

KOMATSU LTD
Form 6-K
January 16, 2004
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Report of Foreign Private Issuer

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

For the month of January 2004

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.

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Form 20-F Form 40-F

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

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

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

Yes No

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

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INFORMATION TO BE INCLUDED IN REPORT

1. **Information Required to Make Public**

Pursuant to Article 24-5 of the Securities Exchange Law of Japan (Law No. 25 of 1948, as amended hereinafter the Law), the registrant filed on December 18, 2003 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan and five stock exchanges in Japan a Semi-Annual Report (hanki-hokokusho) for the 135th Fiscal Period from April 1, 2003 to September 30, 2003 prepared in the Japanese language. Said Semi-Annual Report (hanki-hokokusho) was made public in Japan by the Kanto Local Finance Bureau and by those exchanges. The English translation of the Semi-Annual Report (hanki-hokokusho) is attached hereto.

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SIGNATURES

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

KOMATSU LTD.

(Registrant)

Date: January 16, 2004

By:

/s/ Kenji Kinoshita

Kenji Kinoshita

Executive Officer

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[English summary with full translation of consolidated financial information]

**Semiannual Report filed with the Japanese government
pursuant to the Securities and Exchange Law of Japan**

For the six months ended

September 30, 2003

(135th Interim Term)

Komatsu Ltd.

Tokyo, Japan

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Business term	133rd Interim	134th Interim	135th Interim	133rd term	134th term
	Half year	Half year	Half year	Annual	Annual
	Six Months	Six Months	Six Months	Year	Year
	ended	ended	ended	ended	ended
	September 30,	September 30,	September 30,	March 31,	March 31,
Accounting period	2001	2002	2003	2002	2003
Net sales (Millions of yen) (Note 1)	505,455	518,429	567,671	1,035,891	1,089,804
Income (loss) before income taxes, minority interests and equity in earnings (Millions of yen) (Note 2)	(50,857)	5,652	21,492	(106,724)	12,905
Net income (loss) (Millions of yen)	(42,665)	1,858	9,410	(80,621)	3,009
Shareholders' equity (Millions of yen)	424,210	383,123	405,479	395,143	395,366
Total assets (Millions of yen)	1,300,430	1,301,373	1,300,740	1,340,282	1,306,354
Shareholders' equity per share (Yen) (Note 3)	444.45	401.87	408.57	414.02	398.34
Net income (loss) per share (Yen) (Note 4)	(44.69)	1.95	9.48	(84.46)	3.09
Diluted net income (loss) per share (Yen) (Note 5)	(44.69)	1.95	9.36	(84.46)	3.09
Equity ratio (%)	32.6	29.4	31.2	29.5	30.3
Net Cash provided by operating activities (Millions of yen)	41,793	10,789	69,651	60,321	48,257
Net Cash used in investing activities (Millions of yen)	(19,601)	(27,211)	(14,690)	(16,933)	(36,018)
Net Cash provided by (used in) financing activities (Millions of yen)	(34,651)	27,744	(33,981)	(40,455)	18,846
Term-end balance of cash and cash equivalents (Millions of yen)	29,138	56,396	95,963	45,392	76,152
Number of employees	31,372	31,209	30,668	30,760	30,666

- Notes:
1. Amounts equivalent to consumption taxes are not included in the net sales figure.
 2. The Company prepares the financial statements in accordance with generally accepted accounting principles in the United States (US GAAP), under which the category of ordinary income, which usually appears on the above table, is not recognized. In place of ordinary income, as a principal performance indicator, the Company has adopted income (loss) before income taxes, minority interests and equity in earnings on the statements of income.
 3. Calculated based on the number of ordinary shares issued and outstanding as of the term-end.
 4. Calculated based on the average number of ordinary shares outstanding during the term.
 5. Calculated based on weighted average number of ordinary shares outstanding assuming that convertible bonds are fully converted for the interim term ended September 2001 and the term ended March 2002. From the 6-month period ended September 2002, calculated based on weighted average number of ordinary shares outstanding assuming that convertible bonds are fully converted and share subscription rights whose exercise prices are lower than average share price of the Company for the period are exercised. Amounts for diluted net income (loss) per share for the terms excluding the 6-month term ended September 2003 are the same as net income (loss) per share, as no dilution was recognized.

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2. Lines of businesses

The consolidated financial statements for the interim term of the Company were prepared based on Rules and Regulations on Terminology, Formats and Preparation Methods of the Interim Consolidated Financial Statements (1999 Ministry of Finance Ordinance No. 24, Article 81). At the same time, the financial statements were in conformity with US GAAP. Disclosure was made for subsidiaries and affiliates in accordance with US GAAP, based on the financial statements in question. The same principle shall be applied to Section 2 Review of operations and Section 3 Investment in equipment.

The Group (the filing company and subsidiaries and affiliates) carries out a wide range of activities from research and development, production and sales to post-sales services for the Construction and Mining Equipment, Industrial machinery, Vehicles and others and Electronics business segments.

The Company changed the name of others to Industrial Machinery, Vehicles and Others, starting in the interim period under review.

Principal changes of the group in this reporting period are as follows.

(Construction and Mining Equipment)

No significant changes

[Change in status of principal subsidiaries]

Exclusion from the scope of consolidation due to merger: Komatsu Tokushima Ltd.

Inclusion in the scope of consolidation due to establishment of new company: Komatsu Deutschland GmbH

(Industrial Machinery, Vehicles and Others)

No significant changes

[Change in status of principal subsidiaries]

Nothing to be mentioned

(Electronics)

No significant changes

[Change in status of principal subsidiaries]

No significant changes

3. Employees

Group (on a consolidated basis)

As of September 30, 2003

Business segment	Number of Employees
Construction & Mining Equipment	20,911
Industrial Machinery, Vehicles and Others	6,200
Electronics	3,107
Corporate segment	450
Total	30,668

- Notes:
1. Number of employees refers to employees currently working. Casual employees are omitted as they amount to less than 10% of total employees.
 2. Number of employees under Corporate segment refers to employees working for administrative departments who cannot be classified into specific business segments.

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2 Review of Operations

1. Outline of Business

(1) Business Results

During the interim period ended September 30, 2003, consolidated net sales totaled ¥567.6 billion (up 9.5% from the previous first half), with corresponding segment profit of ¥28.2 billion (up 96.7% from the previous first half) and net income of ¥9.4 billion (up 406.5% from the previous first half). The following is a review of each business segment.

The Company changed the name of others to Industrial Machinery, Vehicles and Others, starting in the interim period under review.

[1] Construction and Mining Equipment

In the construction and mining equipment segment, sales totaled ¥413.4 billion, up 10.5% from the corresponding period last year, and segment profit was ¥24.7 billion, up 81.7% from the corresponding previous first half.

During the six-month period under review, demand upturned in all major markets of construction and mining equipment, namely North America, Europe and Japan. Demand also expanded in China, whose demand growth outpaced others in recent years, Southeast Asia, the Middle East, and the Commonwealth of Independent States (CIS) or former Soviet Republics.

In Japan, during the six-month period under review, Komatsu continued to aggressively broaden the line-up of the GALEO series, a new generation of Komatsu construction and mining equipment. Starting in July 2003, Komatsu also embarked on market introduction of new products with Unique and Unrivaled features. Developed by Komatsu Zenoah Co. where we have concentrated our Japanese development and sales capabilities for utility equipment, Komatsu launched the MR-2 series minimal rear-swing mini hydraulic excavators as the first campaign for the Unique and Unrivaled products. This series has enjoyed high marks given by customers for their safety and maintainability, and Komatsu received substantially more orders than initially planned for.

In the downstream aftersales markets, Komatsu Used Equipment Corp. continued to advance sales by capturing brisk overseas demand and further expanding its sales channels with the Internet bidding system, which the company developed. Rental companies of the Komatsu Group continued to promote rental of comprehensive equipment and facilities related to civil engineering jobs, while working to optimize assets and strengthen sales capabilities. To help customers cut down their repair and maintenance costs, Komatsu also worked to increase sales of service-contract products such as Komatsu All Support when selling new equipment.

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In North America, Komatsu's North American sales for the interim period under review increased over the corresponding period last year against the backdrop of demand rebounded after four years, supported by brisk housing starts. Komatsu seized on this opportunity of upturned demand with aggressive sales of GALEO-series equipment, including hydraulic excavators and articulated dump trucks. Komatsu also expanded sales of utility equipment such as backhoe loaders. For the mining equipment business, while demand recovery for off-highway dump trucks still remained dull, Komatsu increased sales of equipment slightly from the previous interim period.

In Europe, overall European demand for construction and mining equipment during the six-month period under review grew over the previous interim period, as the largest European market of Germany, the United Kingdom, Spain and some other markets sustained a high level of demand. Under such an environment, Komatsu worked to strengthen its European sales organization by consolidating marketing capabilities at Komatsu Europe International N.V. in April this year.

In CIS, new demand for equipment grew for use in mines and energy-related projects. Komatsu took advantage of its extensive product offerings, such as dump trucks, bulldozers and pipelayers, and expanded interim sales substantially over the previous interim period. Komatsu has established the Moscow Branch of Komatsu CIS Co. and worked to strengthen operation to capture growing demand for construction equipment for urban use resulting from the progress of the free market economy.

In China, with almost no critical effect of severe acute respiratory syndrome (SARS) on the Chinese market, demand for equipment continued to skyrocket during the six-month period under review. Komatsu Shantui Construction Machinery Co., Ltd. engaged in aggressive production and sales of renewed models of the flagship PC200 hydraulic excavators, and maintained a large market share. In April 2003, Komatsu Shantui accomplished cumulative production and sales of 10,000 units of hydraulic excavators, demonstrating its remarkable growth to Komatsu Group's largest base for the supply of PC200 hydraulic excavators. As part of its efforts to broaden the product mix, the company also embarked on the production and sales of smaller hydraulic excavators, namely the PC60. In addition, Komatsu continued to carry out aggressive operations, including further development of local distributors and expansion of production capacity of a subsidiary, and accomplished a substantial increase of Chinese sales over the previous interim period.

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In Southeast Asia and Oceania, Komatsu's sales for the interim period under review slightly declined from the corresponding period last year, reflecting orders received from a large-lot customer in Indonesia a year ago.

In the Middle East, Komatsu capitalized on steady demand for construction equipment from infrastructure development and other projects by drawing on its strength as a full-line manufacturer, and secured the same level of interim sales as those of the previous interim period. In Africa, Komatsu boosted sales for the six-month period under review.

Total production in the construction and mining equipment segment increased by 12.5% from the previous first half, to approximately ¥402.3 billion on a consolidated and sales price basis.

[2] Industrial Machinery, Vehicles and Others

The consolidated sales of this segment totaled ¥134.8 billion, up 10.6% from the previous first half, and segment profit was ¥5.1 billion, up 81.2% from the previous first half.

On a non-consolidated basis, the Company expanded sales of large presses, equipment to Japan's Defense Agency and other products from the previous first half year.

Komatsu Forklift Co., Ltd. carried out aggressive sales and service activities, centering on the LEO-NXT engine-driven forklift trucks for which the company had secured excellent market response since their market introduction, and achieved growth of sales surpassing that of demand in Japan. With respect to overseas sales, the company's subsidiary in the United States sustained strong sales, while the company expanded exports to the Middle East and CIS. As a result, consolidated interim sales of Komatsu Forklift improved over the corresponding period last year.

Komatsu Industries Corporation accelerated sales of forging presses, centering on Hybrid AC Servo presses for which the company enjoyed solid trust of customers for their outstanding productivity, energy savings and super low noise. In the area of services, Komatsu Industries focused its efforts to expand the engineering business such as retrofitting and improved earnings. As a result, the company increased both sales and profits for the interim period over the corresponding six-month period a year ago.

During the interim period under review, Komatsu Machinery Corp. expanded sales of not only crankshaft millers and other machine tools for its major customer portfolio of automobile manufacturers, but also manufacturing equipment for liquid crystal displays. As a result, Komatsu Machinery improved its interim results substantially over the corresponding period last year.

Komatsu Zenoah Co.'s agricultural and forestry equipment business, while facing slack demand due to bad weather in Japan, enjoyed positive results from market introduction of products with original features, including a knapsack-type brushcutter that features an outstanding degree of freedom of maneuverability resulting from its innovative engine layout. As a result, Komatsu Zenoah increased interim Japanese sales over the corresponding period last year. The company also expanded overseas sales by successfully capitalizing on strong demand in Europe, China and Southeast Asia and gaining a new distributor in Oceania. As a result, interim sales of the agricultural and forestry equipment business advanced

over the corresponding period last year, marking a record-high figure for interim results.

Total production in the industrial machinery, vehicles, others segment increased by 10.6% from the previous first half, to approximately ¥105.7 billion on a consolidated and sales price basis.

[3] Electronics segment

Consolidated sales in the electronics segment was almost the same as the previous first half year, to ¥43.4 billion, and the segment posted segment profit of ¥0.7 billion compared with a year-earlier segment loss of ¥0.04 billion.

Undertaken by Komatsu Electronic Metals Co., Ltd., Komatsu's silicon wafer business continued to experience difficult market conditions, most notably the intensified competition, although the market generated a slow recovery of demand. Komatsu Electronic Metals remained committed to production exclusively in Japan and Taiwan. Formosa Komatsu Silicon Corporation, its operation in Taiwan, further improved both sales and profits by expanding its sales channels in Taiwan, China and Southeast Asia as well as improving the ratio of prime wafers. As a result, Komatsu Electronic Metals sustained consolidated interim sales at about the same level as the corresponding interim period last year, while substantially improving profits. To secure the monthly production of 45,000 pieces of the next-generation mainstream 300mm wafer in the near future, the company continued to make facilities investment within the range of cash flow.

Advanced Silicon Materials LLC. (ASiMI), a manufacturing subsidiary of polycrystalline silicon and other products, expanded sales of monosilane gas mainly for use in the production of semiconductors and liquid crystal displays during the interim period under review. While interim sales declined from the six-month period a year ago, ASiMI improved its profit/loss account with the benefits of consolidation of production implemented in March 2002.

During the interim period under review, Komatsu Electronics, Inc. faced continued slack investment in fiber optic telecommunication-related facilities in North America, in particular, and sales of thermoelectric modules remained sluggish. In the field of semiconductor manufacturing equipment, meanwhile, the company continued its efforts in product development to capture future demand from facilities investment related to 300mm wafers.

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Total production in the electronics segment was almost the same as the previous first half, approximately ¥38.9 billion on a consolidated and sales price basis.

[1] Japan

Sales in Japan totaled ¥368.0 billion, up 8.5% from the previous first half, and segment profit was ¥16.3 billion, up 62.6% from the previous first half. In the construction and mining equipment segment, demand in Japan recovered and also sales exceeded that of the previous year first half. Exports from Japan were good situation too. The results from industrial machinery, vehicles and others were also better owing to the introduction of new characteristic products to the market.

[2] The Americas

Sales in the Americas totaled ¥135.6 billion, down 1.6% from the previous first half, and segment profit was ¥1.8 billion, up 1,644.9% from the previous year first half. In the construction and mining equipment segment, sales amount was almost the same level as the previous first half owing to the aggressive activity to introduce model change machines into the market. Regarding electronics segment, profitability of subsidiaries were improved due to concentration of production.

[3] Europe

In Europe, sales totaled ¥72.2 billion, up 3.9% from the previous first half, while segment profit was ¥3.5 billion, representing a 107.7% rise. In the construction and mining equipment segment, market demand remained robust and good business in CIS, then total sales amount exceeded the previous first half.

[4] Other regions

In other regions the Company posted consolidated net sales of ¥93.4 billion, up 41.5% from the previous year first half, and segment profit of ¥8.0 billion, representing 158.1% increase. In the construction and mining equipment segment there was a sustained large-scale increase of sales in China and business result remained robust. In the electronics segment, Formosa Komatsu Silicon Corporation continuously improved its profitability.

(2) Cash Flows

During the first half ended September 30, 2003, consolidated cash and cash equivalents increased by ¥19.8 billion from the end of the previous fiscal year, to ¥95.9 billion at the end of the half. Net cash provided by operating activities increased by ¥58.8 billion from the previous year first half, when necessitated the payment of early retirement benefits, to ¥69.6 billion. This was mainly because of the recovery of the construction

and mining equipment business and reduction of working capital. Net cash used in investing activities increased by ¥12.5 billion from the previous first half, amounting to ¥14.6 billion, as a result of factors such as capital investment in manufacturing and sales, and the selling investment securities etc. Net cash used in financing activities decreased by ¥61.7 billion from the end of the previous first half, to ¥33.9 billion at the end of the half. This was mainly due to repayment of loans.

2. Status of Production, Orders and Sales

The products manufactured and sold by the Komatsu Group (Komatsu and its consolidated subsidiaries) cover an extensive range and are of numerous types and models, and the same product type may not necessarily be uniform in terms of factors such as capacity, structure, and configuration. Furthermore, there are many products that are not of the type for which orders can be placed and the product manufactured on that basis. Accordingly, the scale of production and scale of orders are not indicated in terms of their value and quantity broken down by category and business segment. In view of this, the status of production, orders, and sales is shown in relation to the results in each individual business segment in 1. Outline of Business above.

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3. Issues to be Addressed

We anticipate that global demand for construction and mining equipment will continue to grow steadily after having bottomed out in 2001. This growth will be fueled by expanding demand in developing markets such as China, with ongoing infrastructure development proceeding at a rapid pace; CIS, former Soviet Republics with natural resource development; and Southeast Asia, with continued recovery of the economies. In addition, demand is upturning in North America.

To accelerate the recovery speed of business performance by seizing the opportunities of demand recovery with self-driven, aggressive actions and placing more efforts to reinforce corporate strength, Komatsu has recently started the Move The World. KOMATSU 5-800 mid-range management plan for the year ending March 31, 2006. Having defined the goals for return on assets, net debt-to-equity ratio in addition to sales and profits for business growth in the new management plan, we are resolutely determined to further enhance utilization of assets and maintain a sound financial position.

While we are also concerned about such factors as overheating investment in China, volatile political conditions in the Middle East and drastic appreciation of the Japanese yen, there will be no change in what Komatsu has to do. In addition to construction and mining equipment, we have placed Industrial-use machinery, such as metal-sheet machines and forging presses, forklift trucks and forestry equipment, as Komatsu's core business. To solidly ensure the Number One position in Asia and Number Two in the global marketplace for our construction and mining equipment business, we are converging our utmost efforts in the following five management tasks.

- 1) To accelerate the implementation of the New Growth Strategy for the Construction and Mining Equipment Business.
- 2) To reinforce our competitiveness based on the Spirit of Manufacturers.
- 3) To facilitate selective focus on the criteria of technological advantage and profitability.
- 4) To reinforce our competitive foundation based on technological capabilities and financial position.
- 5) To further strengthen corporate governance.

All Komatsu Group employees worldwide, including those of us in management, are determined to work with speed on the above tasks and strive to improve Komatsu's business results and accomplish management goals. With respect to profits, in particular, we are going to place all-out efforts to accomplish the Move The World. KOMATSU 5-800 plan and renew our record-high operating profit of ¥78.7 billion for the year ended December 31, 1982.

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While establishing corporate ethics and ensuring soundness of management, Komatsu is also going to engage in environmental conservation and safety management ever more seriously than before. Committed in Quality and Reliability for all aspects of Komatsu's operation, we are working to maximize the corporate value of the Komatsu Group and make Komatsu a company that will enjoy the greater trust of shareholders and all other stakeholders.

4. Important Agreements and Other Matters

Nothing to be mentioned in this reporting period.

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5. Research and Development

The Komatsu Group, comprising Komatsu Ltd. and its consolidated subsidiaries, pursues a policy of vigorous research and development into new technologies and new products encompassing a wide range of fields including construction and mining equipment, industrial machinery, vehicles, and electronics. These R&D activities are based on the Group's commitment to quality and reliability.

The Group's research and development organizational structure consists of the head-office Technology Research Center; separate development centers for construction & mining machinery, centered on the Development Division; technology departments under the parent company's Industrial Machinery and Electronics Divisions; and the technology departments of Group companies. Total R&D expenses on a consolidated basis, recorded under cost of sales or selling, general and administrative expenses, came to ¥20,289 million for the six-month term under review. The objectives, results, and costs of R&D by operating segment are described below.

(1) Construction and Mining Equipment Segment

Komatsu has set up R&D centers in Japan and overseas with the objective of developing construction and mining equipment capable of adapting to climatic and terrain conditions anywhere in the world. Joint research programs are conducted by these R&D centers, and the exchange of personnel is actively carried out. Under the overriding mission of helping to raise our customers' productivity, research and development is being conducted into the following medium-to-long-term themes.

Information technology

Research is being conducted into such aspects of information technology as machine positioning and working status utilizing state-of-the-art sensors and telecommunications technologies; remote-control technologies for machine diagnosis; and artificial intelligence.

Environmental preservation technology

In addition to meeting the Tier II emission control regulations for diesel engines, the Komatsu Group aims to contribute to the reduction of environmental load and the effective utilization of natural resources while at the same time realizing cost-efficiency. To this end, we conduct R&D into energy conservation, component recycling and reuse, and the evaluation of environmental load through lifecycle assessment (LCA) techniques. In addition, from the perception that environmental considerations should apply not only to the ecology but also to people's living and working environment, we also focus considerable effort on research into methods of developing safer machines, reducing noise and vibration, and other means of improving working conditions for machine operators.

The principal products that benefited from R&D during the reporting term are listed below.

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(1) Komatsu Ltd. (the parent company):

Hydraulic excavators: PC400-7, PC450-7, PC600-7, PC650-7, PC750-7, PC800-7, PC128UU-2

Bulldozers: D20-8, D21-8, D65PX-15, D475-5

Wheel loaders: WA120-5, WA150-5, WA200-5, WA250-5, WA320-5

Motor graders: GD555-3, GD655-3, GD675-3

Mobile debris crushers: BR380JG-1, BR100JG-1

(2) Komatsu Zenoah Co.: Mini hydraulic excavators : PC30MR-2, PC35MR-2, PC40MR-2, PC50MR-2

(3) Komatsu Utility Europe S.p.A.: Backhoe-loaders: WB91-2, WB93-2, WB97-2

(4) Komatsu Hanomag GmbH: Wheel-loader: WA320-5

R&D expenses attributable to the above business segments totaled ¥12,477 million.

(2) Industrial Machinery, Vehicles and Others Segment

Research and development is conducted in the field of large presses and sheet-metal forging machines, principally by Komatsu Industries Corporation; into machine tools by Komatsu Machinery Corporation; into industrial vehicles by Komatsu Forklift Co., Ltd.; and into agricultural and forestry equipment by Komatsu Zenoah Co.

In industrial machinery, to respond to growing user needs for higher productivity and flexibility in large presses and sheet-metal forging equipment, research and development was focused on performance improvement and the automation of peripheral equipment. In the six-month period under review, such equipment included tandem press lines utilizing general-purposes robots for goods transport; an expanded number of models in the H2F series of medium-to-large-scale and the H1F series of small-scale AC servo-presses; a new-model bending eye for brakes used in AC servo-presses; and a one-touch smart clamp for metal molds. A model change (TFP3051) was made in the twister processing machine line for plasma processing, and a version of GPM240F crankshaft miller was developed with a longer work length.

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In industrial vehicles, a 1-ton reach forklift truck powered by alternating current was developed, as well as AC-powered 2-ton three-wheeled counter-balanced forklift truck for the American market.

In the field of agricultural and forestry equipment, we developed an ecology-friendly lumber chipper-shredder (SR3000).

Total R&D expenses for the above business segment during the six-month reporting period, including basic research expenses unapportionable to individual operations, were ¥4,831 million.

(3) Electronics Segment

Research and development is conducted into materials and equipment for use mainly in the semiconductor and telecommunications fields.

In the semiconductor field, to respond to the growing demand from device makers for higher-grade silicon wafers that can enable greater density, capacity, and miniaturization in semiconductors, we conducted research into: polycrystalline silicon manufacture, wafer processing for CZ silicon single-crystal pulling, heat treatment and high-quality epitaxial wafers as well as wafer evaluation techniques; and R&D into next-generation wafers including 300 mm (12-inch) wafers. Through such research, we sought to produce single-crystal silicon wafers with a lower defect rate, high-quality epitaxial annealed wafers, and super-flat, high-purity wafers. This R&D was conducted principally by Komatsu Electronic Metals Co., Ltd. Meanwhile, research was also conducted in the field of semiconductor manufacture, such as temperature control equipment including high-temperature chemical circulators, low-temperature equipment for etchers, and the essential components of high-performance thermoelectric module heat-exchange units. This R&D was carried out by Komatsu Electronics, Inc.

In the telecommunications field, Komatsu Electronics conducted research into super-small thermo-modules for use in optical communications. The parent company conducted research on network devices (including printer servers for OA equipment), information terminals (including data transmission terminals mounted in vehicles) as well as vehicle positioning systems. Research and development expenses in this business segment totaled ¥2,981 million.

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In the six-month period ended September 30, 2003, there were no significant changes in principal plants and equipment.

2. Plans for Installation and Disposal of Equipment

The capital investment plan (new installation and retirement) for the current full fiscal year as of the end of the previous fiscal year has been modified as of the end of the current first half as described in the table below as a result of completions or new plans made during the period. The plan amounts shown exclude amounts of investment made during the current first half.

Name of business segment	Capital investment plan amount	Principal objectives
(Millions of yen)		
Construction and Mining Equipment	23,459	Development investment, increases of production, etc.
Industrial Machinery, Vehicles and Others	3,322	Rationalization of production, renewal of obsolete equipment, etc.
Electronics	5,851	Increases in production, improvement of productivity etc.
Total	32,632	

- Notes:
1. Capital investment plan amounts exclude consumption tax, etc.
 2. The funds required for capital investment plan are to be allocated principally from funds on hand and from borrowings.
 3. With the exception of installation and disposal as part of regular renewal of plant and equipment, there was no significant planned installation or disposal of plant and equipment.
 4. The amount of capital investment in the reporting first half.

Name of business segment	Capital investment amount	Principal objectives
(Millions of yen)		
Construction and Mining Equipment	26,041	Development investment, increases of production, etc.
Industrial Machinery, Vehicles and Others	4,178	Rationalization of production, renewal of obsolete equipment, etc.
Electronics	7,149	Increases in production, improvement of productivity etc.
Total	37,368	

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Note: The amounts of capital investment above exclude consumption tax, etc., and the funds required for capital investment were allocated principally from funds on hand and from borrowings, etc.

Table of Contents

4 Filing Company

1. Company Shares

(1) Number of Authorized Shares for Issuance

[1] Number of authorized shares for issuance

<u>Type</u>	<u>Authorized shares (Shares)</u>
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