

**Consolidated Business Results for the First Quarter  
of the Fiscal Year Ending March 31, 2007 (U.S. GAAP)**

**1. Matters Related to the Production of the Outline of Business**

- 1) Simplified accounting procedures: Adopted in part to calculate tax expenses.
- 2) Changes in accounting procedures since the last consolidated fiscal year: None.
- 3) Changes in group of entities:
  - Consolidated subsidiaries
    - Added: 2 companies      Removed: 1 company
  - Affiliated companies accounted for by the equity-method
    - None

**2. Results for the First Quarter of the Fiscal Year Ending March 31, 2007****(1) Consolidated Financial Results (Amounts are rounded to the nearest million yen)**

Millions of yen except per share amounts

	First quarter ended June 30, 2006	First quarter ended June 30, 2005	Changes Increase		FY ended March 31, 2006
<b>Net sales</b>	<b>455,200</b>	386,711	68,489	17.7%	1,701,969
<b>Operating profit</b>	<b>58,165</b>	36,926	21,239	57.5%	176,453
<b>Income before income taxes, minority interests and equity in earnings of affiliated companies</b>	<b>56,652</b>	34,916	21,736	62.3%	169,073
<b>Net income</b>	<b>34,155</b>	19,080	15,075	79.0%	114,290
<b>Net income per share (Yen)</b>					
<b>Basic</b>	<b>¥ 34.37</b>	¥ 19.24	15.13		¥ 115.13
<b>Diluted</b>	<b>¥ 34.30</b>	¥ 19.22	15.08		¥ 114.93

Notes: 1) Percentages shown in net sales, operating profit, income before income taxes and net income represent the rates of change compared with the corresponding first quarter a year ago.

2) Operating profit stated hereafter is the sum of segment profit (net sales less cost of sales and selling, general and administrative expenses). It conforms to Japanese accounting principles, and does not represent consolidated operating profit under U.S.GAAP.

**(2) Consolidated Financial Position**

	As of June 30, 2006	As of March 31, 2006
Total assets (Millions of yen)	<b>1,708,883</b>	1,652,125
Shareholders' equity (Millions of yen)	<b>643,349</b>	622,997
Shareholders' equity ratio (%)	<b>37.6</b>	37.7
Shareholders' equity per share (Yen)	<b>647.22</b>	626.98

### 3. Management Performance (Consolidated)

Consolidated net sales for the first quarter of the fiscal year ending March 31, 2007, expanded 17.7% over the previous corresponding period, to ¥455.2 billion. Net income for the first quarter accelerated 79.0%, to ¥34.1 billion, setting the record-high first-quarter figure in the Komatsu Group's history. These results represent five consecutive first-quarter improvements in both sales and profits. Operating profit ratio improved to 12.8%, up 3.3 percentage points from the corresponding first quarter period a year ago.

While the construction and mining equipment business, the Komatsu Group's stronghold operation, continued to improve its performance, the industrial machinery, vehicles and other operations made solid gains in results. Operating profit reached ¥58.1 billion, up 57.5% over the corresponding period a year ago.

#### Construction and Mining Equipment

For the construction and mining equipment business, the Komatsu Group has been strengthening its production capacity as planned and successfully securing procurement of parts and components through tight-knit collaboration with suppliers, as global demand has continued to expand for earthmoving equipment. In parallel with expanding its production capacity, the Komatsu Group implemented aggressive launchings of renewed models compliant with Tier III emission controls. As a result, consolidated net sales of construction and mining equipment for the first quarter period continued to advance to ¥364.2 billion, up 19.8% over the previous corresponding period, setting the record-high figure on a quarterly basis. Segment profit for this business made a sizable gain of 52.3%, to ¥48.9 billion for the first quarter period under review. Operating profit ratio\* of this business improved to 13.4%, up 2.8 percentage points from the corresponding first quarter period a year ago.

Overseas sales expanded steadily in the main markets of North America and Europe. Also the sales accelerated in Latin America, China and Africa. In Japan, sales of both new equipment and parts improved soundly, but the slight increase of first-quarter sales over the previous corresponding period was mainly affected by withdrawal from unprofitable businesses.

[Sales of Construction and Mining Equipment by Region (Geographic Origin)]

		Billions of yen		
	<b>First quarter ended June 30, 2006 (A) 1USD=¥114 1EUR=¥145</b>	First quarter ended June 30, 2005 (B) 1USD=¥108 1EUR=¥135	Changes Increase (A)-(B)	
Japan	62.7	61.9	0.7	1.2
The Americas	127.1	97.6	29.4	30.2
Europe & CIS	64.4	55.5	8.9	16.1
Asia & Oceania	49.3	49.2	0.1	0.2
China	27.4	16.9	10.5	62.4
The Middle East & Africa	33.0	22.6	10.3	46.0
Total	364.2	303.9	60.2	19.8

Note: Starting in the second quarter of the fiscal year ended March 31, 2006, we changed our geographic classification of sales of used equipment to end-user basis. To promote accurate comparison, we have accordingly changed the sales figures for the corresponding first quarter a year ago in the table above.

#### Industrial Machinery, Vehicles and Others

Consolidated net sales of industrial machinery, vehicles and other operations for the first quarter period increased 15.9% over the corresponding period a year ago, to ¥64.0 billion. First-quarter segment profit expanded 79.1%, to ¥4.9 billion. Operating profit ratio\* of this business improved to 7.8%, up 2.8 percentage points from the corresponding first quarter period a year ago.

In addition to Komatsu Industries Corporation having recorded excellent sales against the backdrop of thriving capital investments of the automobile makers, Komatsu Forklift Co., Ltd., Komatsu Machinery Corporation and other Komatsu Group companies also improved their performance.

#### Electronics

Consolidated net sales of the electronics business for the first quarter period decreased 2.0% from the previous corresponding period, to ¥26.9 billion. Meanwhile, segment profit for this business advanced 63.8% to ¥4.6 billion. Operating profit ratio\* of this business improved to 17.2%, up 6.9 percentage points from the corresponding first quarter period a year ago. Improved performance of the silicon wafer business offset a decline in sales resulting mainly from the sale of the polycrystalline silicon business in the previous fiscal year.

\* Operating profit ratio of each business: Based on sales after intercompany elimination.

#### 4. Financial Conditions (Consolidated)

Total assets amounted to ¥1,708.8 billion at the end of the first quarter under review, an increase of ¥56.7 billion from the last fiscal year-end. This increase reflects growth in trade notes and accounts receivable as well as inventories resulting particularly from expanded sales of construction and mining equipment. With the expansion of operating activities and consequent increase in working capital, interest-bearing debt totaled ¥420.7 billion at the end of the first quarter under review, up ¥42.7 billion from the previous fiscal year-end. Reflecting expanded profits, shareholders' equity increased by ¥20.3 billion to ¥643.3 billion. As a result, shareholders' equity ratio was 37.6% about the same level as the last fiscal year-end. Net debt-to-equity ratio\* was 0.54 at the end of the first quarter under review, compared with 0.49 at the last fiscal year-end.

\*Net DER = (Interest-bearing debt – Cash and cash equivalents – Time deposits)/Shareholders' equity

#### 5. Projections for the Fiscal Year Ending March 31, 2007 (Consolidated)

(From April 1, 2006 to March 31, 2007)

Komatsu has revised its projections announced on April 27, 2006 as below.

Millions of yen				
	Net sales	Operating profit	Income before income taxes, minority interests and equity in earnings of affiliated companies	Net income
The first half of fiscal year	937,000	116,000	110,000	65,000
The entire fiscal year	1,932,000	240,000	225,000	135,000

#### [Reference]

Komatsu Ltd. and SUMCO Corporation (hereinafter "SUMCO") reached a basic agreement concerning SUMCO's Tender Offer for 51% of the outstanding shares of Komatsu Electronic Metals Co., Ltd. (hereinafter "KEM"). Komatsu agreed to accept the Tender Offer. After certain procedures, such as due diligence, are completed and upon execution of an agreement regarding the Tender Offer, SUMCO will acquire 51% of the common shares issued by KEM through the Tender Offer. Given that the Tender Offer is completed within the current fiscal year, Komatsu projects consolidated business results for the entire year as below.

Millions of yen					
	Net sales	Operating profit	Income before income taxes, minority interests and equity in earnings of affiliated companies	Net income from discontinued operation*	Net income
The entire fiscal year	1,850,000	226,000	211,000	10,000	141,000

Note: When the Tender Offer is completed, the gain on sale of KEM and the operation results of KEM will be presented as a separate line item, "Net income from discontinued operation," in the consolidated statements of income in accordance with Statement of Financial Accounting Standards No.144.

#### Cautionary Statement

The announcement set forth herein contains forward-looking statements which reflect management's current views 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" 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.

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 the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated cost or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new Information Technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; and, the impact of regulatory changes and accounting principles and practices.

## Condensed Consolidated Balance Sheets

	Millions of yen		
	As of June 30, 2006	As of March 31, 2006	Changes Increase (Decrease)
	(A)	(B)	(A)-(B)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	¥ 76,183	¥ 69,997	¥ 6,186
Time deposits	149	54	95
Trade notes and accounts receivable	414,312	397,998	16,314
Inventories	396,539	370,074	26,465
Other current assets	109,349	109,778	(429)
<b>Total current assets</b>	<b>996,532</b>	<b>947,901</b>	<b>48,631</b>
Long-term trade receivables	74,198	72,844	1,354
Investments	123,301	125,517	(2,216)
Property, plant and equipment – Less accumulated depreciation	411,838	400,667	11,171
Other assets	103,014	105,196	(2,182)
<b>Total</b>	<b>1,708,883</b>	<b>1,652,125</b>	<b>56,758</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Short-term debt (including current maturities of long-term debt)	230,224	182,710	47,514
Trade notes and accounts payable	309,873	304,776	5,097
Income taxes payable	18,353	37,004	(18,651)
Other current liabilities	168,197	164,353	3,844
<b>Total current liabilities</b>	<b>726,647</b>	<b>688,843</b>	<b>37,804</b>
Long-term liabilities	288,351	292,416	(4,065)
Minority interests	50,536	47,869	2,667
Shareholders' equity:			
Common stock	67,870	67,870	---
Capital surplus	136,133	136,137	(4)
Retained earnings	424,157	399,938	24,219
Accumulated other comprehensive income*	19,059	23,095	(4,036)
Treasury stock	(3,870)	(4,043)	173
<b>Total shareholders' equity</b>	<b>643,349</b>	<b>622,997</b>	<b>20,352</b>
<b>Total</b>	<b>¥ 1,708,883</b>	<b>¥ 1,652,125</b>	<b>¥ 56,758</b>
	As of June 30, 2006	As of March 31, 2006	Changes Increase (Decrease)
*Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	¥ (4,694)	¥ (2,240)	¥ (2,454)
Net unrealized holding gains on securities available for sale	35,801	36,910	(1,109)
Pension liability adjustments	(11,624)	(11,299)	(325)
Net unrealized holding losses on derivative instruments	(424)	(276)	(148)
<b>Short &amp; long-term debt</b>	<b>¥ 420,710</b>	<b>¥ 377,913</b>	<b>¥ 42,797</b>

Note: As Komatsu's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, minority interests in the consolidated balance sheets are shown independently in the middle of liabilities and shareholders' equity. Meanwhile, in accordance with a new accounting standard of net assets in Japan, the conventional shareholders' equity has changed to net assets and minority interests are included in net assets, starting in the current fiscal year.

## Condensed Consolidated Statements of Income

(For three months ended June 30, 2006 and 2005)

	2006		2005		Millions of yen Changes	
	(A)	%	(B)	%	Increase (Decrease)	%
<b>Revenues and other</b>						
Net sales	¥ 455,200	100.0	¥ 386,711	100.0	¥ 68,489	17.7
Interest and other income	2,860	0.6	2,753	0.7	107	
	<b>458,060</b>	---	389,464	---	68,596	17.6
<b>Costs and expenses</b>						
Cost of sales	323,312	71.0	282,244	73.0	41,068	
Selling, general and administrative	73,723	16.2	67,541	17.5	6,182	
Interest	3,628	0.8	3,150	0.8	478	
Other	745	0.2	1,613	0.4	(868)	
	<b>401,408</b>	---	354,548	---	46,860	13.2
<b>Income before income taxes, minority interests and equity in earnings of affiliated companies</b>	<b>56,652</b>	<b>12.4</b>	<b>34,916</b>	<b>9.0</b>	<b>21,736</b>	<b>62.3</b>
Income taxes	19,291	4.2	14,488	3.7	4,803	
Minority interests in income of consolidated subsidiaries	(3,650)	(0.8)	(1,529)	(0.4)	(2,121)	
Equity in earnings of affiliated companies	444	0.1	181	0.0	263	
<b>Net income</b>	<b>¥ 34,155</b>	<b>7.5</b>	<b>¥ 19,080</b>	<b>4.9</b>	<b>¥ 15,075</b>	<b>79.0</b>

## Business Segment Information

(For three months ended June 30, 2006, and 2005)

Millions of yen

	2006			2005			Changes Increase(Decrease) (A)-(B)	
	(A)			(B)				
	Sales	Segment Profit	Segment Profit Ratio (%)	Sales	Segment Profit	Segment Profit Ratio (%)	Sales	Segment Profit
Construction and Mining Equipment	369,743	48,910	13.2	309,466	32,111	10.4	60,277	16,799
Industrial Machinery, Vehicles and Others	86,655	4,985	5.8	73,281	2,784	3.8	13,374	2,201
Electronics	26,937	4,632	17.2	27,481	2,827	10.3	(544)	1,805
Subtotal	483,335	58,527	12.1	410,228	37,722	9.2	73,107	20,805
Corporate & Elimination	(28,135)	(362)	---	(23,517)	(796)	---	(4,618)	434
Total	455,200	58,165	12.8	386,711	36,926	9.5	68,489	21,239

**Consolidated Sales by Operation**  
(For three months ended June 30, 2006, and 2005)

Millions of yen

		2006 (A)		2005 (B)		Changes Increase (Decrease) (A)-(B)	
		Sales	Ratio (%)	Sales	Ratio (%)	Sales	(%)
Construction and Mining Equipment	Japan	62,707	13.7	61,966	16.0	741	1.2
	Overseas	301,508	66.3	242,019	62.6	59,489	24.6
		364,215	80.0	303,985	78.6	60,230	19.8
Industrial Machinery, Vehicles and Others	Japan	40,916	9.0	37,357	9.7	3,559	9.5
	Overseas	23,133	5.1	17,888	4.6	5,245	29.3
		64,049	14.1	55,245	14.3	8,804	15.9
Electronics	Japan	13,127	2.9	13,606	3.5	(479)	(3.5)
	Overseas	13,809	3.0	13,875	3.6	(66)	(0.5)
		26,936	5.9	27,481	7.1	(545)	(2.0)
Total	Japan	116,750	25.6	112,929	29.2	3,821	3.4
	Overseas	338,450	74.4	273,782	70.8	64,668	23.6
		455,200	100.0	386,711	100.0	68,489	17.7

(end)