

KOMATSU LTD
Form 6-K
May 07, 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 May, 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

- 1. Three company announcements made on May 7, 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)

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Date: May 7, 2001

By: /s/ Masaru Fukase

Masaru Fukase
Senior Executive Officer

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NEWS RELEASE

Komatsu Ltd.
2-3-6 Akasaka, Minato-ku,
Tokyo 107-8414, Japan
Public Relations Section
Tel: +81-3-5561-2616
0012(1689)
May 7, 2001
URL: <http://www.komatsu.com/>

KOMATSU ANNOUNCES CONSOLIDATED RESULTS FOR FISCAL 2001
AND OUTLOOK FOR FISCAL 2002

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)1,096.3 billion (US\$8,701 million, at US\$1=(Yen)126) for fiscal 2001 ended March 31, 2001, up 3.9% over the previous fiscal year. Operating income for the fiscal year advanced 60.6%, to (Yen)27.8 billion (US\$221 million). Net income for the fiscal year declined 48.4%, to (Yen)6.9 billion (US\$55 million).

Millions of yen and US dollar, except per share

	2001	2000
Net sales	(Yen)1,096,369	(Yen)1,055,654
Japan	586,865	553,822
Overseas	509,504	501,832
Operating income	27,815	17,318
Net income	6,913	13,395
Net income per share --- Basic	(Yen) 7.24	(Yen) 13.85

1. Business Performance

Management Environment

During the fiscal year under review, the Japanese economy accommodated some signs of moderate autonomous recovery centering on private-sector corporations in the first half period. In the last half period, however, signs of slowing capital investment coupled with reduced exports and industrial production made the Japanese economic mindset less positive. Overseas, the United States economy, which had maintained the record-high length of buoyancy, began to slow down. European economies remained strong in general, albeit with uncertainty of the depreciation of the euro. The recovery pace of overall Asian economies

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slowed down, leaving their uncertainty intact.

Under such an environment, Komatsu Ltd. positioned the fiscal year under review as a year of further strides under the "G" to the 21st/ mid-range management strategy (see page 8 for more information) and worked to improve performance.

For its construction and mining equipment business, the Company completed the restructuring program for Japanese production initiated in 1998 with the closings of Tachikawa and Saitama plants of Komatsu Zenoah for consolidation of production at the Kawagoe Plant (formerly Kawagoe Plant of Komatsu). The Company also worked to expand its business domain by adding IT utilization to its competitive advantages of global sales, service and production networks, "Quality and Reliability"-backed brand power and in-house production of key components.

Back on a recovery track, Komatsu's electronics business continued to facilitate differentiation of products and technologies. The Company also worked to promote operations designed to make effective and timely responses to drastic changes in the business environment.

Komatsu also worked to reinforce its businesses where it can demonstrate its technological superiority, including sale of shares held in Komatsu Construction Co., Ltd., establishment of GIGAPHOTON INC. with USHIO INC. in the area of Excimer laser business, and acquisition of Hensley Industries, Inc., a U.S. manufacturer of parts and components for construction and mining equipment.

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2. Business Results by Operation Construction and Mining Equipment

Sales of construction and mining equipment for fiscal 2001 declined 3.9% from the previous fiscal year, to (Yen)718.1 billion (US\$5,700 million), consisting of (Yen)305.5 billion (US\$2,425 million), up 4.7% in Japan and (Yen)412.5 billion (US\$3,274 million), down 9.5% outside of Japan.

In fiscal 2001 under review, Japanese demand for construction equipment declined slightly, and Komatsu teamed up with its distributors and affiliated rental companies across the country and worked to expand earnings by effectively utilizing information networks for sales, rental and service. The Company concerted its efforts to step up sales of major products such as minimal rear-swing radius hydraulic excavators, large machines and equipment for environmental conservation, such as the mobile crusher/recycler series. The Company also focused on delivering value to customers by holding the Komatsu Management Strategy Seminar and through the E-KOMATSU Net for information and service provision on the Internet.

In the area of Information Technology (IT) utilization, the Company continued to introduce the "KOMTRAX," a construction equipment operation management system designed to improve overall business efficiency of the rental business, to affiliated rental companies. The Company also developed new, original business models in fiscal 2001. Such initiatives include joint operation of a new service for construction equipment customers on the Internet with RICOH Co., Ltd. and a web site (www.anahori.com) dedicated to sales of mini excavators, the first one by the Japanese construction equipment manufacturing industry.

In North America, while new construction investment expanded in 2000, new housing starts of the private sector declined from 1999. As a result, demand

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for construction equipment dropped for the second consecutive year. Komatsu shortened production lead-time considerably, restructured its distributor network and reinforced sales capability. However, North American sales decreased from the previous year.

In Europe, while demand for construction equipment continued to grow, Komatsu companies carried out aggressive marketing and promoted further reorganization and reinforcement of their distributors. As a result, major European units of the Company registered improved sales on a local currencies basis. In response to the depreciated euro, Komatsu worked to secure earnings through further reduction of costs by expanding local procurement of parts and components and implementing rationalization measures, while expanding the product range for local production.

In Southeast Asia, while demand for equipment began to recover, centering on the mining and forestry industries, recovery of overall demand remained delayed. As a result, sales of construction and mining equipment were about the same level from the previous year. Meanwhile, Komatsu made steady gains in sales in the infrastructure investment-driven Chinese market. In February 2001, Komatsu established Komatsu (China) Ltd. in Shanghai as regional headquarters to coordinate operations in China. With this regional headquarters, Komatsu is now better positioned to more effectively utilize the functions of its production, sales and service foundations built over the years and respond to the Chinese market with great potential for growth.

Utility equipment business continued to expand sales from steady growth in North American and European demand. Sales growth was supported by brisk sales of backhoe loaders in North America where Komatsu launched full-scale sales of backhoe loaders two years ago. Komatsu has begun construction of a new plant for utility equipment in South Carolina, U.S.A. With an initial plan to launch production in 2002, Komatsu is well prepared to accelerate sales in this promising market.

Mining equipment business saw some signs of recovery in demand for off-highway dump trucks against the backdrop of improved price for copper. However, this stopped short of full recovery for demand, leaving the difficult management environment in place.

In the area of parts business for construction and mining equipment, Komatsu acquired Hensley Industries, Inc., a leading manufacturer of buckets, teeth and adapters for construction and mining equipment, in December 2000. With Hensley Industries in the Komatsu Group, Komatsu is positioned to expand a line-up of parts and supply their competitive products mainly in the North American market.

Electronics

Sales from the electronics business improved 30.3% over the previous fiscal year, to (Yen)117.7 billion (US\$934 million). Komatsu Electronic Metals Co., Ltd. experienced a dramatic increase in demand for 200mm silicon wafers in the first half period of fiscal 2001 and falling demand in the second half period. Under such an environment, the company worked to improve quality of and technology development for 200mm silicon wafers in both Japan and Taiwan, while undertaking aggressive sales in Japan and overseas. The company also facilitated restructuring including reinforcement of the discrete wafer business and expanded efforts to reduce total costs and expand sales in order to improve profits. Formosa Komatsu Silicon Corporation, a joint-venture

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entity with a local partner, expanded its production facilities and accelerated sales to major customers, thereby establishing its solid presence in the Taiwanese market.

Advanced Silicon Materials LLC. expanded sales over the previous year by focusing on sales of monosilane gas and monosilane gas-based, unique polycrystalline silicon against the backdrop of market growth. However, the company continued to face difficult conditions for earnings, including increased amortization of the Butte Plant as accompanied by its full-scale production.

Meanwhile, Komatsu Electronics, Inc. made a significant gain in sales over the previous fiscal year by taking advantage of expanded demand for micro modules for use in fiber optic communication networks. To meet further growth in demand more flexibly, the company expanded production capacity with new facilities and reached an alliance agreement with Ferrotec Corporation, a competitive manufacturer of thermoelectric modules. The agreement centers on the production of micro modules by a Chinese subsidiary of Ferrotec.

In the Excimer laser business, Komatsu established GIGAPHOTON INC., a 50-50 joint venture with USHIO INC. in August 2000. The joint venture engages in overall Excimer laser business, from research and development, production, and sales to service. Against the backdrop of an improved market supported by aggressive investment by semiconductor manufacturers, the company delivered the number of units at a rate higher than market growth and accomplished larger sales than initially planned.

Others

Sales of the industrial machinery, logistics and other businesses for fiscal 2001 increased 19.7% to (Yen)260.4 billion (US\$2,067 million).

With respect to the large press business, Komatsu expanded sales for the fiscal year with good sales of the WS-3TR series standard-type transfer press for manufacturers of automotive body components and sales to overseas automobile manufacturers for retrofitting their equipment. In the defense equipment business where Komatsu integrated development and production for improved efficiency, sales to Japan's Self Defense Agency remained strong. In the environmental business, the Company delivered three full-scale comprehensive recycling plants for construction wastes in Japan, developing a new business domain.

Komatsu Forklift Co., Ltd., a consolidated subsidiary since this fiscal year, introduced renewed models of the "LEO Plus" engine-powered and battery-powered reach-type "AR" series. The company also promoted the "Proposal for Total Logistics" campaign to customers in fiscal 2001. While market demand increased in North America and Europe, the company expanded both sales and market share in the United States where it had reinforced its sales network. As a result, the company's sales and ordinary profits for the fiscal year improved over the previous fiscal year. Also during the fiscal year, the company built a cooperative global relationship with Linde AG of Germany in production and sales. Under this arrangement, Komatsu Forklift began sales of Linde-made forklift trucks in Japan and Linde's subsidiary launched production of Komatsu Forklift-brand trucks in Europe.

Komatsu Industries Corporation, in charge of sheet metal forming machinery and small and medium-sized presses, posted profits for fiscal 2001 according to the restructuring plan undertaken since 1999. Also during the fiscal year, the company further reinforced the sales alliance with TRUMPF GmbH + Co. KG of Germany, expanded sales of TRUMPF-made products in Japan and embarked on supply of its "PAS" series AC servomotor-driven press brake models to TRUMPF by targeting U.S. and European markets.

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3. Conditions of Consolidated Cash Flows

Net cash provided by operating activities for fiscal 2001 amounted to (Yen)69.9 billion (US\$555 million), net cash used in investing activities to (Yen)35.1 billion (US\$279 million), and net cash used in financing activities to (Yen)75.8 billion (US\$602 million). As a result, cash and cash equivalents at the end of fiscal 2001 totaled (Yen)39.7 billion (US\$316 million), down (Yen)40.7 billion (US\$323 million) from the previous year.

4. Important Decisions Made or Important Facts during the Fiscal Year

Share Repurchase

In May 2000, Komatsu repurchased and retired 10 million par-value common shares by appropriating (Yen)6,341 million of retained earnings in compliance with "Article 3 of the Law Concerning Special Exceptions to the Commercial Code Relating to the Procedures for Cancellation of Shares" of the Commercial Code of Japan.

Komatsu Soft Shares Transferred to Toyo Information Systems

As part of its efforts to strengthen involvement in IT, the Company has decided to establish a partnership relation with Toyo Information Systems Co., Ltd. in the area of core systems. In April 2000, the Company transferred 65% of the outstanding shares of Komatsu Soft Ltd. to Toyo Information Systems. As a result,

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Komatsu Soft changed its status for the Company from a consolidated subsidiary to a company accounted for by the equity method.

Komatsu Forklift Becomes Consolidated Subsidiary

To strengthen the relationship with Komatsu Forklift Co., Ltd., Komatsu converted Komatsu Forklift to a subsidiary in June 2000 by increasing its equity holding in Komatsu Forklift to 50.8% through such means as underwriting part of third-party allotment. In order to enhance competitiveness of the forklift truck business, earlier in February 2000, Komatsu and Komatsu Forklift had signed a basic agreement with Linde AG of Germany to establish a global cooperative relationship in the manufacture and sales of forklift trucks and related products. Now that Komatsu Forklift is its subsidiary, Komatsu is working to accelerate business expansion of the forklift truck business as part of the Komatsu Group. Komatsu is also working to reinforce the management base of Komatsu Forklift and improve their earnings.

(Ref.: Komatsu held 51.5% equity in Komatsu Forklift as of March 31, 2001.)

Excimer Laser Joint Venture Established with USHIO

In August 2000, Komatsu and USHIO INC. jointly established GIGAPHOTON INC. to engage in overall business of Excimer lasers used in lithography tools for semiconductor manufacturing. GIGAPHOTON is strategically positioned to integrate leading-edge technologies and superior production facilities owned by Komatsu and an industrial reputation for high reliability as well as sales and service networks built by USHIO. It is promoting integrated efficiency and speeding up

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development through technological synergy. While working to enhance its global competitiveness, GIGAPHOTON is aiming to launch new products sooner than competitors in its pursuit of the top global market share of Excimer lasers. GIGAPHOTON is accounted for by the equity method.

Komatsu Construction Shares Transferred to TAKAMATSU

In October 2000, Komatsu complied with a takeover bid by TAKAMATSU CORPORATION and transferred its equity shares in Komatsu Construction Co., Ltd. to TAKAMATSU. As a result, Komatsu Construction became a subsidiary of TAKAMATSU. By introducing the management know-how of TAKAMATSU with its strong earning power, Komatsu Construction should reinforce its management base through enhanced efficiency, and improve business performance. As a result of the transfer of shares, Komatsu is better positioned to concentrate its management resources on the mainstay business of construction and mining equipment for implementation of the growth strategy and other businesses in which the Company can maintain a technological edge in order to increase the corporate value of the Komatsu Group.

5. Outlook for Fiscal 2002

United States and European economies slowed down in the second half period of fiscal 2001, and the Japanese economy remained slack throughout fiscal 2001. In this light, there is a concern over sluggish economies prolonging worldwide in fiscal 2002. Under such an environment, Komatsu is going to deliver technology innovation-differentiated products and services to customers for their diversified expectations. To accomplish the goals of the "G" to the 21/st/ mid-range management strategy, the Company is determined to win the mega competition and ensure continued growth.

In the construction and mining equipment business, the Company is going to secure earnings and new growth by undertaking regional and market-specific activities based on globalized operations it had established in different parts of the world. Transcending the boundaries of conventional business styles, the Company is committed to delivering total solutions that customers look for by deploying IT and expanding the environmental business.

In the electronics and other businesses, the Company is going to focus its management resources on business areas where it can maintain a technological edge on a global scale in order to foster their business growth and improve profitability.

For fiscal 2002 ending March 31, 2002, under the "G" to the 21/st/ strategy, the Company projects consolidated net sales of (Yen)1,120.0 billion and net income of (Yen)8.0 billion. Foreign exchange rates are premised at (Yen)118 to US\$1 and (Yen)108 to EUR1 for fiscal 2002.

6. Redistribution of Profits for Fiscal 2001 and 2002

In accordance with its basic policy on redistribution of profits, Komatsu plans to set (Yen)3 cash dividends per share for fiscal year-end. The Company already paid (Yen)3 for interim cash dividends per share. Cash dividends of (Yen)6 per share are being planned for fiscal 2001. As a result, it is projected that the payout ratio for fiscal 2001 will be 79.4%.

Similarly for fiscal 2002, the Company anticipates (Yen)3 each for interim and fiscal year-end cash

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dividends per share ((Yen)6 for fiscal 2002), based on its policy on redistribution of profits and projected business results.

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Management Policy

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 and services, 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.

Mid- and Long-Range Management Strategy and Issues Ahead

Last year, Komatsu launched the "G" to the 21st/ mid-range management strategy for a period of three years, extending to fiscal year ending March 31, 2003, in which we have defined the future directions of the Company.

The Company is determined to become a trusted partner for its customers by delivering smart solutions to their problems by leveraging its integrated strength and world-class technological expertise. 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 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.

While further facilitating its globalization, Komatsu will work to expand sales and profits by incorporating new perspectives of dynamic progress of IT and conservation of the natural environment and by emphasizing the new strategy for the construction and mining equipment business.

With respect to environmental concerns, Komatsu has attained important results from sincere efforts to reduce environmental impact in production. Meanwhile, it should become a lucrative business opportunity for Komatsu when the Company delivers solutions to the environmental problems of its customers with its technologies and systems. By capitalizing on its previous achievements, the Company is going to aggressively expand the environmental business in the following three areas.

- 1) Environmentally harmonious products: Environment-related technology development (such as exhaust emission control, reduction of noise and vibration, engine systems for water-emulsion fuel) and remanufacturing (recycling of parts and components),
- 2) Construction equipment designed for environmental conservation (on-site recycling machinery such as mobile crusher/recycler series), and
- 3) Recycling plants for wastes.

Use of IT not only brings about a higher efficiency in business and information sharing but also changes the way of doing business fundamentally. Komatsu offers networking advantages of our organizations and talented people.

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The Company demonstrates such advantages in research and development, marketing, customer support, as well as creativity, action and speedy teamwork worldwide. With its unique IT, the Company is well prepared to meet a diverse range of expectations of customers.

Komatsu has celebrated its 80th/ anniversary this year. Eighty years ago, Meitaro Takeuchi, Founder of Komatsu, identified the issues for the Company as "innovation of industrial technologies," the development of human resources to support the technology innovation, and an "advance into the international business arena." This founding spirit has been passed down to all Komatsu employees around the world in the form of DNA, driving the Company toward growth in this age of technology innovation and globalization. Komatsu will continue to bank upon these DNA and carry out self-initiated innovation of management and technologies to enrich its growth and prosperity.

Management Goals

Under the "G" to the 21st/ mid-range management strategy, Komatsu has the following figures as management goals for the fiscal year ending March 31, 2003. In addition to net sales and income, the Company is going to emphasize redistribution of profits to its shareholders by working to build a sound and stable financial position. To this end, the Company has also set specific goals for ROE, ROA and free cash flows.

The "G" to the 21st/ is positioned as a point of transit for the Company to accomplish the goals of 10% for ROE and 8% for ROA as a must in the future. The Company is going to allocate its management resources to its core business of construction and mining equipment by translating the new growth strategy into action as well as other businesses where it can maintain its technological edge on a global scale. In this way, the

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Company is determined to produce results.

Goals of the "G" to the 21 st / (Consolidated Basis)	

2003	
Year ending March 31	

Sales	(Yen)1,180 billion

Operating income	(Yen)84 billion

Net income	(Yen)34 billion

Free cash flows	(Yen)37 billion

ROE	6.5%

ROA	6.0%

Notes: ROE = Net income / Shareholders' equity
ROA = Income before income taxes / Total assets

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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 linking with business results, as it secures sufficient internal reserves for reinvestment.

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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Consolidated Financial Highlights (For fiscal years ended March 31, 2001 and 2000)

	2001		2000		Millions except
	Yen	Dollar	Yen	Dollar	Change Increa
					Yen
Net sales	1,096,369	8,701	1,055,654		40,715
Japan	586,865	4,658	553,822		33,043
Overseas	509,504	4,043	501,832		7,672
Income before Income taxes	20,064	159	19,395		669
Net income	6,913	55	13,395		(6,482)
Net income					

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per share					
Basic	(Yen) 7.24	(cents) 5.75	(Yen) 13.85	(Yen) (6.61)	
Diluted	---	---	(Yen) 13.76	---	

Notes:

- 1) . Number of consolidated subsidiaries : 128 companies
 . Number of affiliated companies : 174 companies (including a parent company and 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 fiscal 2001 at the rate of (Yen)126 to \$1, the approximate rate of exchange at March 31, 2001.
- 3) The diluted net income per share computations for fiscal 2001 were not disclosed because of anti-dilutive effect.

Financial Position

(As of March 31, 2001 and 2000)

	2001	2000
Total assets (Millions of yen)	1,403,195	1,375,2
Shareholders' equity (Millions of yen)	474,257	490,4
Equity ratio (%)	33.8	35
Shareholders' equity per share (Yen)	497.12	507.

Projections for FY2002

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

	Net sales	Income before income taxes	Net i
The first half of FY2002	550,000	8,000	3
The entire FY2002	1,120,000	21,000	8

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	2001	2000
	(A)	(B)
Assets		
Current assets:		
Cash and cash equivalents	(Yen) 39,760	(Yen) 80,476
Time deposits	1,110	915
Trade notes and accounts receivable	394,658	368,452
Inventories	255,801	209,089
Other current assets	94,799	93,347
Total current assets	786,128	752,279
Investments	95,179	150,982
Property, plant, and equipment - Less accumulated depreciation	438,795	397,534
Other assets	83,093	74,485
Total	1,403,195	1,375,280
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt (including current Maturities of long-term debt)	230,137	214,970
Trade notes and accounts payable	209,526	184,624
Income taxes payable	11,598	12,792
Other current liabilities	131,634	118,376
Total current liabilities	582,895	530,762
Long-term liabilities	296,776	324,195
Minority interests	49,267	29,869
Shareholders' equity:		
Common stock	67,870	68,370
Capital surplus	117,418	117,366
Retained earnings	321,217	325,914
Accumulated other Comprehensive income (*)	(29,204)	(19,590)
Treasury stock	(3,044)	(1,606)
Total shareholders' equity - net	474,257	490,454
Total	(Yen) 1,403,195	(Yen) 1,375,280

2001

2000

(*)Accumulated other comprehensive income:

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Foreign currency translation adjustments	(Yen)	(29,340)	(Yen)	(39,720)
Net unrealized holding gains on securities available for sale		7,249		23,460
Pension liability adjustments	(Yen)	(7,113)	(Yen)	(3,330)

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Consolidated Statements of Income
(For the fiscal years ended March 31, 2001 and 2000)

	2001	2000	
	(A)	(B)	(A)
Revenues			
Net sales	(Yen) 1,096,369	(Yen) 1,055,654	(Yen)
Interest and other income	30,718	55,857	
Total	1,127,087	1,111,511	
Costs and expenses			
Cost of sales	804,700	796,820	
Selling, general and administrative expenses	263,854	241,516	
Interest expense	22,194	24,392	
Other expense	16,275	29,388	
Total	1,107,023	1,092,116	
Income before income taxes, minority interests, and equity in earnings	20,064	19,395	
Income taxes	13,715	9,950	
Minority interests in income (losses) of consolidated subsidiaries - net	179	(88)	
Equity in earnings of affiliated companies - net	385	4,038	
Net income	(Yen) 6,913	(Yen) 13,395	(Yen)

Note: Komatsu's comprehensive income (loss) consists of net income, change in foreign currency translation adjustments, change in net unrealized holding gains on securities available for sale, and change in pension liability adjustments. Comprehensive income (loss) for the years ended March 31, 2001 and 2000 were (2,701) million yen and 1,241 million yen, respectively.

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Consolidated Statements of Cash Flows
(For fiscal years ended March 31, 2001 and 2000)

	Millions of yen	
	2001	
Net cash provided by operating activities	(Yen) 69,976	(Ye
Net cash provided by (used in) investing activities	(35,142)	
Net cash used in financial activities	(75,863)	
Effect of exchange rate change on cash and cash equivalents	313	
Net decrease in cash and cash equivalents	(40,716)	
Cash and cash equivalents, beginning of year	80,476	
Cash and cash equivalents, end of year	(Yen) 39,760	(Ye

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Business Information

1. Information by Business Unit

(1) Sales and Operating Profit (Loss)

(For fiscal years ended March 31, 2001 and 2000)

	2001			2000	
	Sales	Operating Profit (Loss)	Margin %	Sales	Operating Profit (Loss)
Construction & Mining Equipment	725,547	22,203	3.1	760,132	28,813
Electronics	118,237	2,887	2.4	90,415	(9,113)
For reference purpose only:					
Komatsu Electronics					
Metals (Note 2)	78,525	5,813	7.4	63,862	(3,113)
Others	309,698	6,450	2.1	277,654	1,113

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For reference purpose
only:

Komatsu Forklift (Note 3)	104,649	1,894	1.8	---	
Industrial machinery Segment (Note 3)	38,260	245	0.6	33,785	(1)
Subtotal	1,153,482	31,540	2.7	1,128,201	19
Corporate & Elimination	(57,113)	(3,725)	---	(72,547)	(2)
Total	1,096,369	27,815	2.5	1,055,654	17

- Notes: 1) Sales amount of each business unit includes inter-unit transactions.
2) Public information of an electronic segment company, Komatsu Electronic Metals Co., Ltd., is disclosed based on Japanese standard for consolidation purpose. These public information are disclosed solely for convenience and do not include elimination within the same business unit segment.
3) Public information of Komatsu Forklift Co., Ltd., a company that belongs to others segment, is disclosed based on Japanese standard for consolidation purpose. These public information are disclosed solely for convenience and do not include elimination within the same business unit segment. Also, information concerning industrial segment is disclosed as part of others.

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(2) Assets, Depreciation, and Capital Expenditures

	2001			2000	
	As of Mar. 31, 2001	For the fiscal year ended Mar. 31, 2001		As of Mar. 31, 2000	For t
	Assets	Depreciation and Amortization	Capital Expenditures	Assets	Depre a Amort
Construction & Mining Equipment	868,611	32,317	47,380	672,031	3
Electronics	240,592	20,210	16,476	231,317	2
Others	254,960	11,388	15,454	231,989	
Subtotal	1,364,163	63,915	79,310	1,135,337	6
Corporate & Elimination	39,032	---	---	239,943	
Total	1,403,195	63,915	79,310	1,375,280	6

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Note: In fiscal 2001 and 2000, the Company recorded impairment losses on assets in the electronics segment.

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2. Geographic Information

(1) Net Sales Recognized By Sales Destination

(For fiscal years ended March 31, 2001 and 2000)

Millions of yen		
	2001	2000
Japan	586,865	553,822
Americas	241,091	242,609
Europe	126,479	123,633
Asia (excluding Japan)	117,136	99,558
And Oceania		
Middle East and Africa	24,798	36,032
Consolidated net sales	1,096,369	1,055,654

(2) Net Sales Recognized By Geographic Origin and Long-lived Assets

	2001		2000	
	As of Mar. 31, 2001	For the fiscal year ended Mar. 31, 2001	As of Mar. 31, 2000	For the fi Mar.
	Net Sales	Long-lived Assets	Net Sales	Long-
Japan	662,025	320,194	615,580	
U.S.A	241,745	139,132	245,002	
Europe	112,257	9,664	114,742	
Others	80,342	32,670	80,330	
Total	1,096,369	501,660	1,055,654	

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3. Information by Region

(1) Sales and Operating Profit (Loss)

(For fiscal years ended March 31, 2001 and 2000)

	2001			2000	
	Sales	Operating Profit (Loss)	Margin %	Sales	Operating Profit
Japan	804,670	29,253	3.6	759,149	955
Americas	252,376	(2,302)	(0.9)	253,991	12,354
Europe	125,808	5,945	4.7	129,407	4,284
Others	83,557	364	0.4	84,715	2,202
Subtotal	1,266,411	33,260	2.6	1,227,262	19,795
Corporate & Eliminations	(170,042)	(5,445)	---	(171,608)	(2,477)
Total	1,096,369	27,815	2.5	1,055,654	17,318

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

(2) Assets

(As of March 31, 2001 and 2000)

	2001		2000	
	Assets	Ratio (%)	Assets	Ratio (%)
Japan	1,030,872	73.5	941,282	68.4
Americas	343,967	24.5	289,123	21.0
Europe	83,389	5.9	73,560	5.4
Others	98,057	7.0	83,760	6.1
Subtotal	1,556,285	110.9	1,387,725	100.9
Corporate &				

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Eliminations	(153,090)	(10.9)	(12,445)	(0.9)
Total	1,403,195	100.0	1,375,280	100.0

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4. Overseas Sales

(1) Fiscal year ended March 31, 2001

	Millions of yen			
	Americas	Europe	Others	Total
Overseas sales	241,091	126,479	141,934	509,504
Consolidated net sales	---	---	---	1,096,369
Ratio of overseas sales to consolidated net sales	22.0%	11.5%	12.9%	46.5%

(2) Fiscal year ended March 31, 2000

	Millions of yen			
	Americas	Europe	Others	Total
Overseas sales	242,609	123,633	135,590	501,832
Consolidated net sales	---	---	---	1,055,654
Ratio of overseas sales to consolidated net sales	23.0%	11.7%	12.8%	47.5%

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 fiscal years ended March 31, 2001 and 2000)

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		2001		2000		Inco
		(Yen) Million	Ratio(%)	(Yen) Million	Ratio(%)	(Yen)
Construction	Japan	305,593	27.9	291,804	27.6	13
& Mining	Overseas	412,554	37.6	455,843	43.2	(43)
Equipment		718,147	65.5	747,647	70.8	(29)
Electronics	Japan	74,455	6.8	62,530	5.9	11
	Overseas	43,290	3.9	27,805	2.6	15
		117,745	10.7	90,335	8.6	27
Others	Japan	206,817	18.8	199,488	18.9	7
	Overseas	53,660	5.0	18,184	1.7	35
		260,477	23.8	217,672	20.6	42
Total	Japan	586,865	53.5	553,822	52.5	33
	Overseas	509,504	46.5	501,832	47.5	7
		1,096,369	100.0	1,055,654	100.0	40

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Financial Instruments
(As of March 31, 2001 and 2000)

1. Derivative Financial Instruments

		2001			
		Contract, Notional Amounts	Carrying Amounts	Estimated Fair Value	Con Not Am
Foreign exchange contracts and option contacts		7,941	25	(367)	
FY 2000					
	Purchase of foreign currencies the equivalent of yen	19,196			
	Sale of foreign currencies the equivalent of yen	28,755			
FY 2001					
	Purchase of foreign currencies				

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the equivalent of yen	28,528			
Sale of foreign currencies				
the equivalent of yen	33,074			
Option contracts (Purchased)				
the equivalent of yen	3,395			
Interest rate swap, currency swap and				
Interest rate cap agreements		295,448	(738)	(564)

2. Marketable Securities

			2001	
Investment Securities available for sale				
Marketable equity securities				
Cost			39,876	
Fair value			54,574	
Gross unrealized holding gains			14,698	
Marketable debt securities				
Cost			965	
Fair value			965	
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.

(For fiscal years ended March 31, 2001 and 2000)				Millions except
	2001		2000	Change Increa
	Yen	Dollar	Yen	Yen
Net sales	430,270	3,414	441,423	(11,153)
Domestic	283,148	2,247	281,029	2,118
Overseas	147,122	1,167	160,393	(13,271)
Operating income	14,181	112	12,912	1,269

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Ordinary income	11,281	89	9,936	1,345
Net income	7,222	57	13,612	(6,390)
Earnings per Share				
Basic	(Yen) 7.52	(cent) 5.97	(Yen) 14.05	(Yen) (6.53
Diluted	---	---	(Yen) 13.95	---

- Notes:
- 1) The translation of Japanese yen amounts into United States dollar amounts is included solely for convenience and has been made for 2001 at the rate of (Yen)126 to \$1, the approximate rate of exchange at March 31, 2001.
 - 2) The average numbers of shares for fiscal 2001 and 2000 are as follows:
Fiscal 2001: 960,181,975
Fiscal 2000: 968,921,701
 - 3) The diluted earnings per share computations for fiscal 2001 were not dilutive.

Dividends

(For fiscal years ended March 31, 2001 and 2000)

	2001	2000
Cash dividends per share (yen) per annum	6.00	6.00

Financial Position

(As of March 31, 2001 and 2000)

	2001	2000
Total assets ((Yen) million)	765,446	746,871
Shareholders' equity ((Yen) million)	473,794	469,167
Equity ratio (%)	61.9	62.8
Shareholders' equity per share (Yen)	494.09	484.22

- Note: The numbers of shares issued and outstanding as of the end of fiscal 2001 and 2000 are as follows:
Fiscal 2001: 958,921,701
Fiscal 2000: 968,921,701

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Sales by Operation
(For fiscal years ended March 31, 2001 and 2000)

		2001		2000		Increase (Decrease)
		(Yen) million	Ratio(%)	(Yen) million	Ratio(%)	(Yen)
Construction & Mining	Domestic	221,757	51.5	221,538	50.2	
	Overseas	139,177	32.3	153,853	34.9	(14,676)
Equipment		360,935	83.9	375,392	85.0	(14,457)
Electronics	Domestic	8,484	2.0	11,195	2.5	(2,711)
	Overseas	58	0.0	---	---	58
		8,542	2.0	11,195	2.5	(2,653)
Others	Domestic	52,906	12.3	48,296	10.9	4,610
	Overseas	7,886	1.8	6,540	1.5	1,346
		60,792	14.1	54,836	12.4	5,956
Total	Domestic	283,148	65.8	281,029	63.7	2,119
	Overseas	147,122	34.2	160,393	36.3	(13,271)
		430,270	100.0	441,423	100.0	(11,153)

Projection for FY2002
(From April 1, 2001 to March 31, 2002)

	Net Sales	Ordinary Income
The first half of FY2002	200,000	6,000
The entire FY2002	430,000	14,000

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Tokyo 107-8414, Japan
 Public Relations Section
 Tel: +81-3-5561-2616
 May 7/th/, 2001
 URL: <http://www.komatsu.com/>

ANNOUNCEMENT OF CHANGE OF TOP MANAGEMENT

Please be advised that Komatsu's Board of Directors has resolved the change of its representative directors as follows:

1) The newly appointed are:

Name	New Post	Present Po
Satoru Anzaki	Chairman of the Board	President
Masahiro Sakane	President	Executive Vice Pr

* According to this change, Tetsuya Katada, present Chairman of the Board, will assume the position of Counselor.

2) Curriculum Vitae

Title: Chairman of the Board

Name: Satoru Anzaki

Date of Birth: March 3rd, 1937
 Education: Graduated from Hitotsubashi
 Faculty of Sociology in 1959
 Faculty of Economics in 1961

Business Career: June 2001 Chairman of the Board
 June 1995 - June 2001 President
 June 1991 - June 1995 Executive Managing Director
 November 1988 - June 1991 Managing Director
 March 1985 - November 1988 Director
 April 1961 Joined Komatsu Ltd.

Title: President

Name: Masahiro Sakane
 Date of Birth: January 7/th/, 1941
 Education: Graduated from Osaka City University
 Faculty of Engineering in 1963
 Business Career: June 2001 President
 June 1999 - June 2001 Executive Vice President
 June 1997 - June 1999 Executive Managing Director
 June 1994 - June 1997 Managing Director
 November 1990 - June 1994 COO of Komatsu Dresser Company
 (Currently, Komatsu America International Company)
 June 1989 - October 1990 Director
 April 1963 Joined Komatsu Ltd.

3) Appointment Date

On June 27/th/, 2001, after the annual shareholders' meeting.

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NEWS RELEASE

Komatsu Ltd.
2-3-6 Akasaka, Minato-ku,
Tokyo 107-8414, Japan
Public Relations Section
Tel: +81-3-5561-2616
0013(1690)
May 7, 2001
URL: <http://www.komatsu.com/>

Stock Option Scheme and Acquisition of Own Shares

Komatsu Ltd. presents the following notification of the decision made at its Board of Directors meeting held on May 7, 2001, to propose a stock options scheme and to acquire its own shares in order to carry out the stock options scheme. The implementation of this decision by the Board of Directors is conditional on approval of the proposal at the 132nd regular general meeting of the shareholders to be held on Wednesday, June 27, 2001.

Comments

1. Description of the Share Acquisition

- | | |
|---|-------------------------|
| (1) Type of shares to be acquired: | par value common shares |
| (2) Total number of shares to be acquired: | 1.1 million shares |
| (3) Total value of the share acquisition price ceiling: | 1.0 billion yen |

2. Outline of the Transfer

(1) Subjects of the Transfer

The subjects of the transfer shall include all current members of the Board of Directors as of the 132nd general meeting (7 persons), 18 of Executive Officers, 1 of Global Financial Officer and 6 of Global Officers as of the 132nd general meeting, and those employees who hold a rank equivalent to director (15 persons), based on the Company's compensation system, and who are in office as of the 132nd general meeting.

(2) Number of Shares to be Transferred

A total of 410 thousand shares to the above-mentioned 7 directors and a total of 690 thousand shares to the above-mentioned 40 officers and employees, amounting to a combined total of 1.1 million shares, shall be transferred. A breakdown of the number of shares to be transferred is given on the attachment.

(3) Value of Shares to be Transferred

The value of the shares to be transferred shall be the average closing value, multiplied by 1.05, of the Company's par value common shares averaged over every business day of the month on the Tokyo Stock Exchange (with the exception of days on which the Stock Exchange was closed) prior to the month in which the grant of right was made (figures under one yen shall be counted as one yen). However, the closing value on the date of the grant of right may not be lower than the above average.

If the Company issues new shares at a price that is lower than the stock split or the market price (excluding cases in which the right exercised involves the conversion of a convertible bond or a subscription right), the transfer price shall be adjusted according to the following formula (figures under one yen shall be counted as one yen).

$$\begin{array}{r} \text{No. of existing shares} + \frac{\text{No. of new shares issued} \times \text{amount paid per}}{\text{Price prior to stock split or issuance of}} \\ \text{Transfer price} \\ \text{after adjustment} = \text{transfer price prior adjustment} \times \frac{\text{No. of existing shares} + \text{increased no. of}}{\text{due to stock split or issuance of new}} \end{array}$$

(4) Method of Transfer

The "Contract Granting the Right to Demand the Transfer of Shares of the Company's Stock Valued at a Certain Amount to be Set" (hereinafter the "Grant Contract") shall be in accordance with the provisions stipulated in sub-paragraph 3, paragraph 2, section 2 of Article 210 of the Commercial Code of Japan. The Grant Contract shall be concluded between the Company and the Subjects of the Transfer, in accordance with the previously mentioned decisions of the general meeting of the shareholders and decisions to be made in the future by the Board of Directors.

(5) Term of Exercise of Right

The term of exercise of right shall be from August 1, 2002, to July 31, 2007. In cases in which the grantee of the right dies prior to the end of the term of the exercise of the right, the right of exercise shall pass to the successor (heir) of the decedent; however, the right may only be exercised within a period not longer than 24 months from the date of death of the decedent, notwithstanding the previous provisions.

(6) Conditions on the Right of Exercise

- 1) The grantee of the right may exercise this right according to the provisions of the Grant Contract even after the grantee loses his/her position as a director of the Company, an officer, or an employee. In cases in which the grantee of the right dies, the successor of the grantee may exercise this right according to the provisions of the Grant Contract.
- 2) It will be impermissible to transfer or pledge the right granted.
- 3) Any other conditions governing the exercise of rights shall be in accordance with the provisions of the Grant Contract.

3. Reasons for Transfer

To further raise the enthusiasm and morale of the Company's directors, officers and employees, thereby improving its business results.

4. Others

If it is not possible for the Company to acquire "the total number of shares to be acquired" at the "total value of the share acquisition price," then the Company shall be empowered, at the decision of the Board of Directors, to reduce "the total number of shares to be acquired" and the "number of shares to be transferred."

(end)

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Attachment

Individuals Eligible for Stock Options & the Number of Shares to be Transferred

1. Members of the Board of Directors in office at the time of the 132nd General Shareholders' Meeting (7 persons)

Satoru Anzaki	80,000 shares	Kazuhiro Aoyagi	60,000 shares
Masahiro Sakane	80,000 shares	Kunio Noji	40,000 shares
Toshitaka Hagiwara	70,000 shares	Tetsuya Katada	20,000 shares
Koji Ogaki	60,000 shares		

2. Executive Officers, Global Financial Officer, Global Officers, and employees at the rank of director-equivalent according to the Company's compensation system, at the time of the 132nd General Shareholders' Meeting (40 persons)

Naomi Anesaki	60,000 shares	Masatsugu Nagatomo	10,000 shares
Kunihiko Komiyama	40,000 shares	Tetsuya Nakayama	10,000 shares
Hisashi Wada	40,000 shares	Takeyuki Sakata	10,000 shares
Teruo Nakahara	40,000 shares	Masayuki Satou	10,000 shares
Shuji Sugi	20,000 shares	Yasuo Suzuki	10,000 shares
Susumu Isoda	20,000 shares	Yuzo Suzuki	10,000 shares
Teruo Nagayasu	20,000 shares	Tashiro Takeda	10,000 shares
Kanetake Nakatani	20,000 shares	Tetsuo Takiguchi	10,000 shares
Yuzo Tsumura	20,000 shares	Kanenobu Yoshida	10,000 shares
Masahiro Yoneyama	20,000 shares		
Shigeki Fujimori	20,000 shares		
Munenori Nakao	20,000 shares		
Yuji Watanabe	20,000 shares		
Kenji Kinoshita	20,000 shares		
Makoto Nakamura	20,000 shares		
Hiroshi Suzuki	20,000 shares		
Mamoru Hironaka	20,000 shares		
Masao Fuchigami	20,000 shares		
Keith Sheldon	20,000 shares		
Junro Kawanabe	10,000 shares		
Yoshinori Komamura	10,000 shares		
Kenichi Nakamura	10,000 shares		
Teruaki Noda	10,000 shares		
Yoshitaka Ohmura	10,000 shares		
Toshiji Onuma	10,000 shares		
Yoshio Funabiki	10,000 shares		
Kanichi Kadotani	10,000 shares		
Akifumi Katsushima	10,000 shares		
Toshiyuki Kawaguchi	10,000 shares		
Yasuo Kimura	10,000 shares		
Yoshito Maeyama	10,000 shares		