(Translation)
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Quarterly Report

From April 1, 2015 to June 30, 2015

(First Quarter of the 147th Fiscal Year)

KOMATSU LTD.

First Quarter of the 147th Fiscal Year (from April 1, 2015 to June 30, 2015)

Quarterly Report

Certain References and Information:

1. This is an English translation of the Quarterly Securities Report ("Shihanki Hokokusho") filed via the Electronic Disclosure for Investors' Network ("EDINET") system as set forth in Article 27-30-2 of the Financial Instruments and Exchange Act of Japan. Komatsu Ltd. filed its Quarterly Securities Report for the three months ended June 30, 2015 with the Director-General of the Kanto Local Finance Bureau on August 7, 2015. The Quarterly Securities Report contains, among other information, Quarterly Consolidated Financial Statements for the three months ended June 30, 2015. Material information in the Quarterly Securities Report, other than the Quarterly Consolidated Financial Statements, has already been reported by Komatsu Ltd. in its press release dated July 29, 2015. Attached is an English translation of Quarterly Consolidated Financial Statements for the three months ended June 30, 2015.
2. In this report, Komatsu Ltd. is hereinafter referred to as the "Company" and together with its consolidated subsidiaries as "Komatsu."

Cautionary Statement with respect to forward-looking statements:

This report contains forward-looking statements that reflect managements' views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects," "plans," "expects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Any forward-looking statements speak only as of the date of this report, and the Company assumes no duty to update such statements.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for Komatsu's principal products, owing to changes in the economic conditions in Komatsu's principal markets; changes in exchange rates or the impact of increased competition; unanticipated costs or delays encountered in achieving Komatsu's objectives with respect to globalized product sourcing and new information technology tools; uncertainties as to the results of Komatsu's research and development efforts and its ability to access and protect certain intellectual property rights; the impact of regulatory changes and accounting principles and practices; and the introduction, success and timing of business initiatives and strategies.

Financial Information

1. Basis of preparation of the quarterly consolidated financial statements

The quarterly consolidated financial statements of the Company are prepared in accordance with the accounting principles generally accepted in the United States of America (hereinafter "U.S. GAAP"), pursuant to Article 4, Supplementary Provisions of the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements," the Ordinance of the Cabinet Office No. 64 of 2007.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the quarterly consolidated financial statements for the three months ended June 30, 2015 (from April 1 to June 30, 2015) were reviewed by KPMG AZSA LLC.

Quarterly Consolidated Financial Statements, etc.

Quarterly Consolidated Financial Statements

Consolidated Balance Sheets (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries June 30, 2015 and March 31, 2015

	June 30, 2015		March 31, 2015	
Assets	**Millions of yen**	**Ratio (%)**	**Millions of yen**	**Ratio (%)**
Current assets				
Cash and cash equivalents (Note 11)	¥ 107,481		¥ 105,905	
Time deposits (Note 11)	1,699		1,407	
Trade notes and accounts receivable, net (Notes 3 and 11)	597,020		620,076	
Inventories (Note 4)	640,900		622,876	
Deferred income taxes and other current assets (Notes 10, 11 and 12)	159,108		171,171	
Total current assets	1,506,208	53.8	1,521,435	54.4
Long-term trade receivables, net (Notes 3 and 11)	291,229	10.4	280,138	10.0
Investments				
Investments in and advances to affiliated companies	28,165		28,358	
Investment securities (Notes 5, 11 and 12)	70,544		73,420	
Other	1,867		1,731	
Total investments	100,576	3.6	103,509	3.7
Property, plant and equipment – less accumulated depreciation and amortization of ¥808,334 million at June 30, 2015 and ¥792,122 million at March 31, 2015	754,656	26.9	743,919	26.6
Goodwill	38,246	1.4	36,266	1.3
Other intangible assets – less accumulated amortization	58,376	2.1	58,715	2.1
Deferred income taxes and other assets (Notes 10, 11 and 12)	52,001	1.8	54,425	1.9
	¥2,801,292	100.0	¥2,798,407	100.0

	June 30, 2015		March 31, 2015	
Liabilities and Equity	**Millions of yen**	**Ratio (%)**	**Millions of yen**	**Ratio (%)**
Current liabilities				
Short-term debt (Note 11)	¥ 204,970		¥ 191,937	
Current maturities of long-term debt (Notes 11 and 12)	148,606		117,922	
Trade notes, bills and accounts payable (Note 11)	209,792		225,093	
Income taxes payable	19,539		39,396	
Deferred income taxes and other current liabilities (Notes 10, 11 and 12)	225,411		230,563	
Total current liabilities	808,318	28.9	804,911	28.8
Long-term liabilities				
Long-term debt (Notes 11 and 12)	256,473		279,270	
Liability for pension and retirement benefits	55,562		55,396	
Deferred income taxes and other liabilities (Notes 10, 11 and 12)	50,239		60,330	
Total long-term liabilities	362,274	12.9	394,996	14.1
Total liabilities	1,170,592	41.8	1,199,907	42.9
Commitments and contingent liabilities (Note 9)				
Equity				
Komatsu Ltd. shareholders' equity				
Common stock:				
Authorized 3,955,000,000 shares				
Issued 971,967,660 shares				
Outstanding 942,436,557 shares at June 30, 2015 and 942,364,824 shares at March 31, 2015	67,870		67,870	
Capital surplus	138,708		138,696	
Retained earnings:				
Appropriated for legal reserve	43,962		40,980	
Unappropriated	1,222,541		1,220,338	
Accumulated other comprehensive income (loss) (Notes 5, 6, 10 and 12)	137,994		113,018	
Treasury stock at cost, 29,531,103 shares at June 30, 2015 and 29,602,836 shares at March 31, 2015	(51,834)		(51,936)	
Total Komatsu Ltd. shareholders' equity	1,559,241	55.7	1,528,966	54.6
Noncontrolling interests	71,459	2.5	69,534	2.5
Total equity	1,630,700	58.2	1,598,500	57.1
	¥2,801,292	100.0	¥2,798,407	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
Three months ended June 30, 2015 and 2014.

Consolidated Statements of Income

	Three months ended June 30, 2015		Three months ended June 30, 2014	
	Millions of yen	Ratio (%)	Millions of yen	Ratio (%)
Net sales	¥ 446,103	100.0	¥ 460,221	100.0
Cost of sales (Notes 6 and 10)	312,477	70.0	321,953	70.0
Selling, general and administrative expenses (Notes 6 and 7)	84,025	18.8	78,500	17.1
Other operating income (expenses), net	112	0.0	3,710	0.8
Operating income	49,713	11.1	63,478	13.8
Other income (expenses), net				
Interest and dividend income	1,046	0.2	878	0.2
Interest expense	(2,497)	(0.6)	(2,237)	(0.5)
Other, net (Notes 5, 6, 10 and 12)	2,675	0.6	(772)	(0.2)
Total	1,224	0.3	(2,131)	(0.5)
Income before income taxes and equity in earnings of affiliated companies	50,937	11.4	61,347	13.3
Income taxes (Note 6)				
Current	10,431		14,097	
Deferred	7,152		8,390	
Total	17,583	3.9	22,487	4.9
Income before equity in earnings of affiliated companies	33,354	7.5	38,860	8.4
Equity in earnings of affiliated companies	397	0.1	687	0.1
Net income	33,751	7.6	39,547	8.6
Less: Net income attributable to noncontrolling interests	1,221	0.3	1,864	0.4
Net income attributable to Komatsu Ltd.	¥ 32,530	7.3	¥ 37,683	8.2

	Yen	
Per share data (Note 8):		
Net income attributable to Komatsu Ltd.:		
Basic	34.52	39.53
Diluted	34.47	39.49
Cash dividends per share (Note 14)	29.00	29.00

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

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2015	**Three months ended June 30, 2014**
Net income	¥ 33,751	¥ 39,547
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments (Note 6)	27,083	(11,912)
Net unrealized holding gains (losses) on securities available for sale (Notes 5 and 6)	(1,079)	1,365
Pension liability adjustments (Note 6)	241	(2,945)
Net unrealized holding gains (losses) on derivative instruments (Notes 6 and 10)	29	348
Total	26,274	(13,144)
Comprehensive income (loss)	60,025	26,403
Less: Comprehensive income (loss) attributable to noncontrolling interests	2,519	1,181
Comprehensive income (loss) attributable to Komatsu Ltd.	¥ 57,506	¥ 25,222

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

Consolidated Statements of Equity (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries

Three months ended June 30, 2015

	Millions of yen								
			Retained earnings						
	Common stock	Capital surplus	Appropriated for legal reserve	Un-appropriated	Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at March 31, 2015	**¥ 67,870**	**¥ 138,696**	**¥ 40,980**	**¥ 1,220,338**	**¥ 113,018**	**¥ (51,936)**	**¥ 1,528,966**	**¥ 69,534**	**¥ 1,598,500**
Cash dividends (Note 14)				(27,345)			(27,345)	(594)	(27,939)
Transfer to retained earnings appropriated for legal reserve			2,982	(2,982)			—		—
Other changes							—		—
Net income				32,530			32,530	1,221	33,751
Other comprehensive income (loss), for the period, net of tax (Note 6)					24,976		24,976	1,298	26,274
Issuance and exercise of stock acquisition rights (Note 7)		(54)					(54)		(54)
Purchase of treasury stock						(7)	(7)		(7)
Sales of treasury stock		66				109	175		175
Balance at June 30, 2015	**¥ 67,870**	**¥ 138,708**	**¥ 43,962**	**¥ 1,222,541**	**¥ 137,994**	**¥ (51,834)**	**¥ 1,559,241**	**¥ 71,459**	**¥ 1,630,700**

Three months ended June 30, 2014

	Millions of yen								
			Retained earnings						
	Common stock	Capital surplus	Appropriated for legal reserve	Un-appropriated	Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total Equity
Balance at March 31, 2014	**¥ 67,870**	**¥ 138,984**	**¥ 39,962**	**¥ 1,141,751**	**¥ 30,035**	**¥ (42,211)**	**¥ 1,376,391**	**¥ 64,720**	**¥ 1,441,111**
Cash dividends (Note 14)				(27,659)			(27,659)	(2,121)	(29,780)
Transfer to retained earnings appropriated for legal reserve			919	(919)			—		—
Other changes							—		—
Net income				37,683			37,683	1,864	39,547
Other comprehensive income (loss), for the period, net of tax (Note 6)					(12,461)		(12,461)	(683)	(13,144)
Issuance and exercise of stock acquisition rights (Note 7)		(28)					(28)		(28)
Purchase of treasury stock						(7)	(7)		(7)
Sales of treasury stock		40				60	100		100
Balance at June 30, 2014	**¥ 67,870**	**¥ 138,996**	**¥ 40,881**	**¥ 1,150,856**	**¥ 17,574**	**¥ (42,158)**	**¥ 1,374,019**	**¥ 63,780**	**¥ 1,437,799**

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

Consolidated Statements of Cash Flows (Unaudited)

Komatsu Ltd. and Consolidated Subsidiaries
Three months ended June 30, 2015 and 2014

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Operating activities		
Net income	¥ 33,751	¥ 39,547
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	27,727	23,705
Deferred income taxes	7,152	8,390
Impairment loss and net loss (gain) from sale of investment securities	(2,895)	(283)
Net loss (gain) on sale of property	(121)	(3,739)
Loss on disposal of fixed assets	575	835
Pension and retirement benefits, net	(377)	265
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	28,478	54,511
Decrease (increase) in inventories	(1,966)	1,969
Increase (decrease) in trade payables	(17,728)	(17,395)
Increase (decrease) in income taxes payable	(19,895)	(24,755)
Other, net	6,397	(6,685)
Net cash provided by (used in) operating activities	61,098	76,365
Investing activities		
Capital expenditures	(45,781)	(41,817)
Proceeds from sale of property	4,064	9,270
Proceeds from sale of available for sale investment securities	4,174	473
Purchases of available for sale investment securities	(122)	(0)
Acquisition of subsidiaries and equity investees, net of cash acquired	(887)	(0)
Collection of loan receivables	73	60
Disbursement of loan receivables	—	(2)
Decrease (increase) in time deposits, net	(301)	(22)
Net cash provided by (used in) investing activities	(38,780)	(32,038)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	80,860	112,156
Payment on debt (Original maturities greater than three months)	(35,841)	(72,033)
Short-term debt, net (Original maturities three months or less)	(36,117)	(31,546)
Repayments of capital lease obligations	(186)	(1,715)
Sale (purchase) of treasury stock, net	67	96
Dividends paid	(27,345)	(27,659)
Other, net	(1,068)	(2,467)
Net cash provided by (used in) financing activities	(19,630)	(23,168)
Effect of exchange rate change on cash and cash equivalents	(1,112)	(132)
Net increase (decrease) in cash and cash equivalents	1,576	21,027
Cash and cash equivalents, beginning of year	105,905	90,872
Cash and cash equivalents, end of period	¥ 107,481	¥ 111,899

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

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

Basis of Quarterly Financial Statement Presentation

The Company prepares and presents the accompanying quarterly consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (hereinafter "U.S. GAAP").

The accompanying quarterly consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates.

Some adjustments without booked on each subsidiaries' and affiliates' quarterly financial statement are added to the accompanying quarterly consolidated financial statements. These adjustments are mainly due to the gaps of accounting principle between Japan and the United States of America. See Note 17 "Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements".

Preparation of Financial Statement and Registration with the U.S. Securities and Exchange Commission

The Company has been preparing its consolidated financial statements in accordance with U.S. GAAP since 1963, because the Company issued foreign currency convertible bonds at European market in 1964. The Company registered its convertible bonds issued in the United States in 1967 and its common shares issued for U.S. shareholders as well as Japanese shareholders in 1970 with the U.S. Securities and Exchange Commission (the "SEC"). Since then, the Company, as a non-U.S. issuer, had been having the reporting obligations, such as filing annual report with its consolidated financial statements in accordance with U.S. GAAP, under the Securities Exchange Act of 1934. The Company's registration with SEC was terminated on June 30, 2014.

Summary of Significant Accounting Policies

There is no material change for summary of significant accounting policies stated in the Annual Securities Report filed on June 23, 2015.

2. Supplemental Cash Flow Information

Additional cash flow information and noncash investing and financing activities for the three months ended June 30, 2015 and 2014 are as follows:

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Additional cash flow information:		
Interest paid	¥ 2,986	¥ 2,488
Income taxes paid	31,458	38,882
Noncash investing and financing activities:		
Capital lease obligations incurred	¥ 2	¥ 267

3. Allowance for Doubtful Receivables

At June 30, 2015 and at March 31, 2015, allowances for doubtful receivables deducted from trade notes and accounts receivable, net and long-term trade receivables, net are ¥19,137 million and ¥18,347 million, respectively.

4. Inventories

At June 30, 2015 and at March 31, 2015, inventories comprised the following:

	Millions of yen	
	June 30, 2015	March 31, 2015
Finished products, including finished parts held for sale	¥ 463,409	¥ 452,081
Work in process	126,624	121,525
Materials and supplies	50,867	49,270
Total	¥ 640,900	¥ 622,876

5. Investment Securities

Investment securities at June 30, 2015 and at March 31, 2015, primarily consisted of securities available for sale.

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

The cost, gross unrealized holding gains and losses, and fair value for such investment securities by major security types at June 30, 2015 and at March 31, 2015 are as follows:

	Millions of yen			
		Gross unrealized holding		
	Cost	Gains	Losses	Fair value
At June 30, 2015				
Investment securities:				
Marketable equity securities available for sale	¥ 13,366	¥ 49,069	¥ —	¥ 62,435
Other investment securities at cost	8,109			
	¥ 21,475			
At March 31, 2015				
Investment securities:				
Marketable equity securities available for sale	¥ 14,642	¥ 50,814	¥ —	¥ 65,456
Other investment securities at cost	7,964			
	¥ 22,606			

Other investment securities primarily include non-marketable equity securities.

Proceeds from the sale of investment securities available for sale during the three months ended June 30, 2015 and 2014, amounted to ¥4,174 million and ¥473 million, respectively.

Impairment loss and net gain (loss) from sale of investment securities available for sale during the three months ended June 30, 2015 and 2014, amounted to gains of ¥2,895 million and ¥283 million, respectively. Such gains 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.

6. Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the three months ended June 30, 2015 and 2014 are as follows:

	Millions of yen				
	Three months ended June 30, 2015				
	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	¥ 102,292	¥ 32,848	¥ (22,351)	¥ 229	¥ 113,018
Other comprehensive income (loss) before reclassifications	27,083	645	(157)	(917)	26,654
Amounts reclassified from accumulated other comprehensive income (loss)	—	(1,724)	398	946	(380)
Net other comprehensive income (loss)	27,083	(1,079)	241	29	26,274
Less: other comprehensive income (loss) attributable to noncotrolling interests	1,242	—	(15)	71	1,298
Other comprehensive income (loss) attributable to Komatsu Ltd.	25,841	(1,079)	256	(42)	24,976
Balance, end of period	¥ 128,133	¥ 31,769	¥ (22,095)	¥ 187	¥ 137,994

All amounts are net of tax.

	Millions of yen				
	Three months ended June 30, 2014				
	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	¥ 21,988	¥ 28,301	¥ (20,239)	¥ (15)	¥ 30,035
Other comprehensive income (loss) before reclassifications	(11,912)	1,531	(3,249)	1,253	(12,377)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(166)	304	(905)	(767)
Net other comprehensive income (loss)	(11,912)	1,365	(2,945)	348	(13,144)
Less: other comprehensive income (loss) attributable to noncotrolling interests	(654)	—	—	(29)	(683)
Other comprehensive income (loss) attributable to Komatsu Ltd.	(11,258)	1,365	(2,945)	377	(12,461)
Balance, end of period	¥ 10,730	¥ 29,666	¥ (23,184)	¥ 362	¥ 17,574

All amounts are net of tax.

Reclassification out of accumulated other comprehensive income (loss) for the three months ended June 30, 2015 and 2014 are as follows:

	Millions of yen	
	Three months ended June 30, 2015	Affected line items in consolidated statements of income
Net unrealized holding gains (losses) on securities available for sale		
Gain from sale	¥ 2,802	Other income (expenses), net: Other, net
	2,802	Total before tax
	(1,078)	Income taxes
	1,724	Net of tax
Pension liability adjustments		
Amortization of actuarial loss and prior service cost	(600)	*1
	(600)	Total before tax
	202	Income taxes
	(398)	Net of tax
Net unrealized holding gains (losses) on derivative instruments		
Forwards contracts	(1,415)	Other income (expenses), net: Other, net
	(1,415)	Total before tax
	469	Income taxes
	(946)	Net of tax
Total reclassification for the period	¥ 380	Net of tax

*1 These amounts are included in the computation of net periodic pension cost.

	Millions of yen	
	Three months ended June 30, 2014	Affected line items in consolidated statements of income
Net unrealized holding gains (losses) on securities available for sale		
Gain from sale	¥ 274	Other income (expenses), net: Other, net
	274	Total before tax
	(108)	Income taxes
	166	Net of tax
Pension liability adjustments		
Amortization of actuarial loss and prior service cost	(470)	*1
	(470)	Total before tax
	166	Income taxes
	(304)	Net of tax
Net unrealized holding gains (losses) on derivative instruments		
Forwards contracts	1,408	Other income (expenses), net: Other, net
	1,408	Total before tax
	(503)	Income taxes
	905	Net of tax
Total reclassification for the period	¥ 767	Net of tax

*1 These amounts are included in the computation of net periodic pension cost.

Tax effects allocated to each component of other comprehensive income (loss) for the three months ended June 30, 2015 and 2014 are as follows:

	Millions of yen		
	Three months ended June 30, 2015		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during period	¥ 27,118	¥ (35)	¥ 27,083
Less: reclassification adjustment for gains included in net income	—	—	—
Net foreign currency translation adjustments	27,118	(35)	27,083
Net unrealized holding gains (losses) on securities available for sale			
Unrealized holding gains arising during period	1,071	(426)	645
Less: reclassification adjustment for gains included in net income	(2,802)	1,078	(1,724)
Net unrealized holding gains	(1,731)	652	(1,079)
Pension liability adjustments			
Pension liability adjustments arising during period	(206)	49	(157)
Less: reclassification adjustment for losses included in net income	600	(202)	398
Net pension liability adjustments	394	(153)	241
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding losses arising during period	(1,205)	288	(917)
Less: reclassification adjustment for gains included in net income	1,415	(469)	946
Net unrealized holding gains	210	(181)	29
Other comprehensive income (loss)	¥ 25,991	¥ 283	¥ 26,274

	Millions of yen		
	Three months ended June 30, 2014		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during period	¥ (11,950)	¥ 38	¥ (11,912)
Less: reclassification adjustment for losses included in net income	—	—	—
Net foreign currency translation adjustments	(11,950)	38	(11,912)
Net unrealized holding gains (losses) on securities available for sale			
Unrealized holding gains arising during period	2,426	(895)	1,531
Less: reclassification adjustment for gains included in net income	(274)	108	(166)
Net unrealized holding gains	2,152	(787)	1,365
Pension liability adjustments			
Pension liability adjustments arising during period	(5,031)	1,782	(3,249)
Less: reclassification adjustment for losses included in net income	470	(166)	304
Net pension liability adjustments	(4,561)	1,616	(2,945)
Net unrealized holding gains (losses) on derivative instruments			
Unrealized holding gains arising during period	1,958	(705)	1,253
Less: reclassification adjustment for losses included in net income	(1,408)	503	(905)
Net unrealized holding gains	550	(202)	348
Other comprehensive income (loss)	¥ (13,809)	¥ 665	¥ (13,144)

7. Stock-Based Remuneration

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

The Company recognizes compensation expense using the fair value method. For the three months ended June 30, 2015 and 2014, no compensation expense was recorded as no right was granted.

8. Net Income Attributable to Komatsu Ltd. per Share

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

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Net income attributable to Komatsu Ltd.	¥ 32,530	¥ 37,683

	Number of shares	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Weighted average common shares outstanding, less treasury stock	942,400,247	953,213,792
Dilutive effect of:		
Stock options	1,230,084	1,094,402
Weighted average diluted common shares outstanding	943,630,331	954,308,194

	Yen	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Net income attributable to Komatsu Ltd. per share:		
Basic	34.52	39.53
Diluted	34.47	39.49

9. Contingent Liabilities

At June 30, 2015 and at March 31, 2015, Komatsu (the Company and its consolidated subsidiaries) was contingently liable for discounted and transferred receivables on a recourse basis with the financial institutions of ¥44 million and ¥808 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 8 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 at June 30, 2015 and at March 31, 2015 were ¥44,406 million and ¥47,627 million, respectively. The fair value of the liabilities recognized for Komatsu's obligations as guarantors under those guarantees at June 30, 2015 were insignificant. Certain of those guarantees were secured by collateral and insurance issued to Komatsu.

Management of the Company believes that losses from those contingent liabilities, if any, would not have a material effect on the quarterly 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 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 June 30, 2015 and at March 31, 2015 are as follows.

	Millions of yen	
	June 30, 2015	March 31, 2015
Forwards contracts:		
Sale of foreign currencies	¥ 96,089	¥ 107,605
Purchase of foreign currencies	44,738	47,716
Interest rate swaps and cross-currency swap agreements	109,361	102,697

Fair value of derivative instruments at June 30, 2015 and at March 31, 2015 on the consolidated balance sheets are as follows:

	Millions of yen			
	June 30, 2015			
	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	¥ 336	Deferred income taxes and other current liabilities	¥ 3,721
	Deferred income taxes and other assets	1	Deferred income taxes and other liabilities	534
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	5	Deferred income taxes and other current liabilities	631
Total		¥ 342		¥ 4,886

	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	¥ 384	Deferred income taxes and other current liabilities	¥ 418
	Deferred income taxes and other assets	1	Deferred income taxes and other liabilities	—
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	694	Deferred income taxes and other current liabilities	170
	Deferred income taxes and other assets	23	Deferred income taxes and other liabilities	1
Total		¥ 1,102		¥ 589
Total Derivative Instruments		¥ 1,444		¥ 5,475

	Millions of yen			
	March 31, 2015			
	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	¥ 466	Deferred income taxes and other current liabilities	¥ 6,736
	Deferred income taxes and other assets	108	Deferred income taxes and other liabilities	901
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	1	Deferred income taxes and other current liabilities	862
Total		¥ 575		¥ 8,499

	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	¥ 666	Deferred income taxes and other current liabilities	¥ 1,323
	Deferred income taxes and other assets	—	Deferred income taxes and other liabilities	—
Interest rate swaps and cross-currency swap agreements	Deferred income taxes and other current assets	752	Deferred income taxes and other current liabilities	229
	Deferred income taxes and other assets	360	Deferred income taxes and other liabilities	—
Total		¥ 1,778		¥ 1,552
Total Derivative Instruments		¥ 2,353		¥10,051

The effects of derivative instruments on the consolidated statements of income and the consolidated statements of comprehensive income for the three months ended June 30, 2015 and 2014 are as follows:

Derivative instruments designated as cash flow hedging relationships

	Millions of yen				
	Three months ended June 30, 2015				
	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	¥ (1,461)	Other income (expenses), net: Other, net	¥ (1,415)	—	¥ —
Interest rate swaps and cross-currency swap agreements	256	—	—	—	—
Total	¥ (1,205)		¥ (1,415)		¥ —

	Millions of yen				
	Three months ended June 30, 2014				
	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	¥ 2,063	Other income (expenses), net: Other, net	¥ 1,408	—	¥ —
Interest rate swaps and cross-currency swap agreements	(105)	—	—	—	—
Total	¥ 1,958		¥ 1,408		¥ —

* OCI stands for other comprehensive income (loss).

Derivative instruments not designated as hedging instruments relationships

	Millions of yen	
	Three months ended June 30, 2015	
	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	¥ (725)
Interest rate swaps and cross-currency swap agreements	Cost of sales	114
	Other income (expenses), net: Other, net	82
Total		¥ (529)

	Millions of yen	
	Three months ended June 30, 2014	
	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	¥ (617)
Interest rate swaps and cross-currency swap agreements	Cost of sales	(45)
	Other income (expenses), net: Other, net	(15)
Total		¥ (677)

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 payable, 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 debt 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 rate 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, as of June 30, 2015 and as of March 31, 2015, are summarized as follows:

	Millions of yen			
	June 30, 2015		March 31, 2015	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Cash and cash equivalents	¥ 107,481	¥ 107,481	¥ 105,905	¥ 105,905
Time deposits	1,699	1,699	1,407	1,407
Trade notes and accounts receivable, net	597,020	597,020	620,076	620,076
Long-term trade receivables, net	291,229	291,229	280,138	280,138
Investment securities, marketable equity securities	62,435	62,435	65,456	65,456
Short-term debt	204,970	204,970	191,937	191,937
Trade notes, bills and accounts payable	209,792	209,792	225,093	225,093
Long-term debt, including current portion	405,079	403,589	397,192	393,997
Derivatives:				
Forwards contracts				
Assets	722	722	1,240	1,240
Liabilities	4,673	4,673	8,960	8,960
Interest rate swaps and cross-currency swap agreements				
Assets	722	722	1,113	1,113
Liabilities	802	802	1,091	1,091

Limitations

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

12. Fair value measurements

Financial Accounting Standards Board Accounting Standards Codification™ ("ASC") 820, "Fair Value Measurements" defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 – Unobservable inputs for the assets or liabilities

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

The fair value hierarchy levels of assets and liabilities that are measured at fair value on a recurring basis at June 30, 2015 and at March 31, 2015 are as follows:

	Millions of yen			
At June 30, 2015	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale				
Manufacturing industry	¥ 29,754	¥ —	¥ —	¥ 29,754
Financial service industry	27,399	—	—	27,399
Other	5,282	—	—	5,282
Derivatives				
Forward contracts	—	722	—	722
Interest rate swaps and cross-currency swap agreements	—	722	—	722
Total	¥ 62,435	¥ 1,444	¥ —	¥ 63,879
Liabilities				
Derivatives				
Forward contracts	¥ —	¥ 4,673	¥ —	¥ 4,673
Interest rate swaps and cross-currency swap agreements	—	802	—	802
Other	—	69,244	383	69,627
Total	¥ —	¥ 74,719	¥ 383	¥ 75,102

	Millions of yen			
At March 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale				
Manufacturing industry	¥ 34,564	¥ —	¥ —	¥ 34,564
Financial service industry	25,049	—	—	25,049
Other	5,843	—	—	5,843
Derivatives				
Forward contracts	—	1,240	—	1,240
Interest rate swaps and cross-currency swap agreements	—	1,113	—	1,113
Total	¥ 65,456	¥ 2,353	¥ —	¥ 67,809
Liabilities				
Derivatives				
Forward contracts	¥ —	¥ 8,960	¥ —	¥ 8,960
Interest rate swaps and cross-currency swap agreements	—	1,091	—	1,091
Other	—	68,034	369	68,403
Total	¥ —	¥ 78,085	¥ 369	¥ 78,454

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 three months ended June 30, 2015 and 2014:

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Balance, beginning of year	¥ (369)	¥ (508)
Total gains or losses (realized / unrealized)	(14)	26
Included in earnings	(6)	19
Included in other comprehensive income (loss)	(8)	7
Balance, end of period	¥ (383)	¥ (482)

The amount of unrealized gains on classified in Level 3 liabilities recognized in earnings for the three months ended June 30, 2015 and 2014 related to liabilities still held at June 30, 2015 and 2014 were losses of ¥6 million and gains of ¥19 million, respectively. These losses or 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 three months ended June 30, 2015 and 2014 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 June 30, 2015 and at March 31, 2015 were ¥24,892 million and ¥24,396 million, respectively. These total amounts of unused committed credit lines available for full and immediate borrowings at June 30, 2015 and at March 31, 2015 were ¥19,219 million and ¥17,363 million, respectively.

14. Dividends

Three months ended June 30, 2015

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 24, 2015	Common Stock	27,344	Retained earnings	29	March 31, 2015	June 25, 2015

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

Three months ended June 30, 2014

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 18, 2014	Common Stock	27,658	Retained earnings	29	March 31, 2014	June 19, 2014

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

15. Business Segment and Geographic Information

Komatsu has two operating segments: 1) Construction, Mining and Utility Equipment, and 2) Industrial Machinery and Others. Those operating segments which have separate financial information are available for allocating resources and assessing its performance by management.
The accounting policies used by the segments are the same as those used in the preparation of the quarterly consolidated financial statements.
Segment profit available for allocating resources and assessing its performance by management 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:

Information about operating segments for the three months ended June 30, 2015 and 2014 is as follows:

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Net sales:		
Construction, Mining and Utility Equipment –		
External customers	¥ 402,003	¥ 418,157
Intersegment	697	358
Total	402,700	418,515
Industrial Machinery and Others –		
External customers	44,100	42,064
Intersegment	632	1,275
Total	44,732	43,339
Elimination	(1,329)	(1,633)
Consolidated	¥ 446,103	¥ 460,221
Segment profit:		
Construction, Mining and Utility Equipment	¥ 47,269	¥ 57,952
Industrial Machinery and Others	3,269	3,153
Total segment profit	50,538	61,105
Corporate expenses and elimination	(937)	(1,337)
Consolidated	¥ 49,601	¥ 59,768

Reconciliation of total segment profit to consolidated income before income taxes and equity in earnings of affiliated companies for the three months ended June 30, 2015 and 2014 is as follows:

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Total segment profit	¥ 50,538	¥ 61,105
Corporate expenses and elimination	(937)	(1,337)
Consolidated	49,601	59,768
Other operating income (expenses), net	112	3,710
Operating income	49,713	63,478
Interest and dividend income	1,046	878
Interest expense	(2,497)	(2,237)
Other, net	2,675	(772)
Consolidated income before income taxes and equity in earnings of affiliated companies	¥ 50,937	¥ 61,347

Business categories and principal products and services included in each operating segment are as follows:

a) Construction, Mining and Utility Equipment operating segment:

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 operating segment:

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

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

Geographic information:

Net sales determined by customer location for the three months ended June 30, 2015 and 2014 are as follows:

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Japan	¥ 85,724	¥ 80,581
The Americas	154,835	137,433
Europe and CIS	53,096	56,789
China	24,377	38,945
Asia (excluding Japan and China) and Oceania	86,795	101,421
Middle East and Africa	41,276	45,052
Consolidated net sales	¥ 446,103	¥ 460,221

Net sales determined by geographic origin for the three months ended June 30, 2015 and 2014 are as follows:

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2014
Japan	¥ 143,183	¥ 138,318
The Americas	144,996	127,101
Europe and CIS	54,013	59,507
China	22,258	35,572
Others	81,653	99,723
Total	¥ 446,103	¥ 460,221

There were no sales to a single major external customer for the three months ended June 30, 2015 and 2014.

16. Material Subsequent Events

Not applicable.
Komatsu evaluated subsequent events through August 7, 2015, the issue date of its quarterly consolidated financial statements.

17. Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements

The terminology, forms and preparation methods of the Company's quarterly consolidated financial statements are in accordance with U.S. GAAP.
The main differences between quarterly consolidated financial statements prepared in accordance with U.S. GAAP and those prepared in accordance with the Accounting Standards for Quarterly Consolidated Financial Statements and the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements of Japan are as follows.

(1) Scope of consolidation
For quarterly consolidated financial statements in Japan, the scope of consolidation is determined on an effective control and influence basis. For quarterly consolidated financial statement in accordance with U.S. GAAP, the scope of consolidation is determined on the shareholding basis on which the determination is based on voting rights and on a consolidation basis of variable interest entities.

(2) Accounting policies
a. Deferred income on installment sales
Although deferral of income on installment sales is permitted in Japan, the Company recognizes income at the time of sales without deferring income on installment sales in its quarterly consolidated financial statements in accordance with U.S. GAAP.

b. Share issuance cost
Although in Japan, share issuance cost is permitted to be recognized in profit or loss when incurred, the Company treats such cost in a deduction item from capital surplus as expenses incidental to capital transactions in its quarterly consolidated financial statements in accordance with U.S. GAAP.

c. Accounting for retirement benefits
Although in Japan, net actuarial gains or losses are required to be amortized over certain periods that are shorter than the average remaining years of service, the Company has adopted the corridor approach in its quarterly consolidated financial statements in accordance with U.S. GAAP.

d. Business combination and goodwill
Goodwill is required to be amortized over certain periods in Japan, while U.S. GAAP requires companies to implement impairment test at least once annually without goodwill being amortized. For intangible fixed assets with indefinite useful lives, U.S. GAAP also requires companies to implement impairment test without such assets being amortized.

(3) Presentation methods and other matters
a. Presentation of legal retained earnings
Although in Japan, legal retained earnings is recorded as retained earnings together with other surplus, the Company separately presents as appropriated legal reserve in its quarterly consolidated financial statements in accordance with U.S. GAAP.

b. Extraordinary income and loss
In Japan, gain or loss on certain sales of non-current, assets such as gain or loss from the sale of properties, are presented as extraordinary income or loss. However, since such items of the Company are not qualified to be presented in extraordinary income or loss in accordance with U.S. GAAP, extraordinary income or loss are not presented in the Company's quarterly consolidated financial statements.