** (Notes 10, 11 and 12) | 34,691 | 1.3 | 30,273 | 1.2 |
| | ¥ 2,721,354 | 100.0 | ¥ 2,517,857 | 100.0 |

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

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| | December 31, 2013 | | March 31, 2013 | |
|---|---|---|---|---|
| | Millions of yen | Component ratio (%) | Millions of yen | Component ratio (%) |
| **Liabilities and Equity** | | | | |
| **Current liabilities** | | | | |
| Short-term debt (Note 11) | ¥ 254,988 | | ¥ 205,156 | |
| Current maturities of long-term debt (Notes 11 and 12) | 108,536 | | 130,793 | |
| Trade notes, bills and accounts payable (Note 11) | 234,886 | | 226,275 | |
| Income taxes payable | 25,411 | | 33,227 | |
| Deferred income taxes and other current liabilities (Notes 10, 11 and 12) | 232,384 | | 232,125 | |
| **Total current liabilities** | 856,205 | 31.5 | 827,576 | 32.8 |
| **Long-term liabilities** | | | | |
| Long-term debt (Notes 11 and 12) | 341,133 | | 343,814 | |
| Liability for pension and retirement benefits | 51,598 | | 49,912 | |
| Deferred income taxes and other liabilities (Notes 10, 11 and 12) | 54,773 | | 43,860 | |
| **Total long-term liabilities** | 447,504 | 16.4 | 437,586 | 17.4 |
| **Total liabilities** | 1,303,709 | 47.9 | 1,265,162 | 50.2 |
| **Commitments and contingent liabilities** (Note 9) | | | | |
| **Equity** | | | | |
| **Komatsu Ltd. shareholders equity** | | | | |
| Common stock: | | | | |
| Authorized 3,955,000,000 shares | | | | |
| Issued 983,130,260 shares | | | | |
| Outstanding 953,195,700 shares at December 31, 2013 and 952,778,859 shares at March 31, 2013 | 67,870 | | 67,870 | |
| Capital surplus | 139,370 | | 138,818 | |
| Retained earnings: | | | | |
| Appropriated for legal reserve | 39,944 | | 38,230 | |
| Unappropriated | 1,097,588 | | 1,034,504 | |
| Accumulated other comprehensive income (loss) (Notes 5, 6, 10 and 12) | 52,021 | | (43,440) | |
| Treasury stock at cost, 29,934,560 shares at December 31, 2013 and 30,351,401 shares at March 31, 2013 | (42,211) | | (42,788) | |
| **Total Komatsu Ltd. shareholders equity** | 1,354,582 | 49.8 | 1,193,194 | 47.4 |
| **Noncontrolling interests** | 63,063 | 2.3 | 59,501 | 2.4 |
| **Total equity** | 1,417,645 | 52.1 | 1,252,695 | 49.8 |
| | ¥2,721,354 | 100.0 | ¥2,517,857 | 100.0 |

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

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

Komatsu Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2013 and 2012

**Consolidated Statements of Income**

| | Nine months ended December 31, 2013 | | Nine months ended December 31, 2012 | |
|---|---|---|---|---|
| | Millions of yen | Component ratio (%) | Millions of yen | Component ratio (%) |
| Net sales | ¥ 1,389,514 | 100.0 | ¥ 1,350,578 | 100.0 |
| Cost of sales (Note 10) | 991,363 | 71.3 | 986,846 | 73.1 |
| Selling, general and administrative expenses (Note 7) | 234,442 | 16.9 | 212,663 | 15.7 |
| Other operating income (expenses), net | 1,923 | 0.1 | (578) | (0.0) |
| **Operating income** | 165,632 | 11.9 | 150,491 | 11.1 |
| **Other income (expenses), net** | | | | |
| Interest and dividend income | 3,060 | 0.2 | 3,209 | 0.2 |
| Interest expense | (6,634) | (0.5) | (6,155) | (0.5) |
| Other, net (Notes 5, 10 and 12) | 8,073 | 0.6 | (1,957) | (0.1) |
| Total | 4,499 | 0.3 | (4,903) | (0.4) |
| **Income before income taxes and equity in earnings of affiliated companies** | 170,131 | 12.2 | 145,588 | 10.8 |
| **Income taxes** | | | | |
| Current | 42,946 | | 47,039 | |
| Deferred | 6,588 | | 1,219 | |
| Total | 49,534 | 3.6 | 48,258 | 3.6 |
| **Income before equity in earnings of affiliated companies** | 120,597 | 8.7 | 97,330 | 7.2 |
| **Equity in earnings of affiliated companies** | 1,633 | 0.1 | 1,007 | 0.1 |
| **Net income** | 122,230 | 8.8 | 98,337 | 7.3 |
| **Less: Net income attributable to noncontrolling interests** | 6,893 | 0.5 | 7,241 | 0.5 |
| **Net income attributable to Komatsu Ltd.** | ¥ 115,337 | 8.3 | ¥ 91,096 | 6.7 |

| | Yen | |
|---|---|---|
| | Nine months ended December 31, 2013 | Nine months ended December 31, 2012 |

| | | |
|---|---|---|
| **Net income attributable to Komatsu Ltd. per share** (Note 8) | | |
| Basic | ¥ 121.01 | ¥ 95.66 |
| Diluted | 120.88 | 95.57 |
| **Cash dividends per share** (Note 14) | 53.00 | 45.00 |

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

**Consolidated Statements of Comprehensive Income**

| | Nine months ended December 31, 2013 Millions of yen | Nine months ended December 31, 2012 Millions of yen |
|---|---|---|
| **Net income** | ¥ 122,230 | ¥ 98,337 |
| **Other comprehensive income (loss), for the period, net of tax** | | |
| Foreign currency translation adjustments (Note 6) | 89,561 | 36,186 |
| Net unrealized holding gains (losses) on securities available for sale (Notes 5 and 6) | 8,171 | 125 |
| Pension liability adjustments (Note 6) | 832 | 1,611 |
| Net unrealized holding gains (losses) on derivative instruments (Notes 6 and 10) | 361 | (18) |
| **Total** | 98,925 | 37,904 |
| **Comprehensive income (loss)** | 221,155 | 136,241 |
| **Less: Comprehensive income (loss) attributable to noncontrolling interests** | 10,378 | 9,442 |
| **Comprehensive income (loss) attributable to Komatsu Ltd.** | ¥ 210,777 | ¥ 126,799 |

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

Three months ended December 31, 2013 and 2012

**Consolidated Statements of Income**

| | Three months ended December 31, 2013 | | Three months ended December 31, 2012 | |
|---|---|---|---|---|
| | Millions of yen | Component ratio (%) | Millions of yen | Component ratio (%) |
| Net sales | ¥464,393 | 100.0 | ¥419,729 | 100.0 |
| Cost of sales (Note 10) | 330,822 | 71.2 | 308,761 | 73.6 |
| Selling, general and administrative expenses (Note 7) | 78,955 | 17.0 | 71,179 | 17.0 |
| Other operating income (expenses), net | 2,070 | 0.4 | (562) | (0.1) |
| **Operating income** | 56,686 | 12.2 | 39,227 | 9.3 |
| **Other income (expenses), net** | | | | |
| Interest and dividend income | 774 | 0.2 | 941 | 0.2 |
| Interest expense | (2,271) | (0.5) | (1,649) | (0.4) |
| Other, net (Notes 5, 10 and 12) | 2,481 | 0.5 | 1,685 | 0.4 |
| Total | 984 | 0.2 | 977 | 0.2 |
| **Income before income taxes and equity in earnings of affiliated companies** | 57,670 | 12.4 | 40,204 | 9.6 |
| **Income taxes** | | | | |
| Current | 14,202 | | 10,805 | |
| Deferred | 5,212 | | 2,737 | |
| Total | 19,414 | 4.2 | 13,542 | 3.2 |
| **Income before equity in earnings of affiliated companies** | 38,256 | 8.2 | 26,662 | 6.4 |
| **Equity in earnings of affiliated companies** | 689 | 0.1 | 439 | 0.1 |
| **Net income** | 38,945 | 8.4 | 27,101 | 6.5 |
| **Less: Net income attributable to noncontrolling interests** | 2,418 | 0.5 | 2,117 | 0.5 |
| **Net income attributable to Komatsu Ltd.** | ¥ 36,527 | 7.9 | ¥ 24,984 | 6.0 |

| | Yen | |
|---|---|---|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 |
| **Net income attributable to Komatsu Ltd. per share** (Note 8) | | |
| Basic | ¥ 38.32 | ¥ 26.23 |
| Diluted | 38.28 | 26.21 |

| | | |
|---|---|---|
| **Cash dividends per share** (Note 14) | 29.00 | 24.00 |

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

**Consolidated Statements of Comprehensive Income**

| | Three months ended December 31, 2013 Millions of yen | Three months ended December 31, 2012 Millions of yen |
|---|---|---|
| **Net income** | ¥ 38,945 | ¥ 27,101 |
| **Other comprehensive income (loss), for the period, net of tax** | | |
| Foreign currency translation adjustments (Note 6) | 66,293 | 80,008 |
| Net unrealized holding gains (losses) on securities available for sale (Notes 5 and 6) | 4,378 | 6,638 |
| Pension liability adjustments (Note 6) | 330 | 409 |
| Net unrealized holding gains (losses) on derivative instruments (Notes 6 and 10) | (423) | (1,398) |
| **Total** | 70,578 | 85,657 |
| **Comprehensive income (loss)** | 109,523 | 112,758 |
| **Less: Comprehensive income (loss) attributable to noncontrolling interests** | 6,060 | 7,250 |
| **Comprehensive income (loss) attributable to Komatsu Ltd.** | ¥ 103,463 | ¥ 105,508 |

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

**Consolidated Statements of Equity (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2013 **Millions of yen**

| | Common stock | Capital surplus | Retained earnings: Appropriated for legal reserve | Retained earnings: Unappropriated | Accumulated other comprehensive income (loss) | Treasury stock | Total Komatsu Ltd. shareholders' equity | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at March 31, 2013 | ¥67,870 | ¥138,818 | ¥38,230 | ¥1,034,504 | ¥ (43,440) | ¥(42,788) | ¥1,193,194 | ¥59,501 | ¥1,252,695 |
| Cash dividends (Note 14) | | | | (50,539) | | | (50,539) | (5,574) | (56,113) |
| Transfer to retained earnings appropriated for legal reserve | | | 1,714 | (1,714) | | | | | |
| Other changes | | (112) | | | 21 | | (91) | (1,242) | (1,333) |
| Net income | | | | 115,337 | | | 115,337 | 6,893 | 122,230 |
| Other comprehensive income(loss), for the period, net of tax (Note 6) | | | | | 95,440 | | 95,440 | 3,485 | 98,925 |
| Issuance and exercise of stock acquisition rights (Note 7) | | 322 | | | | | 322 | | 322 |
| Purchase of treasury stock | | | | | | (41) | (41) | | (41) |
| Sales of treasury stock | | 342 | | | | 618 | 960 | | 960 |
| Balance at December 31, 2013 | ¥67,870 | ¥139,370 | ¥39,944 | ¥1,097,588 | ¥ 52,021 | ¥(42,211) | ¥1,354,582 | ¥63,063 | ¥1,417,645 |

Nine months ended December 31, 2012 **Millions of yen**

| | | | Retained earnings | | | | | | |
|---|---|---|---|---|---|---|---|---|---|

| | Common stock | Capital surplus | Appropriated for legal reserve | Unappropriated | Accumulated other comprehensive income (loss) | Treasury stock | Total Komatsu Ltd. shareholders equity | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at March 31, 2012 | ¥67,870 | ¥138,384 | ¥37,954 | ¥ 951,395 | ¥(142,389) | ¥(43,518) | ¥1,009,696 | ¥47,761 | ¥1,057,457 |
| Cash dividends (Note 14) | | | | (42,877) | | | (42,877) | (5,689) | (48,566) |
| Transfer to retained earnings appropriated for legal reserve | | | 268 | (268) | | | | | |
| Other changes | | | | | | | | (47) | (47) |
| Net income | | | | 91,096 | | | 91,096 | 7,241 | 98,337 |
| Other comprehensive income(loss), for the period, net of tax (Note 6) | | | | | 35,703 | | 35,703 | 2,201 | 37,904 |
| Issuance and exercise of stock acquisition rights (Note 7) | | 499 | | | | | 499 | | 499 |
| Purchase of treasury stock | | | | | | (26) | (26) | | (26) |
| Sales of treasury stock | | | | (54) | | 107 | 53 | | 53 |
| Balance at December 31, 2012 | ¥67,870 | ¥138,883 | ¥38,222 | ¥ 999,292 | ¥(106,686) | ¥(43,437) | ¥1,094,144 | ¥51,467 | ¥1,145,611 |

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

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

Komatsu Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2013 and 2012

| | Millions of yen | |
|---|---|---|
| | Nine months ended December 31, 2013 | Nine months ended December 31, 2012 |
| **Operating activities** | | |
| Net income | ¥ 122,230 | ¥ 98,337 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 64,028 | 64,597 |
| Deferred income taxes | 6,588 | 1,219 |
| Impairment loss and net loss (gain) from sale of investment securities | (1,605) | 97 |
| Net loss (gain) on sale of property | (4,329) | (435) |
| Loss on disposal of fixed assets | 2,271 | 1,045 |
| Pension and retirement benefits, net | 1,645 | 569 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in trade receivables | 61,729 | 59,788 |
| Decrease (increase) in inventories | (36,017) | (16,669) |
| Increase (decrease) in trade payables | (1,570) | (71,360) |
| Increase (decrease) in income taxes payable | (8,579) | (7,225) |
| Other, net | (17,397) | (875) |
| Net cash provided by (used in) operating activities | 188,994 | 129,088 |
| **Investing activities** | | |
| Capital expenditures | (130,987) | (104,356) |
| Proceeds from sale of property | 19,776 | 6,402 |
| Proceeds from sale of available for sale investment securities | 4,332 | 595 |
| Purchases of available for sale investment securities | (35) | (11) |
| Acquisition of subsidiaries and equity investees, net of cash acquired | (4,539) | (5,752) |
| Collection of loan receivables | 225 | 613 |
| Disbursement of loan receivables | (16) | (50) |
| Decrease (increase) in time deposits, net | 860 | 788 |
| Net cash provided by (used in) investing activities | (110,384) | (101,771) |
| **Financing activities** | | |
| Proceeds from debt issued (Original maturities greater than three months) (Note 2) | 153,316 | 286,620 |
| Payment on debt (Original maturities greater than three months) (Note 2) | (167,531) | (268,534) |
| Short-term debt - net (Original maturities three months or less) (Note 2) | 10,870 | 21,914 |

| | | | | |
|---|---|---|---|---|
| Repayments of capital lease obligations | (2,552) | | | (5,057) |
| Sale (purchase) of treasury stock, net | (26) | | | 44 |
| Dividends paid | (50,539) | | | (42,877) |
| Other, net | (6,068) | | | (7,002) |
| Net cash provided by (used in) financing activities | (62,530) | | | (14,892) |
| **Effect of exchange rate change on cash and cash equivalents** | 1,190 | | | (503) |
| **Net increase (decrease) in cash and cash equivalents** | 17,270 | | | 11,922 |
| **Cash and cash equivalents, beginning of year** | 93,620 | | | 83,079 |
| **Cash and cash equivalents, end of period** | ¥ 110,890 | | ¥ | 95,001 |

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

**Notes to Quarterly Consolidated Financial Statements (Unaudited)**

Komatsu Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2013 and 2012

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

**Basis of Quarterly Financial Statement Presentation**

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

**Summary of Significant Accounting Policies**

(1) Adoption of new accounting standards

Komatsu adopted the Accounting Standards Update ( ASU ) 2013-02 Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income , starting in the first quarter period of FY2013, ending March 31, 2014. This update requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component, and to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. ASU 2013-02 being a disclosure regulation, such adoption did not have any impact on Komatsu s financial position and results of operations. The disclosures required by ASU2013-02 are provided in Note 6. Other Comprehensive Income (Loss).

(2) Change in depreciation method

The Company and some of its consolidated subsidiaries which had adopted the declining balance method for depreciation of property, plant and equipment changed the depreciation method to the straight-line method beginning April 1, 2013.

Komatsu promotes continuous innovation of technologies by concentrating the production of high-value added and technologically important key components in Japan, and also undertakes integrated development and production under the Mother Plant system. As a general rule, Komatsu engages in local production in different parts of the world where there is sufficient market demand for its products. With respect to mainstay products, however, Komatsu has facilitated effective use of its global production capacities by cross sourcing finished products after producing them at its most cost-effective plants and exporting them in light of changes in market demand and foreign exchange rate. Komatsu is establishing its production efficiency, standardization of production and stable operation of production facilities through renewing its old factory buildings in Japan, reassessing logistics and reforming production process by technology innovation as well as cutting down electric power consumption to half at its plants in Japan. With respect to capital investment, Komatsu continues to invest in its production facilities for renovation at a constant level. In light of those activities, Komatsu expects stable production and facility utilization within its production capacity, and is able to receive economic benefits from those facilities at a constant rate throughout their durable periods.

As a result of reviewing its depreciation method, Komatsu concluded that the straight-line method would be an appropriate depreciation method to reflect its usage of property, plants and equipment and to allocate the costs in earnings.

The effect of the change in depreciation method is recognized prospectively as a change in accounting estimate in accordance with the FASB Accounting Standards Codification (ASC) 250 Accounting Changes and Error Corrections .

As a result of the change in depreciation method, depreciation expense for the nine months ended December 31, 2013 decreased by ¥8,651 million. Net Income attributable to Komatsu Ltd. for the nine months ended December 31, 2013 increased by ¥5,355 million. Basic and Diluted net income attributable to Komatsu Ltd. per common share for the nine months ended December 31, 2013 increased by ¥5.62, and ¥5.61, respectively.

Excluding the above, there is no material change for Summary of Significant Accounting Policies stated in annual report for the year ended March 31, 2013.

**2. Supplemental Cash Flow Information**

Additional cash flow information and noncash investing and financing activities for the nine months ended December 31, 2013 and 2012 are as follows:

| | Millions of yen | |
|---|---|---|
| | Nine months ended December 31, 2013 | Nine months ended December 31, 2012 |
| **Additional cash flow information:** | | |
| Interest paid | ¥ 7,168 | ¥ 6,824 |
| Income taxes paid | 60,280 | 48,693 |
| **Noncash investing and financing activities:** | | |
| Capital lease obligations incurred | ¥ 1,340 | ¥ 3,258 |

In the consolidated statements of cash flow, Komatsu disclosed its cash flow of short-term debt in financing activities on a net amount basis in the nine months ended December 31, 2012. Komatsu discloses its cash flow on a net amount basis for the debts whose original maturities are three months or less in the nine months ended December 31, 2013. The consolidated statements of cash flow for the nine months ended December 31, 2012 have been re-presented to be consistent with the December 31, 2013 presentation. This change does not have any impact on the reported total cash flow from financing activities.

**3. Allowance for Doubtful Receivables**

At December 31, 2013 and at March 31, 2013, allowances for doubtful receivables deducted from Trade notes and accounts receivable, net and Long-term trade receivables, net are ¥18,723 million and ¥17,994 million, respectively.

**4. Inventories**

At December 31, 2013 and at March 31, 2013, inventories comprised the following:

| | Millions of yen | |
|---|---|---|
| | **December 31, 2013** | **March 31, 2013** |
| Finished products, including finished parts held for sale | ¥ 520,137 | ¥ 437,729 |
| Work in process | 148,740 | 141,166 |
| Materials and supplies | 59,340 | 54,752 |
| Total | ¥ 728,217 | ¥ 633,647 |

**5. Investment Securities**

Investment securities at December 31, 2013 and at March 31, 2013, primarily consisted of securities available for sale.

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

The cost, gross unrealized holding gains and losses, and fair value for such investment securities by major security types at December 31, 2013 and at March 31, 2013, are as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| | | Gross unrealized holding | | |
| | Cost | Gains | Losses | Fair value |
| **At December 31, 2013** | | | | |
| Investment securities: | | | | |
| Marketable equity securities available for sale | ¥15,667 | ¥45,621 | ¥1 | ¥61,287 |
| Other investment securities at cost | 8,285 | | | |
| | ¥23,952 | | | |
| **At March 31, 2013** | | | | |
| Investment securities: | | | | |
| Marketable equity securities available for sale | ¥17,915 | ¥33,047 | ¥8 | ¥50,954 |
| Other investment securities at cost | 8,325 | | | |
| | ¥26,240 | | | |

Other investment securities primarily include non-marketable equity securities.

Proceeds from the sales of investment securities available for sale during the nine months ended December 31, 2013 and 2012, amounted to ¥4,332 million and ¥595 million, respectively.

Impairment loss and net gain (loss) from sale of investment securities available for sale during the nine months ended December 31, 2013 and 2012, amounted to gains of ¥1,605 million and losses of ¥97 million, respectively. Impairment loss and net gain (loss) from sale of investment securities available for sale during the three months ended December 31, 2013 and 2012, amounted to gains of ¥107 million and losses of ¥16 million, respectively. Such gains and losses were included in other income (expenses), net in the accompanying consolidated statements of income.

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

Gross unrealized holding losses and the fair value of available-for-sale securities, aggregated by length of time that individual securities have been in a continuous unrealized loss position at December 31, 2013 and at March 31, 2013, are as follows:

| | Millions of yen |
|---|---|

| | Less than 12 months | | 12 months or longer | | Total | |
|---|---|---|---|---|---|---|
| | Fair value | Gross unrealized holding losses | Fair value | Gross unrealized holding losses | Fair value | Gross unrealized holding losses |
| **At December 31, 2013** | | | | | | |
| Investment securities: | | | | | | |
| Marketable equity securities available for sale | ¥ 28 | ¥ 1 | ¥ | ¥ | ¥ 28 | ¥ 1 |
| **At March 31, 2013** | | | | | | |
| Investment securities: | | | | | | |
| Marketable equity securities available for sale | ¥ 190 | ¥ 8 | ¥ | ¥ | ¥ 190 | ¥ 8 |

Komatsu judged the decline in fair value of investment securities at December 31, 2013 and at March 31, 2013, to be temporary, by considering such factors as financial and operating conditions of issuer, the industry in which the issuer operates and other relevant factors.

**6. Other Comprehensive Income (Loss)**

Changes in accumulated other comprehensive income (loss) for the nine months ended December 31, 2013 and the three months ended December 31, 2013 are as follows:

| | Millions of yen<br>Nine months ended December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Foreign currency translation adjustments | Net unrealized holding gains (losses) on securities available for sale | Pension liability adjustments | Net unrealized holding gains (losses) on derivative instruments | Total |
| Balance, beginning of year | ¥(38,833) | ¥ 21,519 | ¥ (24,835) | ¥ (1,291) | ¥(43,440) |
| Other comprehensive income (loss) before reclassifications | 91,851 | 9,079 | (185) | (6,729) | 94,016 |
| Amounts reclassified from accumulated other comprehensive income (loss) | (2,290) | (908) | 1,017 | 7,090 | 4,909 |
| Net current-period other comprehensive income (loss) | 89,561 | 8,171 | 832 | 361 | 98,925 |
| Less: Other comprehensive income (loss) attributable to noncotrolling interests | 3,404 | | (5) | 86 | 3,485 |
| Other comprehensive income (loss) attributable to Komatsu Ltd. | 86,157 | 8,171 | 837 | 275 | 95,440 |
| Equity transactions with noncontrolling interests | 21 | | | | 21 |
| Balance, end of period | ¥ 47,345 | ¥ 29,690 | ¥ (23,998) | ¥ (1,016) | ¥ 52,021 |

All amounts are net of tax.

| | Millions of yen<br>Three months ended December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Foreign currency translation adjustments | Net unrealized holding gains (losses) on securities available for sale | Pension liability adjustments | Net unrealized holding gains (losses) on derivative instruments | Total |
| Balance, beginning of period | ¥(15,359) | ¥ 25,312 | ¥ (24,330) | ¥ (538) | ¥(14,915) |
| Other comprehensive income (loss) before reclassifications | 66,293 | 4,378 | 47 | (3,696) | 67,022 |
| Amounts reclassified from accumulated other comprehensive income (loss) | | | 283 | 3,273 | 3,556 |

| | | | | | |
|---|---|---|---|---|---|
| Net current-period other comprehensive income (loss) | 66,293 | 4,378 | 330 | (423) | 70,578 |
| Less: Other comprehensive income (loss) attributable to noncotrolling interests | 3,589 | | (2) | 55 | 3,642 |
| Other comprehensive income (loss) attributable to Komatsu Ltd. | 62,704 | 4,378 | 332 | (478) | 66,936 |
| Equity transactions with noncontrolling interests | | | | | |
| Balance, end of period | ¥ 47,345 | ¥ 29,690 | ¥ (23,998) | ¥ (1,016) | ¥ 52,021 |

All amounts are net of tax.

Reclassifications out of accumulated other comprehensive income (loss) for the nine months ended December 31, 2013 and the three months ended December 31, 2013 are as follows:

| | Millions of yen | | |
|---|---|---|---|
| | Nine months ended December 31, 2013 | | Affected line items in consolidated statements of income |
| Foreign currency translation adjustments | | | |
| Liquidation | ¥ | 2,290 | Other income (expenses), net: Other, net |
| | | 2,290 | Total before tax |
| | | | Income taxes |
| | | 2,290 | Net of tax |
| Net unrealized holding gains (losses) on securities available for sale | | | |
| Gain from sale | | 1,498 | Other income (expenses), net: Other, net |
| | | 1,498 | Total before tax |
| | | (590) | Income taxes |
| | | 908 | Net of tax |
| Pension liability adjustments | | | |
| Amortization of actuarial loss and prior service cost | | (1,838) | *1 |
| | | (1,838) | Total before tax |
| | | 821 | Income taxes |
| | | (1,017) | Net of tax |
| Net unrealized holding gains (losses) on derivative instruments | | | |
| Forwards contracts | | (11,454) | Other income (expenses), net: Other, net |
| | | (11,454) | Total before tax |
| | | 4,364 | Income taxes |
| | | (7,090) | Net of tax |
| Total reclassifications for the period | ¥ | (4,909) | Net of tax |

*1 This amount is included in the computation of net periodic pension cost.

| | Millions of yen | | |
|---|---|---|---|
| | Three months ended December 31, 2013 | | Affected line items in consolidated statements of income |
| Pension liability adjustments | | | |
| Amortization of actuarial loss and prior service cost | ¥ | (674) | *1 |
| | | (674) | Total before tax |
| | | 391 | Income taxes |
| | | (283) | Net of tax |
| Net unrealized holding gains (losses) on derivative instruments | | | |
| Forwards contracts | | (5,288) | Other income (expenses), net: Other, net |
| | | (5,288) | Total before tax |
| | | 2,015 | Income taxes |
| | | (3,273) | Net of tax |
| Total reclassifications for the period | ¥ | (3,556) | Net of tax |

*1 This amount is included in the computation of net periodic pension cost.

Tax effects allocated to each component of other comprehensive income (loss) for the nine months ended December 31, 2013 and the three months ended December 31, 2013 are as follows:

| | Millions of yen<br>Nine months ended December 31, 2013 | | |
|---|---|---|---|
| | Before tax amount | Tax (expense) or benefit | Net of tax amount |
| Foreign currency translation adjustments | | | |
| Foreign currency translation adjustments arising during period | ¥ 92,003 | ¥ (152) | ¥ 91,851 |
| Less: Reclassification adjustment for gains included in net income | (2,290) | | (2,290) |
| Net foreign currency translation adjustments | 89,713 | (152) | 89,561 |
| Net unrealized holding gains (losses) on securities available for sale | | | |
| Unrealized holding gains arising during period | 14,067 | (4,988) | 9,079 |
| Less: Reclassification adjustment for gains included in net income | (1,498) | 590 | (908) |
| Net unrealized gains | 12,569 | (4,398) | 8,171 |
| Pension liability adjustments | | | |
| Pension liability adjustments arising during period | (283) | 98 | (185) |
| Less: Reclassification adjustment for losses included in net income | 1,838 | (821) | 1,017 |
| Net pension liability adjustments | 1,555 | (723) | 832 |
| Net unrealized holding gains (losses) on derivative instruments | | | |
| Changes in fair value of derivatives | (10,911) | 4,182 | (6,729) |
| Net losses reclassified into earnings | 11,454 | (4,364) | 7,090 |
| Net unrealized gains | 543 | (182) | 361 |
| Other comprehensive income (loss) | ¥ 104,380 | ¥ (5,455) | ¥ 98,925 |

| | Millions of yen<br>Three months ended December 31, 2013 | | |
|---|---|---|---|
| | Before tax amount | Tax (expense) or benefit | Net of tax amount |
| Foreign currency translation adjustments | | | |
| Foreign currency translation adjustments arising during period | ¥ 66,398 | ¥ (105) | ¥ 66,293 |
| Less: Reclassification adjustment for gains included in net income | | | |
| Net foreign currency translation adjustments | 66,398 | (105) | 66,293 |
| Net unrealized holding gains (losses) on securities available for sale | | | |
| Unrealized holding gains arising during period | 6,685 | (2,307) | 4,378 |
| Less: Reclassification adjustment for gains included in net income | | | |
| Net unrealized gains | 6,685 | (2,307) | 4,378 |
| Pension liability adjustments | | | |
| Pension liability adjustments arising during period | 49 | (2) | 47 |

| | | | |
|---|---|---|---|
| Less: Reclassification adjustment for losses included in net income | 674 | (391) | 283 |
| Net pension liability adjustments | 723 | (393) | 330 |
| Net unrealized holding gains (losses) on derivative instruments | | | |
| Changes in fair value of derivatives | (5,997) | 2,301 | (3,696) |
| Net losses reclassified into earnings | 5,288 | (2,015) | 3,273 |
| Net unrealized losses | (709) | 286 | (423) |
| Other comprehensive income (loss) | ¥ 73,097 | ¥ (2,519) | ¥ 70,578 |

**7. Share-Based Compensation**

The Company has two types of stock option plans as share-based compensation 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 the Company s 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.

**The stock option plans resolved by the Board of Directors meetings held in and after July 2010**

The right to purchase the Company s 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 12, 2012, the Company issued 843 rights of its share acquisition rights to directors. Based on the resolutions of the shareholders meeting on June 20, 2012 and the Board of Directors on July 12, 2012, the Company also issued 2,555 rights of its share acquisition rights to certain employees and certain directors of subsidiaries during the year ended March 31, 2013. The options vest 100% on each of the grant dates and are exercisable from August 1, 2015.

In addition, based on the resolutions of the shareholders meeting on June 23, 2010 and the Board of Directors on July 17, 2013, the Company issued 561 rights of its share acquisition rights to directors. Based on the resolutions of the shareholders meeting on June 19, 2013 and the Board of Directors on July 17, 2013, the Company also issued 2,358 rights of its share acquisition rights to certain employees and certain directors of subsidiaries during the year ending March 31, 2014. The options vest 100% on each of the grant dates and are exercisable from August 1, 2016.

The number of shares subject to one share acquisition rights is 100 shares.

The Company recognizes compensation expense using the fair value method. Compensation expenses during the nine months ended December 31, 2013 and 2012 were ¥564 million and ¥500 million, respectively, and were recorded in selling, general and administrative expenses. Compensation expenses during the three months ended December 31, 2013 and 2012 were ¥338 million and ¥300 million, respectively, and were recorded in selling, general and administrative expenses.

The Company transfers treasury stock without issuance of new stock when the share acquisition rights are exercised.

**8. Net Income Attributable to Komatsu Ltd. per Share**

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to Komatsu Ltd. per share computations is as follows:

| | Millions of yen | |
|---|---|---|
| | Nine months ended December 31, 2013 | Nine months ended December 31, 2012 |
| Net income attributable to Komatsu Ltd. | ¥ 115,337 | ¥ 91,096 |

| | Number of shares | |
|---|---|---|
| | Nine months ended December 31, 2013 | Nine months ended December 31, 2012 |
| Weighted average common shares outstanding, less treasury stock | 953,113,777 | 952,321,093 |
| Dilutive effect of: | | |
| Stock options | 1,030,276 | 843,019 |
| Weighted average diluted common shares outstanding | 954,144,053 | 953,164,112 |

| | Yen | |
|---|---|---|
| | Nine months ended December 31, 2013 | Nine months ended December 31, 2012 |
| Net income attributable to Komatsu Ltd. per share: | | |
| Basic | ¥ 121.01 | ¥ 95.66 |
| Diluted | ¥ 120.88 | ¥ 95.57 |

| | Millions of yen | |
|---|---|---|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 |
| Net income attributable to Komatsu Ltd. | ¥ 36,527 | ¥ 24,984 |

| | Number of shares | |
|---|---|---|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 |
| Weighted average common shares outstanding, less treasury stock | 953,193,946 | 952,324,598 |
| Dilutive effect of: | | |
| Stock options | 1,102,548 | 958,077 |
| Weighted average diluted common shares outstanding | 954,296,494 | 953,282,675 |

| | Yen | |
|---|---|---|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 |
| Net income attributable to Komatsu Ltd. per share: | | |
| Basic | ¥ 38.32 | ¥ 26.23 |
| Diluted | ¥ 38.28 | ¥ 26.21 |

**9. Contingent Liabilities**

At December 31, 2013 and at March 31, 2013, Komatsu was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥314 million and ¥406 million, respectively.

Komatsu provides guarantees to third parties of loans of the employees, affiliated companies, customers and other companies. The guarantees of loans relating to the employees are mainly made for their housing loans. The guarantees of loans relating to the affiliated companies, customers and other companies are made to enhance the credit of those companies.

For each guarantee provided, Komatsu would have to perform under a guarantee, if the borrower defaults on a payment within the contract terms. The contract terms are from 10 years to 30 years in the case of employees with housing loans, and from 1 year to 11 years in the case of loans relating to the affiliated companies, customers and other companies. The maximum amount of undiscounted payments Komatsu would have had to make in the event of default was ¥78,879 million and ¥94,776 million at December 31, 2013 and at March 31, 2013, respectively. The fair value of the liabilities recognized for Komatsu s obligations as guarantors under those guarantees at December 31, 2013 was insignificant. Certain of those guarantees were secured by collateral and insurance issued to the Company.

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 and the guarantees for them are well diversified to minimize concentrations of credit risks. Management does not anticipate incurring losses on its trade receivables in excess of established allowances.

**10. Derivative Financial Instruments**

Notional principal amounts of derivative financial instruments outstanding at December 31, 2013 and at March 31, 2013 are as follows:

| | Millions of yen | |
|---|---|---|
| | December 31, 2013 | March 31, 2013 |
| Forwards: | | |
| Sale of foreign currencies | ¥116,321 | ¥ 130,060 |
| Purchase of foreign currencies | 48,048 | 39,904 |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | 91,305 | 103,182 |

Fair value of derivative instruments at December 31, 2013 and at March 31, 2013 on the consolidated balance sheets are as follows (Notes 11 and 12):

| | Millions of yen December 31, 2013 | | | |
|---|---|---|---|---|
| | Derivative Assets | | Derivative Liabilities | |
| **Derivative instruments designated as hedging instruments** | Location on the consolidated Balance Sheets | Estimated fair value | Location on the consolidated Balance Sheets | Estimated fair value |
| Forwards contracts | Deferred income taxes and other current assets | ¥ | Deferred income taxes and other current liabilities | ¥ 2,281 |
| | Deferred income taxes and other assets | | Deferred income taxes and other liabilities | 7,590 |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | Deferred income taxes and other current assets | 15 | Deferred income taxes and other current liabilities | 677 |
| Total | | ¥ 15 | | ¥ 10,548 |

| | Derivative Assets | | Derivative Liabilities | |
|---|---|---|---|---|
| **Undesignated derivative instruments** | Location on the consolidated Balance Sheets | Estimated fair value | Location on the consolidated Balance Sheets | Estimated fair value |
| Forwards contracts | Deferred income taxes and other current assets | ¥ 938 | Deferred income taxes and other current liabilities | ¥ 2,717 |
| | Deferred income taxes and other assets | 1 | Deferred income taxes and other liabilities | |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | Deferred income taxes and other current assets | 312 | Deferred income taxes and other current liabilities | 791 |

| | | | |
|---|---|---|---|
| | Deferred income taxes and other assets | Deferred income taxes and other liabilities | 284 |
| Total | ¥ 1,251 | ¥ 3,792 | |
| Total Derivative Instruments | ¥ 1,266 | ¥ 14,340 | |

| | Millions of yen<br>March 31, 2013 | | | |
|---|---|---|---|---|
| | Derivative Assets | | Derivative Liabilities | |
| **Derivative instruments designated as hedging instruments** | Location on the consolidated Balance Sheets | Estimated fair value | Location on the consolidated Balance Sheets | Estimated fair value |
| Forwards contracts | Deferred income taxes and other current assets | ¥ 43 | Deferred income taxes and other current liabilities | ¥ 2,479 |
| | Deferred income taxes and other assets | | Deferred income taxes and other liabilities | 3,905 |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | Deferred income taxes and other current assets | 42 | Deferred income taxes and other current liabilities | 1,063 |
| Total | | ¥ 85 | | ¥ 7,447 |

| | Derivative Assets | | Derivative Liabilities | |
|---|---|---|---|---|
| **Undesignated derivative instruments** | Location on the consolidated Balance Sheets | Estimated fair value | Location on the consolidated Balance Sheets | Estimated fair value |
| Forwards contracts | Deferred income taxes and other current assets | ¥ 463 | Deferred income taxes and other current liabilities | ¥ 3,628 |
| | Deferred income taxes and other assets | 1 | Deferred income taxes and other liabilities | 11 |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | Deferred income taxes and other current assets | 2 | Deferred income taxes and other current liabilities | 791 |
| | Deferred income taxes and other assets | 288 | Deferred income taxes and other liabilities | 272 |
| Total | | ¥ 754 | | ¥ 4,702 |
| Total Derivative Instruments | | ¥ 839 | | ¥ 12,149 |

The effects of derivative instruments on the consolidated statements of income and consolidated statements of comprehensive income for the nine months ended December 31, 2013 and 2012 are as follows:

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

| | Millions of yen<br>Nine months ended<br>December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | | Effective portion | | | Ineffective portion and amount excluded from effectiveness testing |
| | Amount of gains (losses) recognized in OCI on derivatives | Location of gains (losses) reclassified from accumulated OCI into income | Amount of gains (losses) reclassified from accumulated OCI into income | Location of gains (losses) recognized in income on derivatives | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts | | Other income (expenses), net: Other, net | | | |
| | ¥(11,218) | | ¥ (11,454) | | ¥ |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | 307 | | | | |
| Total | ¥(10,911) | | ¥ (11,454) | | ¥ |

| | Millions of yen<br>Nine months ended<br>December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | | Effective portion | | | Ineffective portion and amount excluded from effectiveness testing |
| | Amount of gains (losses) recognized in OCI | Location of gains (losses) reclassified from accumulated | Amount of gains (losses) reclassified from accumulated | Location of gains (losses) recognized in | Amount of gains (losses) recognized in |

| | on derivatives | OCI into income | OCI into income | income on derivatives | income on derivatives |
|---|---|---|---|---|---|
| Forwards contracts | ¥ (2,317) | Other income (expenses), net: Other, net | ¥ (2,923) | | ¥ |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | (558) | | | | |
| Total | ¥ (2,875) | | ¥ (2,923) | | ¥ |

OCI stands for other comprehensive income (loss).

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

| | Millions of yen<br>Nine months ended<br><br>December 31, 2013 | |
|---|---|---|
| | Location of gains (losses) recognized in income on derivatives | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts | Other income (expenses), net: Other, net | ¥ (1,780) |
| Option contracts | Other income (expenses), net: Other, net | (0) |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | Cost of sales | 172 |
| | Other income (expenses), net: Other, net | 170 |
| Total | | ¥ (1,438) |

| | Millions of yen<br>Nine months ended<br><br>December 31, 2012 | |
|---|---|---|
| | Location of gains (losses) recognized in income on derivatives | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts | Other income (expenses), net: Other, net | ¥ (2,748) |
| Option contracts | Other income (expenses), net: Other, net | (4) |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | Cost of sales | (55) |
| | Other income (expenses), net: Other, net | (921) |
| Total | | ¥ (3,728) |

The effects of derivative instruments on the consolidated statements of income and consolidated statements of comprehensive income for the three months ended December 31, 2013 and 2012 are as follows:

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

| | Millions of yen<br>Three months ended<br>December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Effective portion | | | Ineffective portion and amount excluded from effectiveness testing | |
| | Amount of gains (losses) recognized in OCI on derivatives | Location of gains (losses) reclassified from accumulated OCI into income | Amount of gains (losses) reclassified from accumulated OCI into income | Location of gains (losses) recognized in income on derivatives | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts | ¥ (6,194) | Other income (expenses), net: Other, net | ¥ (5,288) | | ¥ |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | 197 | | | | |
| Total | ¥ (5,997) | | ¥ (5,288) | | ¥ |

| | Millions of yen<br>Three months ended<br>December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | Effective portion | | | Ineffective portion and amount excluded from effectiveness testing | |
| | Amount of gains (losses) recognized in OCI on derivatives | Location of gains (losses) reclassified from accumulated OCI into income | Amount of gains (losses) reclassified from accumulated OCI into income | Location of gains (losses) recognized in income on derivatives | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts | ¥ (8,065) | Other income (expenses), net: Other, net | ¥ (5,657) | | ¥ |
| Interest rate swaps, cross-currency swaps and | (363) | | | | |

| | | | |
|---|---|---|---|
| interest rate cap agreements | | | |
| Total | ¥ (8,428) | ¥ (5,657) | ¥ |

OCI stands for other comprehensive income (loss).

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

| | | Millions of yen<br>Three months ended<br><br>December 31, 2013 | |
|---|---|---|---|
| | Location of gains (losses) recognized in income on derivatives | | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts | Other income (expenses), net: Other, net | ¥ | (1,755) |
| Option contracts | Other income (expenses), net: Other, net | | |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | Cost of sales | | 50 |
| | Other income (expenses), net: Other, net | | 48 |
| Total | | ¥ | (1,657) |

| | | Millions of yen<br>Three months ended<br><br>December 31, 2012 | |
|---|---|---|---|
| | Location of gains (losses) recognized in income on derivatives | | Amount of gains (losses) recognized in income on derivatives |
| Forwards contracts | Other income (expenses), net: Other, net | ¥ | (3,193) |
| Option contracts | Other income (expenses), net: Other, net | | (3) |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | Cost of sales | | (34) |
| | Other income (expenses), net: Other, net | | (313) |
| Total | | ¥ | (3,543) |

**11. Fair Values of Financial Instruments**

**(1) Cash and cash equivalents, Time deposits, Trade notes and accounts receivable, Other current assets, Short-term debt, Trade notes, bills and accounts payables, and Other current liabilities**

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

**(2) Investment securities, marketable equity securities**

The fair values of investment securities available for sale for which it is practicable to estimate fair value are based on quoted market prices and are recognized on the accompanying consolidated balance sheets.

**(3) Long-term trade receivables**

The fair values of long-term trade receivables are based on the present value of future cash flows through maturity, discounted using estimated current interest rates. The fair values computed on such a basis approximate the carrying amounts.

**(4) Long-term debt, including current portion** (Note 12)

The fair values of each of the long-term debts are based on the quoted price in the most active market or the present value of future cash flows associated with each instrument discounted using the current borrowing rate for similar debt of comparable maturity and is classified in Level 2 in the fair value hierarchy.

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

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

The carrying amounts and the estimated fair values of the financial instruments, including financial instruments not qualifying as hedge, at December 31, 2013 and at March 31, 2013, are summarized as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| | December 31, 2013 | | March 31, 2013 | |
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Cash and cash equivalents | ¥ 110,890 | ¥ 110,890 | ¥ 93,620 | ¥ 93,620 |
| Time deposits | 132 | 132 | 217 | 217 |
| Trade notes and accounts receivable, net | 591,975 | 591,975 | 606,904 | 606,904 |
| Long-term trade receivables, net | 251,320 | 251,320 | 235,825 | 235,825 |
| Investment securities, marketable equity securities | 61,287 | 61,287 | 50,954 | 50,954 |
| Short-term debt | 254,988 | 254,988 | 205,156 | 205,156 |
| Trade notes, bills and accounts payable | 234,886 | 234,886 | 226,275 | 226,275 |
| Long-term debt, including current portion | 449,669 | 440,489 | 474,607 | 469,444 |
| Derivatives: | | | | |
| Forwards contracts | | | | |
| Assets | 939 | 939 | 507 | 507 |
| Liabilities | 12,588 | 12,588 | 10,023 | 10,023 |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | | | | |
| Assets | 327 | 327 | 332 | 332 |
| Liabilities | 1,752 | 1,752 | 2,126 | 2,126 |

**Limitations**

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could affect the estimates.

**12. Fair value measurements**

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 December 31, 2013 and at March 31, 2013 are as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| **At December 31, 2013** | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investment securities available for sale | | | | |
| Manufacturing industry | ¥31,953 | ¥ | ¥ | ¥ 31,953 |
| Financial service industry | 24,769 | | | 24,769 |
| Other | 4,565 | | | 4,565 |
| Derivatives | | | | |
| Forward contracts | | 939 | | 939 |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | | 327 | | 327 |
| Total | ¥61,287 | ¥ 1,266 | ¥ | ¥ 62,553 |
| Liabilities | | | | |
| Derivatives | | | | |
| Forward contracts | ¥ | ¥ 12,588 | ¥ | ¥ 12,588 |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | | 1,752 | | 1,752 |
| Other | | 116,667 | 553 | 117,220 |
| Total | ¥ | ¥131,007 | ¥ 553 | ¥131,560 |

| | Millions of yen | | | |
|---|---|---|---|---|
| **At March 31, 2013** | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investment securities available for sale | | | | |
| Manufacturing industry | ¥28,061 | ¥ | ¥ | ¥ 28,061 |
| Financial service industry | 19,299 | | | 19,299 |
| Other | 3,594 | | | 3,594 |
| Derivatives | | | | |
| Forward contracts | | 507 | | 507 |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | | 332 | | 332 |
| Total | ¥50,954 | ¥ 839 | ¥ | ¥ 51,793 |

| | | | | |
|---|---|---|---|---|
| Liabilities | | | | |
| Derivatives | | | | |
| Forward contracts | ¥ | ¥ 10,023 | ¥ | ¥ 10,023 |
| Interest rate swaps, cross-currency swaps and interest rate cap agreements | | 2,126 | | 2,126 |
| Other | | 76,239 | 639 | 76,878 |
| Total | ¥ | ¥ 88,388 | ¥ 639 | ¥ 89,027 |

**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** (Notes 10 and 11)

Derivatives primarily represent foreign exchange contracts and interest rate swap agreements. The fair value of foreign exchange contracts is based on a valuation model that discounts cash flows resulting from the differential between contract rate and the market-based forward rate and is classified in Level 2 in the fair value hierarchy. The fair value of interest rate swap agreements is based on a valuation model that discounts cash flows based on the terms of the contract and the swap curves and is classified in Level 2 in the fair value hierarchy.

**Other**

Other primarily represents loans which are measured at fair value under the Fair Value Option of ASC 825, Financial Instruments . The fair value of loans is based on a valuation model based on market yield curve data and credit spread data and is classified in Level 2 in the fair value hierarchy. The credit spread data was obtained through use of credit default swaps for each counterparty.

The following table summarizes information about changes of Level 3 for the nine months ended December 31, 2013 and 2012

| | Millions of yen | |
|---|---|---|
| | Nine months ended December 31, 2013 | Nine months ended December 31, 2012 |
| Balance, beginning of year | ¥(639) | ¥(752) |
| Total gains or losses (realized / unrealized) | 86 | 158 |
| Included in earnings | 153 | 183 |
| Included in other comprehensive income (loss) | (67) | (25) |
| Balance, end of period | ¥(553) | ¥(594) |

The amounts of unrealized gains on classified in Level 3 liabilities recognized in earnings for the nine months ended December 31, 2013 and 2012 related to liabilities still held at December 31, 2013 and 2012 were gains of ¥153 million and gains of ¥183 million, respectively. These gains 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 December 31, 2013 and 2012

| | Millions of yen | |
|---|---|---|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 |
| Balance, beginning of period | ¥(572) | ¥(572) |
| Total gains or losses (realized / unrealized) | 19 | (22) |

| | | | |
|---|---|---|---|
| Included in earnings | 61 | | 40 |
| Included in other comprehensive income (loss) | (42) | | (62) |
| Balance, end of period | ¥(553) | ¥ | (594) |

The amounts of unrealized gains on classified in Level 3 liabilities recognized in earnings for the three months ended December 31, 2013 and 2012 related to liabilities still held at December 31, 2013 and 2012 were gains of ¥61 million and gains of ¥40 million, respectively. These gains were reported in other income (expenses), net of the consolidated statements of income.

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

During nine months ended December 31, 2013 and 2012 assets and liabilities that were measured at fair value on a non-recurring basis were not material.

**13. Committed Credit lines**

Certain consolidated subsidiaries have entered into contract with certain financial institutions for committed credit lines. These total amounts of committed credit lines at December 31, 2013 and at March 31, 2013 were ¥39,985 million and ¥49,997 million, respectively. These total amounts of unused committed credit lines available for full and immediate borrowings at December 31, 2013 and at March 31, 2013 were ¥16,345 million and ¥14,738 million, respectively.

**14. Dividends**

**Nine months ended December 31, 2013**

**Payment amount of dividends**

| Resolution | Type of stock | Aggregate amount of dividends (Millions of yen) | Resource of dividends | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary general meeting of shareholders held on June 19, 2013 | Common stock | 22,879 | Retained earnings | 24 | March 31, 2013 | June 20, 2013 |
| Board of Directors held on October 28, 2013 | Common stock | 27,658 | Retained earnings | 29 | September 30, 2013 | November 29, 2013 |

**Nine months ended December 31, 2012**

**Payment amount of dividends**

| Resolution | Type of stock | Aggregate amount of dividends (Millions of yen) | Resource of dividends | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary general meeting of shareholders held on June 20, 2012 | Common stock | 20,008 | Retained earnings | 21 | March 31, 2012 | June 21, 2012 |
| Board of Directors held on October 30, 2012 | Common stock | 22,868 | Retained earnings | 24 | September 30, 2012 | November 30, 2012 |

The amount is rounded down to nearest million yen.

**15. Business Segment and Geographic Information**

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

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

Segment profit is determined by subtracting the cost of sales and selling, general and administrative expenses from net sales attributed to the operating segment. Segment profit excludes certain general corporate administration and finance expenses, such as costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations. Segment profit also excludes certain charges which may otherwise relate to operating segments, including impairments of long lived assets and goodwill.

**Operating segments:**

| | Millions of yen | |
|---|---|---|
| | **Nine months ended December 31, 2013** | **Nine months ended December 31, 2012** |
| **Net sales:** | | |
| Construction, Mining and Utility Equipment | | |
| External customers | ¥ 1,248,856 | ¥ 1,205,655 |
| Intersegment | 1,939 | 1,959 |
| Total | 1,250,795 | 1,207,614 |
| Industrial Machinery and Others | | |
| External customers | 140,658 | 144,923 |
| Intersegment | 4,245 | 5,703 |
| Total | 144,903 | 150,626 |
| Elimination | (6,184) | (7,662) |
| Consolidated | ¥ 1,389,514 | ¥ 1,350,578 |
| **Segment profit:** | | |
| Construction, Mining and Utility Equipment | ¥ 164,124 | ¥ 148,381 |
| Industrial Machinery and Others | 1,122 | 3,824 |
| Total segment profit | 165,246 | 152,205 |
| Corporate expenses and elimination | (1,537) | (1,136) |
| Total | 163,709 | 151,069 |
| Other operating income (expenses), net | 1,923 | (578) |
| Operating income | 165,632 | 150,491 |
| Interest and dividend income | 3,060 | 3,209 |
| Interest expense | (6,634) | (6,155) |
| Other, net | 8,073 | (1,957) |

| | | | | |
|---|---|---|---|---|
| Consolidated income before income taxes and equity in earnings of affiliated companies | ¥ | 170,131 | ¥ | 145,588 |

| | Millions of yen | |
|---|---|---|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 |
| **Net sales:** | | |
| Construction, Mining and Utility Equipment | | |
| External customers | ¥ 420,081 | ¥ 367,987 |
| Intersegment | 643 | 477 |
| Total | 420,724 | 368,464 |
| Industrial Machinery and Others | | |
| External customers | 44,312 | 51,742 |
| Intersegment | 992 | 1,685 |
| Total | 45,304 | 53,427 |
| Elimination | (1,635) | (2,162) |
| Consolidated | ¥ 464,393 | ¥ 419,729 |
| **Segment profit:** | | |
| Construction, Mining and Utility Equipment | ¥ 58,331 | ¥ 38,800 |
| Industrial Machinery and Others | (3,686) | 523 |
| Total segment profit | 54,645 | 39,323 |
| Corporate expenses and elimination | (29) | 466 |
| Total | 54,616 | 39,789 |
| Other operating income (expenses), net | 2,070 | (562) |
| Operating income | 56,686 | 39,227 |
| Interest and dividend income | 774 | 941 |
| Interest expense | (2,271) | (1,649) |
| Other, net | 2,481 | 1,685 |
| Consolidated income before income taxes and equity in earnings of affiliated companies | ¥ 57,670 | ¥ 40,204 |

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.

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**Geographic information:**

Net sales determined by customer location for the nine months ended December 31, 2013 and 2012 are as follows:

| | Millions of yen | |
|---|---|---|
| | Nine months ended December 31, 2013 | Nine months ended December 31, 2012 |
| Japan | ¥ 310,145 | ¥ 271,095 |
| The Americas | 408,234 | 393,258 |
| Europe and CIS | 143,417 | 149,208 |
| China | 130,703 | 109,331 |
| Asia (excluding Japan and China) and Oceania | 283,272 | 338,221 |
| Middle East and Africa | 113,743 | 89,465 |
| Consolidated net sales | ¥ 1,389,514 | ¥ 1,350,578 |

Net sales determined by customer location for the three months ended December 31, 2013 and 2012 are as follows:

| | Millions of yen | |
|---|---|---|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 |
| Japan | ¥ 116,537 | ¥ 92,179 |
| The Americas | 135,376 | 124,821 |
| Europe and CIS | 47,238 | 49,636 |
| China | 42,981 | 34,000 |
| Asia (excluding Japan and China) and Oceania | 84,994 | 91,447 |
| Middle East and Africa | 37,267 | 27,646 |
| Consolidated net sales | ¥ 464,393 | ¥ 419,729 |

Net sales determined by geographic origin for the nine months ended December 31, 2013 and 2012 are as follows:

| | Millions of yen | |
|---|---|---|
| | Nine months ended December 31, 2013 | Nine months ended December 31, 2012 |
| Japan | ¥ 460,600 | ¥ 445,435 |
| U.S.A. | 383,967 | 377,196 |
| Europe and CIS | 153,994 | 147,681 |
| China | 113,777 | 84,668 |

| | | | |
|---|---|---|---|
| Others | 277,176 | | 295,598 |
| Consolidated net sales | ¥ 1,389,514 | ¥ | 1,350,578 |

Net sales determined by geographic origin for the three months ended December 31, 2013 and 2012 are as follows:

| | Millions of yen | | |
|---|---|---|---|
| | Three months ended December 31, 2013 | | Three months ended December 31, 2012 |
| Japan | ¥ 164,901 | ¥ | 144,317 |
| U.S.A. | 130,698 | | 118,217 |
| Europe and CIS | 46,850 | | 50,118 |
| China | 37,552 | | 22,938 |
| Others | 84,392 | | 84,139 |
| Consolidated net sales | ¥ 464,393 | ¥ | 419,729 |

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

There were no sales to a single major external customer for the nine months and three months ended December 31, 2013 and 2012.

**16. Subsequent Event**

There was no significant subsequent event to be disclosed.