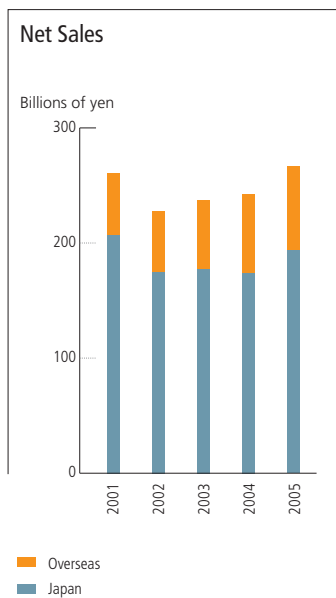


Industrial Machinery, Vehicles and Others



Consolidated sales of industrial machinery, vehicles and other products and services increased 10.1% over the previous year, to ¥266.4 billion (US\$2,490 million). Of this amount, Japanese sales improved 11.1% to ¥193.4 billion (US\$1,808 million), while overseas sales reached ¥73.0 billion (US\$683 million), up 7.5% over the previous year.

Subsidiaries engaging in industrial machinery, such as forklift trucks, sheet metal and forging machines as well as agricultural and forestry equipment such as chainsaws improved both sales and profits. Similarly, while Komatsu's sales to Japan's Defense Agency increased, Komatsu Logistics Corp. and Komatsu Engineering Corp. also stepped up both sales and profits. Combined with continued efforts to cut back fixed costs, segment profit made an impressive gain of 49.8% over the previous year, to ¥16.8 billion (US\$158 million).

<Forklift Truck Business>

Komatsu Forklift Co., Ltd. effectively capitalized on expanded demand in Japan and overseas, and stepped up sales for the year. As part of the move to reinforce its business set-up in the expanding Chinese market, Komatsu Forklift established Komatsu Forklift Manufacturing (China) Co., Ltd. in Jining, Shandong Province in August 2004. Komatsu Forklift has been expanding its sales and service network since its establishment of a sales subsidiary in Shanghai in 2003. With this manufacturing subsidiary, Komatsu Forklift is well positioned to strengthen its supply capability. Komatsu Forklift Manufacturing (China) plans to start mass production of 2- to 3-ton engine-driven forklift trucks in the fall of 2005.



LEO-NXT-V Series

During the year, Komatsu Forklift launched the LEO-NXT-V series by renewing its mainstay engine-driven forklift trucks. The new series is designed to meet a diverse range of customer needs, including improved operability, economy and environmental friendliness. By positioning the new series as its world standard models, Komatsu Forklift introduced them simultaneously in Japan and overseas in order to further enhance its market position in Japan, the United States and Europe.

<Industrial Machinery Business>

Komatsu Industries Corporation expanded sales for the year by capturing increased demand for medium-size presses to automobile manufacturers. At the same time, Komatsu Industries broadened the line of the Hybrid AC Servo Press series for which it continued to receive brisk orders, while incorporating the AC Servo mechanism to auxiliaries. In 2002 Komatsu Industries led the industry by introducing the AC Servo Press which features super precision, high productivity and low noise, and has since broadened the AC Servo Press series. In December 2004, cumulative sales of the AC Servo Press series topped 700 units as a breakthrough product.

Komatsu Machinery Corporation continued to increase sales of crankshaft millers and other equipment to automobile manufacturers. Komatsu Machinery also stepped up sales of LCD (liquid crystal display) manufacturing-related equipment to LCD makers.

Komatsu's Industrial Machinery Division expanded sales of large presses to automobile manufacturers against the backdrop of their aggressive capital investments. Also during the year, the Division developed the next-generation large press line featuring high productivity, super precision and low noise, all made possible by the AC Servo mechanism.

Toyota Technology & Development Award

Komatsu Machinery received the Toyota Technology & Development Award from Toyota Motor Corporation for its grooving machine designed for use in the production of crankshafts of automobile engines. Compared with conventional machines, this grooving machine doubles production efficiency by means of unique movements of the cutting device and shortens the initial setup time significantly by means of numerical control when changing the models. These innovations have made important contributions to productivity improvements for Toyota Motor.

<Agricultural and Forestry Equipment Business>

Komatsu Zenoah Co. renewed the record-high sales of agricultural and forestry equipment, especially with brisk sales of brushcutters, both in Japan and overseas. Komatsu Zenoah also introduced new chainsaws with the Finger EZ mechanism which features the world's first push-button start-up. In January 2005, Komatsu Zenoah held the New Year Products Fair at the Kawagoe Plant, where it exhibited the Finger EZ chainsaw and other new products, and attracted keen attention of visitors.