KOMATSU LTD
Form 6-K
November 08, 2002

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 2002

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

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 X Form 40-F
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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 X
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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________

INFORMATION TO BE INCLUDED IN REPORT

1. A company announcement made on November 8, 2002

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 8, 2002 By: /s/ Kenji Kinoshita

Kenji Kinoshita
Executive Officer

November 8, 2002

For Immediate Release

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KOMATSU ANNOUNCES CONSOLIDATED INTERIM RESULTS FOR FISCAL 2003 AND OUTLOOK FOR THE REST OF THE YEAR

The accompanying consolidated 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)518.4 billion (US$4,249 million, at US$1=(Yen)122) for the interim period of fiscal 2003 ending March 31, 2003, an increase of 2.6% from the corresponding period last year. Income before income taxes for the period reached (Yen)5.6 billion (US$46 million) from loss before income taxes of (Yen)50.8 billion for the corresponding period last year. Similarly, net income advanced to (Yen)1.8 billion (US$15 million) from a net loss of (Yen)42.6 billion.

Millions of yen and US dollar, except per share amo

	2003	2002	2003
Net sales	(Yen) 518,429	(Yen) 505,455	$ 4,249
Japan	211,924	239,542	1,737
Overseas	306,505	265,913	2,512
Income (loss) before income taxes	5,652	(50,857)	46
Net income (loss)	1,858	(42,665)	15
Net income (loss) per share --- Basic	(Yen) 1.95	(Yen) (44.69)	(cents) 1.6

1. Management Environment

Interim Results

In the construction and mining equipment business, China and the Middle East generated high growth in demand. Market demand in Southeast Asia also sustained a recovering momentum. Meanwhile, demand declined in the major markets of Japan, North America and Europe from the corresponding period a year ago.

Under these conditions, Komatsu enjoyed high marks for its new GALEO-series construction equipment also in overseas markets, which the Company first launched in Japan last year, thus improving its overseas market shares including North America and Europe. In addition to growing Chinese and Southeast Asian markets, the Company also expanded sales of its construction equipment in the Middle East and Africa where it has maintained its advantages as a full-line manufacturer over competitors.

As a result, while global demand for construction equipment declined, Komatsu successfully improved sales from the corresponding period last year and achieved a significant improvement of operating income for the interim period, supported also by benefits of reduced capacity costs.

In the electronics business, having removed major risks by recording impairment losses on fixed assets in the previous fiscal year, Komatsu proactively promoted reinforcement of the management structure for each unit for self-driven reconstruction during the interim period.

When the semiconductor market recovered in the early part of the interim period, Komatsu Electronic Metals Co., Ltd. improved earnings substantially by increasing the ratio of prime wafers*

for Formosa Komatsu Silicon Corporation, while enhancing product competitiveness mainly for 200mm wafers and improving productivity. Advanced Silicon Materials LLC in the United States has consolidated production at its Butte Plant and engaged in exclusive production of high value-added polycrystalline silicon for semiconductors and monosilane gas, thereby facilitating the transformation of its earnings structure. Meanwhile, Komatsu Electronics, Inc. experienced sluggish sales of thermoelectric modules, reflecting continued restraints for facilities investment by the telecommunications industry in the United States.

In other business segments, Komatsu Forklift Co., Ltd., the outdoor power equipment machinery business of Komatsu Zenoah Co. and Komatsu Industries Corporation implemented aggressive sales of new products with unique features in Japan and overseas. While interim sales declined from the corresponding period last year as adversely affected by sluggish market conditions mainly in Japan, they expanded operating income over the previous corresponding period, thanks in part to benefits of reduced capacity costs.

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* Prime wafers are delivered to customers not for testing but have the quality for actual use in semiconductor devices.

2. Business Results by Operation

Construction and Mining Equipment

Consolidated net sales of the construction and mining equipment business totaled (Yen)371.3 billion (US$3,044 million) for the interim period under review, up 5.2% from the corresponding period last year. Of this amount, Japanese sales decreased 13.0%, to (Yen)112.7 billion (US$925 million), while overseas sales expanded 15.7%, to (Yen)258.5 billion (US$2,120 million).

In the Japanese market, demand for construction equipment continued to drop during the period. Under such a market environment, Komatsu broadened the product range of the GALEO-series equipment and worked to secure sufficient sales. The Company also continued its efforts to develop new demand in the downstream markets such as the rental business, used equipment, parts and services. The rental business of the Company doubled its efforts to promote the comprehensive rental of civil engineering equipment through affiliated rental companies. While accelerating export sales, particularly to Southeast Asia, Komatsu worked to expand earnings by stepping up collaborations with Komatsu Used Equipment Corp., a wholly owned subsidiary in charge of buying and selling used equipment, and with Komatsu distributors in Japan. During the period, Komatsu Used Equipment hosted its regular auctions, attracting many Japanese and foreign customers and enjoying better results compared to previous auctions. In the service business, Komatsu aggressively introduced the Komatsu All Support product, a contract-based service package, which covers a wide range of areas, from maintenance and repairs to compensations for damages caused by theft and accidents. To meet the structural change of the Japanese market, the Company also reassessed its sales operations and implemented a variety of new measures including greater area coverage for major distributors. However, such efforts fell short of overcoming the drop in demand. With respect to Japanese production, the Company strove to improve and strengthen its earnings structure by reducing production costs thoroughly under the company-wide Reform of Business Structure project. While buoyant exports kept Komatsu's Japanese plants busy during the period, compensating for the drop in Japanese demand, total Japanese production by the Company for the period declined from the corresponding period last year.

In North America, demand for construction equipment continued to slide during the interim period. Against this backdrop, Komatsu America Corp. steadily expanded its market share by reinforcing the sales capability of its distributors, launching the GALEO-series equipment and accelerating their sales. The company also established the North American Development Division, building up its product development and support capabilities. For utility equipment, the company embarked on full-scale production of backhoe loaders at the Newberry Plant in South Carolina.

While demand for mining equipment downturned during the period from strong demand in 2001, Komatsu America Corp. emphasized sales of large bulldozers and other equipment whose demand showed a relatively moderate drop, and repair and maintenance service contracts. As a

result, the company sustained total North American sales for the period at about the same level from the corresponding period last year.

In Europe, construction equipment markets continued to decline as affected by the sluggish demand in Germany, the largest European market. However, Komatsu successfully expanded its market share and sales by launching new models centering on locally produced ones such as wheel loaders by Komatsu Hanomag AG, hydraulic excavators by Komatsu UK Ltd. and skid steer loaders by Komatsu Utility Europe S.p.A.

In China, demand for construction equipment continued to advance briskly, and Komatsu boosted sales of hydraulic excavators centering on those made by Komatsu Shantui Construction Machinery Co., Ltd., a jointly owned company with a Chinese partner. To meet market expansion, the Company also placed further efforts to strengthen the sales and after-sales service capabilities of Komatsu distributors.

In August 2002, Komatsu raised Komatsu Group's equity holding ratio in Komatsu Shantui Construction Machinery to 60%, transforming the company into a consolidated subsidiary of Komatsu. As a result, Komatsu is positioned to expand the business of this new subsidiary more aggressively by playing a leading role.

In Southeast Asia, Komatsu substantially enlarged its market share by launching a renewed model of the GALEO-series equipment. Coupled with expanded sales of mining equipment in Indonesia, Komatsu boosted sales of construction and mining equipment at a rate higher than that of market demand in this region.

In the Oceania, Komatsu enjoyed brisk sales of PC200 renewed models, and also expanded sales of mining equipment. As to Middle Eastern sales, the Company enjoyed outstanding growth in sales by capturing market expansion in the region. In Africa, in spite of falling demand, Komatsu implemented locally tailored marketing particularly in South Africa, the largest African market, gained substantial market shares and increased sales over the corresponding period last year. In these regions where strong demand is generated for bulldozers, wheel loaders, dump trucks and some other equipment including, of course, hydraulic excavators, Komatsu capitalized on its advantages as a full-line manufacturer of construction equipment and expanded sales.

Electronics

Consolidated sales of the electronics business improved 5.6% over the corresponding interim period last year, to (Yen)43.3 billion (US$355 million) for the interim period under review.

Komatsu Electronic Metals Co., Ltd. continued its efforts to secure profits and improve its corporate strength. While reinforcing the product competitiveness of 200mm silicon wafers, the main product of the company, and undertaking aggressive sales activities in Japan and abroad, the company worked to reorganize its production system for discrete wafers during the period. As a result, Komatsu Electronic Metals improved consolidated sales for the period to (Yen)32.5 billion (US$267 million) over the corresponding period last year, thanks in part to recovered demand in the first half part of the interim period. In terms of earnings, the company posted ordinary profit of (Yen)1.2 billion (US$10 million), returning to the black. Anticipating the future market expansion, the company also took phased steps forward to reinforce its production capacity for 300mm wafers as scheduled. The company plans to increase its monthly production capacity of 300mm wafers to 45,000 pieces by 2005.

Formosa Komatsu Silicon Corporation, a subsidiary of Komatsu Electronic Metals, continued its efforts to further penetrate the market in not only Taiwan but also China and Southeast Asia, while working to enhance its production efficiency. As a result, the subsidiary improved the ratio of prime wafers and reduced the amount of loss considerably.

Advanced Silicon Materials LLC. (ASiMI) consolidated production at the end of the previous six-month period, based on its assessment that it would take a long time until the present supply-and-demand gap for polycrystalline silicon would be resolved. And ASiMI worked to convert its earnings structure by focusing its production on high value-added products such as FZ rods and monosilane gas and improving their productivity. As a result, sales for the period remained

at about the same level from the previous corresponding period, while the amount of loss was substantially reduced from the previous six-month period.

In September this year, ASiMI established Solar Grade Silicon LLC, a 50-50 joint venture with Silicon Technologies AS, a subsidiary of Renewable Energy Corporation AS of Norway. Solar Grade Silicon will produce polycrystalline silicon for solar applications at the Moses Lake Plant which was contributed by ASiMI as investment in kind. Renewable Energy Corporation plans to finance the joint venture's technology development program and a majority of their working capital requirements. ASiMI plans to steadily reduce its equity holdings in the joint venture in the future, cutting back its holdings ratio to 25% in three years.

As for Komatsu Electronics, Inc., sales of thermoelectric modules fell as adversely affected by continued restraints in investment in telecommunication facilities in North America. As a result, earnings declined from the corresponding period last year.

Others

Consolidated interim sales from other businesses totaled (Yen)103.6 billion (US$850 million) for the interim period, down 6.9% from the previous corresponding period.

Industrial Machinery Division of Komatsu faced further intensified competition with Japanese and foreign press builders against the backdrop of a growing shift to offshore production by Japanese automobile and automotive parts manufacturers as well as progress of restructuring of the industry worldwide. Under such an environment, the amount of facilities investment by the automobile manufacturing industry also declined, and Division's sales of large presses for the period decreased from the previous corresponding period. Meanwhile, sales to Japan's Defense Agency remained strong with a slight decline from the corresponding period last year.

Komatsu Industries Corporation concerted efforts to implement proposal-oriented sales centering on products with unique features, such as the H1F and H2F Hybrid AC Servo Press Series, while building up its overseas business. Although sales of sheet metal machinery decreased, sales of medium-sized presses and services continued to expand. As a result, the company posted profits for the period at about the same level from the corresponding period last year.

Komatsu Forklift Co., Ltd. launched Japanese sales of renewed models of engine-driven forklift trucks, its stronghold product line, under the LEO-NXT series. The company carried out aggressive sales activities of the LEO-NXT with enhanced handling and traveling capabilities as well as the battery-driven ARION Plus series. As a result, when total Japanese demand for forklift trucks fell considerably, the company sustained sales for the period at a minimal decline. Overseas, while demand dropped in the United States, the largest market of the world, the company worked to secure sufficient sales volume and increased its market share there. While European sales declined against the backdrop of sluggish market conditions, Chinese, Southeast Asian and Middle Eastern sales expanded. As a result, total overseas sales of forklift trucks were at about the same level from the corresponding period last year. Consolidated sales of Komatsu Forklift totaled (Yen)44.1 billion (US$362 million) for the period, registering a slight decline from the previous corresponding period. However, ordinary profit improved to (Yen)0.8 billion (US$7 million), thanks in part to benefits of reduced capacity costs.

Komatsu Zenoah Co. advanced sales of outdoor equipment centering on EZ Start brushcutters and chainsaws, which feature significantly improved ignition. However, sales of ecology-oriented products such as chipper-shredders declined, falling short of covering a drop in demand. Overseas, U.S. sales of outdoor equipment decreased due to inventory adjustments as affected by the drought and other factors. Meanwhile, European and Chinese sales of brushcutters, OEM-based hobby engines and other products were buoyant, contributing to an increase in overseas sales over the previous corresponding period. As a result, total sales of agricultural and forestry equipment improved to (Yen)6.5 billion (US$53 million) from the corresponding period last year.

Note: Financial figures of consolidated subsidiaries described above are based on generally accepted accounting principles in Japan.

3. Conditions of Consolidated Cash Flows

For the interim period ended September 30, 2002, net cash provided by operating activities amounted to (Yen)10.7 billion (US$88 million), primarily supported by improved business results and reduced working capital, in spite of the retirement benefits paid to voluntary retirees during the period in association with the Reform of Business Structure project which was carried out in fiscal 2002. Net cash used in investing activities totaled (Yen)27.2 billion (US$223 million), largely as a result of production and sales investment as well as purchase of assets under operating lease. Net cash provided by financing activities increased to (Yen)27.7 billion (US$227 million) due to the issuance of a 30-billion yen straight bond and other initiatives in preparation for payments of retirement benefits to voluntary retirees as well as uncertainty of the financial environment in the future. As a result, cash and cash equivalents at the end of the interim period reached (Yen)56.3 billion (US$462 million), an increase of (Yen)11.0 billion (US$90 million) from the previous fiscal year end, including (Yen)5.3 billion (US$43 million) resulting from changes in consolidation.

4. Important Decisions Made or Important Occurrences during the Year and Important Subsequent Events

Komatsu Shantui Construction Machinery Transformed into Consolidated Subsidiary
In August 2002, Komatsu transformed Komatsu Shantui Construction Machinery Co., Ltd. a joint-venture manufacturing and sales company of medium-sized hydraulic excavators in the rapidly growing Chinese market, into a consolidated subsidiary. Komatsu (China) Ltd., a wholly owned subsidiary, acquired 20% of the equity of the joint venture from Shantui Construction Machinery Co., Ltd., a Chinese partner who previously owned 50% of the joint venture. Komatsu and Komatsu (China) together own 60% of the equity of Komatsu Shantui Construction Machinery now. Komatsu is determined to expand the business of this consolidated subsidiary more aggressively in the Chinese hydraulic excavator market which should sustain its rapid growth into the future.

Komatsu Forklift and Komatsu Zenoah Become Wholly Owned Subsidiaries
Effective October 1, 2002, Komatsu transformed Komatsu Forklift Co., Ltd. and Komatsu Zenoah Co., both previously listed companies, into wholly owned subsidiaries, each through stock for stock exchanges. As a result, Komatsu will build a highly dynamic management structure based on more unified operations in the area of construction equipment, transportation-related equipment and other machinery businesses. As for the utility equipment business for which Komatsu Zenoah is responsible, Komatsu and Komatsu Zenoah will further refine cooperation in development and production capabilities to enhance their management efficiency while maintaining their cost competitiveness. Concerning the forklift truck business, Komatsu and Komatsu Forklift agreed on closer cooperation within the Komatsu Group and will conduct more dynamic management in order to facilitate further growth of the business in the market where competition is intensifying on a global scale. Furthermore, Komatsu plans to transform Komatsu Forklift into a joint-venture company to be owned by Komatsu and Linde AG in order to strengthen its competitiveness on a global basis and improve its profits.

Hitachi Construction Machinery and Komatsu Reach Basic Agreement for Collaboration
In October 2002, Hitachi Construction Machinery Co., Ltd. and Komatsu reached a basic agreement to collaborate in production and procurement, involving six areas including common designs and cross supply of undercarriages for super-large and mini hydraulic excavators. The collaboration aims at further

strengthening the cost competitiveness of the two companies. By defining this agreement as the first phase of collaboration, the two are going to study the ways to materialize collaborative relations. Both companies have no plans for collaboration in sales and services or mutual capital participation.

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5. Outlook for the Rest of Fiscal 2003

Komatsu anticipates its business environment will remain uncertain because of growing concerns over future developments of the United States economy, further reduction of Japanese construction investments resulting from structural problems, and other unfavorable factors. Meanwhile, the Company is well positioned to capitalize on its advantages as a full-line manufacturer of construction equipment in the rapidly growing Chinese market, Southeast Asia, the Middle East and Africa where signs for market recovery are emerging.

With the significantly improved interim results, Komatsu was able to make the first footing toward a V-shaped recovery of its business performance. By implementing important management tasks promptly and boldly, the Company is determined to accomplish further improvement of business results.

Consolidated and nonconsolidated results for fiscal 2003 are projected as follows as of today.

1) Consolidated

Net sales:	(Yen) 1,070 billion	(up 3.3%)
Income before income taxes:	(Yen) 13 billion	(up (YEN)119.7 billion)
Net income:	(Yen) 7 billion	(up (YEN)87.6 billion)

2) Nonconsolidated (Japanese GAAP)

Net sales:	(Yen) 375 billion	(down 2.1%)
Ordinary profit:	(Yen) 7 billion	(up 84.5%)
Net income:	(Yen) 6 billion	(up (YEN)47.8 billion)

Foreign exchange rates are premised at (YEN)121 to US$1 and (YEN)116 to EUR1 for fiscal 2003.

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.

Management Policy

1. Basic Management Policy

The cornerstone of Komatsu's management lies in its commitment to Quality and Reliability in order to maximize the corporate value of the Company. This commitment is not limited to delivering safe and innovative products, services and systems, which incorporate the viewpoints of customers. Komatsu is continuing its efforts to enhance the Quality and Reliability of all organizations, businesses, employees and management of the entire Komatsu Group. It is the top management task of Komatsu to continue improving the Quality and Reliability of these mentioned above.

2. Mid- and Long-Range Management Strategy and Issues Ahead

By defining the following four basic strategies as our mid-range management strategy, we have been aggressively implementing a variety of measures to facilitate growth and strengthen our corporate structure.

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 businesses in which Komatsu can maintain a technological edge on a global scale, and
4) Attainment of competitive advantage by deploying IT or e-KOMATSU

During the interim period under review, while demand for construction equipment in Asia and the Middle East expanded, we faced difficult business conditions in our major markets as represented by the prolonged sluggish economy in Japan and the economic slow down in the United States and Europe. To recover our profitability and accomplish a V-shaped recovery, we have pressed on our Reform of Business Structure project centering on the reduction of capacity costs, sizeable cutbacks in production costs and acceleration of our New Growth Strategy for the Construction and Mining Equipment Business.

We are committed to further strengthening our corporate governance to enhance the corporate value of the entire Komatsu Group. At the same time, we are determined to focus our efforts on the following four tasks to improve Komatsu's profitability and ensure a V-shaped recovery of its business results.

1) To accelerate the implementation of the New Growth Strategy for the Construction and Mining Equipment Business,
2) To reinforce the base for competitiveness by reducing capacity and production costs,
3) To facilitate self-driven reconstruction of the electronics business, and
4) To promote reform based on the "Spirit of Manufacturers" concept.

Overseas demand for construction and mining equipment is set for medium and long-term growth, while we should anticipate the ups and downs affected by changing economic and business conditions. Under such an environment, it is most important for Komatsu to constantly enhance its product competitiveness in order to accelerate the implementation of the New Growth Strategy. As part of the reform based on the "Spirit of Manufactures" commitment, our Development and Production divisions are taking up the challenge of developing unrivaled products and reinforcing our cost competitiveness as a unified team. We are well prepared to enhance our presence in all markets around the world as we continue to launch such products steadily.

In Japan, we are going to capitalize on the structural change of the market for our business chance. By accelerating the pace of developing new business models in the after-sales downstream markets such as rental, used equipment, parts and services, in addition to the launching of new products, we are determined to shape the construction and mining equipment business of the future.

To strengthen our cost competitiveness, we reached a specific agreement with Hitachi Construction Machinery Co., Ltd. for collaboration in the production and joint procurement primarily of components for hydraulic excavators in October this year. We are also going to consign the production of wheel loader cabs to Volvo Construction Equipment in Europe. While keeping

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fair competition with these alliance partners in sales and services, we are going to build on collaborative relations within a framework that won't affect our product originality, and get specific results in each collaboration.

While working to reduce costs at our overseas plants, we are also determined to further add on the benefits of reduced capacity costs, thereby reinforcing the earnings foundation of each business.

With respect to our electronics business, we will ensure that each business unit will establish a management structure capable of meeting changes in the respective market, thereby further promoting self-driven reconstruction.

3. Basic Policy for Dividends

Komatsu works to build a sound and stable financial position and flexible and agile corporate strength. Concerning 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 reserve for reinvestment.

4. 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.

5. Measures to Strengthen Corporate Governance

To establish a system capable of quickly responding to the changes of its business environment and fierce competition, Komatsu has been working to strengthen corporate governance through such measures as the reform of its Board of Directors and subsequent introduction of the Executive Officers and Global Officers systems. To facilitate sufficient deliberation and quick decision making on important management matters, Komatsu minimized the number of members of the board. An external board director was also appointed to ensure the transparency and objectivity of management.

Komatsu publishes the Komatsu's Code of Worldwide Business Conduct and ensures all employees of Komatsu Group companies around the world understand how important it is to observe the Rules of the Business Community. Komatsu, primarily through the Compliance Committee and Compliance Department, has organizationally been promoting complete observance of the laws of the countries where the Company conducts business and the rules stipulated in the Komatsu's Code of Worldwide Business Conduct.

Consolidated Financial Highlights
(For the six months ended September 30, 2002 and 2001)

				Milli e
	2003		2002	Ch In
	Yen	Dollar	Yen	
Net sales	518,429	4,249	505,455	1
Japan	211,924	1,737	239,542	(2
Overseas	306,505	2,512	265,913	4
Income (loss) before Income taxes	5,652	46	(50,857)	5
Net income (loss)	1,858	15	(42,665)	4
Net income (loss) Per share				
Basic	(Yen) 1.95	(cent) 1.6	(Yen) (44.69)	(Yen)
Diluted	---	---	---	

Notes: 1) Number of consolidated subsidiaries: 126 companies
Number of companies accounted for by the equity method: 50 companies
2) The translation of Japanese yen amounts into US dollar amounts is included solely for convenience and has been made for 2003 at the rate of (Y)122 to $1, the approximate rate of exchange at September 30, 2002.

Financial Position
(As of September 30, 2002 and 2001)

	2003	2002
Total assets (Millions of yen)	1,301,373	1,300,430
Shareholders' equity (Millions of yen)	383,123	424,210
Equity ratio (%)	29.4	32.6
Shareholders' equity per share (Yen)	401.87	444.45

Projection for FY2003
(From April 1, 2002 to March 31, 2003)

Millions of yen

	Net sales	Income before income taxes	Net income
The entire FY2003	1,070,000	13,000	7,000

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Condensed Consolidated Balance Sheets
(As of September 30, 2002 and 2001)

	2003	2002
	(A)	(B)
Assets		
Current assets:		
Cash and cash equivalents	(Yen) 56,396	(Yen) 29,138
Time deposits	682	2,764
Trade notes and accounts receivable	308,069	342,228
Inventories	260,451	253,713
Other current assets	102,534	102,195
Total current assets	728,132	730,038
Investments	63,393	83,483
Property, plant, and equipment - Less accumulated depreciation	415,698	397,665
Other assets	94,150	89,244
Total	1,301,373	1,300,430
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt (including current maturities of long-term debt)	180,626	191,595
Trade notes and accounts payable	176,157	178,308
Income taxes payable	4,594	4,584
Other current liabilities	117,851	134,051
Total current liabilities	479,228	508,538
Long-term liabilities	389,786	321,564
Minority interests	49,236	46,118
Shareholders' equity:		
Common stock	67,870	67,870
Capital surplus	117,439	117,439

Retained earnings	230,155	271,980
Accumulated other Comprehensive income (loss) (*)	(28,947)	(30,167)
Treasury stock	(3,394)	(2,912)
Total shareholders' equity - net	383,123	424,210
Total	(Yen) 1,301,373	(Yen) 1,300,430

	2003	2002
(*) Accumulated other comprehensive income (loss):		
Foreign currency translation adjustments	(Yen) (18,000)	(Yen) (23,022)
Net unrealized holding gains on securities available for sale	2,781	3,741
Pension liability adjustments	(11,876)	(10,518)
Net unrealized holding gains (losses) on derivative instruments	(1,852)	(368)

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Condensed Consolidated Statements of Income

(For the six months ended September 30, 2002 and 2001)

	2003	2002	
	(A)	(B)	
Revenues			
Net sales	(Yen) 518,429	(Yen) 505,455	(Y
Interest and other income	7,753	15,993	
Total	526,182	521,448	
Costs and expenses			
Cost of sales	384,909	381,666	
Selling, general and administrative expenses	119,160	129,109	
Interest expense	7,117	9,045	
Other expense	9,344	52,485	
Total	520,530	572,305	
Income (loss) before income taxes, minority interests, and equity in earnings	5,652	(50,857)	
Income taxes	2,611	(5,502)	
Minority interests in income (loss) of consolidated subsidiaries - net	(1,123)	2,123	

Equity in earnings of affiliated companies - net		205		567	
Income (loss) before cumulative effect of change in accounting principle		2,123		(42,665)	
Cumulative effect of change in accounting principle (*Notes2)		(265)		---	
Net income (loss)	(Yen)	1,858	(Yen)	(42,665)	(Y

Notes: 1) Aggregated net comprehensive income (loss) for the periods ended September 30, 2002 and 2001 were (8,696) million yen and (53,075) million yen, respectively.
2) Goodwill impairment change as of April 1, 2002 from the adoption of SFAS142.

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Condensed Consolidated Statements of Cash Flows
(For the six months ended September 30, 2002 and 2001)

		2003		200
		(A)		(B
Operating activities				
Net income (loss)	(Yen)	1,858	(Yen)	(
Depreciation and amortization		33,411		
Impairment loss on long-lived assets		---		
Decrease (increase) in trade receivables		32,555		
Decrease (increase) in inventories		(706)		
Increase (decrease) in trade payables		(14,182)		(
Others, net		(42,147)		
Net cash provided by operating activities		10,789		
Investing activities				
Capital expenditures		(39,471)		(
Proceeds from sales of property		1,756		
Others, net		10,504		
Net cash used in investing activities		(27,211)		(
Financing activities				
Increase (decrease) in short- and long-term debt		31,068		(
Sales (repurchase) of common stock, net		(460)		
Dividends paid		(2,864)		
Net cash provided by (used in) financing activities		27,744		(

Effect of exchange rate change on cash and cash equivalents	(318)	
Net increase (decrease) in cash and cash equivalents	11,004	(
Cash and cash equivalents, beginning of period	45,392	
Adjustments for change of fiscal period on consolidated subsidiaries	---	
Cash and cash equivalents, end of period	(Yen) 56,396	(Yen)

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Basis of Financial Statements (Consolidated)

1) Changes in group of entities
Consolidated subsidiaries

Addition: Komatsu Italia S.p.A, Komatsu Shantui Construction Machinery Co., Ltd, and fourteen other companies
Removal: (merger) Komatsu Mining Systems, Inc., Komatsu Reman North America, Inc. and other six companies
(liquidation) Komatsu Parts Ltd and one other company
(exclusion) Komatsu Miyagi Ltd.

Companies accounted for by the equity method
Addition: Solar Grade Silicon LLC and other eight companies
Removal: Komatsu Shantui Construction Machinery Co., Ltd

2) Adoption of New Accounting Standards
Starting in the interim period under review, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets."

3) Subsequent Events
According to the stock-for-stock exchange agreement reached by Komatsu Ltd., Komatsu Forklift Co., Ltd and Komatsu Zenoah Co. on May 10, 2002, the three companies carried out the concerned exchanges on October 1, 2002, and Komatsu has issued common stock to shareholders of Komatsu Forklift and Komatsu Zenoah.

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Business Segment Information

1. Information by Business Unit

(1) Sales and Operating Profit (Loss)
(For the six months ended September 30, 2002 and 2001)

	2003		20
	Operating	Margin	Oper

	Sales	Profit (Loss)	%	Sales	Profi
Construction & Mining Equipment	374,301	13,622	3.6	356,892	
Electronics	43,414	(46)	(0.1)	41,199	(
Others	121,955	2,840	2.3	125,683	
Subtotal	539,670	16,416	3.0	523,774	(
Corporate & Elimination	(21,241)	(2,056)	---	(18,319)	(
Total	518,429	14,360	2.8	505,455	(
Interest and other income		7,753			1
Interest expense		7,117			
Other expenses		9,344			5
Consolidated income (loss) before income taxes		5,652			(5

Note: Sales amount of Construction & Mining Equipment, Electronics and Others includes inter-segment transactions of 2,913, 63 and 18,265 millions of yen in 2003 and 3,820, 151 and 14,348 millions of yen in 2002, respectively.

(2) Assets, Depreciation, and Capital Expenditures

	2003			20	
	As of Sept. 30, 2002	For the six months ended Sept.30, 2002		As of Sept.30, 2001	For th
	Assets	Depreciation and Amortization	Capital Expenditures	Assets	Deprec a Amorti
Construction & Mining Equipment	853,190	21,090	23,568	836,855	1
Electronics	173,414	7,235	5,095	186,226	
Others	227,869	3,933	6,223	241,184	
Subtotal	1,254,473	32,258	34,886	1,264,265	3
Corporate & Elimination	46,900	---	---	36,165	
Total	1,301,373	32,258	34,886	1,300,430	3

Note: In fiscal 2002, the Company recorded impairment losses on assets in the electronics segment.

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2. Information by Region

(1) Sales and Operating Profit (Loss)
(For the six months ended September 30, 2002 and 2001)

M

	2003			2002	
	Sales	Operating Profit	Margin %	Sales	Operat Profit
Japan	339,091	10,043	3.0	336,342	(1,
Americas	137,953	107	0.1	133,174	(2,
Europe	69,550	1,707	2.5	57,967	1,
Others	66,051	3,122	4.7	49,555	(
Subtotal	612,645	14,979	2.4	577,038	(2,
Corporate & Elimination	(94,216)	(619)	---	(71,583)	(2,
Total	518,429	14,360	2.8	505,455	(5,

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

(2) Assets
(As of September 30, 2002 and 2001)

Millions of

	2003		2002	
	Assets	Ratio(%)	Assets	Rati
Japan	943,187	72.5	971,306	7
Americas	328,263	25.2	314,375	2
Europe	87,198	6.7	78,157	
Others	112,955	8.7	95,352	
Subtotal	1,471,603	113.1	1,459,190	11

Corporate & Elimination	(170,230)	(13.1)	(158,760)	(1
Total	1,301,373	100.0	1,300,430	10

3. Overseas Sales

(1) For the six months ended September 30, 2002

	Americas	Europe	Others
Overseas sales	128,118	71,728	106,659
Consolidated net sales	---	---	---
Ratio of overseas sales to consolidated net sales	24.7	13.8	20.6

(2) For the six months ended September 30, 2001

	Americas	Europe	Others
Overseas sales	120,470	62,248	83,195
Consolidated net sales	---	---	---
Ratio of overseas sales to consolidated net sales	23.8	12.3	16.5

Note: 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, 2002 and 2001)

	2003	2002	Incr

		Sales	Ratio(%)	Sales	Ratio(%)	S
Construction & Mining Equipment	Japan	112,790	21.8	129,635	25.7	(1
	Overseas	258,598	49.9	223,437	44.2	3
		371,388	71.7	353,072	69.9	1
Electronics	Japan	23,468	4.5	23,789	4.7	
	Overseas	19,883	3.8	17,259	3.4	
		43,351	8.3	41,048	8.1	
Others	Japan	75,666	14.6	86,118	17.0	(1
	Overseas	28,024	5.4	25,217	5.0	
		103,690	20.0	111,335	22.0	(
Total	Japan	211,924	40.9	239,542	47.4	(2
	Overseas	306,505	59.1	265,913	52.6	4
		518,429	100.0	505,455	100.0	1

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Financial Instruments
(As of September 30, 2002 and 2001)

1. Derivative Financial Instruments

		2003			
		Contract, Notional Amounts	Carrying Amounts	Estimated Fair Value	Contract, Notional Amounts
Foreign exchange contracts and option contracts		14,273	(602)	(602)	5,081
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				
FY 2003					

Purchase of foreign currencies the equivalent of yen	22,968			
Sale of foreign currencies the equivalent of yen	31,985			
Option contracts (Purchased) the equivalent of yen	4,017			
Option contracts (Sold) the equivalent of yen	1,238			
Interest rate swap, currency swap and interest rate cap agreements	261,766	(4,706)	(4,706)	290,080

2. Marketable Securities and Investment Securities

	2003
Investment securities available for sale	
Marketable equity securities	
Cost	23,171
Fair value	29,751
Gross unrealized holding gains	6,580
Marketable debt securities	
Cost	1,407
Fair value	1,407
Gross unrealized holding gains	0

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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
(For the six months ended September 30, 2002 and 2001)

Milli
e

	2003		2002	C I
	Yen	Dollar	Yen	
Net sales	174,491	1,430	183,367	

Japan	86,877	712	117,074	(
Overseas	87,613	718	66,293	
Operating Income	2,548	21	1,941	
Ordinary Income	4,864	40	2,587	
Net income (loss)	4,426	36	(21,909)	
Net income (loss) per share	(Yen) 4.64	(cents) 3.8	(Yen) (22.85)	(Yen)

Notes: 1) The translation of Japanese yen amounts into United States dollar amounts is included solely for convenience and has been made for 2003 at the rate of (Yen) 122 to $1, the approximate rate of exchange at September 30, 2002.

2) The numbers of average common shares outstanding were as follows:
. September 30, 2002 ---953,930,723
. September 30, 2001 ---958,921,701
. March 31, 2002 ---954,720,148

Dividends
(For the six months ended September 30, 2002 and 2001)

	2003	2002
Cash dividends per share (Yen)		
Interim	3.00	3.00
Year-end	---	3.00

Financial Position
(As of September 30, 2002 and 2001)

	2003	2002
Total assets ((Yen) million)	676,642	704,622
Shareholders' equity ((Yen) million)	419,515	445,007
Equity ratio (%)	62.0	63.2
Shareholders' equity per share (Yen)	440.04	464.07

Sales by Operation
(For the six months ended September 30, 2002 and 2001)

Mi

		2003		2002		Cha Inc
		Sales	Ratio(%)	Sales	Ratio(%)	Sal
Construction & Mining Equipment	Japan	68,960	39.5	93,838	51.2	(24,
	Overseas	83,746	48.0	63,120	34.4	20,
		152,707	87.5	156,958	85.6	(4,
Electronics	Japan	1,421	0.8	2,001	1.1	(
	Overseas	162	0.1	265	0.1	(
		1,583	0.9	2,266	1.2	(
Others	Japan	16,494	9.5	21,234	11.6	(4,
	Overseas	3,704	2.1	2,908	1.6	
		20,199	11.6	24,142	13.2	(3,
Total	Japan	86,877	49.8	117,074	63.8	(30,
	Overseas	87,613	50.2	66,293	36.2	21,
		174,491	100.0	183,367	100.0	(8,

Projection for FY2003
(From April 1, 2002 to March 31, 2003)

Mil

	Net sales	Ordinary Income	N
The entire FY2003	375,000	7,000	

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