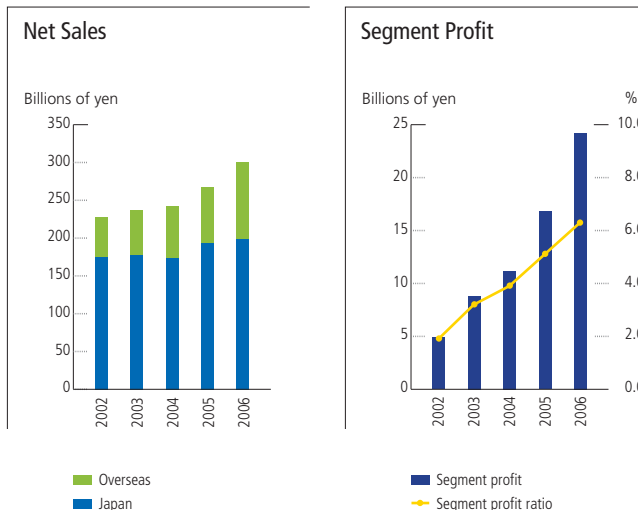


Industrial Machinery, Vehicles and Others



Consolidated sales* of industrial machinery, vehicles and other products and services advanced 12.6% over the previous year, to ¥300.1 billion (US\$2,566 million), supported by a good performance sustained by the industrial machinery and forklift truck businesses from the previous year.

Segment profit of this business reached to ¥24.2 billion (US\$207 million) for the year, recording an impressive gain of 43.7% from the previous year.

* Sales made to external customers after elimination.

Forklift Truck Business

Komatsu Forklift Co., Ltd. stepped up sales for the year by effectively capitalizing on expanded demand in emerging markets, such as

China, CIS and the Middle East, in addition to strong private-sector capital investments in Japan. The company engaged in aggressive business activities, such as increasing selling prices, the market launching of renewed engine-driven forklift models and embarking on local production in China.

Production of Forklift Trucks Commenced in China

In December 2005, Komatsu Forklift Manufacturing (China) Co., Ltd. (KFMC), Komatsu Forklift's production base in China, commenced production. Located in Jining, Shandong Province, KFMC, the second offshore plant following Komatsu Forklift U.S.A., Inc. in the United States, is responsible for the production of 2 to 3-ton engine-driven forklift trucks for the Chinese market. Demand for forklift trucks is accelerating, projected to reach 100,000 units annually in 2008.



FD30T forklift truck made by KFMC

Industrial Machinery Business

In the industrial machinery business, sales of large presses expanded, driven by

growth in sales of new innovative presses which incorporate AC Servo technologies, in addition to thriving capital investments by automakers. Komatsu Industries Corporation also expanded sales, centering on medium-sized presses. In particular, the company continued to make excellent sales of the Hybrid AC Servo Press series, recording the accumulative sales of 1,000 units since their market launch in 2002. Komatsu Machinery Corporation increased sales of machine tools such as crankshaft millers as well as LCD (liquid crystal display) manufacturing-related equipment.

Working to Develop DANTOTSU Products in the Press Business with AC Servo Technologies as the Core

In 1924 Komatsu produced its first press for commercial use. In the course of over 80 years since then, we have expanded the range of our products, from small models for use in manufacturing precision parts, such as for home electronics, to large models for use in molding sheet metal parts for automobiles. Our industrial machinery business, with these presses, sheet metal machinery and machine tools, has grown to become the second core business after the construction and mining equipment business.

In particular, we have delivered 2,150 large presses to automobile plants in 32 countries, making contributions to the expanded production of cars. Now in the 21st century, motorization is advancing on a global scale and we project further growth in automobile production. In addition to making their production more efficient, automakers are looking for more energy-efficient and low-noise presses from environmental concerns. We have led competitors by introducing innovative presses which incorporate the AC Servo mechanism. We will continue to advance press technologies by capitalizing on the AC Servo mechanism for the automobile manufacturing industry.

1) AC Servo Technology for Komatsu Presses

In the 1980s we established the AC Servo technology for the transfer feeders which transfer the molded workpieces from one press to another and have since then built up technological expertise. In 1998, we led the world in the development of the AC Servo motor-driven press HCP Series for use in molding office automation products, and have continued to introduce small and medium-sized H1F and H2F Series, expanding our product range. This series has become a hit

product on the market, topping the accumulated sales of 1,000 units in four years since its debut. In 2004, jointly with Toyota Motor Corporation, we introduced the world's first large AC Servo press for use in molding automotive parts.

2) Features of Large AC Servo Presses

High productivity	Speed: 16 strokes/min. (Our conventional model: 12 strokes/min.) Significant reduction in the number of making test dies
High-precision molding	Improved precision of molded products (Elimination of slip marks or "wrinkles")
Super-low noise	Operating noise level: 85dB (Our conventional model: 105dB)
Energy efficiency and compact size	Pressing capacity: 30% less pressing force needed to do the same job with our conventional model Power consumption: Approx. 40% less than our conventional model Dimensions: Approx. 50% smaller than our conventional model (Height: 10.9 meters ⇒ 9 meters, Length: 28 meters ⇒ 17 meters)

Improved maintainability resulting from simplified mechanism

Note: Comparison based on the AC Servo press with pressing capacity of 1,600-ton class with our conventional model

Building New Plant to Expand Production Capacity

To expand the production capacity of large presses, we are building a new plant (Kanazawa Plant) adjacent to the Port of Kanazawa on the Japan Sea coast. With start-up scheduled for January 2007, we expect to expand our capacity by about 50%. As the new plant is located in the same prefecture of Ishikawa as the Komatsu Plant where we produce large presses, many suppliers are concentrated in the vicinity, which will enable efficient production of the new plant. By taking advantage of its proximity to the port, we are well positioned to cut down both transportation costs and CO2 emissions.



Large AC Servo press



Artist's conception of the Kanazawa Plant