

KOMATSU LTD
Form 6-K
October 30, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

For the month of October, 2008

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 office

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Indicate by check mark whether the registrant files or will file annual reports under cover of 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 the registrant by furnishing the information contained in this Form 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. Two company announcements made on October 29, 2008.

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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: October 30, 2008

By: /s/ Kenji Kinoshita
Kenji Kinoshita
Director and Senior Executive Officer

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Komatsu Ltd.
 Corporate Communications Dept.
 Tel: +81-(0)3-5561-2616
 Date: October 29th, 2008
 URL: http://www.komatsu.com/

**Consolidated Business Results for Six Months of
 the Fiscal Year Ending March 31, 2009 (U.S. GAAP)**

1. Results for Six Months ended September 30, 2008

(Amounts are rounded to the nearest million yen)

(1) Consolidated Financial Results

| | Millions of yen & US dollars except per share amounts | | | | |
|--|---|--------|--|--------------------------------|-------|
| | Six months ended September 30, 2008 | | Six months ended September 30, 2007 | Changes Increase (Decrease) | |
| | (A) | | (B) | (A)-(B) | |
| | Yen | Dollar | Yen | Yen | % |
| Net sales | 1,211,288 | 11,427 | 1,080,042 | 131,246 | 12.2 |
| Operating income | 159,654 | 1,506 | 162,972 | (3,318) | (2.0) |
| Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies | 156,728 | 1,479 | 158,584 | (1,856) | (1.2) |
| Net income | 100,341 | 947 | 103,800 | (3,459) | (3.3) |
| Net income per share (Yen & US cents) | | | | | |
| Basic | ¥ 100.82 | 95.1¢ | ¥ 104.36 | ¥ (3.54) | |
| Diluted | ¥ 100.72 | 95.0¢ | ¥ 104.21 | ¥ (3.49) | |

Note: The translation of Japanese yen amounts into US dollar amounts hereafter is included solely for convenience and has been made for six months ended September 30, 2008 at the rate of ¥106 to \$1, the approximate rate of exchange at September 30, 2008.

(2) Consolidated Financial Position

Millions of yen except per share amounts

| | As of September 30, 2008 | As of March 31, 2008 |
|--------------|--------------------------|----------------------|
| Total assets | 2,175,197 | 2,105,146 |

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| | | | | |
|-------------------------------------|---|----------------|---|---------|
| Shareholders equity | | 955,789 | | 887,126 |
| Shareholders equity ratio | | 43.9% | | 42.1% |
| Shareholders equity per share (Yen) | ¥ | 960.75 | ¥ | 891.49 |

Table of Contents**2. Dividends (Cash Dividends per Share)**

Yen

| | The entire FY ending March 31, 2009 Results | The entire FY ended March 31, 2008 |
|-----------------------|--|---------------------------------------|
| First quarter period | | |
| Second quarter period | 22.0 | 20.0 |
| Third quarter period | | |
| Year-end | 22.0 | 22.0 |
| Total | 44.0 | 42.0 |

Note: Changes in the projected cash dividend: None

3. Projections for the Fiscal Year Ending March 31, 2009

Millions of yen except per share amounts

| | The entire fiscal year | |
|---|------------------------|---------|
| Net sales | 2,380,000 | 6.1% |
| Operating income | 300,000 | (9.9)% |
| Income before income taxes, minority interests and equity in earnings of affiliated companies | 290,000 | (10.0)% |
| Net income | 190,000 | (9.0)% |
| Net income per share (Yen) | | |
| Basic | ¥ 190.99 | |

Notes: 1) Percentages shown above represent the rates of change compared with the corresponding periods a year ago.

2) Changes in projected consolidated business results: Applicable

4. Others

- (1) Changes in important subsidiaries during six months ended September 30, 2008 under review: None
- (2) Simplified accounting procedures and adaptation of specific accounting procedures for the production of consolidated quarterly financial statements: None
- (3) Changes in accounting principles, procedures and presentations for the production of consolidated quarterly financial statements
 - 1) Changes resulting from the revision of accounting standards: Applicable
Starting in the fiscal year which began April 1, 2008, Komatsu Ltd. and its subsidiaries have adopted the provision of the Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. The adoption of SFAS No. 157 did not have a material impact on our consolidated results of operations and financial condition.

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2) Changes in matters other than 1) above: None

(4) Number of shares of common stock outstanding

1) The numbers of common shares outstanding including treasury stock were as follows:

| | |
|---------------------------|--------------------|
| As of September 30, 2008: | 998,744,060 shares |
| As of March 31, 2008: | 998,744,060 shares |

2) The numbers of shares of treasury stock were as follows:

| | |
|---------------------------|------------------|
| As of September 30, 2008: | 3,904,845 shares |
| As of March 31, 2008: | 3,640,213 shares |

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

| | |
|--------------------------------------|--------------------|
| Six months ended September 30, 2008: | 995,234,502 shares |
| Six months ended September 30, 2007: | 994,615,040 shares |

Table of Contents**[Reference]****Results for Three Months ended September 30, 2008**

(Amounts are rounded to the nearest million yen)

Millions of yen & US dollars except per share amounts

| | Three months ended September 30, 2008 | |
|---|--|---------------|
| | Yen | Dollar |
| Net sales | 604,456 | 5,702 |
| Operating income | 76,390 | 721 |
| Income before income taxes, minority interests and equity in earnings of affiliated companies | 63,960 | 603 |
| Net income | 42,610 | 402 |
| Net income per share (Yen & US cents) | | |
| Basic | ¥ 42.81 | 40.4¢ |
| Diluted | ¥ 42.78 | 40.4¢ |

5. Projection of the Parent Company for the Fiscal Year Ending March 31, 2009

(This is the first time for Komatsu Ltd. to disclose its projection for non-consolidated business results.)

Millions of yen except per share amounts

| | Results for fiscal year ended | Projection for fiscal year ending | Changes | |
|----------------------------|--|--|----------------------------|---------|
| | March 31, 2008 | March 31, 2009 | Increase (Decrease) | |
| | (A) | (B) | (B-A) | |
| Net sales | 926,731 | 930,000 | 3,269 | 0.4% |
| Operating profit | 127,143 | 60,000 | (67,143) | (52.8)% |
| Ordinary profit | 135,500 | 72,000 | (63,500) | (46.9)% |
| Net income | 96,832 | 50,000 | (46,832) | (48.4)% |
| Net income per share (Yen) | ¥ 97.28 | ¥ 50.23 | ¥ (47.05) | |

Table of Contents**Management Performance and Financial Conditions**

The Komatsu Group (hereinafter "Komatsu") had included the forklift truck business of Komatsu Utility Co., Ltd. and all businesses of Komatsu Logistics Corp. in the Industrial Machinery, Vehicles and Others segment until the end of the previous fiscal year. Starting in the current fiscal year under review, Komatsu has included all these businesses in the construction and mining equipment business and changed its business segmentation by renaming it the Construction, Mining and Utility Equipment segment and including all other businesses in the Industrial Machinery and Others segment. Accordingly, the related figures for the previous first six-month period are stated after retrospectively reclassifying them.

1. Outline of Operations and Business Results

During the first six-month period (April 1 – September 30, 2008), economic deceleration became more evident in Japan, the United States and Europe in addition to continued price surges of steel and other materials. At the same time, the Japanese yen appreciated sharply against major currencies. Against this background, Komatsu Ltd. and its subsidiaries (hereinafter "Komatsu") continued to work on the selected tasks of the mid-range management plan "Global Teamwork for 15." Aimed at the fiscal year ending March 31, 2010, this plan focuses on two core businesses: namely, the construction, mining and utility equipment business and the industrial machinery and others business which now includes Komatsu NTC Ltd. (hereinafter Komatsu NTC)* To fulfill corporate social responsibility and ensure sustainable growth as top management officers, we have been taking the leading initiative to promote thorough compliance, safety and environmental protection of Komatsu around the world.

Consolidated net sales for the first six-month period totaled ¥1,211.2 billion (US\$11,427 million), up 12.2% from the same period a year ago.

In the construction, mining and utility equipment business, demand in Japan and the United States remained sluggish and that in Europe fell drastically in the six-month period under review. However, reflecting brisk resource and infrastructure developing in China, Southeast Asia, Latin America, Russia, the Middle East and Africa, global demand stayed at about the same level from the corresponding period a year ago. Komatsu worked to increase selling prices, while expanding production capacity and promoting cross sourcing of products in response to changes on the market. As a result, Komatsu achieved a sales increase from the first six-month period a year ago, even when the U.S. dollar, South African rand and some other currencies depreciated against the Japanese yen. In the industrial machinery and others business, Komatsu expanded sales over the corresponding six-month period a year ago by taking advantage of buoyant demand in facilities investment in emerging economies in addition to making Komatsu NTC a consolidated subsidiary.

With respect to profits, Komatsu concerted efforts particularly to expand the sales volume of equipment, increase selling prices and reduce production costs in order to absorb soaring prices of certain raw materials. Mainly due to the Japanese yen's substantial appreciation, however, operating income for the first six-month period registered a slight decline of 2.0% from the corresponding period a year ago, to ¥159.6 billion (US\$1,506 million). Operating income as a percentage of net sales for the first six-month under review was 13.2%, remaining at a high level, but showing a slight decline from the corresponding period a year ago. As a result, income before income taxes, minority interests and equity in earnings of affiliated companies decreased 1.2% from the corresponding period a year ago, to ¥156.7 billion (US\$1,479 million) for the six-month period under review. Net income for the first six-month period amounted to ¥100.3 billion (US\$947 million), 3.3% less from the corresponding period a year ago.

* Effective October 1, 2008, NIPPEI TOYAMA Corporation changed its corporate name to Komatsu NTC.

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Business results by operation are described below. (Sales figures represent those made to outside customers.)

Construction, Mining and Utility Equipment

While demand for construction and mining equipment was sluggish in Japan, the United States and Europe, it remained robust in emerging economies. In particular, demand for large equipment for use in mines was strong against the background of brisk resource development around the world. Demand for forklift trucks was also good in emerging economies.

Consolidated net sales of construction, mining and utility equipment reached ¥1,050.2 billion (US\$9,908 million) for the first six-month period under review, up 6.1% from the corresponding six-month period a year ago. Reflecting Komatsu's globalization efforts in production, sales and services over the years, the percentage distribution of sales by region has become well balanced with 15.4% in Japan, 25.7% in the Americas, 18.3% in Europe & CIS, 9.7% in China, 18.5% in Asia & Oceania, and 12.4% in the Middle East & Africa, free from skewed reliance on specific regions.

[Sales of Construction, Mining and Utility Equipment by Region]

Millions of yen

| | Six months ended | Six months ended | Changes Increase (Decrease) (A)-(B) | |
|----------------------|-----------------------------------|-----------------------------------|---|--------|
| | September 30, 2008 | September 30, 2007 | | |
| | (A) 1USD = ¥106 1EUR = ¥162 | (B) 1USD = ¥119 1EUR = ¥163 | | |
| Japan | 161,387 | 172,699 | (11,312) | (6.6)% |
| Americas | 270,030 | 260,356 | 9,674 | 3.7% |
| Europe & CIS | 192,791 | 212,610 | (19,819) | (9.3)% |
| China | 101,566 | 77,588 | 23,978 | 30.9% |
| Asia & Oceania | 194,396 | 156,759 | 37,637 | 24.0% |
| Middle East & Africa | 130,055 | 109,527 | 20,528 | 18.7% |
| Total | 1,050,225 | 989,539 | 60,686 | 6.1% |

Japan

While public-sector investment remained slack, demand fell drastically, as affected by a drop in housing starts resulting from the revision of Japan's Building Code and soaring prices for building materials. In addition, demand was also adversely affected by the reassessment of tax revenues for road construction. In this environment, Komatsu worked to expand sales of new equipment and increase selling prices. However, sales in Japan for the first six-month period declined from the corresponding period a year ago.

While such a challenging environment lingered, Komatsu has decided to restructure its sales and service organization for construction equipment effective April 2009. To reinforce sales and service capabilities, a new sales company will be established by merging 12 consolidated sales subsidiaries and a sales subsidiary for wear-out parts.

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Americas

North American demand for construction equipment for use in civil engineering declined as affected by a drop in U.S. housing starts and a slack economy resulting from the financial turmoil. Meanwhile, demand for equipment for use in mines continued to expand in both North and Latin America. Komatsu worked to increase selling prices and reinforce sales and product support capabilities for mining customers. In addition, Komatsu continued its efforts to ensure an appropriate level of inventories at its North American distributors. Against this backdrop, sales dropped in North America but surged in Latin America, resulting in six-month sales in the Americas increasing from the corresponding first six-month period a year ago.

Europe & CIS

Demand fell rapidly in Europe, as the economies slowed down clearly. Against this backdrop, Komatsu concerted its efforts to increase selling prices and ensure an appropriate level of inventories at local plants and distributors. In CIS, while demand for equipment grew for use in resource development and infrastructure development in urban areas, Komatsu worked to strengthen its distributor network and product support capabilities for mining and energy development customers. As a result, six-month sales increased from the corresponding first six-month period a year ago. Affected by a declining demand in Europe, sales in Europe & CIS for the first six-month period decreased from the corresponding period a year ago.

China

Growth of total demand was moderate, due to negative factors such as declining demand in the coastal region and temporary measures of the Chinese government to stop construction in conjunction with the Beijing Olympic Games. Meanwhile, total demand for mining equipment remained strong. Komatsu concerted its aggressive efforts to expand sales of new equipment based on IT-utilized information concerning business negotiations and equipment in use, working to improve operational efficiency of sales and production. As a result, six-month sales in China expanded from the corresponding first six-month period a year ago.

Asia & Oceania

In Indonesia, the largest market in Southeast Asia, demand increased in mining, civil engineering, agricultural, forestry and some other industries. Also in India, demand grew in infrastructure development and mining sectors. In Australia, demand for equipment for use in civil engineering declined slightly, while demand for mining equipment remained strong. Within this environment, Komatsu worked to reinforce sales and product support capabilities for mining customers and expand production capacity in Asia. As a result, sales in Asia & Oceania increased for the first six-month period from the corresponding period a year ago.

Middle East & Africa

In Africa, demand remained strong centering on mining equipment. However, the South African currency, Rand, depreciated sharply, pushing down sales for the first six-month period from the corresponding period a year ago. In the Middle East, by comparison, Komatsu captured expanded demand in oil-producing countries and the United Arab Emirates where large-scale investment projects were in progress and boosted sales. As a result, sales in the Middle East & Africa for the first six-month period expanded from the corresponding period a year ago.

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Industrial Machinery and Others

In the industrial machinery and others business, Komatsu expanded consolidated net sales to ¥161.0 billion (US\$1,519 million) for the first six-month period, an increase of 78.0% from the corresponding period a year ago, partly due to having made Komatsu NTC a consolidated subsidiary in March 2008.

While there were negative factors, such as sluggish economies in Japan, the United States and Europe, as well as restrained capital investment by the automobile manufacturing industry, sales of large presses, such as AC Servo presses and high-speed transfer lines increased steadily. Komatsu Machinery Corp. also expanded its business results. In response to the booming market for solar cells, Komatsu NTC boosted its sales of wire saws.

2. Financial Conditions

As of September 30, 2008, total assets had increased by ¥70.0 billion from the previous fiscal year-end to ¥2,175.1 billion (US\$20,521 million). This increase comes from increases in inventories and tangible fixed assets, reflecting steady demand. Interest-bearing debt grew by ¥36.6 billion from the previous fiscal year-end to ¥488.7 billion (US\$4,611 million). Shareholders' equity totaled ¥955.7 billion (US\$9,017 million), up ¥68.6 billion from the previous fiscal year-end, because of an increase of net income for the first six-month period under review. As a result, shareholders' equity ratio increased by 1.8 percentage points from the previous fiscal year-end, to 43.9%. Net debt-to-equity ratio* was 0.43 compared to 0.39 as of the previous fiscal year-end.

Net cash provided by operating activities for the first six-month period under review amounted to ¥58.3 billion (US\$551 million), resulting from an increase in working capital which offset an increase in net income, while declining by ¥28.3 billion from the corresponding period a year ago. Net cash used in investing activities increased by ¥37.0 billion, from the corresponding period a year ago, to ¥70.5 billion (US\$665 million), resulting from aggressive investments for expanded production capacity and improved productivity in Japan and overseas. Net cash used in financing activities decreased by ¥13.7 billion from the corresponding period a year ago, to ¥13.7 billion (US\$129 million).

As a result of the above, cash and cash equivalents as of September 30, 2008 totaled ¥77.2 billion (US\$728 million), a decrease of ¥24.7 billion compared to the previous fiscal year-end.

* $Net\ debt\text{-}to\text{-}equity\ ratio = (Interest\text{-}bearing\ debt - Cash\ and\ cash\ equivalents - Time\ deposits) / Shareholders'\ equity$

| | As of Sep. 30, 2008 | As of Mar. 31, 2008 | As of Sep. 30, 2007 |
|--|------------------------|------------------------|------------------------|
| Shareholders' equity ratio (%) | 43.9 | 42.1 | 45.3 |
| Shareholders' equity ratio at aggregate market value (%) | 76.6 | 130.7 | 199.3 |
| Years of debt redemption | 4.2 | 2.8 | 2.0 |
| Interest coverage ratio | 7.7 | 9.6 | 10.3 |

- *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*

Table of Contents**3. Projections for the Fiscal Year Ending March 31, 2009**

In the construction, mining and utility equipment business, Komatsu anticipates that resource and infrastructure development will continue to fuel demand for earthmoving equipment against the background of growing population and advancing urbanization centering on emerging economies. Komatsu has an extensive product line-up, ranging from large equipment, mainly for mining applications, and medium-sized equipment for construction, to utility equipment for versatile applications such as urban civil engineering, farming and livestock-farming as well as cargo handling. In the growing market of Greater Asia where Komatsu enjoys an advantageous market position, Komatsu will continue to capitalize on its extensive product offerings for business growth.

With respect to the industrial machinery and others business, the automobile and semiconductor manufacturing industries are restraining their capital investments. Komatsu is going to expand Komatsu NTC's production capacity of wire saws in line with growing capital investment designed to step up the production of solar cells around the world. Solar cells are attracting keen attention for their environment-friendly power generation.

Meanwhile, the financial turmoil that originated in the United States is further clouding the outlook for global economies, centering on the United States and Europe. In the construction, mining and utility equipment business, there are serious concerns such as slack demand in Japan, the United States and Europe, price increases of raw materials and adverse effects of the drastic depreciation against the Japanese yen of the U.S. dollar, euro and the currencies of emerging economies with natural resources.

In light of these conditions above, Komatsu has changed its projection, made on April 30, 2008, of consolidated business results for the fiscal year ending March 31, 2009 as follows.

Billions of yen

| | Results for FY ended March 31, 2008 (A) | Current projection for FY ending March 31, 2009 (B) | Changes Increase (Decrease) (B)-(A)/(A) | Earlier projection for FY ending March 31, 2009 |
|--|--|--|--|---|
| Net sales | 2,243.0 | 2,380.0 | 6.1% | 2,580.0 |
| Operating income | 332.8 | 300.0 | (9.9)% | 360.0 |
| Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies | 322.2 | 290.0 | (10.0)% | 353.0 |
| Net income | 208.7 | 190.0 | (9.0)% | 219.0 |

With respect to foreign exchange rates on which the new projection is based, Komatsu has changed the assumptions of average rates for the third and fourth quarters (October 1, 2008 – March 31, 2009) as follows: ¥95 per US\$1 and ¥120 per EUR1. Accordingly, Komatsu has also changed the assumptions of average rates for the full fiscal year (April 1, 2008 – March 31, 2009) as follows: ¥101 per US\$1 and ¥141 per EUR1, compared to the initial assumptions of ¥103 per US\$1 and ¥160 per EUR1.

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4. Basic Policy for Redistribution of Profits and Cash Dividends for Six Months Ended September 30, 2008

Komatsu is building a sound financial position and flexible and agile corporate strengths to increase its corporate value. Concerning cash dividends to shareholders, the Company maintains the policy of redistributing profits by considering consolidated business results and continuing stable dividends.

Specifically, the Company has set the goal of a consolidated payout ratio of 20% or higher, and maintains the policy of not decreasing dividends, as long as a consolidated payout ratio will not surpass 40%.

Concerning interim cash dividends, the Board of Directors of the Company set ¥22 per share, an increase of ¥2 from ¥20 for the previous interim dividends paid a year ago. This decision was reached by considering the consolidated business results for the first six-month period under review and future business prospects at the board meeting held on October 29, 2008.

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**5. Financial statement****(1) Consolidated Balance Sheets****Assets**

Millions of yen

| | As of September 30, 2008 | | As of March 31, 2008 | |
|---|--------------------------|--------------|----------------------|--------------|
| | | Ratio (%) | | Ratio (%) |
| Current assets | | | | |
| Cash and cash equivalents | ¥ 77,216 | | ¥ 102,010 | |
| Time deposits | 177 | | 97 | |
| Trade notes and accounts receivable | 513,450 | | 523,624 | |
| Inventories | 560,436 | | 518,441 | |
| Deferred income taxes and other current assets | 130,304 | | 129,505 | |
| Total current assets | 1,281,583 | 58.9 | 1,273,677 | 60.5 |
| Long-term trade receivables | 110,462 | 5.1 | 89,695 | 4.3 |
| Investments | | | | |
| Investments in and advances to affiliated companies | 22,712 | | 22,884 | |
| Investment securities | 84,100 | | 79,479 | |
| Other | 12,785 | | 11,575 | |
| Total investments | 119,597 | 5.5 | 113,938 | 5.4 |
| Property, plant and equipment | | | | |
| - Less accumulated depreciation | 527,958 | 24.3 | 491,146 | 23.3 |
| Goodwill | 32,299 | 1.5 | 31,833 | 1.5 |
| Other intangible assets | 64,356 | 3.0 | 61,916 | 2.9 |
| Deferred income taxes and other assets | 38,942 | 1.7 | 42,941 | 2.1 |
| Total | ¥ 2,175,197 | 100.0 | ¥ 2,105,146 | 100.0 |

Table of Contents**Liabilities and Shareholders Equity**

Millions of yen

| | As of September 30, 2008 | | As of March 31, 2008 | |
|---|--------------------------|--------------|----------------------|--------------|
| | | Ratio (%) | | Ratio (%) |
| Current liabilities | | | | |
| Short-term debt | ¥ 106,045 | | ¥ 108,890 | |
| Current maturities of long-term debt | 97,959 | | 107,928 | |
| Trade notes, accounts payable and bills payable | 379,180 | | 387,104 | |
| Income taxes payable | 34,705 | | 52,453 | |
| Deferred income taxes and other current liabilities | 197,297 | | 205,157 | |
| Total current liabilities | 815,186 | 37.5 | 861,532 | 40.9 |
| Long-term liabilities | | | | |
| Long-term debt | 284,729 | | 235,277 | |
| Liability for pension and retirement benefits | 37,783 | | 38,910 | |
| Deferred income taxes and other liabilities | 48,049 | | 52,062 | |
| Total long-term liabilities | 370,561 | 17.0 | 326,249 | 15.5 |
| Minority interests | 33,661 | 1.6 | 30,239 | 1.5 |
| Shareholders equity | | | | |
| Common stock | 67,870 | | 67,870 | |
| Capital surplus | 139,941 | | 138,170 | |
| Retained earnings: | | | | |
| Appropriated for legal reserve | 26,990 | | 26,714 | |
| Unappropriated | 764,147 | | 685,986 | |
| Accumulated other comprehensive income (loss) | (38,053) | | (28,779) | |
| Treasury stock | (5,106) | | (2,835) | |
| Total shareholders equity | 955,789 | 43.9 | 887,126 | 42.1 |
| Total | ¥ 2,175,197 | 100.0 | ¥ 2,105,146 | 100.0 |

Table of Contents**(2) Consolidated Statements of Income****Six months ended September 30, 2008**

Millions of yen

| | Six months ended September 30, 2008 | |
|--|-------------------------------------|-------------|
| | | Ratio |
| | | (%) |
| Net sales | ¥ 1,211,288 | 100.0 |
| Cost of sales | 885,675 | 73.1 |
| Selling, general and administrative expenses | 166,224 | 13.7 |
| Other operating income (expenses) | 265 | 0.0 |
| Operating income | 159,654 | 13.2 |
| Other income (expenses) | (2,926) | |
| Interest and dividend income | 4,414 | 0.4 |
| Interest expense | (7,565) | (0.6) |
| Other-net | 225 | 0.0 |
| Income before income taxes, minority interests and equity in earnings of affiliated companies | 156,728 | 12.9 |
| Income taxes | 53,401 | 4.4 |
| Income before minority interests and equity in earnings of affiliated companies | 103,327 | 8.5 |
| Minority interests in income of consolidated subsidiaries | (4,320) | (0.4) |
| Equity in earnings of affiliated companies | 1,334 | 0.1 |
| Net income | ¥ 100,341 | 8.3 |
| | | Yen |
| Net income per share | | |
| Basic | 100.82 | |
| Diluted | 100.72 | |

Table of Contents**Three months ended September 30, 2008**

Millions of yen

| | Three months ended September 30, 2008 | |
|--|---------------------------------------|-------------|
| | | Ratio (%) |
| Net sales | ¥ 604,456 | 100.0 |
| Cost of sales | 445,839 | 73.8 |
| Selling, general and administrative expenses | 80,882 | 13.4 |
| Other operating income (expenses) | (1,345) | (0.2) |
| Operating income | 76,390 | 12.6 |
| Other income (expenses) | (12,430) | |
| Interest and dividend income | 1,814 | 0.3 |
| Interest expense | (3,636) | (0.6) |
| Other-net | (10,608) | (1.8) |
| Income before income taxes, minority interests and equity in earnings of affiliated companies | 63,960 | 10.6 |
| Income taxes | 20,455 | 3.4 |
| Income before minority interests and equity in earnings of affiliated companies | 43,505 | 7.2 |
| Minority interests in income of consolidated subsidiaries | (1,467) | (0.2) |
| Equity in earnings of affiliated companies | 572 | 0.1 |
| Net income | ¥ 42,610 | 7.0 |

| | Yen | |
|-----------------------------|-------|--|
| Net income per share | | |
| Basic | 42.81 | |
| Diluted | 42.78 | |

Table of Contents**(3) Consolidated Statement of Cash Flows**

Millions of yen

| | Six months ended September 30, 2008 |
|---|--|
| Operating activities | |
| Net income | ¥ 100,341 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 45,914 |
| Deferred income taxes | 51 |
| Net loss (gain) from sale of investment securities and subsidiaries | 1,311 |
| Net loss (gain) on sale of property | (62) |
| Loss on disposal of fixed assets | 1,273 |
| Pension and retirement benefits, net | (42) |
| Changes in assets and liabilities: | |
| Decrease (increase) in trade receivables | (2,515) |
| Decrease (increase) in inventories | (42,501) |
| Increase (decrease) in trade payables | (10,104) |
| Increase (decrease) in income taxes payable | (18,240) |
| Other, net | (17,029) |
| Net cash provided by operating activities | 58,397 |
| Investing activities | |
| Capital expenditures | (68,586) |
| Proceeds from sale of property | 6,894 |
| Proceeds from sale of available for sale investment securities | 147 |
| Purchases of available for sale investment securities | (9,318) |
| Acquisition of subsidiaries and equity investees, net of cash acquired | 302 |
| Collection of loan receivables | 4,959 |
| Disbursement of loan receivables | (3,386) |
| Decrease (increase) in time deposits | (1,519) |
| Net cash used in investing activities | (70,507) |
| Financing activities | |
| Proceeds from long-term debt | 77,173 |
| Repayments on long-term debt | (41,148) |
| Increase (decrease) in short-term debt, net | (3,182) |
| Repayments of capital lease obligations | (20,378) |
| Sale (purchase) of treasury stock, net | (2,791) |
| Dividends paid | (21,904) |
| Other, net | (1,481) |
| Net cash used in financing activities | (13,711) |
| Effect of exchange rate change on cash and cash equivalents | 1,027 |
| Net increase (decrease) in cash and cash equivalents | (24,794) |
| Cash and cash equivalents, beginning of year | 102,010 |
| Cash and cash equivalents, end of period | ¥ 77,216 |

Table of Contents**(4) Notes on Premise Going Concern**

Not applicable.

(5) Business Segment Information**Six months ended September 30, 2008****< Information by Business Segment >**

Millions of yen

| | Construction, Mining and Utility Equipment | Industrial Machinery and Others | Subtotal | Corporate & elimination | Total |
|-----------------------|--|---------------------------------------|-----------|----------------------------|-----------|
| Net sales: | | | | | |
| Customers | 1,050,225 | 161,063 | 1,211,288 | | 1,211,288 |
| Intersegment | 2,726 | 13,022 | 15,748 | (15,748) | |
| Total | 1,052,951 | 174,085 | 1,227,036 | (15,748) | 1,211,288 |
| Segment profit | 148,748 | 13,944 | 162,692 | (3,303) | 159,389 |

Notes: 1) Starting in the current fiscal year under review, after the reassessment of its management decision-making units, Komatsu has changed its business segmentation to the following two segments of a) Construction, Mining and Utility Equipment, and b) Industrial Machinery and Others.

2) Business categories and principal products & services included in each business segment are as follows:

a) Construction, Mining and Utility Equipment

Excavating equipment, loading equipment, grading & roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, recycling equipment, engines & components, casting products, industrial vehicles, and logistics

b) Industrial Machinery and Others

Metal forging & stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment, and others

3) Transfers between segments are made at estimated arm's-length prices.

< Information by Region >

Millions of yen

| | Japan | Americas | Europe & CIS | Others | Subtotal | Corporate & elimination | Total |
|-----------------------|---------|----------|-----------------|---------|-----------|----------------------------|-----------|
| Net sales: | | | | | | | |
| Customers | 480,584 | 279,166 | 188,206 | 263,332 | 1,211,288 | | 1,211,288 |
| Intersegment | 239,197 | 26,369 | 12,004 | 21,020 | 298,590 | (298,590) | |
| Total | 719,781 | 305,535 | 200,210 | 284,352 | 1,509,878 | (298,590) | 1,211,288 |
| Segment profit | 68,542 | 37,937 | 19,418 | 42,278 | 168,175 | (8,786) | 159,389 |

Note: Transfers between segments are made at estimated arm's-length prices.

< Overseas Sales >

| | Americas | Europe & CIS | Others | Total |
|---|----------|--------------|---------|-----------|
| Overseas sales | 300,983 | 200,521 | 474,827 | 976,331 |
| Consolidated net sales | | | | 1,211,288 |
| Ratio of overseas sales to consolidated net sales (%) | 24.8 | 16.6 | 39.2 | 80.6 |

Notes: 1) Overseas sales represent the sales of Komatsu 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) Americas: North America and Latin America
- b) Europe & CIS: Germany, U.K., and Russia
- c) Others: China, Oceania, Southeast Asia, Middle East and Africa

Table of Contents**Three months ended September 30, 2008****< Information by Business Segment >**

Millions of yen

| | Construction, Mining and Utility Equipment | Industrial Machinery and Others | Subtotal | Corporate & elimination | Total |
|-----------------------|--|---------------------------------------|----------|----------------------------|---------|
| Net sales: | | | | | |
| Customers | 516,147 | 88,309 | 604,456 | | 604,456 |
| Intersegment | 1,307 | 7,032 | 8,339 | (8,339) | |
| Total | 517,454 | 95,341 | 612,795 | (8,339) | 604,456 |
| Segment profit | 70,363 | 9,176 | 79,539 | (1,804) | 77,735 |

Notes: 1) Starting in the current fiscal year under review, after the reassessment of its management decision-making units, Komatsu has changed its business segmentation to the following two segments of a) Construction, Mining and Utility Equipment, and b) Industrial Machinery and Others.

2) Business categories and principal products & services included in each business segment are as follows:

a) Construction, Mining and Utility Equipment

Excavating equipment, loading equipment, grading & roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, recycling equipment, engines & components, casting products, industrial vehicles, and logistics

b) Industrial Machinery and Others

Metal forging & stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment, and others

3) Transfers between segments are made at estimated arm's-length prices.

< Information by Region >

Millions of yen

| | Japan | Americas | Europe & CIS | Others | Subtotal | Corporate & elimination | Total |
|-----------------------|---------|----------|-----------------|---------|----------|----------------------------|---------|
| Net sales: | | | | | | | |
| Customers | 263,855 | 139,835 | 80,188 | 120,578 | 604,456 | | 604,456 |
| Intersegment | 119,389 | 15,977 | 5,759 | 10,721 | 151,846 | (151,846) | |
| Total | 383,244 | 155,812 | 85,947 | 131,299 | 756,302 | (151,846) | 604,456 |
| Segment profit | 35,516 | 20,949 | 7,340 | 19,883 | 83,688 | (5,953) | 77,735 |

Note: Transfers between segments are made at estimated arm's-length prices.

< Overseas Sales >

Millions of yen

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| | Americas | Europe & CIS | Others | Total |
|---|----------|--------------|---------|---------|
| Overseas sales | 153,325 | 91,652 | 231,059 | 476,036 |
| Consolidated net sales | | | | 604,456 |
| Ratio of overseas sales to consolidated net sales (%) | 25.4 | 15.2 | 38.2 | 78.8 |

- Notes: 1) Overseas sales represent the sales of Komatsu 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) Americas: North America and Latin America
 - b) Europe & CIS: Germany, U.K., and Russia
 - c) Others: China, Oceania, Southeast Asia, Middle East and Africa

Table of Contents**(6) Note in case of a notable change in the amount of shareholders' equity**

There is nothing applicable. For any changes, please refer to Consolidated Statement of Shareholders' Equity below.

Consolidated Statement of Shareholders' Equity

| | Millions of yen | |
|--|--|----------------|
| | Six months ended September 30, 2008 | |
| Common stock | | |
| Balance, beginning of year | ¥ | 67,870 |
| Balance, end of period | ¥ | 67,870 |
| Capital surplus | | |
| Balance, beginning of year | ¥ | 138,170 |
| Sales of treasury stock | | 1,702 |
| Issuance and exercise of stock acquisition rights | | 69 |
| Balance, end of period | ¥ | 139,941 |
| Retained earnings, appropriated for legal reserve | | |
| Balance, beginning of year | ¥ | 26,714 |
| Transfer from unappropriated retained earnings | | 276 |
| Balance, end of period | ¥ | 26,990 |
| Unappropriated retained earnings | | |
| Balance, beginning of year | ¥ | 685,986 |
| Net income | | 100,341 |
| Cash dividends paid | | (21,904) |
| Transfer to retained earnings appropriated for legal reserve | | (276) |
| Balance, end of period | ¥ | 764,147 |
| Accumulated other comprehensive income (loss) | | |
| Balance, beginning of year | ¥ | (28,779) |
| Other comprehensive income (loss), net of tax | | (9,274) |
| Balance, end of period | ¥ | (38,053) |
| Treasury stock | | |
| Balance, beginning of year | ¥ | (2,835) |
| Purchase of treasury stock | | (3,050) |
| Sales of treasury stock | | 779 |
| Balance, end of period | ¥ | (5,106) |
| Total shareholders' equity | ¥ | 955,789 |

| Disclosure of comprehensive income (loss) | | |
|--|---|---------|
| Net income | ¥ | 100,341 |
| Other comprehensive income (loss), net of tax | | (9,274) |
| Comprehensive income | ¥ | 91,067 |

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[Reference]

Financial Statements for Six Months of the Previous Fiscal Year**(1) Condensed Consolidated Statement of Income**

| | Millions of yen | | |
|---|-------------------------------------|----------------|--------------|
| | Six months ended September 30, 2007 | | |
| | | | Ratio (%) |
| Net sales | ¥ | 1,080,042 | 100.0 |
| Cost of sales | | 767,689 | 71.1 |
| Selling, general and administrative expenses | | 150,607 | 13.9 |
| Other operating income (expenses) | | 1,226 | 0.1 |
| Operating income | | 162,972 | 15.1 |
| Other income (expenses) | | | |
| Interest and dividend income | | 5,126 | 0.5 |
| Interest expense | | (8,383) | (0.8) |
| Other-net | | (1,131) | (0.1) |
| Other income (expenses) | | (4,388) | |
| Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies | | 158,584 | 14.7 |
| Income taxes | | 58,345 | 5.4 |
| Minority interests in income of consolidated subsidiaries | | (4,727) | (0.4) |
| Equity in earnings of affiliated companies | | 3,310 | 0.3 |
| Income from continuing operations | | 98,822 | 9.1 |
| Income from discontinued operations | | 4,978 | 0.5 |
| Net income | ¥ | 103,800 | 9.6 |

Table of Contents**(2) Consolidated Statement of Cash Flows**

Millions of yen

| | Six months ended September 30, 2007 |
|---|--|
| Operating activities | |
| Net income | ¥ 103,800 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 36,018 |
| Deferred income taxes | 18,361 |
| Net loss (gain) from sale of investment securities and subsidiaries | (8,190) |
| Net loss (gain) on sale of property | (418) |
| Loss on disposal of fixed assets | 1,051 |
| Impairment loss on long-lived assets held for use | 59 |
| Pension and retirement benefits, net | (9,886) |
| Changes in assets and liabilities: | |
| Decrease (increase) in trade receivables | 2,243 |
| Decrease (increase) in inventories | (37,292) |
| Increase (decrease) in trade payables | (10,165) |
| Increase (decrease) in income taxes payable | (20,518) |
| Other, net | 11,639 |
| Net cash provided by operating activities | 86,702 |
| Investing activities | |
| Capital expenditures | (52,719) |
| Proceeds from sale of property | 5,703 |
| Proceeds from sale of available for sale investment securities | 168 |
| Purchases of available for sale investment securities | (4,274) |
| Proceeds from sale of subsidiaries, net of cash disposed | 16,372 |
| Acquisition of subsidiaries and equity investees, net of cash acquired | 2,576 |
| Collection of loan receivables | 4,565 |
| Disbursement of loan receivables | (4,720) |
| Decrease (increase) in time deposits | (1,087) |
| Net cash used in investing activities | (33,416) |
| Financing activities | |
| Proceeds from long-term debt | 30,514 |
| Repayments on long-term debt | (41,832) |
| Increase (decrease) in short-term debt, net | 4,823 |
| Repayments of capital lease obligations | (5,383) |
| Sale (purchase) of treasury stock, net | 811 |
| Dividends paid | (17,899) |
| Other, net | 1,478 |
| Net cash used in financing activities | (27,488) |
| Effect of exchange rate change on cash and cash equivalents | (451) |
| Net increase (decrease) in cash and cash equivalents | 25,347 |
| Cash and cash equivalents, beginning of year | 92,199 |

| | | |
|---|---|---------|
| Cash and cash equivalents, end of period | ¥ | 117,546 |
|---|---|---------|

Table of Contents**(3) Business Segment Information****< Information by Business Segment >**

Millions of yen

| | Six months ended September 30, 2007 | | |
|--|-------------------------------------|----------------|--------------------------|
| | Sales | Segment profit | Segment profit ratio (%) |
| Construction and Mining Equipment | 927,772 | 146,194 | 15.8 |
| Industrial Machinery, Vehicles and Others | 216,810 | 16,928 | 7.8 |
| Subtotal | 1,144,582 | 163,122 | 14.3 |
| Corporate & elimination | (64,540) | (1,376) | |
| Total | 1,080,042 | 161,746 | 15.0 |
| Other operating income (expenses) | | 1,226 | |
| Operating income | | 162,972 | |
| Interest and dividend income | | 5,126 | |
| Interest expense | | (8,383) | |
| Other-net | | (1,131) | |
| Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies | | 158,584 | |

Notes: 1) Although Komatsu has changed its business segmentation starting in the current fiscal year under review, the above figures are presented according to the old segmentation.

2) Sales amount of every business segment includes intersegment transactions as below:

| | |
|---|--------|
| Construction and Mining Equipment | 13,420 |
| Industrial Machinery, Vehicles and Others | 51,120 |
| Total | 64,540 |

< Information by Region >

Millions of yen

| | Six months ended September 30, 2007 | | |
|-------------------------|-------------------------------------|----------------|--------------------------|
| | Sales | Segment profit | Segment profit ratio (%) |
| Japan | 596,833 | 81,459 | 13.6 |
| The Americas | 290,688 | 31,994 | 11.0 |
| Europe & CIS | 227,267 | 25,479 | 11.2 |
| Others | 242,205 | 31,769 | 13.1 |
| Subtotal | 1,356,993 | 170,701 | 12.6 |
| Corporate & elimination | (276,951) | (8,955) | |
| Total | 1,080,042 | 161,746 | 15.0 |

Note: Sales by region includes inter-region transactions.

Table of Contents**< Overseas Sales >**

Millions of yen

| | The Americas | Europe & CIS | Others | Total |
|---|---------------------|-------------------------|---------------|--------------|
| Overseas sales | 277,882 | 213,073 | 354,635 | 845,590 |
| Consolidated net sales | | | | 1,080,042 |
| Ratio of overseas sales to consolidated net sales (%) | 25.7 | 19.7 | 32.9 | 78.3 |

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 & CIS: Germany, U.K. and Russia

c) Others: China, Australia, and Southeast Asia

(end)

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For Immediate Release

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Date: October 29, 2008
URL: <http://www.komatsu.com/>

Komatsu to Purchase Its Own Shares

(Share Purchase According to the Articles of Incorporation Pursuant to Article 165,

Paragraph 2 of the Corporation Act)

Komatsu Ltd. (hereinafter "Company") hereby announces that at the meeting of the Board of Directors held on October 29, 2008, pursuant to Article 156 of the Corporation Act of Japan as modified by Article 165, Paragraph 3 of the Act, the Company resolved the purchase of its own shares.

Notes

1. Reason for Purchase of Its Own Shares

To improve capital efficiency and promote redistribution of profits to shareholders

2. Shares to be Purchased by the Company

- | | |
|---|---|
| (1) Type of shares to be purchased: | Outstanding common stock of Komatsu Ltd. |
| (2) Total number of shares to be purchased: | Up to 40,000,000 shares (4.01% of total outstanding shares excluding treasury stock) |
| (3) Total cost of purchase: | Up to 30 billion yen |
| (4) Period of purchase: | From November 5 to December 30, 2008 |

[Reference]

Treasury Stock as of September 30, 2008

- | | |
|--|--------------------|
| (1) Number of shares outstanding (excluding treasury stock): | 995,412,253 shares |
| (2) Number of shares held as treasury stock: | 3,331,807 shares |

(end)