

(Translation)

Press Release

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## **Revision of Business Framework through Subsidiary Reorganization**

Komatsu Ltd. (President: Masahiro Sakane) (“Komatsu”) hereby announces that, today, the Board of Directors has resolved that Komatsu will succeed to the hydraulic component business of Komatsu Zenoah Co. (President: Susumu Isoda) (“Komatsu Zenoah”) through the company split outlined below (the “Company Split”). Furthermore, Komatsu hereby announces that, today, the Board of Directors of each of Komatsu Forklift Co., Ltd. (President: Takeo Shibuya) (“Komatsu Forklift”) and Komatsu Zenoah has resolved to merge, in the manner described below (the “Merger”). Both the Company Split and the Merger are scheduled to take place on April 1, 2007.

### **I. Succession of the Hydraulic Component Business of Komatsu Zenoah through Company Split**

#### **1. Purpose of the Company Split**

Komatsu Zenoah currently focuses on all of the following three business areas: the mini construction equipment business, the outdoor power equipment business and the hydraulic component manufacturing business. As previously announced, Komatsu Zenoah signed a definitive agreement to sell its outdoor power equipment business to Husqvarna Japan Ltd., a Japanese subsidiary of Husqvarna AB of Sweden. The hydraulic component business of Komatsu Zenoah plays a role in the development and manufacturing of key components by the Komatsu Group. Therefore, enhanced cooperation of the hydraulic component business of Komatsu Zenoah with the Engines & Hydraulics Business Division of Komatsu is considered to be necessary in order to (a) promote a concentrated and efficient use of the Komatsu Group’s business resources and (b) strengthen the competitiveness of the Komatsu Group. Accordingly, Komatsu and Komatsu Zenoah have decided to split-off the hydraulic component business from Komatsu Zenoah and integrate it into Komatsu. As announced in “II. Merger of Subsidiaries” below, Komatsu Zenoah, with its remaining mini construction equipment business, will be merged with Komatsu Forklift. After the Merger, the mini construction equipment business and the forklift business will be conducted as a new combined utility business (the “Utility Business”). This Merger should accelerate the expansion of the utility business.

## 2. Summary of Company Split

### (1) Schedule of Company Split

Board Resolutions at

Komatsu and Komatsu Zenoah

on the Company Split Agreement: February 13, 2007

Signing of the Company Split Agreement: February 13, 2007

Effective date of

Company Split and resulting business transfer: April 1, 2007 (scheduled)

(A resolution at a general meeting of shareholders of Komatsu will not be necessary as the requirements for a small-scaled company split provided in Article 796, Paragraph 3 of the Company Law are satisfied. A resolution at a general meeting of shareholders of Komatsu Zenoah will not be necessary as the requirements for a short-form company split provided in Article 784, Paragraph 1 of the Company Law are satisfied.)

### (2) Form of Company Split

Komatsu Zenoah will split off its hydraulic component business, and Komatsu will succeed to the same.

### (3) Allotment of Shares

No shares of Komatsu will be issued or allotted in connection with the Company Split, as Komatsu Zenoah is a wholly-owned subsidiary of Komatsu.

### (4) Amount of Capital to be Increased upon Company Split

The stated capital, capital reserve and statutory reserve for retained earnings of Komatsu will not be increased as a result of the Company Split.

### (5) Outline of Accounting Procedures

According to the Accounting Standards concerning Business Combinations, the Company Split is a transaction made under common control (kyotsushihaika no torihiki). Therefore, the assets and liabilities to be transferred will be recorded at the appropriate book value determined immediately before the transfer.

### (6) Rights and Obligations to be Assumed

#### (i) Assets and liabilities, and rights and obligations incidental thereto

Komatsu will assume all of Komatsu Zenoah's assets and liabilities which are related to the hydraulic component business and all rights and obligations incidental to those assets and liabilities, as well as certain rights and obligations under those agreements that are related to the hydraulic component business.

(ii) Rights and obligations related to employment agreements

Komatsu will assume the rights and obligations related to Komatsu Zenoah's employment agreements with the employees who primarily engage in the hydraulic component business.

(7) Prospects of Payment of Debt Obligations

(i) Komatsu (Successor Company)

In light of Komatsu's assets, liabilities, net assets and overall financial status prior to and after the Company Split, Komatsu is highly confident that the Company Split will not have any adverse effect on Komatsu's ability to pay all of its debts as they become due.

(ii) Komatsu Zenoah (Split-off Company)

In light of Komatsu Zenoah's assets, liabilities, net assets and overall financial status prior to and after the Company Split, Komatsu is highly confident that the Company Split will not have any adverse effect on Komatsu Zenoah's ability to pay all of its debts as they become due.

3. Summary Information on Companies Relevant to the Company Split

(1) Company Name	Komatsu (Successor Company)	Komatsu Zenoah (Split-off Company)
(2) Line of Business	Manufacture and sale of construction and mining equipment, industrial machinery, vehicles, etc.	Manufacture and sale of construction equipment, hydraulic components and outdoor power equipment.
(3) Date of Establishment	May 13, 1921	May 26, 1947
(4) Head Office	3-6, Akasaka 2-chome, Minato-ku, Tokyo, Japan	1-9, Minamidai, Kawagoe-shi, Saitama, Japan
(5) Representative	Masahiro Sakane President	Susumu Isoda President
(6) Capitalization	JPY 70,120 million	JPY 5,099 million
(7) Total Number of Shares Issued and Outstanding	998,744,060 shares	53,701,835 shares
(8) Net Assets	JPY 511,222 million	JPY 23,506 million
(9) Total Assets	JPY 859,957 million	JPY 55,147 million
(10) End of Fiscal Year	March 31	March 31
(11) Number of Employees	5,979	730
(12) Major Business Partners	Domestic and overseas companies involved in manufacturing and sales, etc.	Komatsu and domestic and overseas companies involved in manufacturing and sales, etc.

(13) Major Shareholders and their Shareholdings (as of March 31, 2006)	1. Japan Trustee Services Bank, Ltd. (Trust Account): 8.2% 2. The Master Trust Bank of Japan Ltd. (Trust Account): 6.1% 3. TAIYO LIFE INSURANCE COMPANY: 5.7% 4. Nippon Life Insurance Company: 3.2% 5. State Street Bank and Trust Company 505103: 2.3%	Komatsu Ltd.: 100%
(14) Main Banks	Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and other banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and other banks
(15) Relationship between the Concerned Companies	Capital Relationship	Komatsu (successor company) holds 100% of issued and outstanding shares of Komatsu Zenoah (split-off company).
	Personnel Relationship	Komatsu's (successor company's) officers and employees serve, or are seconded, as officers or employees of Komatsu Zenoah (the split-off company).
	Business Relationship	Komatsu (successor company) purchases products and components, etc. from Komatsu Zenoah (the split-off company).

Note: The financial figures and other data contained herein are current as of March 31, 2006. Those of Komatsu are expressed on a non-consolidated basis.

(16) Performance for the Three Most Recent Fiscal Years

(Unit: JPY million)

Fiscal Year	Komatsu Ltd. (Successor Company)			Komatsu Zenoah Co. ( Split-off Company)		
	March 2004	March 2005	March 2006	March 2004	March 2005	March 2006
Sales	418,686	523,592	627,319	62,678	74,426	91,954
Operating Profit	20,931	30,021	56,837	3,650	4,247	6,843
Ordinary Profit	19,942	33,417	60,662	3,612	4,432	6,853
Net Income	10,588	17,042	32,635	2,045	2,305	3,813
Net Income per Share (JPY)	10.50	16.91	32.53	37.16	41.56	69.98
Annual Dividends per Share (JPY)	7.00	11.00	18.00	19.03	21.41	35.56
Net Assets per Share (JPY)	465.51	477.50	514.14	374.19	395.41	437.72

#### 4. Description of Business to be Split-off

##### (1) Hydraulic Component Business

The business of developing, manufacturing and selling hydraulic components, such as hydraulic cylinders, swivel joints and gear pumps.

##### (2) Operating Results of the Hydraulic Component Business for the Fiscal Year that Ended March 2006

	Hydraulic Component Business (a)	Komatsu's Performance for Year Ended March 2006 (b)	Ratio (a/b)
Sales	JPY 25,577 million	JPY 627,319 million	4.1%

##### (3) Items and Values of Assets and Liabilities to be Assumed by Komatsu (as of December 31, 2006)

Assets		Liabilities	
Item	Book Value	Item	Book Value
Current Assets	JPY 13,070 million	Current Liabilities	JPY 10,156 million
Fixed Assets	JPY 5,437 million	Fixed Liabilities	JPY 686 million
<b>Total</b>	<b>JPY 18,507 million</b>	<b>Total</b>	<b>JPY 10,842 million</b>

#### 5. Status of Komatsu after Company Split

##### (1) Company Name, Line of Business, Location of Head Office, Representative, Capitalization and End of Fiscal Year

There will be no change in any of these matters as a result of the Company Split.

##### (2) Total Assets

There will only be a negligible effect on the total assets of the Komatsu as a result of the Company Split.

##### (3) Effects on Financial Results

The Company Split will only have a negligible effect on Komatsu's financial results. There will be no effect on Komatsu's consolidated financial results.

## II. Merger of Subsidiaries

### 1. Purpose of Merger

The forklift trucks made by Komatsu Forklift and the mini construction equipment produced by Komatsu Zenoah are similar in size, weight and number of units produced. Komatsu has therefore been seeking to obtain greater synergies in the manufacturing and purchasing processes for these companies, such as by having Komatsu Zenoah's mini wheel loaders manufactured at the Komatsu Forklift site. With the planned Merger, the forklift truck business and the mini construction equipment business will be integrated and redefined as a new combined Utility Business. The merged business resources will be utilized in a more efficient and comprehensive manner, with a view to achieving accelerated synergy effects, improved product competitiveness and enhanced profitability.

### 2. Summary of Merger

#### (1) Schedule of Merger

Board Resolutions at Komatsu Forklift and Komatsu Zenoah on the Merger Agreement:	February 13, 2007
Signing of the Merger Agreement:	February 13, 2007
Shareholder Resolutions approving the Merger Agreement at Komatsu Forklift and Komatsu Zenoah:	March 1, 2007 (scheduled)
Effective date of Merger:	April 1, 2007 (scheduled)

#### (2) Form of Merger

Komatsu Forklift will merge with Komatsu Zenoah. Komatsu Forklift will be the surviving entity and Komatsu Zenoah will be dissolved as a result of the Merger. Because both Komatsu Forklift and Komatsu Zenoah are wholly owned subsidiaries of Komatsu, neither will issue any shares nor pay any pecuniary consideration in connection with the Merger.

### 3. Outline of Companies Relevant to Merger

(1) Company Name	Komatsu Forklift Co., Ltd. (Merging Company)	Komatsu Zenoah Co. (Dissolving Company)
(2) Line of Business	Manufacture and sale of forklift trucks and logistics equipment	Manufacture and sale of construction equipment, hydraulic components and outdoor power equipment
(3) Date of Establishment	February 13, 1948	May 26, 1947
(4) Head Office	2-4-1, Shiba-Koen, Minato-ku, Tokyo, Japan	1-9, Minamidai, Kawagoe-city, Saitama, Japan
(5) Representative	Takeo Shibuya President	Susumu Isoda President

(6) Capitalization	JPY 13,033 million	JPY 5,099 million
(7) Total Number of Shares Issued and Outstanding	143,129,676 shares	53,701,835 shares
(8) Net Assets	JPY 51,572 million	JPY 23,506 million
(9) Total Assets	JPY 74,416 million	JPY 55,147 million
(10) End of Fiscal Year	March 31	March 31
(11) Number of Employees	677	730
(12) Major Business Partners	Domestic and overseas companies involved in manufacturing and sales, etc.	Komatsu and domestic and overseas companies involved in manufacturing and sales, etc.
(13) Major Shareholders and their Shareholdings (as of September 30, 2006)	Komatsu Ltd.: 100%	Komatsu Ltd.: 100%
(14) Main Banks	Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank, Ltd., and other banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and other banks
(15) Relationship between the Concerned Companies	Capital Relationship	There is no capital relationship between the merging company (Komatsu Forklift) and the dissolving company (Komatsu Zenoah).
	Personnel Relationship	The auditor of the merging company (Komatsu Forklift) serves also as the auditor of the dissolving company (Komatsu Zenoah).
	Business Relationship	The merging company (Komatsu Forklift) and the dissolving company (Komatsu Zenoah) mutually supply and purchase certain products.

Note: The financial figures and other data contained herein are current as of March 31, 2006.

## (16) Performance for the Three Most Recent Fiscal Years

(Unit: JPY million)

Fiscal Year	Komatsu Forklift Co., Ltd. (Merging company)			Komatsu Zenoah Co. (Dissolving company)		
	March 2004	March 2005	March 2006	March 2004	March 2005	March 2006
Sales	50,179	58,986	69,225	62,678	74,426	91,954
Operating Profit	1,228	2,081	3,805	3,650	4,247	6,843
Ordinary Profit	1,203	2,122	3,856	3,612	4,432	6,853
Net Income	353	728	2,053	2,045	2,305	3,813
Net Income per Share (JPY)	2.29	4.87	14.06	37.16	41.56	69.98
Annual Dividends per Share (JPY)	2.20	3.20	7.80	19.03	21.41	35.56
Net Assets per Share (JPY)	345.95	348.64	360.31	374.19	395.41	437.72

## 4. Status of Merging Company (Komatsu Forklift) after Merger

- (1) Company Name                      Komatsu Utility Co., Ltd.
- (2) Line of Business                    Research and development, manufacture and sale of small equipment for the Komatsu Group
- (3) Head Office                            2-4-1, Shiba-Koen, Minato-ku, Tokyo, Japan
- (4) Representative                        Susumu Isoda, President (Currently, President of Komatsu Zenoah Co.)
- (5) Capitalization                         JPY 13,033 million
- (6) Total Assets                            Approximately JPY 105,000 million
- (7) End of Fiscal Year                     March 31
- (8) Effects on Financial Results        The Merger will have no effect on Komatsu's consolidated financial results, given the merging company (Komatsu Forklift) and the dissolving company (Komatsu Zenoah) are both wholly owned subsidiaries of Komatsu.

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