

To All Our Stakeholders



Masahiro Sakane, Chairman of the Board and Kunio Noji, President and CEO

Business Results

We are very pleased to report that the Komatsu Group continued to improve its performance for fiscal 2007, ended March 31, 2007, renewing its record-high in consolidated net sales, operating income, income from continuing operations before income taxes and net income, as well as recording the fifth consecutive year of growth in sales and profits.

Consolidated Results for the Year

	Results for the Year	Change (2007/2006)
Net Sales	¥1,893.3 billion	Up 17.4%
Operating income	¥ 244.7 billion	Up 49.8%
Operating income ratio	12.9%	+2.8 pts
Income from continuing operations before income taxes	¥ 236.4 billion	Up 51.8%
Net income from discontinued operations	¥ 11.3 billion	Up 120.9%
Net Income	¥ 164.6 billion	Up 44.1%

*1 Starting from the fiscal year ended March 31, 2007, operating income is stated in conformity with U.S. GAAP. To ensure comparability with the amount for the previous fiscal year ended March 31, 2006, the percentage was obtained after reclassifying the previously reported amount.

*2 In accordance with the Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" of the Financial Accounting Standards Board, operating results, excluding the operating results of discontinued operations, i.e., Komatsu Electronic Metals Co., Ltd., (currently SUMCO TECHXIV Corporation) and its subsidiaries, as well as the outdoor power equipment (OPE) business of Komatsu Zenoah Co. and its subsidiaries engaging in the OPE business, are stated as income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies in the Consolidated Statements of Income.

*3 In accordance with the Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the operating results of the discontinued operations are stated as income from discontinued operations after tax effects are taken into consideration.

Consolidated net sales reached ¥1,893.3 billion (US\$16,045 million, at US\$1=¥118). In the construction and mining equipment segment, the Komatsu Group continued to increase sales for the year under review by effectively capitalizing on expanded market demand resulting from buoyant developments of commodities and infrastructure around the world. In the industrial machinery, vehicles and others segment, all related Komatsu Group companies recorded good performance and advanced sales. Sales of the electronics segment declined from the previous year, primarily affected by the sale of the polycrystalline silicon business in fiscal 2006.

Operating income for the year advanced to ¥244.7 billion (US\$2,074 million), and operating income ratio improved by 2.8 percentage points to 12.9%. Profits further improved due not only to expanded sales, centering on construction and mining equipment, but also to price realization for construction equipment both in Japan and abroad. Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies reached ¥236.4 billion (US\$2,004 million), reflecting a substantial increase in operating

profit. Net income for the year, the sum of income from continuing and discontinued operations, totaled ¥164.6 billion (US\$1,395 million).

Cash Dividends

Komatsu is building a sound financial position and flexible and agile corporate strengths to increase its corporate value. Concerning cash dividends to shareholders, the Company maintains the policy of redistributing profits by first striving to continue stable dividends and then considering consolidated business results, while working toward the goal of a consolidated payout ratio of 20% or higher. Concerning the fiscal 2007 year-end dividends per share, we have set it at ¥18, an increase of ¥8 from a year ago, after considering the business results for fiscal 2007 as well as current and future business prospects. Together with the interim per share dividends of ¥13, annual dividends per share increased to ¥31, up ¥13 from the previous fiscal year, realizing the fourth consecutive year of larger dividends to shareholders.

Mid-Range Management Plan "Global Teamwork for 15"

The Komatsu Group has been expanding profits by strengthening its earnings base, launching DANTOTSU products and reinforcing sales and product support capabilities in Greater Asia,*¹ as part of the first-stage Reform of Business Structure project since 2001, and capitalizing on the subsequent market expansion. Simultaneously we have also worked on the selective focus of businesses, including the sale of the silicon wafer and outdoor power equipment businesses, an equity alliance in the industrial machinery business, and establishment of new plants in Japan and overseas. To further improve our earnings capability, we started the second-stage Reform of Business Structure project in 2006, in which we have been placing efforts on value-chain*² reform and human resource development through these reform activities on a global, group-wide basis.

*¹ China, Southeast Asia, India, the Middle East and CIS

*² Chain of values generated by business activities of the Komatsu Group, distributors, suppliers and customers

We at the Komatsu Group define our corporate value as the total sum of trust given to us by society and all stakeholders. To increase this corporate value, we have defined the following two management goals.

- 1) To maintain our top-level profitability and financial position in the industry and enhance our position in the global marketplace, especially in Greater Asia.
- 2) To continue management, while keeping market value in mind, which reflects the amount of trust given to us by society and shareholders.

To achieve these management goals, we have developed the mid-range management plan "Global Teamwork for 15" for the target year ending March 31, 2010. Under this new management plan, we are going to focus efforts on the following tasks.

- 1) We will continue to concert our efforts on the market introduction of DANTOTSU products, the further enhancement of our market position in Greater Asia and further improvements of fixed costs, on a permanent basis, all which have been carried over from the first-stage Reform project.
- 2) We will continue to work on value-chain reform and human resource development on a global, group-wide basis through the reform activities.
- 3) Additionally, we have established the following tasks to focus on and will produce specific results.

a) Establishment of Flexible Manufacturing Operations

By taking effective advantage of global sales, production, procurement and other operations, we will further enhance production flexibility in tune with demand changes.

The amount of KOMTRAX (Komatsu Machine Tracking System)-mounted construction equipment in Japan, North America, Europe and China has passed 60,000 units (as of May 2007). We are taking full advantage of this scale to gain information concerning market changes directly and quickly.

We will also share market information among distributors, plants and suppliers. In the short term, we will accurately incorporate such information into production, sales and inventory planning. In the medium term, we will accurately incorporate useful information into capital investment planning in order to ensure appropriate production capacity.

b) Expansion of Utility Equipment Business

We established Komatsu Utility Co., Ltd.* in April 2007, which has unified the management of the

forklift truck business of Komatsu Forklift Co., Ltd. and the compact-construction equipment business of Komatsu Zenoah Co.

In addition to generating synergy in production and development to enhance product competitiveness, Komatsu Utility will double its efforts in Greater Asia and enhance its position in the market in order to improve profits.

* In April 2007, Komatsu Forklift Co., Ltd. merged with Komatsu Zenoah Co. and changed its name to Komatsu Utility Co., Ltd.

c) Expansion of Parts Business

We will continue our efforts to accelerate sales of ground-engaging tools, such as buckets, teeth and undercarriage parts, expand the number of parts depots, support and training centers, and train more product personnel through the Global Training Institute and other programs.

In addition to those efforts, we will take full advantage of information available about the operational conditions of machines through real-time remote monitoring systems such as the KOMTRAX in order to optimize and speed up parts delivery to customers. These efforts will further expand sales of parts and improve profits.

d) Reinforcement of Industrial Machinery Business

With respect to large presses for which orders have been growing, we are going to expand production volume and shorten production lead-time, while improving QCD,* by taking full advantage of the new Kanazawa Plant.

Concerning our equity participation in NIPPEI TOYAMA CORPORATION last year, we will work to generate collaborative effects with them in the areas of procurement and production.

* Quality, Cost and Delivery

The Komatsu Group is working to increase its contributions to customers' businesses and become their indispensable partner by providing products, services and product support, which demonstrate the Group's strengths, such as KOMTRAX,

autonomous hauling system and other IT-applied construction and mining equipment.

The Komatsu Group is strengthening its corporate governance to ensure sound and transparent management, while working to improve management efficiency. While promoting thorough compliance, we will also ensure that all employees of the Komatsu Group share The KOMATSU Way. In addition to improving our business performance, we will facilitate the development of both corporate strength and social responsibility in a well balanced manner.

Centered on the "Spirit of Manufacturers" dedication, Komatsu Group's direction remains crystal clear: "We provide the products (both hardware and software), that customers are happy to own, and we will make profits and grow." In addition to top management officers, of course, all employees of the Komatsu Group in Japan and abroad are determined to fulfill this commitment with self-confidence and a sense of mission by converging their talents and knowledge.

After the annual shareholders' meeting of June 22, 2007, the Board of Directors resolved to change Komatsu's representative directors as follows. Masahiro Sakane, president and CEO, was appointed as new chairman, and Kunio Noji, director and senior executive officer, as new president and CEO.

On behalf of the members of the Board, we would like to extend our sincere appreciation to our valued shareholders, customers, business partners and employees around the world for their support.

July 2007



Masahiro Sakane
Chairman of the Board



Kunio Noji
President and CEO