

KOMATSU LTD
Form 6-K
November 02, 2005
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Report of Foreign Private Issuer

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the month of November 2005

COMMISSION FILE NUMBER: 1-7239

KOMATSU LTD.

Translation of registrant's name into English

3-6 Akasaka 2-chome, Minato-ku, Tokyo, Japan

Address of principal executive offices

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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INFORMATION TO BE INCLUDED IN REPORT

1. A company announcement made on November 1, 2005

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KOMATSU LTD.
(Registrant)

Date: November 2, 2005

By: /s/ Kenji Kinoshita

Kenji Kinoshita
Senior Executive Officer

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Komatsu Ltd.
 Corporate Communications Dept.
 Tel: +81-(0)3-5561-2616
 Date: November 1st, 2005
 URL: <http://www.komatsu.com/>

Consolidated Interim Business Results
for the Fiscal Year Ending March 31, 2006 (U.S. GAAP)

1. Results for the First Half of the Fiscal Year Ending March 31, 2006

(1) Consolidated Financial Results (Amounts are rounded to the nearest million yen)

Millions of yen & US dollars except per share amounts

| | First half | | First half | | Changes | The entire FY |
|---|--------------------|--------|--------------------|---------|----------------|---------------|
| | ended | | ended | | | |
| | September 30, 2005 | | September 30, 2004 | | March 31, 2005 | |
| | Yen | Dollar | Yen | Yen | (%) | Yen |
| Net sales | 809,709 | 7,166 | 683,976 | 125,733 | 18.4% | 1,434,788 |
| Operating profit | 79,699 | 705 | 46,169 | 33,530 | 72.6% | 101,923 |
| Income before income taxes, minority interests and equity in earnings of affiliated companies | 85,136 | 753 | 48,200 | 36,936 | 76.6% | 98,703 |
| Net income | 59,796 | 529 | 26,023 | 33,773 | 129.8% | 59,010 |
| Net income per share (Yen) | | | | | | |
| Basic | ¥ 60.27 | 53.3¢ | ¥ 26.23 | ¥ 34.04 | | ¥ 59.51 |
| Diluted | ¥ 60.18 | 53.3¢ | ¥ 26.22 | ¥ 33.96 | | ¥ 59.47 |

Notes: 1) Consolidated financial information is prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America.

2) The translation of Japanese yen amounts into US dollar amounts is included solely for convenience and has been made for the first half ended September 30, 2005, at the rate of ¥113 to \$1, the approximate rate of exchange at September 30, 2005.

3) Equity in earnings of affiliated companies:
 September 30, 2005: 536 million yen
 September 30, 2004: 684 million yen
 March 31, 2005: 939 million yen

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- 4) The numbers of average common shares outstanding were as follows:

| | |
|---------------------|-------------|
| September 30, 2005: | 992,145,951 |
| September 30, 2004: | 992,006,036 |
| March 31, 2005: | 991,662,555 |
- 5) Accounting policies were not changed.
- 6) Net income per share above is based on the provisions of Statements of Financial Accounting Standards No.128, Earnings per share.
- 7) 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.

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(2) Consolidated Financial Position

| | As of | As of | As of |
|--|---------------------------|---------------------------|-----------------------|
| | <u>September 30, 2005</u> | <u>September 30, 2004</u> | <u>March 31, 2005</u> |
| Total assets (Millions of yen) | 1,532,978 | 1,390,125 | 1,449,068 |
| Shareholders' equity (Millions of yen) | 552,442 | 447,521 | 477,144 |
| Shareholders' equity ratio (%) | 36.0 | 32.2 | 32.9 |
| Shareholders' equity per share (Yen) | 556.56 | 451.46 | 481.27 |

Notes: 1) The numbers of common shares outstanding were as follows:

| | |
|---------------------|-------------|
| September 30, 2005: | 992,599,364 |
| September 30, 2004: | 991,267,779 |
| March 31, 2005: | 991,420,696 |

(3) Cash Flow

| | Millions of yen | | |
|---|-----------------|---------------|---------------|
| | First half | First half | The entire FY |
| | ended | ended | ended |
| | September 30, | September 30, | March 31, |
| | <u>2005</u> | <u>2004</u> | <u>2005</u> |
| Net cash provided by operating activities | 58,726 | 54,110 | 121,369 |
| Net cash used in investing activities | (19,311) | (14,092) | (37,731) |
| Net cash used in financing activities | (52,241) | (47,756) | (57,835) |
| Cash and cash equivalents, end of period | 85,076 | 64,647 | 97,510 |

The Number of Consolidated Subsidiaries and Affiliated Companies Accounted for by the Equity Method

Number of consolidated subsidiaries: 163 companies

Number of affiliated companies accounted for by the equity method: 43 companies

Changes in Group of Entities

Consolidated subsidiaries

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Added: 27 companies
Removed: 5 companies

Affiliated Companies accounted for by the equity method

Added: 2 companies
Removed: 3 companies

2. Projections for the Entire Fiscal Year ending March 31, 2006

(From April 1, 2005 to March 31, 2006)

| | Millions of yen | | | |
|------------------------|-----------------|------------------|--|------------|
| | Net sales | Operating profit | Income before income taxes, minority interests and equity in earnings of affiliated companies | Net income |
| The entire fiscal year | 1,650,000 | 160,000 | 153,000 | 101,000 |

Notes: 1) Forecast of net income per share (basic): 101.75 yen

2) Refer to Management Performance and Financial Conditions for preconditions of the projections above and other related issues.

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The Komatsu Group

(As of September 30, 2005)

Business Categories and Principal Products & Services

Construction and Mining Equipment

| | |
|---|---|
| Excavating Equipment | Hydraulic excavators, mini excavators, and backhoe loaders |
| Loading Equipment | Wheel loaders, mini wheel loaders, and skid steer loaders |
| Grading and Roadbed Preparation Equipment | Bulldozers, motor graders, and vibratory rollers |
| Hauling Equipment | Off-highway dump trucks, articulated dump trucks, and crawler carriers |
| Forestry Equipment | Harvesters, forwarders, and feller bunchers |
| Tunneling Machines | Shield machines, tunnel-boring machines, and small-diameter pipe jacking machines (Iron Mole) |
| Recycling Equipment | Mobile debris crushers, mobile soil recyclers, and mobile tub grinders |
| Other Equipment | Railroad maintenance equipment |
| Engines and Components | Diesel engines, diesel generator sets, and hydraulic equipment |
| Casting Products | Steel castings and iron castings |

Industrial Machinery, Vehicles and Others

| | |
|--|---|
| Metal Forging and Stamping Presses | Large presses, small and medium-sized presses, forging presses, and AC-Servo presses |
| Sheet-Metal Machines and Machine Tools | Press brakes, shears, laser cutting machines, fine plasma cutting machines, and crank shaft millers |
| Industrial Vehicles and Logistics | Forklift trucks, packing and transport |
| Defense Systems | Ammunition and armored personnel carriers |
| Outdoor Power Equipment | Chainsaws and trimmers/brushcutters |
| Others | Commercial-use prefabricated structures |

Electronics

| | |
|--|--|
| Electronic Materials | Silicon wafers |
| Communications Equipment and Control Equipment | Network information terminals, LAN peripheral equipment, and vehicle communication terminals |
| Temperature Control Equipment | Thermoelectric modules and temperature-control equipment for semiconductor manufacturing |

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Management Policy

1. Basic Management Policy

The cornerstone of Komatsu's management is commitment to Quality and Reliability for maximization of its corporate value. This policy not only applies to its products and services but also extends to all other aspects of the Komatsu Group, including organizations, businesses, employees and management. It is the top management task of Komatsu to continue improving the Quality and Reliability of all these year after year.

2. Basic Policy for Dividends

Komatsu is building a sound financial position and flexible and agile corporate strength to increase its corporate value. Concerning cash dividends to shareholders, the Company maintains the basic policy of redistributing profits by first striving to continue stable dividends and then considering business results, payout ratio and other related matters in a comprehensive manner.

3. Stance on the Lowering of Trading Unit of Shares

Komatsu has a policy to decide on the trading unit of shares of the Company after considering the shareholder composition, liquidity, invested amounts and the like. The Company will continue to study the matter while closely monitoring developments on the stock market.

4. Targeted Management Indices, Mid to Long-Range Management Plan and Issues Ahead

For the fiscal year ended March 31, 2005, Komatsu achieved all management goals of the mid-range management plan "Move The World. KOMATSU 5-800" a year ahead of its original plan. At present, Komatsu is accelerating its efforts to improve profitability as it works to attain operating profit* ratio of 10% or higher as its next management goal.

Note: 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.

At the same time, Komatsu will make efficient use of management resources by facilitating a selective focus based on the criteria of technological advantage and profitability for all its businesses. Komatsu will also reinforce its competitive foundation through such measures as strengthening financial position, building on groups of employees with high morale and expanding a competition-based organizational framework. Furthermore, all employees of the Komatsu Group will work on their individual tasks by keeping the importance of compliance, safety and environmental conservation in mind.

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1) Improvement of Profitability: Working to attain operating profit ratio of 10% or higher

There are some matters of concern over the economy, such as a further price hike of crude oil and overheating housing investments in the U.S. However, Komatsu anticipates that demand for construction and mining equipment will continue to increase steadily, especially in Greater Asia, in the broader sense of the term, as well as in Latin America and South Africa. Komatsu also projects demand to expand for industrial machinery thanks to thriving capital investments by automakers.

In the construction and mining equipment business, Komatsu is going to launch new machines equipped with its leading-edge ecot 3 engine technology developed to meet Tier III emission control requirements which will be introduced in January next year starting in the U.S. and Europe. Komatsu is also going to focus its efforts to broaden the product range of DANTOTSU (Unique and Unrivaled) products equipped with unrivaled features in performance. In response to expanding growth in demand worldwide, Komatsu is going to enhance its production capacity for major components such as hydraulic units. Komatsu is also going to build a new assembly plant to expand its production capacity for large equipment for mining and other applications. Furthermore, Komatsu is working to reform its production and sales planning procedures by deploying IT to obtain real-time market information around the world directly and promptly. In Greater Asia and other emerging markets, Komatsu is going to further heighten its market position as it is reinforcing its marketing and customer support capabilities there.

Also in the industrial machinery, vehicles and others business, each company of the Komatsu Group will work to introduce products with unique features to differentiate itself and improve its earnings. As for large presses for which Komatsu projects a high level of orders, the Company is going to build a new plant and expand its production capacity.

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Komatsu is going to build two new plants adjacent to the ports of Kanazawa and Hitachinaka, respectively in Ishikawa and Ibaraki prefectures. Thanks to their location, the Company will be able to not only cut down its logistics costs but also make contributions to reducing the amount of CO₂ emission, which causes the greenhouse effects of the Earth.

In the electronics business, Komatsu Group companies are working to improve their business results by further improving the quality and costs for silicon wafers in Japan and Taiwan while steadily increasing the production capacity for the next-generation mainstay 300mm wafers.

The Komatsu Group will resolutely work to accelerate the pace of these efforts above and aim at a 10%-or-higher operating profit ratio.

2) Reform of Sales and Production Planning Procedures

The Komatsu Group will work to seize business opportunities and improve production efficiency by detecting and flexibly responding to any signs of demand change as soon as they surface. By utilizing IT advantages such as its proprietary KOMTRAX asset management system for customers' equipment, the Group will work to grasp market conditions around the world directly and promptly and promote Groupwide reforms of sales and production planning procedures.

To achieve optimal production on a global basis, Komatsu will centralize the management of operating conditions of plants around the world and equalize the volume of production for each plant. For Komatsu to achieve this, each plant needs to have top-level cost competitiveness in its respective region. To this end, Komatsu will promote optimal procurement and logistics reform on a global basis while improving production technologies.

5. Basic Stance on Corporate Governance and Progress in Implementation

[Basic Stance on Corporate Governance]

To become a company which enjoys an ever larger trust of all stakeholders by maximizing its corporate value, Komatsu is working to improve management efficiency, strengthen corporate governance, advocate corporate ethics and ensure sound management on a Groupwide basis.

To further improve transparency of the management to shareholders and investors, Komatsu discloses information in a fair and timely manner, and actively engages in investor relations activities by holding meetings in Japan and abroad to explain business results.

[Current State of Progress Concerning Corporate Governance]

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(1) Current Conditions Concerning Management Organizations Related to Decision-Making, Execution and Supervisory and Other Corporate Governance Functions

a. Organizational Framework

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In 1999, Komatsu introduced the executive officer system and has since worked to separate management decision-making and supervisory functions within the confines of the law. At the same time, the Company reduced the number of members of the Board of Directors and appointed external directors and auditors. The Company has also been promoting operational reforms of the Board through which Board members can discuss important management issues thoroughly and make decisions promptly in order to enhance the effectiveness of the Board.

The Board of Directors meets every month, discusses and makes resolutions concerning important matters and decisions on management policies of the Komatsu Group. The Board of Directors also strictly supervises and oversees the execution of management duties by representative and other directors. Three external directors are included in the Board of Directors (ten persons as of September 30, 2005) to ensure management transparency and objectivity.

With respect to statutory auditors (four persons as of September 30, 2005), Komatsu has consistently made sure that half of them are represented by external auditors. Each auditor attends Board of Directors meetings and other important meetings and audits the execution of duties by directors. The Board of Statutory Auditors conducts appropriate auditing by meeting every month, making decisions concerning audit policies, duty assignments among themselves and hearing the conditions of execution of management duties from the directors.

In 1995, Komatsu established the International Advisory Board (IAB) to obtain objective advice and suggestions from internationally leading figures concerning Komatsu as a global company. IAB meets twice a year for opinion exchanges and discussions.

Concerning the compensation for directors, Komatsu established the Compensation Council with a majority of external experts in 1999 and has since worked to ensure the transparency, objectivity, validity and other aspects of management.

Komatsu has entered into an audit contract with KPMG AZSA & Co. and receives audits of accounts of both non-consolidated and consolidated financial statements.

Komatsu has also entered into consultation contracts with a multiple number of law firms, receiving advice on important legal issues as needed, and thus works to reduce legal risks.

b. Current Conditions Concerning Compliance

Komatsu works to strengthen compliance so that each and every employee of the Komatsu Group observes the laws and regulations and correctly understands and implements the business rules stipulated in Komatsu's Code of Worldwide Business Conduct (revised five times since its establishment in 1998). The Compliance Committee, established at the head office of Komatsu Ltd., is staffed by the President and CEO, other key officers and the representative of the labor union, with the auditors participating as observers. The Committee makes decisions on compliance-related policies, structure and other pertinent matters of the Komatsu Group, and discusses important matters. Furthermore, having assigned the duty of compliance to a director and established the Compliance Department, Komatsu ensures continuous management and guidance, and aggressively promotes activities designed to improve corporate ethics on a Groupwide basis. For example, the Company has established the Business Rule Consultation Office to promptly respond to consultation requests and reports from employees of Komatsu Group companies.

c. Current Conditions of Internal Control System

Komatsu is subject to control requirements of the section 302 and/or 404 of the Sarbanes-Oxley Act of the United States of America, and is steadily improving the internal control system required for financial reporting and timely disclosure of information.

Komatsu also has a system to carefully control and supervise the management transparency and efficiency of Komatsu Group companies. Under this system, Komatsu appoints directors, executive officers and high-ranking employees of Komatsu Ltd. as directors and auditors of major Group companies in Japan and abroad, while they maintain their current positions at the Company.

With respect to internal audit, audit teams are formed under the leadership of the Internal Audit Department and joined by staff members of the Legal Department and compliance-related sections. They are working to strengthen compliance on a Groupwide basis.

d. Current Conditions of Risk Management

Under the basic policy of risk management, Komatsu safekeeps human, physical, financial, credit and all other resources related to corporate activities, works to identify a variety of risks surrounding companies and prevent and/or mitigate (or minimize) the impact, should a risk occur.

The Risk Management Committee devises Groupwide risk management policies, and checks and follows up on risk management measures in normal times. Should a risk surface, it establishes an emergency headquarters and conducts every possible activity to minimize the damage.

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e. Reassessment of Director s Remuneration System

In 2004, Komatsu reassessed the director s remuneration system in order to link it more directly with its business performance. Concerning the auditor s remuneration, in light of his/her independence of management, Komatsu has discontinued the business performance-linked bonus and will pay only the basic remuneration, starting with the payment in the current fiscal year ending March 31, 2006. Komatsu will also reduce and phase out the retirement bonus system for directors and auditors.

(2) Outline of Personal, Capital or Business Relationships or Other Vested Interests between the Company and External Directors and Auditors

Mr. Toshio Morikawa, and Mr. Hajime Sasaki and Mr. Morio Ikeda among all the directors of Komatsu are external directors as stipulated in Article 188, Paragraph 2, Item 7-2 of the Commercial Code, and none of the three has any special vested relationship with the Company. Mr. Masahiro Yoshiike, one of the two external auditors, is Chairman of Taiyo Life Insurance Company, with which Komatsu has a business relationship in the form of receiving long-term loans and other matters.

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Management Performance and Financial Conditions

1. Outline of Operations and Business Results

For the interim period ended September 30, 2005, Komatsu Ltd. improved both consolidated sales and profit for the fourth consecutive interim period, centering on excellent performance of the construction and mining equipment business. The improvement also represents the record-high figures for six-month sales and profit.

Consolidated net sales for the interim period under review expanded 18.4%, over the corresponding period a year ago, to ¥809.7 billion (US\$7,166 million, at US\$1=¥113). In the construction and mining equipment business, Komatsu boosted sales in all major regions of the world, as global demand expanded. In the industrial machinery, vehicles and others business, Komatsu advanced sales centering on forklift trucks and industrial machinery against the backdrop of strong market demand in Japan and overseas. Sales of the electronics business also increased over the last corresponding period, as the semiconductor market recovered.

Operating profit* reached ¥79.6 billion (US\$705 million) for the interim period, registering an increase of 72.6% over the corresponding period a year ago. While costs increased due mainly to price hikes of steel materials, Komatsu made the handsome gain in operating profit because it worked to cut down production costs and increase its sales prices in Japan and overseas, coupled with expanded sales in the construction and mining equipment business and the industrial machinery, vehicles and others business. Operating profit ratio for the interim period also improved to 9.8% from 6.8% for the last corresponding period.

Income before income taxes, minority interests and equity in earnings of affiliated companies for the interim period also made a sizable gain of 76.6% over the previous interim period, to ¥85.1 billion (US\$753 million), reflecting income from the sale of Advanced Silicon Materials LLC, a U.S. subsidiary engaging in production and sales of polycrystalline silicon, in addition to the substantial increase in operating profit. As a result, net income for the interim period reached ¥59.7 billion (US\$529 million), registering an increase of 2.3 times over the corresponding period a year ago.

On a non-consolidated basis, interim sales advanced to ¥290.9 billion (US\$2,575 million), up 18.3% over the previous interim period, supported by continued growth in export sales of construction and mining equipment and strong sales of large presses with AC Servo technologies. Ordinary profit and net income for the interim period reached ¥24.5 billion (US\$217 million) and ¥14.1 billion (US\$125 million), respectively with 37.0% and 67.6% increases. As a result, the Company recorded the third consecutive growth in both interim sales and profit.

Note: 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.

Construction and Mining Equipment

Consolidated net sales of construction and mining equipment for the interim period advanced 21.2% over the corresponding period a year ago, to ¥615.0 billion (US\$5,443 million), registering the record-high six-month figure. Overseas sales climbed 28.1% to ¥485.7 billion (US\$4,298 million), while sales in Japan increased 0.8% to ¥129.3 billion (US\$1,145 million) for the interim period under review.

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

| | Millions of yen | | | | |
|--------------------------|---|---|--------------------------------|--------------|---|
| | First half ended September 30, 2005 (A) | First half ended September 30, 2004 (B) | Changes Increase (A)-(B) | | The entire FY ended March 31, 2005 |
| | 1USD=¥110 | 1USD=¥110 | | | 1USD=¥108 |
| | 1EUR=¥136 | 1EUR=¥134 | | | 1EUR=¥136 |
| Japan | 129,371 | 128,307 | 1,064 | 0.8% | 271,497 |
| The Americas | 196,548 | 146,964 | 49,584 | 33.7% | 310,809 |
| Europe & CIS | 105,748 | 87,144 | 18,604 | 21.3% | 186,063 |
| Asia & Oceania | 103,646 | 82,544 | 21,102 | 25.6% | 172,971 |
| China | 26,627 | 22,557 | 4,070 | 18.0% | 40,516 |
| The Middle East & Africa | 53,153 | 39,935 | 13,218 | 33.1% | 79,305 |
| Total | 615,093 | 507,451 | 107,642 | 21.2% | 1,061,161 |

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<Japan>

During the interim period, Japanese construction investments remained slack, while sales increased slightly from the corresponding interim period last year. Growth in demand resulted from ongoing reconstruction projects in earthquake and typhoon-devastated areas. In the used equipment business, Komatsu, under the leadership of Komatsu Used Equipment Corp. (KUEC), increased the amount of equipment collected within the Komatsu Group. KUEC also worked to raise the prices of used equipment, as the inventory adjustment advanced, which reduced the amount of used equipment available in Japan. In the rental equipment business, Komatsu implemented a new business model by deploying IT and promoted management efficiency of rental companies of the Komatsu Group.

<The Americas>

Interim sales in the Americas expanded against the backdrop of growth in demand for construction equipment resulting from buoyant housing investments in the United States, coupled with accelerated demand for mining equipment in Latin America.

To meet a high level of demand in North America, Komatsu, under the leadership of Komatsu America Corp., strengthened its distributorships by adding manpower and opening new shops and carrying out aggressive sales activities. As a result, Komatsu boosted North American sales.

Sales in Latin America increased centering on super-large dump trucks, especially in Brazil and Chile.

<Europe & CIS>

Sales in Europe increased over the corresponding interim period a year ago, reflecting an increase of markets in tandem with growth of the European Union. To meet continuous growth in demand, Komatsu embarked on the transfer of production for certain equipment within Europe. By transferring the production of wheeled hydraulic excavators from Komatsu UK Ltd. (KUK) to Komatsu Hanomag GmbH. in Germany, the major market for these excavators, Komatsu has positioned KUK as an exclusive production base in Europe for crawler-type hydraulic excavators, thus enhancing production efficiency in Europe.

In the Commonwealth of Independent States (CIS: former Soviet republics), demand for equipment for use in urban civil engineering works, especially in Russia, increased in addition to expanded demand from energy-related industries. In light of the burgeoning demand for hydraulic excavators for use in metropolitan areas, Komatsu aggressively supported sales activities of its distributors, and sales in CIS grew from the previous corresponding interim period.

<China>

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Demand made a sharp nose dive last year but regained a recovery momentum during the interim period under review. While the market was conventionally concentrated in the eastern region, it has expanded to northeastern, western and northern regions, and demand for products has also become diversified. In these market conditions, Komatsu, under the leadership of Komatsu (China) Ltd., broadened its product mix and implemented aggressive sales activities, while fully utilizing the KOMTRAX asset management system for customers and responding to changes on the marketplace promptly. Komatsu also introduced a new distributor management system and reinforcing the operation of distributors. As a result, Komatsu increased sales from the previous corresponding interim period in China.

<Asia & Oceania>

In Asia there were concerns over negative effects of the skyrocketed oil price on general economies. However, interim sales expanded, centering on mining equipment, as coal and other resource developments remained thriving.

In Oceania, Komatsu effectively captured growth in demand for mining equipment, and interim sales increased over the corresponding period a year ago.

<The Middle East & Africa>

Interim sales in the Middle East accelerated in Turkey under good economic conditions and oil producing countries where construction investments thrived mainly as a result of the price hikes of crude oil.

Interim sales in Africa made a big gain, reflecting increased demand for mining equipment in the Republic of South Africa, the largest market of the continent, as well as growth in demand for construction equipment for infrastructure developments in other countries.

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Industrial Machinery, Vehicles and Others

Consolidated net sales of industrial machinery, vehicles and other products for the interim period reached ¥140.5 billion (US\$1,244 million), up 14.1% over the corresponding period a year ago.

Against the backdrop of thriving capital investments by automakers, sales of industrial machinery grew substantially, including large presses built by Komatsu, small and medium-sized presses by Komatsu Industries Corporation, and machine tools by Komatsu Machinery Corporation. Concerning large presses, Komatsu led the industry by introducing new presses which incorporate AC Servo technologies that the Company has refined and accumulated over the years for small and medium-sized presses. Both sales and orders for large presses with the AC Servo mechanism advanced steadily, reflecting outstanding appraisals by customers for their low-noise and high-economy performance in addition to super-high precision and productivity.

Komatsu Forklift Co., Ltd. effectively capitalized on growth in demand in Japan and abroad and aggressively worked to expand sales of its mainstay LEO-NXT-V engine-driven series. Komatsu Forklift also increased the prices. As a result, sales increased over the previous corresponding period.

Komatsu Zenoah Co. introduced new products with unique features, including the brushcutter with an improved start-up mechanism, implemented aggressive sales promotion for them, and expanded sales.

Electronics

Consolidated net sales from the electronics segment for the interim period totaled ¥54.0 billion (US\$478 million), up 1.4% over the corresponding period a year ago. In July 2005, Komatsu sold Advanced Silicon Materials LLC, a U.S. subsidiary engaging in production and sales of polycrystalline silicon, to Renewable Energy Corporation AS of Norway. Reflecting this sale, overall sales of the electronics segment registered the slight increase from the previous interim period.

Demand for silicon wafers remained brisk during the interim period under review, as the semiconductor market came out of the inventory adjustment phase and got on a recovery track. Komatsu Electronic Metals Co., Ltd. (KEM) and its group companies manufactured high value-added 200mm wafers designed to meet higher integration needs as well as discrete wafers in Japan and Taiwan, and engaged in aggressive sales promotion in main markets, including the emerging Chinese market. As for 300mm wafers, the next-generation mainstream product, the KEM Group has established a monthly production capacity of 75,000 pieces in Japan and worked to refine their quality and to expand sales. As a result, consolidated net sales of KEM for the interim period improved from the corresponding period a year ago.

2. Conditions of Consolidated Cash Flows

Net cash provided by operating activities increased by ¥4.6 billion over the previous interim period, to ¥58.7 billion (US\$520 million), reflecting excellent business results. Net cash used in investing activities increased by ¥5.2 billion from the previous interim period, to ¥19.3 billion

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(US\$171 million), due to aggressive capital investments made to expand production capacities, which offset the proceeds from the sale of ASiMI. Net cash used in financing activities increased by ¥4.4 billion from the previous interim period, to ¥52.2 billion (US\$462 million), due to the continued reduction of interest-bearing debt.

As a result, cash and cash equivalents totaled ¥85.0 billion (US\$753 million) at September 30, 2005, a decrease of ¥12.4 billion compared to the amount at the end of the previous fiscal year.

Trends of Cash Flow Indicators:

| | First half ended September 30, 2005 | First half ended September 30, 2004 | The entire FY ended March 31, 2005 |
|--|--|--|---|
| Shareholders' equity ratio (%) | 36.0 | 32.2 | 32.9 |
| Shareholders' equity ratio at aggregate market value (%) | 100.1 | 50.5 | 55.1 |
| Years of debt redemption | 3.3 | 4.0 | 3.6 |
| Interest coverage ratio | 9.6 | 10.3 | 10.8 |

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio at aggregate market value: Aggregate market value of outstanding shares of common stock / Total assets

Years of debt redemption term: Interest-bearing debt / Net cash provided by operating activities

Interest coverage ratio: Net cash provided by operating activities / Interest expense

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3. Business Risks

Komatsu believes that, as an independent business entity, it must maintain its own management strategy and resources to win the competition within a foreseeable scope based on available information as of the issuance date of this news release.

The main risks in the business environment surrounding the Komatsu Group are as follows:

1) Economic and market conditions

The Komatsu Group is exposed to the risks of large fluctuations in product demand and in Komatsu Group's business environments depending on varying conditions in local markets, politics and economy, as the Komatsu Group operates globally.

2) Foreign exchange fluctuation

The Komatsu Group is exposed to the risk of negative effects on its management performance due to currency fluctuations in consideration of the fact that about 70% of total sales come from outside Japan. In addition, the risk of negative effects is perpetuated by exchange fluctuations in the comparative price of Komatsu Group's products to that of foreign competitors and in the import price of raw materials.

3) Finance

The Komatsu Group is exposed to the risk of interest rate hikes, causing increases in interest payment for various borrowings and the subsequent reduction in Komatsu Group's overall profits. In addition, the risk of negative effects on Komatsu Group's management performance and financial conditions is caused by increases in funding shortage and liabilities of Komatsu Group's pension plans and a subsequent pension cost increase after fluctuations in fair prices of marketable securities and interest rates in the financial markets.

4) Competition

The Komatsu Group is exposed to the risk of negative effects on its management performance, which are caused by a decrease in Komatsu Group's market share, sales and profits due to the intensification of market competition resulting from product launchings and/or price cuts by competitors.

5) Local restrictions

The Komatsu Group is exposed to the risk of negative effects on its management performance, which are caused by a cost increase after enactment of unfavorable new regulations in countries where the Komatsu Group operates, including import duties, quotas, currency restrictions and taxation.

6) Environmental restrictions

The Komatsu Group is exposed to the risk of negative effects on its management performance, which are caused by additional expenses and capital expenditures required under new regulations where environmental restrictions are revised.

7) Manufacturer's liability

The Komatsu Group is exposed to the risk of negative effects on its management performance, which are caused by profit decrease due to costs for remedies in relation to Komatsu Group's liability where a product failure results in an unpredictable accident.

8) Business alliance

The Komatsu Group is exposed to the risk of negative effects on its management performance, which are caused by business failures of projects under corporate alliance with outside parties as a result of management and financial conflicts among the parties.

9) Procurement, production and other matters

The Komatsu Group is exposed to the risk of negative effects on its management performance, which are caused by further rising and/or prolonging prices of raw materials worldwide, short supply of parts and materials, and other unpredictable problems in its development and production operations.

10) Natural calamity

The Komatsu Group is exposed to the risk of negative effects on its management performance, when natural disasters, such as earthquakes and floods, occur in an unpredictable scale and give a devastating damage to one or more main business bases of the Komatsu Group.

Table of Contents**4. Outlook for the Fiscal Year ending March 31, 2006**

In its mainstay construction and mining equipment business, Komatsu anticipates that global demand will increase, supported by continuing investments in energy-related industries and infrastructure developments, and thus can expect sales to expand. In the industrial machinery business, Komatsu also projects sales to accelerate against the backdrop of thriving capital investments primarily by automakers.

While there are factors of concern, such as skyrocketing prices of steel materials, crude oil and other raw materials as well as drastic changes on the foreign exchange market, Komatsu is working to renew the record-high sales, operating profit, income before income taxes, minority interests and equity in earnings of affiliated companies and net income registered for the previous fiscal year.

Consolidated and non-consolidated results for the fiscal year ending March 31, 2006 are projected today as follows:

1) Consolidated

| | |
|--|--------------------------------|
| Net sales: | ¥ 1,650 billion yen (up 15.0%) |
| Operating profit: | ¥ 160 billion yen (up 57.0%) |
| Income before income taxes, minority interests and equity in earnings of affiliated companies: | ¥ 153 billion yen (up 55.0%) |
| Net income: | ¥ 101 billion yen (up 71.2%) |

2) Non-consolidated

| | |
|------------------|------------------------------|
| Net sales: | ¥ 615 billion yen (up 17.5%) |
| Ordinary profit: | ¥ 50 billion yen (up 49.6%) |
| Net income: | ¥ 30 billion yen (up 76.0%) |

Foreign exchange rates are premised at ¥112 to US\$1 and ¥135 to EUR1 for the fiscal year ending March 31, 2006.

5. Redistribution of Profits for the Interim Period Ended September 30, 2005

Komatsu has set the interim dividends per share at ¥8 by increasing ¥3 from ¥5 paid for the corresponding period last year, based on its basic policy concerning redistribution of profits.

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Furthermore, the Company plans to increase the annual dividends per share by ¥5, to ¥16 (i.e., ¥8 for the interim and ¥8 for the fiscal year-end dividends per share).

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.

Table of Contents**Condensed Consolidated Balance Sheets**

| | Millions of yen | | | |
|--|--------------------------------|--------------------------------|-----------------------------------|----------------------------|
| | As of September 30, 2005 | As of September 30, 2004 | Changes Increase (Decrease) | As of March 31, 2005 |
| | (A) | (B) | (A)-(B) | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 85,076 | ¥ 64,647 | ¥ 20,429 | ¥ 97,510 |
| Time deposits | 77 | 77 | 0 | 52 |
| Trade notes and accounts receivable | 351,397 | 302,675 | 48,722 | 316,828 |
| Inventories | 337,679 | 291,072 | 46,607 | 307,002 |
| Other current assets | 105,318 | 90,610 | 14,708 | 94,105 |
| Total current assets | 879,547 | 749,081 | 130,466 | 815,497 |
| Long-term trade receivables | 71,786 | 65,770 | 6,016 | 80,856 |
| Investments | 100,225 | 75,757 | 24,468 | 83,447 |
| Property, plant, and equipment - Less accumulated depreciation | 375,169 | 369,300 | 5,869 | 366,660 |
| Other assets | 106,251 | 130,217 | (23,966) | 102,608 |
| Total | 1,532,978 | 1,390,125 | 142,853 | 1,449,068 |
| Liabilities and Shareholders Equity | | | | |
| Current liabilities: | | | | |
| Short-term debt (including current maturities of long-term debt) | 184,994 | 172,108 | 12,886 | 214,577 |
| Trade notes and accounts payable | 286,527 | 240,478 | 46,049 | 266,112 |
| Income taxes payable | 23,593 | 22,545 | 1,048 | 12,234 |
| Other current liabilities | 154,479 | 136,820 | 17,659 | 149,576 |
| Total current liabilities | 649,593 | 571,951 | 77,642 | 642,499 |
| Long-term liabilities | 287,478 | 332,376 | (44,898) | 290,479 |
| Minority interests | 43,465 | 38,277 | 5,188 | 38,946 |
| Shareholders equity: | | | | |
| Common stock | 67,870 | 67,870 | | 67,870 |
| Capital surplus | 136,172 | 135,758 | 414 | 135,792 |
| Retained earnings | 353,385 | 271,507 | 81,878 | 299,537 |
| Accumulated other comprehensive income (loss) * | (458) | (23,026) | 22,568 | (21,485) |
| Treasury stock | (4,527) | (4,588) | 61 | (4,570) |

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| | | | | |
|---|--------------------|--------------------|-----------------------------|----------------------|
| Total shareholders equity net | 552,442 | 447,521 | 104,921 | 477,144 |
| Total | ¥ 1,532,978 | ¥ 1,390,125 | ¥ 142,853 | ¥ 1,449,068 |
| | As of | As of | | |
| | September 30, 2005 | September 30, 2004 | Changes Increase (Decrease) | As of March 31, 2005 |
| * Accumulated other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | ¥ (13,280) | ¥ (20,580) | ¥ 7,300 | ¥ (22,161) |
| Net unrealized holding gains on securities available for sale | 26,619 | 15,860 | 10,759 | 18,605 |
| Pension liability adjustments | (13,177) | (17,506) | 4,329 | (17,340) |
| Net unrealized holding gains (losses) on derivative instruments | (620) | (800) | 180 | (589) |
| Short & long-term debt | ¥ 389,375 | ¥ 433,598 | ¥ (44,223) | ¥ 432,291 |

Note: The accompanying consolidated balance sheet for the current fiscal year reflects the reclassification of the portion of installment and lease receivables due after one year (less unearned interest), or the long-term portion, separately from trade notes and accounts receivable of current assets. The corresponding figures at the last fiscal year-end and at the end of last interim term were also reclassified accordingly.

Table of Contents**Condensed Consolidated Statements of Income**

| | Millions of yen | | | | |
|---|--|--|-----------------------------------|--------------|---|
| | First half ended September 30, 2005 | First half ended September 30, 2004 | Changes Increase (Decrease) | % | The entire FY ended March 31, 2005 |
| | (A) | (B) | (A)-(B) | | |
| Revenues and other | | | | | |
| Net sales | ¥ 809,709 | ¥ 683,976 | ¥ 125,733 | 18.4 | ¥ 1,434,788 |
| Interest and other income | 23,088 | 15,255 | 7,833 | | 20,047 |
| | 832,797 | 699,231 | 133,566 | 19.1 | 1,454,835 |
| Costs and expenses | | | | | |
| Cost of sales | 595,472 | 508,723 | 86,749 | | 1,066,887 |
| Selling, general and administrative expenses | 134,538 | 129,084 | 5,454 | | 265,978 |
| Interest expense | 6,086 | 5,241 | 845 | | 11,209 |
| Other | 11,565 | 7,983 | 3,582 | | 12,058 |
| | 747,661 | 651,031 | 96,630 | 14.8 | 1,356,132 |
| Income before income taxes, minority interests, and equity in earnings of affiliated companies | 85,136 | 48,200 | 36,936 | 76.6 | 98,703 |
| Income taxes | 20,849 | 19,904 | 945 | | 36,044 |
| Minority interests in (income) of consolidated subsidiaries | (5,027) | (2,957) | (2,070) | | (4,588) |
| Equity in earnings of affiliated companies | 536 | 684 | (148) | | 939 |
| Net income | ¥ 59,796 | ¥ 26,023 | ¥ 33,773 | 129.8 | ¥ 59,010 |

Note: Comprehensive income for the first half ended September 30, 2005, 2004 and the entire fiscal year ended March 31, 2005 were 80,823 million yen, 26,791 million yen, and 61,319 million yen respectively.

Table of Contents**Condensed Consolidated Statements of Cash Flows**

| | Millions of yen | | | |
|---|---|---|--|---|
| | First half ended September 30, 2005 (A) | First half ended September 30, 2004 (B) | Changes Increase (Decrease) (A)-(B) | The entire FY ended March 31, 2005 |
| Operating activities | | | | |
| Net income | ¥ 59,796 | ¥ 26,023 | ¥ 33,773 | ¥ 59,010 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 34,388 | 34,889 | (501) | 69,020 |
| Deferred income taxes | (6,318) | (3,277) | (3,041) | 19,409 |
| Net gain from sale of investment securities | (19,506) | 433 | (19,939) | (162) |
| Gain on sale of property | (465) | (10,467) | 10,002 | (11,269) |
| Loss on disposal or sale of fixed assets | 1,718 | 1,998 | (280) | 4,311 |
| Impairment loss on long-lived assets | 1,809 | 2,386 | (577) | 4,200 |
| Pension and retirement benefits, net | 1,040 | 877 | 163 | 3,662 |
| Changes in assets and liabilities: | | | | |
| Increase in trade receivables | (20,821) | (2,964) | (17,857) | (33,266) |
| Increase in inventories | (28,084) | (27,209) | (875) | (42,418) |
| Increase in trade payables | 19,245 | 12,353 | 6,892 | 39,261 |
| Increase (decrease) in income taxes payables | 10,399 | 9,436 | 963 | (721) |
| Others, net | 5,525 | 9,632 | (4,107) | 10,332 |
| Net cash provided by operating activities | 58,726 | 54,110 | 4,616 | 121,369 |
| Investing activities | | | | |
| Capital expenditures | (50,100) | (34,155) | (15,945) | (72,873) |
| Proceeds from sales of property | 5,488 | 20,957 | (15,469) | 31,780 |
| Proceeds from sales of investment securities | 2,851 | 448 | 2,403 | 2,593 |
| Purchases of investment securities | (2,415) | (3,341) | 926 | (4,690) |
| Sale (Acquisition) of subsidiaries, net of cash (acquired) disposed | 26,115 | (280) | 26,395 | (148) |
| Collection of loan receivables | 6,936 | 11,157 | (4,221) | 17,485 |
| Disbursement of loan receivables | (8,163) | (9,254) | 1,091 | (12,375) |
| Decrease (increase) in time deposits | (23) | 376 | (399) | 497 |
| Net cash used in investing activities | (19,311) | (14,092) | (5,219) | (37,731) |
| Financing activities | | | | |
| Proceeds from long-term debt | 12,230 | 11,082 | 1,148 | 29,331 |
| Repayments on long-term debt | (52,406) | (31,787) | (20,619) | (47,489) |
| Decrease in short-term debt, net | (1,022) | (16,836) | 15,814 | (19,924) |
| Repayments of capital lease obligations | (5,137) | (5,355) | 218 | (9,954) |
| Sales (purchase) of treasury stock, net | 42 | (890) | 932 | (872) |
| Dividends paid | (5,948) | (3,970) | (1,978) | (8,927) |
| Net cash used in financing activities | (52,241) | (47,756) | (4,485) | (57,835) |

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| | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| Effect of exchange rate change on cash and cash equivalents | 392 | 979 | (587) | 301 |
| Net increase (decrease) in cash and cash equivalents | (12,434) | (6,759) | (5,675) | 26,104 |
| Cash and cash equivalents, beginning of period | 97,510 | 71,406 | 26,104 | 71,406 |
| Cash and cash equivalents, end of period | ¥ 85,076 | ¥ 64,647 | ¥ 20,429 | ¥ 97,510 |

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Basis of Financial Statements (Consolidated)

1) Changes in group of entities Consolidated subsidiaries

| | |
|---|---|
| Added: | 27 companies PT Komatsu Undercarriage Indonesia and other 26 companies |
| Removed: (Exclusion) | 1 company Advanced Silicon Materials LLC |
| Removed: (Liquidation and Merger) | 3 companies |
| Removed: (To Affiliated companies) | 1 company |
| Affiliated companies accounted for by the equity-method | |
| Added: | 1 company |
| Added: (From Consolidated subsidiaries) | 1 company |
| Removed: (Exclusion) | 1 company Solar Grade Silicon LLC |
| Removed: (Liquidation and Other) | 2 companies |
| 2) Change of Accounting Policies: None | |

Table of Contents**Business Segment Information****1. Information by Business Unit**

(1) Sales and Segment Profit

Millions of yen

| | First half ended | | | First half ended | | | The entire FY ended | | |
|--|--------------------|----------------|--------------------------|--------------------|----------------|--------------------------|---------------------|----------------|--------------------------|
| | September 30, 2005 | | | September 30, 2004 | | | March 31, 2005 | | |
| | Sales | Segment Profit | Segment Profit Ratio (%) | Sales | Segment Profit | Segment Profit Ratio (%) | Sales | Segment Profit | Segment Profit Ratio (%) |
| Construction and Mining Equipment | 623,753 | 64,732 | 10.4 | 514,383 | 35,891 | 7.0 | 1,076,360 | 78,427 | 7.3 |
| Industrial Machinery, Vehicles and Others | 178,120 | 10,737 | 6.0 | 152,805 | 7,081 | 4.6 | 329,951 | 16,857 | 5.1 |
| Electronics | 54,064 | 5,569 | 10.3 | 53,294 | 5,608 | 10.5 | 107,198 | 11,719 | 10.9 |
| Subtotal | 855,937 | 81,038 | 9.5 | 720,482 | 48,580 | 6.7 | 1,513,509 | 107,003 | 7.1 |
| Corporate & Elimination | (46,228) | (1,339) | | (36,506) | (2,411) | | (78,721) | (5,080) | |
| Total | 809,709 | 79,699 | 9.8 | 683,976 | 46,169 | 6.8 | 1,434,788 | 101,923 | 7.1 |
| Interest and other income | | 23,088 | | | 15,255 | | | 20,047 | |
| Interest expense | | 6,086 | | | 5,241 | | | 11,209 | |
| Other expenses | | 11,565 | | | 7,983 | | | 12,058 | |
| Consolidated income before income taxes, minority interests and equity in earnings of affiliated companies | | 85,136 | | | 48,200 | | | 98,703 | |

Note: Sales amount of every business segment includes inter-unit transactions as below:

| | First half ended | First half ended | The entire FY ended |
|---|--------------------|--------------------|---------------------|
| | September 30, 2005 | September 30, 2004 | March 31, 2005 |
| Construction and Mining Equipment | 8,660 | 6,932 | 15,199 |
| Industrial Machinery, Vehicles and Others | 37,563 | 29,571 | 63,496 |
| Electronics | 5 | 3 | 26 |

| | | | |
|-------|---------------|---------------|---------------|
| Total | <u>46,228</u> | <u>36,506</u> | <u>78,721</u> |
|-------|---------------|---------------|---------------|

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(2) Assets, Depreciation, and Capital Expenditures

Millions of yen

| | As of | First half ended | | As of | First half ended | |
|-----------------------------------|------------------|-------------------------------------|-------------------------|------------------|-------------------------------------|-------------------------|
| | Sept. 30, 2005 | Sept. 30, 2005 | | Sept. 30, 2004 | Sept. 30, 2004 | |
| | Assets | Depreciation and Amortization | Capital Expenditures | Assets | Depreciation and Amortization | Capital Expenditures |
| Construction and Mining Equipment | 1,062,376 | 23,605 | 42,378 | 929,957 | 24,073 | 28,724 |
| Industrial Machinery, Vehicles | 238,441 | 3,818 | 6,418 | 214,090 | 3,758 | 5,757 |
| Electronics | 121,261 | 6,361 | 12,555 | 142,387 | 6,475 | 6,801 |
| Subtotal | 1,422,078 | 33,784 | 61,351 | 1,286,434 | 34,306 | 41,282 |
| Corporate & Elimination | 110,900 | | | 103,691 | | |
| Total | 1,532,978 | 33,784 | 61,351 | 1,390,125 | 34,306 | 41,282 |

| | As of | The entire fiscal year ended | |
|---|------------------|-------------------------------------|-------------------------|
| | Mar. 31, 2005 | Mar. 31, 2005 | |
| | Assets | Depreciation and Amortization | Capital Expenditures |
| Construction and Mining Equipment | 979,087 | 46,630 | 64,547 |
| Industrial Machinery, Vehicles and Others | 215,679 | 7,612 | 10,980 |
| Electronics | 142,679 | 13,362 | 13,492 |
| Subtotal | 1,337,445 | 67,604 | 89,019 |
| Corporate & Elimination | 111,623 | | |
| Total | 1,449,068 | 67,604 | 89,019 |

Table of Contents**2. Information by Region**

(1) Sales and Segment Profit

Millions of yen

| | First half ended | | | First half ended | | | The entire FY ended | | |
|-------------------------|--------------------|----------------|--------------------------|--------------------|----------------|--------------------------|---------------------|----------------|--------------------------|
| | September 30, 2005 | | | September 30, 2004 | | | March 31, 2005 | | |
| | Sales | Segment Profit | Segment Profit Ratio (%) | Sales | Segment Profit | Segment Profit Ratio (%) | Sales | Segment Profit | Segment Profit Ratio (%) |
| Japan | 502,850 | 37,121 | 7.4 | 449,059 | 25,428 | 5.7 | 940,561 | 57,725 | 6.1 |
| The Americas | 233,708 | 22,911 | 9.8 | 181,585 | 11,860 | 6.5 | 383,191 | 24,713 | 6.4 |
| Europe | 118,002 | 8,065 | 6.8 | 94,214 | 4,522 | 4.8 | 200,784 | 11,964 | 6.0 |
| Others | 140,604 | 12,285 | 8.7 | 108,850 | 7,808 | 7.2 | 221,467 | 13,456 | 6.1 |
| Subtotal | 995,164 | 80,382 | 8.1 | 833,708 | 49,618 | 6.0 | 1,746,003 | 107,858 | 6.2 |
| Corporate & Elimination | (185,455) | (683) | | (149,732) | (3,449) | | (311,215) | (5,935) | |
| Total | 809,709 | 79,699 | 9.8 | 683,976 | 46,169 | 6.8 | 1,434,788 | 101,923 | 7.1 |

Note: Sales amount of each region segment includes inter-segment transactions.

(2) Assets

Millions of yen

| | As of September 30, 2005 | | As of September 30, 2004 | | As of March 31, 2005 | |
|-------------------------|--------------------------|--------------|--------------------------|--------------|----------------------|--------------|
| | Assets | Ratio (%) | Assets | Ratio (%) | Assets | Ratio (%) |
| | Japan | 991,483 | 64.7 | 1,001,586 | 72.0 | 1,014,317 |
| The Americas | 371,947 | 24.3 | 321,969 | 23.2 | 340,270 | 23.5 |
| Europe | 128,184 | 8.4 | 109,570 | 7.9 | 125,891 | 8.7 |
| Others | 164,788 | 10.7 | 135,365 | 9.7 | 142,897 | 9.8 |
| Subtotal | 1,656,402 | 108.1 | 1,568,490 | 112.8 | 1,623,375 | 112.0 |
| Corporate & Elimination | (123,424) | (8.1) | (178,365) | (12.8) | (174,307) | (12.0) |
| Total | 1,532,978 | 100.0 | 1,390,125 | 100.0 | 1,449,068 | 100.0 |

Table of Contents**3. Overseas Sales**

(1) First half ended September 30, 2005

| | Millions of yen | | | |
|---|-----------------|---------|---------|---------|
| | The Americas | Europe | Others | Total |
| Overseas sales | 225,500 | 114,272 | 220,162 | 559,934 |
| Consolidated net sales | | | | 809,709 |
| Ratio of overseas sales to consolidated net sales (%) | 27.8 | 14.1 | 27.2 | 69.1 |

(2) First half ended September 30, 2004

| | Millions of yen | | | |
|---|-----------------|--------|---------|---------|
| | The Americas | Europe | Others | Total |
| Overseas sales | 171,344 | 95,953 | 175,178 | 442,475 |
| Consolidated net sales | | | | 683,976 |
| Ratio of overseas sales to consolidated net sales (%) | 25.1 | 14.0 | 25.6 | 64.7 |

(3) The entire fiscal year ended March 31, 2005

| | Millions of yen | | | |
|---|-----------------|---------|---------|-----------|
| | The Americas | Europe | Others | Total |
| Overseas sales | 359,572 | 203,581 | 350,500 | 913,653 |
| Consolidated net sales | | | | 1,434,788 |
| Ratio of overseas sales to consolidated net sales (%) | 25.1 | 14.2 | 24.4 | 63.7 |

Notes: 1) Overseas sales represent the sales of the Company and its consolidated subsidiaries to customers in countries or regions other than Japan.

2) Area segments are separated by the geographic proximity. Main countries or areas of each segment above are as follows:

- a) The Americas: North America and Latin America
- b) Europe: Germany, U.K., and CIS
- c) Others: China, Australia, and Southeast Asia

Table of Contents**Consolidated Sales by Operation**

| | Millions of yen | | | | | | | |
|--|--|--------------|--|--------------|-----------------------------------|-------------|---|--------------|
| | First half ended September 30, 2005 | | First half ended September 30, 2004 | | Changes Increase (Decrease) | | The entire FY ended March 31, 2005 | |
| | Sales | Ratio (%) | Sales | Ratio (%) | Sales | (%) | Sales | Ratio (%) |
| Construction and Mining Equipment | | | | | | | | |
| Japan | 129,371 | 16.0 | 128,307 | 18.8 | 1,064 | 0.8 | 271,497 | 18.9 |
| Overseas | 485,722 | 60.0 | 379,144 | 55.4 | 106,578 | 28.1 | 789,664 | 55.0 |
| | 615,093 | 76.0 | 507,451 | 74.2 | 107,642 | 21.2 | 1,061,161 | 73.9 |
| Industrial Machinery, Vehicles and Others | | | | | | | | |
| Japan | 93,328 | 11.5 | 85,992 | 12.5 | 7,336 | 8.5 | 193,425 | 13.5 |
| Overseas | 47,229 | 5.8 | 37,242 | 5.5 | 9,987 | 26.8 | 73,030 | 5.1 |
| | 140,557 | 17.3 | 123,234 | 18.0 | 17,323 | 14.1 | 266,455 | 18.6 |
| Electronics | | | | | | | | |
| Japan | 27,076 | 3.4 | 27,202 | 4.0 | (126) | (0.5) | 56,213 | 3.9 |
| Overseas | 26,983 | 3.3 | 26,089 | 3.8 | 894 | 3.4 | 50,959 | 3.6 |
| | 54,059 | 6.7 | 53,291 | 7.8 | 768 | 1.4 | 107,172 | 7.5 |
| Total | | | | | | | | |
| Japan | 249,775 | 30.9 | 241,501 | 35.3 | 8,274 | 3.4 | 521,135 | 36.3 |
| Overseas | 559,934 | 69.1 | 442,475 | 64.7 | 117,459 | 26.5 | 913,653 | 63.7 |
| | 809,709 | 100.0 | 683,976 | 100.0 | 125,733 | 18.4 | 1,434,788 | 100.0 |

Table of Contents**Marketable Securities****1. Marketable Securities**

| | Millions of yen | | |
|--|-----------------------|-----------------------|-------------------|
| | As of | As of | As of |
| | September 30, 2005 | September 30, 2004 | March 31, 2005 |
| Investment Securities available for sale | | | |
| Marketable equity securities | | | |
| Cost | 17,853 | 17,564 | 17,425 |
| Fair value | 64,006 | 45,701 | 50,185 |
| Unrealized holding gains, net | 46,153 | 28,137 | 32,760 |
| Marketable debt securities | | | |
| Cost | | 12 | 10 |
| Fair value | | 12 | 10 |
| Unrealized holding gains, net | | 0 | 0 |

Table of Contents**Financial Highlights of the Parent Company**

The following financial information is prepared based on the non-consolidated financial results of the parent company in accordance with generally accepted accounting principles and practices in Japan.

Millions of yen & US dollars except per share amounts

| | First half | | First half | | | The entire FY | |
|----------------------|---------------|--------|---------------|--------|------|---------------|--|
| | ended | | ended | | | ended | |
| | September 30, | | September 30, | | | March 31, | |
| | 2005 | | 2004 | | | 2005 | |
| | Yen | Dollar | Yen | Yen | (%) | Yen | |
| Net sales | 290,966 | 2,575 | 246,001 | 44,964 | 18.3 | 523,592 | |
| Japan | 99,525 | 881 | 93,726 | 5,799 | 6.2 | 212,631 | |
| Overseas | 191,440 | 1,694 | 152,275 | 39,165 | 25.7 | 310,961 | |
| Operating profit | 22,487 | 199 | 13,869 | 8,617 | 62.1 | 30,021 | |
| Ordinary profit | 24,544 | 217 | 17,917 | 6,627 | 37.0 | 33,417 | |
| Net income | 14,148 | 125 | 8,441 | 5,706 | 67.6 | 17,042 | |
| Net income per share | | | | | | | |
| Basic | ¥ 14.26 | 12.6¢ | ¥ 8.51 | ¥ 5.75 | | ¥ 16.91 | |

Notes: 1) The translation of Japanese yen amounts into United States dollar amounts is included solely for convenience and has been made for the first half ended September 30, 2005 at the rate of ¥ 113 to \$1, the approximate rate of exchange at September 30, 2005.

- 2) The numbers of average common shares outstanding were as follows:
 September 30, 2005 : 992,145,951 shares
 September 30, 2004 : 992,006,036 shares
 March 31, 2005 : 991,662,555 shares

Dividends

| | Fiscal Year Ending | Fiscal Year ended |
|--------------------------------|--------------------|-------------------|
| | March 31, 2006 | March 31, 2005 |
| Cash dividends per share (Yen) | | |
| Interim (six months) | 8.00 | 5.00 |
| Annual (twelve months) | | 11.00 |

Financial Position

| | As of | As of | As of |
|--------------------------------------|---------------------------|---------------------------|-----------------------|
| | <u>September 30, 2005</u> | <u>September 30, 2004</u> | <u>March 31, 2005</u> |
| Total assets (¥ million) | 831,611 | 767,412 | 777,297 |
| Shareholders' equity (¥ million) | 490,078 | 466,046 | 473,675 |
| Equity ratio (%) | 58.9 | 60.7 | 60.9 |
| Shareholders' equity per share (Yen) | 493.73 | 470.15 | 477.50 |

Note: The numbers of common shares outstanding were below:

September 30, 2005 : 992,599,364 shares

September 30, 2004 : 991,267,779 shares

March 31, 2005 : 991,420,696 shares

Table of Contents**Sales by Operation**

| | Millions of yen | | | | | | | |
|--|--------------------|--------------|--------------------|--------------|---------------|-------------|----------------|--------------|
| | First half | | First half | | Changes | | The entire FY | |
| | ended | | ended | | Increase | | ended | |
| | September 30, 2005 | | September 30, 2004 | | | | March 31, 2005 | |
| | Sales | Ratio(%) | Sales | Ratio(%) | Sales | (%) | Sales | Ratio(%) |
| Construction and Mining Equipment | | | | | | | | |
| Japan | 79,542 | 27.3 | 74,192 | 30.2 | 5,350 | 7.2 | 157,136 | 30.0 |
| Overseas | 183,712 | 63.1 | 145,696 | 59.2 | 38,016 | 26.1 | 300,801 | 57.4 |
| | 263,255 | 90.5 | 219,888 | 89.4 | 43,366 | 19.7 | 457,938 | 87.5 |
| Industrial Machinery, Vehicles and Others | | | | | | | | |
| Japan | 19,982 | 6.9 | 19,533 | 7.9 | 448 | 2.3 | 55,494 | 10.6 |
| Overseas | 7,728 | 2.7 | 6,578 | 2.7 | 1,149 | 17.5 | 10,159 | 1.9 |
| | 27,711 | 9.5 | 26,112 | 10.6 | 1,598 | 6.1 | 65,653 | 12.5 |
| Total | | | | | | | | |
| Japan | 99,525 | 34.2 | 93,726 | 38.1 | 5,799 | 6.2 | 212,631 | 40.6 |
| Overseas | 191,440 | 65.8 | 152,275 | 61.9 | 39,165 | 25.7 | 310,961 | 59.4 |
| | 290,966 | 100.0 | 246,001 | 100.0 | 44,964 | 18.3 | 523,592 | 100.0 |

Projection for the Fiscal Year Ending March 31, 2006

(From April 1, 2005 to March 31, 2006)

| | Millions of yen | | |
|------------------------|-----------------|-----------------|------------|
| | Net Sales | Ordinary Profit | Net Income |
| The entire fiscal year | 615,000 | 50,000 | 30,000 |

Note: Forecast of net income per share (basic) of the entire fiscal year: 30.22 yen

Cash dividends per share (Yen)

| <u>Year-end</u> | <u>Total</u> |
|-----------------|--------------|
| 8.00 | 16.00 |

(end)