KOMATSU LTD
Form 6-K
November 09, 2001

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of November 2001

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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INFORMATION TO BE INCLUDED IN REPORT
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1. Two company announcements made on November 9, 2001.

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 9, 2001 By: /s/ Kenji Kinoshita

Kenji Kinoshita
Executive Officer

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[LETTERHEAD OF KOMATSU]

KOMATSU ANNOUNCES CONSOLIDATED INTERIM RESULTS

FOR FISCAL 2002 AND OUTLOOK FOR THE REST OF THE YEAR

The accompanying financial information is prepared in accordance with generally accepted accounting principles in the United States of America.

Komatsu Ltd. posted consolidated net sales of (Yen)505.4 billion (US$4,248 million, at US$1=(Yen)119) for the interim period of fiscal 2002 ending March 31, 2002, down 8.8% from the corresponding period last year. Operating loss for the period registered (Yen)5.3 billion (US$45 million). Net loss for the period amounted to (Yen)42.6 billion (US$359 million).

Millions of yen and US dollar, except per sh

	2002	2001	
Net sales	(Yen) 505,455	(Yen) 554,530	
Japan	239,542	288,922	
Overseas	265,913	265,608	
Operating income (loss)	(5,320)	12,839	
Net income (loss)	(42,665)	3,152	
Net income (loss) per share --- Basic	(Yen) (44.69)	(Yen) 3.29	(C

1. Business Results by Operation

Construction and Mining Equipment

Consolidated net sales of the construction and mining equipment business for the interim period declined 2.7% from the corresponding period last year, to (Yen)353.0 billion (US$2,967 million).

Japanese sales for the interim period declined 9.2% from the corresponding period last year, to (Yen)129.6 billion (US$1,089 million) on a consolidated basis. Total demand for construction equipment in Japan dropped more than anticipated, as the Japanese construction industry became increasingly reluctant over equipment investments because of their recessionary mindset compounded by reduced public investments. Against this backdrop, Komatsu embarked on full-scale market launchings of the new-generation construction equipment GALEO series in order to expand sales during the interim period. The Company also accelerated its involvement in downstream markets. Together with its distributors and affiliated rental companies nationwide, the Company reinforced its sales-rental-service integrated initiatives and application-specific sales of new machines. Furthermore, the Company continued to offer its customers with value programs like management strategy seminars, strengthening its relationship with them.

IT (Information Technology) is a very effective means for Komatsu to sharpen its product competitiveness and differentiation. The Company introduced its original KOMTRAX machine operation management system to selected models of the GALEO series as a standard feature. Based on real-time information concerning the conditions of equipment, the Company is now positioned to timely deliver new services and establish a new business model in which it will be able to help customers reduce their total costs.

Consolidated overseas sales improved 1.5% over the corresponding period last year, to (Yen)223.4 billion (US$1,878 million).

In North America, market demand for construction equipment slipped further largely due to reduced equipment investment by customers who were concerned about uncertainty over the economy,

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inventory cutbacks by rental customers and other negative developments. Against this backdrop, Komatsu converged efforts to accelerate sales of new machines such as minimal rear-swing radius hydraulic excavators but failed short of increasing sales over the corresponding period last year.

In Europe, while major markets such as France sustained firm demand, demand sharply dropped in the largest European market of Germany. As a result, European demand, which had continued to expand since 1997, downturned for the interim period under review. The Company's sales in Europe for the interim period also declined from the previous corresponding period.

Chinese demand for construction equipment continued to sustain momentum of rapid expansion carried over the last few years. Already with a wealth of business experience over many years, Komatsu further reinforced its business as represented by the establishment of Komatsu (China) Ltd. in February, and accomplished substantial growth in sales over the corresponding period a year ago. In Southeast Asia, recovery of demand for construction equipment was delayed amid political turmoil in Indonesia and the Philippines, and the Company's sales declined slightly from the corresponding period last year. However, the Company expects to improve sales for fiscal 2002 over the previous year, as demand for mining and other equipment is recovering in Indonesia in tandem with political stability.

Demand in the mining equipment market is growing substantially, supported by demand for fleet renewals against the backdrops of stabilized price of copper and increased price of coal. The Company is expanding sales of super-large dump trucks in particular, which it enjoys high evaluations of customers for their high rate of operation and high level of reliability.

Worldwide demand for utility equipment, which had expanded steadily, declined as affected by slowed demand in major markets of North America and Europe. While the Company expects to see continued trend for decrease into the second half period, it is prepared to increase its market share and sales by introducing new models and expanding sales in regions other than North America and Europe. In addition, the Company is planning to commence production of equipment in 2002 at a plant currently under construction in South Carolina. Capitalizing on this local production, the Company will also work to expand sales in North America.

Electronics

Consolidated net sales of the electronics business dropped 26.2% from the previous corresponding period, to (YEN)41.0 billion (US$345 million) for the interim period under review, reflecting worldwide IT-triggered sluggish economies.

On a nonconsolidated basis, sales of electronic products decreased from the corresponding period last year. The Company expanded sales of network terminals and new wireless LAN products, but they were offset by dropped sales of FA-use panel computers and programmable displays.

Komatsu Electronic Metals Co., Ltd. secured profits on a nonconsolidated basis, while the market conditions for silicon wafers remained sluggish. In addition to reinforcing sales and service operations, the company worked to improve corporate strength by cutting total costs with substantial reduction of fixed costs. Formosa Komatsu Silicon Corporation, its subsidiary, worked to expand its product mix and export sales. However, it fell short of absorbing a loss associated with the start-up cost in Taiwan where the semiconductor market was hit hardest.

Advanced Silicon Materials LLC., in an effort to meet a drastic decline in demand for polycrystalline silicon for semiconductors, strove to expand sales of polycrystalline silicon for use in solar batteries and sales of silane. However, sales for the interim period declined from the previous corresponding period. In addition to the reduced sales, the company also faced an increased burden of electric power rates due to the change in power companies. As a result of expanded production costs, the company reported an operating loss for the interim period. In relation to the cancellation of power supply contract, the company included a penalty of (Yen)7.6 billion (US$64 million) as income for the interim period, which was paid by the concerned electric power company. The company also reported an impairment loss of (Yen)13.4 billion (US$113 million) on fixed assets in Montana.

Komatsu Electronics, Inc. experienced a drastic decline in sales of thermoelectric modules for use in fiber optic communication networks, compared to outstanding sales up through last year. The drop in sales during the interim period reflects reduced investments and inventory adjustments of telecommunication equipment manufacturers. Despite these conditions, the company continued to focus its efforts in the development of next-generation products. Sales of semiconductor manufacturing equipment also dropped sharply for the interim period as client manufacturers refrained from equipment investments.

GIGAPHOTON INC. a company accounted for by the equity method, focused on research and development of industry-pacesetting, next-generation technologies and realignment of global sales networks. As a result, the company advanced sales for the interim period over the previous corresponding period under adverse effects of investment cutbacks by semiconductor manufacturers. With heavy expenses for new product

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development, however, the company was not able to substantially improve earnings for the interim period.

Others

Consolidated net sales from other businesses totaled (Yen)111.3 billion (US$936 million), an 18.1% decline from the corresponding period a year ago.

On a nonconsolidated basis, Komatsu's large press business improved sales and increased the volume of orders placed by Japanese automakers over the previous corresponding period, reflecting their good evaluation of a new operational setup which enabled the Company to meet different needs and expectations of customers promptly.

Komatsu Industries Corporation, in charge of sheet metal forming machinery and small and medium-sized presses, advanced sales for the interim period, when the press and machine tool industries faced a very difficult environment with downturn in total orders. Success of the company reflects positive outcomes of its proposal-oriented marketing and expanded demand for medium-sized presses from automotive related manufacturers who need larger equipment. Since the start of the new management board in 1999, the company has continued to increase orders, sales and earnings, achieving improvements for the past four consecutive interim periods.

While Japanese demand for agricultural equipment slowed down, Komatsu Zenoah Co. expanded sales of machinery designed for environmental conservation to the lease and rental industries in Japan and sales of outdoor power equipment in North America and Europe, supported by outstanding growth in orders for blowers developed for North America.

Komatsu Forklift Co. launched renewed models of 2-ton shovel loaders and expanded its market share substantially. The company continued to forge the alliance relationship with Linde of Germany, including sales of Linde-made forklift trucks in Japan since October 2000. The company also launched production of its engine-powered forklift trucks for Europe at Fiat OM Carrelli Elevatori S.p.A. in Italy in January 2001. While the company concerted its efforts to expand sales both in Japan and overseas and enhance product competitiveness, they were offset by adverse effects from a drastic fall in demand for industrial vehicles in the United States. While sales for the interim period dropped sharply from the corresponding period last year, the company was able to maintain a minimal decline of earnings.

Concerning the business with Japan's Defense Agency, sales were steady during the interim period but declined from the previous corresponding period. Sales of environmental control and systems slipped considerably.

2. Conditions of Consolidated Cash Flows

Net cash provided by operating activities for the interim period totaled (Yen)41.7 billion (US$351 million). Net cash used in investing activities amounted to (Yen)19.6 billion (US$165 million), and net cash used in financing activities ended in (Yen)34.6 billion (US$291 million).

3. Outlook for the Rest of Fiscal 2002

It is concerned that adverse effects of the terrorist attacks in the United States should further deteriorate the world economies. Komatsu anticipates that it will continue to face a very difficult business environment during the second half period of fiscal 2002. Under such an environment, the Company is determined to ride over the current, critical times by promoting the reform of management structure (see page 7) which is designed to reduce fixed and production costs substantially. At the same time, the Company will strive to build a corporate structure capable of generating stable earnings even under low growth economy.

For the construction and mining equipment business in Japan, the Company will work to expand sales of advanced models of the GALEO series which was launched during the period under review. It will also promote conversion of the business model into a new one to provide total solutions to customers through teamwork of sales, rental and service operations. Outside of Japan, while striving to secure earnings by meeting the market needs by region, business and product categories, the Company will facilitate new growth in strategic regions and business fields.

The Company anticipates sluggish demand will prolong in its electronics and other businesses. Accordingly, in addition to undertaking cost reduction activities, the Company will strive to secure earnings by continuing to focus its management resources on those businesses where it can demonstrate technological advantages.

Concerning the reform of management structure, the Company is planning to appropriate (Yen)23.0 billion as a temporary expense for early retirement and transfers of employees to affiliated companies. By considering all these factors, the Company projects consolidated net sales of (Yen)1,060 billion, pre-tax loss of (Yen)52 billion and

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net loss of (Yen)45 billion for fiscal 2002 ending March 31, 2002.

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.

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Management Policy

Basic Management Policy

The cornerstone of Komatsu's management lies in its commitment to Quality and Reliability. This commitment is not limited to delivering safe and innovative products and services. We are also continuing our efforts to enhance the Quality and Reliability of all organizations, businesses, employees and management of the entire Komatsu Group.

Mid- and Long-Range Management Strategy and Issues Ahead

Last year, we launched the "G" to the 21/st/ mid-range management strategy for a period of three years, extending to fiscal year ending March 31, 2003. The "G" to the 21st strategy specifies the following four strategies.

1) New growth strategy for the construction and mining equipment business,
2) Reduction of environmental stress and expansion of environmental business,
3) Focused attention to business in which Komatsu can maintain a technological edge on a global scale, and
4) Attainment of competitive advantage by deploying IT or e-KOMATSU.

We have been aggressively carrying out a series of measures to facilitate our growth and strengthen our corporate structure under the mid-range management strategy. However, the international economies in general have slowed down, making their prospect even more uncertain. In Japan, the recessionary economy has been further deteriorating. Under the current difficult management environment, we have recently embarked on a group-wide program to reform our management structure in order to improve earnings to facilitate early recovery of our performance. To solidly build a corporate structure capable of generating stable earnings, we are firmly determined to accomplish reduction of a consequential amount of fixed and production costs. At the same time, we are prepared to execute a number of decisive measures designed to accelerate the growth of our core business of construction and mining equipment.

Reform of Management Structure

1) Reduction of Fixed Costs

Komatsu Group will aggressively reduce fixed costs. Our fixed costs, higher than those of our competitors in the international marketplace, have resulted in a weighty factor pressing our earnings. We will commit ourselves in this effort and score reduction of approximately (Yen)30.0 billion by the end of March 2004 from the current level on a consolidated basis. We are going to curtail a substantial amount of manpower costs and SG&A expenses through consolidation of separate businesses, reorganization and operational rationalization on a group-wide basis. In Japan, especially, we are prepared to cut down overhead costs by offering early retirement for approximately 800 employees and transfer to affiliated companies in order to reinforce business operations and improve earnings of both Komatsu and affiliated companies.

2) Sizable Cutbacks of Production Costs

Komatsu Group is working to cut down its production costs worldwide. With full deployment of our technologies and expertise based on the "spirits of manufacturers" gained in Japanese plants over the years, we are set to reduce production costs at our offshore plants. To this end, we will work to lower our costs substantially in the product development phase in addition to conventional cost reduction programs, and will also promote a global alliance for production.

3) To Renew Growth of Our Construction and Mining Equipment Business

To maintain and enhance our profitability in the Japanese market, where demand for construction equipment has remained depressed, we have striven to expand after-sale businesses such as rental and used equipment, parts and services, while developing creative products as represented by the GALEO series. Such initiatives mean a reform of our business structure itself, and these new business models are indispensable for further growth in Japan. By capitalizing on our advantage of Komatsu machines in use which outnumbers other brands in the Japanese market and utilizing IT as a manufacturer, we are ready to aggressively expand our business in those market domains in line with the lifecycle of equipment.

Demand for construction and mining equipment in overseas markets has grown in a long-range time span. Therefore, we consider the current, difficult market conditions as temporary adjustment in the supply and demand cycle. We are focusing our business expansion in the major markets of North America and Europe as well as the rapidly expanding Chinese market, where we are going to implement proactive measures by region and product line in order to enhance our global market position.

4) Impairment on Fixed Assets of Subsidiaries in Electronics Business

In our electronics business, we recorded impairment losses of (Yen)38.3 billion (US$323 million) on fixed assets of two subsidiaries in the United States during the interim period in response to the drastic deterioration of market conditions for silicon wafers.

Concerning Komatsu Silicon America, Inc., we had planned to reuse it as a production facility for silicon wafers. However, it is projected that market recovery may be delayed longer than we had earlier anticipated. In this light, we have changed our policy to consider a wider range of options, and recorded impairment loss of (Yen)24.9 billion (US$210 million) on their fixed assets. In the meantime, we will continue our silicon wafer business by focusing on Komatsu Electronic Metals Co., Ltd. and Formosa Komatsu Silicon Corporation as before.

Demand for polycrystalline silicon as a material for silicon wafers has also weakened further since the spring of this year. Advanced Silicon Materials LLC.'s plant in Montana is unlikely to maintain a sufficient rate of operation in the foreseeable future. In this light, we recorded impairment loss of (Yen)13.4 billion (US$113 million) on their fixed assets.

For Komatsu to overcome the current difficult times and upturn its performance, it is imperative that all employees of the Komatsu Group work together for their respective businesses with their talents and actions. We are firmly determined to improve our earnings and make our early recovery of business results. To this end, all employees will strive to accomplish the reform of management structure with the spirit of unity and teamwork while each and every employee fully demonstrates his/her capabilities.

Basic Policy for Dividends

Komatsu works to build a sound and stable financial position and flexible and agile corporate strength. Concerning interim cash dividends to shareholders, the Company maintains the basic policy of redistributing profits by taking payout ratios into account and reflecting business results, as it secures sufficient internal reserves for reinvestment.

Measures to Strengthen Corporate Governance

Komatsu reorganized its Board of Directors and introduced the Executive Officers and Global Officers system in June 1999, with an eye to strengthening corporate governance and establishing a system capable of quickly responding to the changes and fierce competition in its business environment. In order to facilitate sufficient deliberation and quick decision-making on important management matters, we minimized the number of members of the Board. An external board director was also appointed to ensure the transparency and objectivity of management.

We publish the Komatsu's Code of Worldwide Business Conduct and ensure all employees of Komatsu Group companies around the world understand how important it is to observe the Rules of the Business Community. In June this year, we established the Compliance Department to manage and lead our group-wide corporate activities in compliance with the Rules.

Consolidated Financial Highlights

For the first six months of fiscal 2002 and 2001 ended September 30, 2001 and 2000, respectively.

Millions o
except

	2002 Apr. 1-Sept. 30, 2001		2001 Apr. 1-Sept. 30, 2000	Changes Increase
	Yen	Dollar	Yen	Yen
Net sales	505,455	4,248	554,530	(49,07
Japan	239,542	2,013	288,922	(49,38
Overseas	265,913	2,235	265,608	30
Income (loss) before Income taxes	(50,857)	(427)	11,195	(62,05
Net income (loss)	(42,665)	(359)	3,152	(45,81
Net income (loss) per share				
Basic	(Yen) (44.69)	(cents)(37.6)	(Yen) 3.29	(Yen) (47.9
Diluted	---	---	---	--

Note:

1) Number of consolidated subsidiaries: 128 companies
   Number of affiliated companies: 173 companies (including 45 companies accounted for by the equity method)
2) The translation of Japanese yen amounts into US dollar amounts is included solely for convenience and has been made for 2002 at the rate of (Yen)119 to $1, the approximate rate of exchange at September 28, 2001.

Financial Position

(As of September 30, 2001 and 2000)

	2002	2001
Total assets (Millions of yen)	1,300,430	1,388,875
Shareholders' equity (Millions of yen)	424,210	472,002
Equity ratio (%)	32.6	34.0
Shareholders' equity per share (Yen)	444.45	493.46

Projection for FY2002

(From April 1, 2001 to March 31, 2002)

			Millions of yen
	Net sales	Income (loss) before income taxes	Net income (loss)
The entire FY2002	1,060,000	(52,000)	(45,000)

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Consolidated Balance Sheets

(As of September 30, 2001 and 2000)

			Mil
	2002	2001	Incre
	(A)	(B)	
Assets			
Current assets:			
Cash and cash equivalents	(Yen) 29,138	(Yen) 54,713	
Time deposits	2,764	899	
Marketable securities	--	1,196	
Trade notes and accounts receivable	342,228	388,019	
Inventories	253,713	238,458	
Other current assets	102,195	104,450	
Total current assets	730,038	787,735	
Investments	83,483	101,304	
Property, plant, and equipment - Less accumulated depreciation	397,665	426,502	
Other assets	89,244	73,334	
Total	1,300,430	1,388,875	
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term debt (including current maturities of long-term debt)	191,595	237,525	
Trade notes and accounts payable	178,308	209,221	

Income taxes payable	4,584	7,729
Other current liabilities	134,051	125,561
Total current liabilities	508,538	580,036
Long-term liabilities	321,564	288,544
Minority interests	46,118	48,293
Shareholders' equity:		
Common stock	67,870	67,870
Capital surplus	117,439	117,366
Retained earnings	271,980	320,326
Accumulated other Comprehensive income (loss) (*)	(30,167)	(31,809)
Treasury stock	(2,912)	(1,751)
Total shareholders' equity - net	424,210	472,002
Total	(Yen) 1,300,430	(Yen) 1,388,875

	2002	2001	In
(*) Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(Yen) (23,022)	(Yen) (39,427)	(
Net unrealized holding gains on securities available for sale	3,741	12,151	
Pension liability adjustments	(10,518)	(4,533)	
Net unrealized gains (losses) on derivative instruments	(368)	--	

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Consolidated Statements of Income

(For the six months ended September 30, 2001 and 2000)

			Mill
	2002	2001	Increas
	(A)	(B)	(A)-(B)
Revenues			
Net sales	(Yen) 505,455	(Yen) 554,530	(49,075
Interest and other income	15,993	19,649	(3,656
Total	521,448	574,179	(52,731

Costs and expenses			
Cost of sales	381,666	409,592	(27,926
Selling, general and administrative expenses	129,109	132,099	(2,990
Interest expense	9,045	10,805	(1,760
Other expense	52,485	10,488	41,997
Total	572,305	562,984	9,321
Income (loss) before income taxes, minority interests, and equity in earnings	(50,857)	11,195	(62,052
Income taxes	(5,502)	8,631	(14,133
Minority interests in income (loss) of consolidated subsidiaries - net	2,123	54	2,069
Equity in earnings of affiliated companies - net	567	534	33
Net income (loss)	(Yen) (42,665)	(Yen) 3,152	(45,817

Note: Aggregated net comprehensive income (loss) for the years ended September 30, 2001 and 2000 were (53,075) million yen and (9,067) million yen, respectively.

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Consolidated Statements of Cash Flows

(For the six months ended September 30, 2001 and 2000)

	Millions	
	2002 Apr. 1-Sept. 30, 2001	200 Apr. 1-Sept.
Net cash provided by operating activities	(Yen) 41,793	(Yen)
Net cash provided by (used in) investing activities	(19,601)	
Net cash provided by (used in) financial activities	(34,651)	
Effect of exchange rate change on cash and cash equivalents	19	
Net increase (decrease) in cash and cash equivalents	(12,440)	
Cash and cash equivalents, beginning of year	39,760	
Adjustments for change of fiscal period on consolidated subsidiaries	1,818	
Cash and cash equivalents, end of year	(Yen) 29,138	(Yen)

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Basis of Financial Statements (Consolidated)

1) Changes in group of entities
Consolidated subsidiaries
Addition: Komatsu (China) LTD, and one other company
Removal: Komatsu Utility Corporation (merger), KEM America Inc. (liquidation)

2) Impact to integration of fiscal year end
Certain consolidated subsidiaries changed the fiscal year end from December 31 to March 31. The change resulted in a decrease to retained earnings of (Yen)3.7 billion (US$31 million) and an increase to other comprehensive income of (Yen)9.4 billion (US$79 million), respectively.

3) Derivative Instruments and Hedging Activities
The Company adopted Statement of Financial Accounting Standards (SFAS) No.133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No.138, "Accounting for Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No.133," for the year beginning April 1, 2001.

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Business Information

1. Information by Business Unit

(1) Sales and Operating Profit (Loss)

	2002 Apr. 1-Sept. 30, 2001			Apr. 1-	
	Sales	Operating Profit (Loss)	Margin %	Sales	O P
Construction & Mining Equipment	356,892	282	0.1	366,297	
Electronics	41,199	(4,850)	(11.8)	55,823	
Others	125,683	2,390	1.9	162,171	
Subtotal	523,774	(2,178)	(0.4)	584,291	
Corporate & Elimination	(18,319)	(3,142)	---	(29,761)	
Total	505,455	(5,320)	(1.1)	554,530	

Note: Sales amount of each business unit includes inter-unit transactions.

(2) Assets, Depreciation, and Capital Expenditures

					Millio
	2002			2001	
	As of Sept. 30, 2001	Apr. 1-Sept. 30, 2001		As of Sept. 30, 2000	Apr. 1-S
	Assets	Depreciation and Amortization	Capital Expenditures	Assets	Depreciati and Amortizati
Construction & Mining Equipment	836,855	18,051	20,241	746,382	14,
Electronics	186,226	9,092	2,843	236,944	9,
Others	241,184	3,772	5,606	288,222	8,
Subtotal	1,264,265	30,915	28,690	1,271,548	32,
Corporate & Elimination	36,165	14	---	117,327	
Total	1,300,430	30,929	28,690	1,388,875	32,

2. Information by Region

(1) Sales and Operating Profit (Loss)

						Millions of yen
	2002 Apr. 1-Sept. 30, 2001			2001 Apr. 1-Sept. 30, 2000		
	Sales	Operating Profit(Loss)	Margin %	Sales	Operating Profit(Loss)	Margin %
Japan	336,342	(1,311)	(0.4)	399,882	12,655	3.2
Americas	133,174	(2,390)	(1.8)	134,783	(677)	(0.5)
Europe	57,967	1,388	2.4	63,817	2,799	4.4

Others	49,555	(420)	(0.8)	42,375	(45)	(0.1)
Subtotal	577,038	(2,733)	(0.5)	640,857	14,732	2.3
Corporate & Elimination	(71,583)	(2,587)	---	(86,327)	(1,893)	---
Total	505,455	(5,320)	(1.1)	554,530	12,839	2.3

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

(2) Assets

Millions of yen

	2002 As of Sept. 30, 2001		2001 As of Sept. 30, 2000	
	Assets	Ratio(%)	Assets	Ratio(%)
Japan	971,306	74.7	995,798	71.7
Americas	314,375	24.2	321,563	23.2
Europe	78,157	6.0	77,751	5.6
Others	95,352	7.3	91,786	6.6
Subtotal	1,459,190	112.2	1,486,898	107.1
Corporate & Elimination	(158,760)	(12.2)	(98,023)	(7.1)
Total	1,300,430	100.0	1,388,875	100.0

3. Overseas Sales
(1) For the six months ended September 30, 2001

Millions of yen

	Americas	Europe	Others	Total
Overseas sales	120,470	62,248	83,195	265,913
Consolidated net sales	---	---	---	505,455
Ratio of overseas sales to consolidated net sales	23.8	12.3	16.5	52.6

(2) For the six months ended September 30, 2000

Millions of yen

	Americas	Europe	Others	Total
Overseas sales	129,787	66,019	69,802	265,608
Consolidated net sales	---	---	---	554,530

Ratio of overseas sales to consolidated net sales	23.4	11.9	12.6	47.9

Notes: Overseas sales represent the sales of the company and its consolidated subsidiaries to areas other than Japan.

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Consolidated Sales by Operation

(For the six months ended September 30, 2001 and 2000)

		2002 Apr. 1-Sept. 30, 2001		20001 Apr. 1-Sept. 30, 2000		I
		(Yen) Million	Ratio(%)	(Yen) Million	Ratio(%)	(Yen
Construction & Mining Equipment	Japan	129,635	25.7	142,726	25.8	(
	Overseas	223,437	44.2	220,193	39.7	
		353,072	69.9	362,919	65.5	
Electronics	Japan	23,789	4.7	37,140	6.7	(
	Overseas	17,259	3.4	18,459	3.3	
		41,048	8.1	55,599	10.0	(
Others	Japan	86,118	17.0	109,056	19.7	(
	Overseas	25,217	5.0	26,956	4.9	
		111,335	22.0	136,012	24.5	(
Total	Japan	239,542	47.4	288,922	52.1	(
	Overseas	265,913	52.6	265,608	47.9	
		505,455	100.0	554,530	100.0	(

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Financial Instruments

1. Derivative Financial Instruments

Millions of

		2002 As of Sept. 30, 2001			2001 As of Sept. 3	
		Contract, Notional Amounts	Carrying Amounts	Estimated Fair Value	Contract, Notional Amounts	Carrying Amounts
Foreign exchange contracts and option contracts		5,081	112	112	2,455	50
FY 2001						
Purchase of foreign currencies the equivalent of yen	21,226					
Sale of foreign currencies the equivalent of yen	23,681					
FY 2002						
Purchase of foreign currencies the equivalent of yen	20,636					
Sale of foreign currencies the equivalent of yen	23,700					
Option contracts(Purchased) the equivalent of yen	2,017					
Interest rate swap, currency swap and interest rate cap agreements		290,080	(3,333)	(3,333)	257,763	52

2. Marketable Securities and Investment Securities

Mi

	2002 As of Sept. 30, 2000	20 As of Sept
Marketable securities available for sale		
Marketable equity securities		
Cost	-	1,
Fair value	-	1,
Gross unrealized holding gains (losses)	-	
Marketable debt securities		
Cost	-	
Fair value	-	
Gross unrealized holding gains	-	
Investment securities available for sale		
Marketable equity securities-		
Cost	32,789	37,
Fair value	42,282	61,
Gross unrealized holding gains	9,493	23,
Marketable debt securities		
Cost	1,004	
Fair value	1,004	
Gross unrealized holding gains	0	

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.

Financial Results

	2002 Apr. 1-Sept. 30, 2001		2001 Apr. 1-Sept. 30, 2000	Million amounts e
	Yen	Dollar	Yen	
Net sales	183,367	1,541	206,929	(
Japan	117,074	984	131,833	(
Overseas	66,293	557	75,096	
Operating Income	1,941	16	4,804	
Ordinary Income	2,587	22	4,307	
Net income (loss)	(21,909)	(184)	3,719	(
Net income (loss) per share	(Yen) (22.85)	(Cents) (19.2)	(Yen) 3.87	(Yen) (

Note:
1. The translation of Japanese yen amounts into United States dollar amounts is included solely for convenience and has been made for 2002 at the rate of (Yen) 119 to $1, the approximate rate of exchange at September 28, 2001.
2. The numbers of average common shares outstanding were as follows:
   . September 30, 2001 ---958,921,701
   . September 30, 2000 ---961,435,362
   . March 31, 2001 ---960,181,975

Dividends

	2002	2001
Cash dividends per share (Yen)		
Interim	3.00	3.00
Year-end	---	3.00

Financial Position

(As of September 30, 2001 and 2000)

	2002	2001
Total assets (Millions of yen)	704,622	752,793
Shareholders' equity (Millions of yen)	445,007	478,652
Equity ratio (%)	63.2	63.6
Shareholders' equity per share (Yen)	464.07	499.16

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Sales by Operation

(For the six months ended September 30, 2001 and 2000)

		2002 Apr. 1-Sept. 30, 2001		2001 Apr. 1-Sept. 30, 2000		
		(Yens) Million	Ratio(%)	(Yens) Million	Ratio(%)	(Ye
Construction & Mining Equipment	Japan	93,838	51.2	104,924	50.7	
	Overseas	63,120	34.4	71,198	34.4	
		156,958	85.6	176,122	85.1	
Electronics	Japan	2,001	1.1	4,145	2.0	
	Overseas	265	0.1	2	0.0	
		2,266	1.2	4,148	2.0	
Others	Japan	21,234	11.6	22,763	11.0	
	Overseas	2,908	1.6	3,895	1.9	
		24,142	13.2	26,659	12.9	
Total	Japan	117,074	63.8	131,833	63.7	
	Overseas	66,293	36.2	75,096	36.3	

	183,367	100.0	206,929	100.0

Projection for FY2002

(From April 1, 2001 to March 31, 2002)

Millions of

	Net sales	Ordinary Income	Net income (lo
The entire FY2002	410,000	11,000	(24,000)

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[LETTERHEAD OF KOMATSU]

NEWS RELEASE

KOMATSU AND VOLVO CONSTRUCTION EQUIPMENT IN TALKS ON INDUSTRIAL COOPERATION FOR COMPONENTS

Komatsu Ltd. and Volvo Construction Equipment have initiated discussions regarding future cooperation in the production and development of construction equipment components. Tangible outcomes from the discussions are expected by mid-year 2002.

The intention is to determine whether both companies can find ways to strengthen their cost competitiveness and to increase customer satisfaction.

"We believe this cooperation could lead us to find high quality and cost effective solutions," says Mr. Masahiro Sakane, President of Komatsu, and Mr. Anthony C. Helsham, President & CEO of Volvo Construction Equipment, in a common statement to the announcement.

In the discussions, Komatsu and Volvo Construction Equipment will not include sales, service, distribution and equity participation.

Both companies will continue to engage in business as independent competitors using their own dealer networks, brands and identities.

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The Komatsu Group, with Komatsu Ltd. at its center , comprises 128 consolidated subsidiaries with approximately 31,000 employees. Komatsu is the world's second largest manufacturer of construction and mining equipment with 28 production bases in 14 countries worldwide.