KOMATSU LTD
Form 6-K
February 01, 2007
Table of Contents

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 2007

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 ¨

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

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

Table of Contents

INFORMATION TO BE INCLUDED IN REPORT

1. A company announcement made on January 31, 2007

Table of Contents

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 31, 2007

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

Table of Contents

Komatsu Ltd.
Corporate Communications Dept.
Tel: +81-(0)3-5561-2616
Date: January 31, 2007
URL: http://www.komatsu.com/

Consolidated Business Results

for Nine Months of the Fiscal Year Ending March 31, 2007 (U.S. GAAP)

1. Matters Related to the Production of the Outline of Business

1) Simplified accounting procedures: Adopted in part to calculate tax expenses.

2) Changes in accounting procedures since the last consolidated fiscal year: None.

3) Changes in group of entities:
Consolidated subsidiaries

Added: 3 companies Removed: 15 companies

Affiliated companies accounted for by the equity method

Added: None Removed: 1 company

2. Results for Nine Months of the Fiscal Year Ending March 31, 2007

(Amounts are rounded to the nearest million yen)
(1) Consolidated Financial Results

	Millions of yen except per share amounts				
			Changes		FY ended
	Nine Months ended December 31, 2006	Nine Months ended December 31, 2005	Increase		March 31, 2006
Net sales	**1,354,345**	1,172,674	181,671	15.5%	1,631,583
Operating income	**169,390**	122,266	47,124	38.5%	164,807
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies	**163,594**	116,508	47,086	40.4%	157,125

Net income	**109,561**	83,722	25,839	30.9%	114,290
Net income per share (Yen)					
Basic	**¥ 110.27**	¥ 84.36	¥ 25.91		¥ 115.13
Diluted	**¥ 110.08**	¥ 84.24	¥ 25.84		¥ 114.93

Notes: 1) Perentages shown above, such in net sales and operating income, represent the rates of change compared with the corresponding nine months a year ago.

2) Operating income stated hereafter represents the amount in conformity with U.S. GAAP, as Komatsu Ltd. changed its form of consolidated statement of income from single- to multiple-step, starting in the first half period ended September 30, 2006. The previous operating income for the fiscal year ended March 31, 2006 and for the nine months ended December 31, 2005, are presented in conformity with U.S. GAAP to ensure comparability.

3) In accordance with Statement of Financial Accounting Standards No.144, Accounting for the Impairment or Disposal of Long-Lived Assets, the consolidated statements of income for the fiscal year ended March 31, 2006 and for the nine months ended December 31, 2005 have been retrospectively reclassified as for the discontinued operations.

Table of Contents

(2) Consolidated Financial Position

	As of December 31, 2006	As of March 31, 2006
Total assets (Millions of yen)	**1,768,506**	1,652,125
Shareholders equity (Millions of yen)	**728,814**	622,997
Shareholders equity ratio (%)	**41.2**	37.7
Shareholders equity per share (Yen)	**733.38**	626.98

3. Management Performance (Consolidated)

For the 9-month period of the fiscal year, ending March 31, 2007, Komatsu posted consolidated net sales of ¥1,354.3 billion, up 15.5% over the previous corresponding period. Operating income advanced 38.5%, to ¥169.3 billion, while net income reached ¥109.5 billion, up 30.9%. All three results represent record-high figures for 9-month periods, and expanded sales and profits for five consecutive 9-month periods. Operating income ratio improved to 12.5%, up 2.1 percentage points from the 9-month period a year ago.

While our construction and mining equipment business continued to excel in performance, our business of industrial machinery, vehicles and others improved steadily.

On October 18, 2006, Komatsu sold 51% of the shares of Komatsu Electronic Metals Co., Ltd. (KEM). The Company had held a total of 61.93%. As a result, starting in the third quarter period of the fiscal year ending March 31, 2007, KEM and its subsidiaries were no longer consolidated. For the 9-month period under review, Komatsu stated the gain on the sale of KEM and the operation results of KEM and its subsidiaries as a separate line item, net income from discontinued operations, in the consolidated statements of income in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Accordingly, related figures for the corresponding period a year ago are also retrospectively reclassified.

Results by operation are summarized below. Segment profit by operation is based on net sales less cost of sales and selling, general and administrative expenses. Segment profit ratios are based on sales after eliminating inter-segment transactions.

Construction and Mining Equipment

Consolidated net sales of construction and mining equipment for the 9-month period continued to increase to ¥1,118.8 billion, up 20.1% over the corresponding period last year, registering record-high 9-month sales, as Komatsu stepped up its production capacity, secured procurements in cooperation with suppliers, and aggressively launched renewed models which are compliant with Tier 3 emission gas regulations against the backdrop of expanded market demand.

Segment profit reached ¥ 152.7 billion, up 55.6% over the previous 9-month period, reflecting expanded sales volume and improved selling prices. Similarly, segment profit ratio increased 3.1 percentage points, to 13.6% for the 9-month period under review.

In North America, while U.S. housing starts slowed down, sales advanced for the 9-month period, supported by strong demand from non-residential construction projects, highway-related works and resource developments. Sales also boosted in Europe, CIS, China, Oceania, the Middle East, Africa and Latin America. In Southeast Asia, demand had been slack since the end of 2005, but recovery of demand became evident in the second half period under review.

In Japan we successfully leveraged expanded demand from the rental equipment sector, as private-sector capital outlays increased. In January 2007, we embarked on the production of large equipment for mining use at the Ibaraki Plant in Hitachinaka City, Japan and at Komatsu India Private Limited in Chennai, India.

Table of Contents

[Sales of Construction and Mining Equipment by Region]

	Nine months ended December 31, 2006 (A) 1USD=¥116 1EUR=¥149	Nine months ended December 31, 2005 (B) 1USD=¥113 1EUR=¥137	Billions of yen Changes Increase (A)-(B)	
Japan	**208.3**	200.6	7.7	3.8%
The Americas	**357.1**	302.7	54.4	18.0%
Europe & CIS	**211.4**	164.6	46.8	28.4%
Asia & Oceania	**165.5**	144.8	20.7	14.3%
China	**69.5**	42.1	27.3	64.9%
The Middle East & Africa	**106.7**	76.2	30.5	40.1%
Total	**1,118.8**	931.2	187.6	20.1%

Industrial Machinery, Vehicles and Others

Consolidated net sales of industrial machinery, vehicles and others increased 2.5%, to ¥214.9 billion for the 9-month period under review. Segment profit improved 18.9%, to ¥19.0 billion, and segment profit ratio, to 8.9%, up 1.3 percentage points over the corresponding period a year ago.

Major subsidiaries of this business segment, such as Komatsu Forklift Co., Ltd., Komatsu Industries Corporation and Komatsu Machinery Corporation, continued to expand their performance.

With respect to the business of large presses, Komatsu is reinforcing its production capacity while anticipating growing demand. We have recently launched production at the new Kanazawa Plant in Kanazawa City, Ishikawa Prefecture, Japan.

Concerning the outdoor power equipment (OPE) business of Komatsu Zenoah Co., Komatsu signed the definitive agreement with Husqvarna AB of Sweden on January 30, 2007, to sell this business after splitting off from Komatsu Zenoah Co. as a new company named Zenoah Co., Ltd.

As the definitive agreement to sell the OPE business of Komatsu Zenoah Co. was signed, this business will no longer be consolidated in Komatsu s results. For the fiscal year ending March 31, 2007, Komatsu will state the results related to this business as a separate item, net income from discontinued operations, in the consolidated statements of income in accordance with Statement of Financial Accounting Standards No. 144.

Electronics

Consolidated net sales from the electronics business totaled ¥20.5 billion, a decline of 35.0% from the corresponding 9-month period a year ago. Segment profit dropped 41.3%, to ¥1.6 billion, and segment profit ratio fell by 0.9 percentage points, to 8.1% for the 9-month period under review.

While Komatsu Electronics Inc., engaging in the production and sales of semiconductor manufacturing equipment, improved its performance, the decline in sales and segment profit mainly reflects adverse effects of the sale of Advanced Silicon Materials LLC executed in the previous fiscal year.

Table of Contents

4. Financial Conditions (Consolidated)

Total assets at December 31, 2006 amounted to ¥1,768.5 billion, an increase of ¥116.3 billion from the previous fiscal year-end. While tangible fixed assets decreased as a result of excluding Komatsu Electronic Metals Co., Ltd. (KEM) and its subsidiaries, this increase is attributable to growth in trade notes and accounts receivable as well as inventories resulting from expanded sales of construction and mining equipment. Meanwhile, interest-bearing debt declined by ¥18.3 billion, to ¥359.6 billion, reflecting the exclusion of KEM and its subsidiaries from consolidation.

Shareholders equity totaled ¥728.8 billion, up ¥105.8 from the previous fiscal year-end, reflecting expanded profits. As a result, shareholders equity ratio improved to 41.2%. Net debt-to-equity ratio* further improved to 0.38 at December 31, 2006, compared to 0.49 at the previous fiscal year-end.

* Net DER = (Interest-bearing debt Cash and cash equivalents Time deposits)/shareholders equity

5. Projection for the Entire Fiscal Year ending March 31, 2007 (Consolidated)

(From April 1, 2006 to March 31, 2007)

As the definitive agreement to sell the OPE business of Komatsu Zenoah Co. (KZ) was signed on January 30, 2007, the projections disclosed on October 31, 2006 are changed as below.

Billions of yen

	FY ended March 31, 2006			**FY ending March 31, 2007**		
	Results	**Results excluding KEM***	**Results excluding KZ s OPE business** (a)**	**Excluding KEM***	**Excluding KZ s OPE business (b)**	**Changes (b)/(a)**
Net sales	1,701.9	1,631.5	1,612.1	1,868.0	**1,847.0**	14.6%
Segment profit	176.4	165.9	164.4	237.0	**236.0**	43.5%
Operating income	176.7	164.8	163.3	231.0	**230.0**	40.8%
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies	169.0	157.1	155.7	220.0	**219.0**	40.6%
Net income from continuing operations	114.2	109.9	109.1	135.0	**134.0**	
Net income from discontinued operations		4.3	5.1	10.0	**11.0**	
Net income	114.2	114.2	114.2	145.0	**145.0**	26.9%

* KEM: Komatsu Electronic Metals Co., Ltd. was sold to SUMCO Corporation on October 18, 2006.
** Unaudited

Note: As the definitive agreement to sell the OPE business of Komatsu Zenoah Co. was signed, this business will no longer be consolidated in Komatsu s results. For the fiscal year ending March 31, 2007, Komatsu will state the results related to this business as a separate item, net income from discontinued operations, in the consolidated statements of income. The corresponding figures for previous fiscal years will also be retrospectively reclassified.

Cautionary Statement

The announcement set forth herein contains forward-looking statements which reflect management's current views with respect to certain future events, including expected financial position, operating results, and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company s principal markets; changes in exchange rates or the impact of increased competition; unanticipated cost or delays encountered in achieving the Company's objectives with

respect to globalized product sourcing and new Information Technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; and, the impact of regulatory changes and accounting principles and practices.

Table of Contents

Condensed Consolidated Balance Sheets

	Millions of yen		
	As of December 31, 2006 (A)	As of March 31, 2006 (B)	Changes Increase (Decrease) (A)-(B)
Assets			
Current assets:			
Cash and cash equivalents	**¥ 82,413**	¥ 69,997	¥ 12,416
Time deposits	**97**	54	43
Trade notes and accounts receivable	**428,977**	397,998	30,979
Inventories	**449,226**	370,074	79,152
Other current assets	**122,076**	109,778	12,298
Total current assets	**1,082,789**	947,901	134,888
Long-term trade receivables	**65,836**	72,844	(7,008)
Investments	**154,538**	125,517	29,021
Property, plant, and equipment -			
Less accumulated depreciation	**377,566**	400,667	(23,101)
Other assets	**87,777**	105,196	(17,419)
Total	**1,768,506**	1,652,125	116,381
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term debt (including current maturities of long-term debt)	**213,963**	182,710	31,253
Trade notes and accounts payable	**345,052**	304,776	40,276
Income taxes payable	**40,247**	37,004	3,243
Other current liabilities	**175,052**	164,353	10,699
Total current liabilities	**774,314**	688,843	85,471
Long-term liabilities	**246,448**	292,416	(45,968)
Minority interests	**18,930**	47,869	(28,939)
Shareholders' equity:			
Common stock	**67,870**	67,870	
Capital surplus	**137,145**	136,137	1,008
Retained earnings	**486,640**	399,938	86,702
Accumulated other comprehensive income (loss)*	**40,671**	23,095	17,576
Treasury stock	**(3,512)**	(4,043)	531
Total shareholders' equity	**728,814**	622,997	105,817

Total	**¥ 1,768,506**	¥ 1,652,125	¥ 116,381

* Accumulated other comprehensive income (loss):

	As of December 31, 2006	As of March 31, 2006	Changes Increase (Decrease)
Foreign currency translation adjustments	**¥ 9,831**	¥ (2,240)	¥ 12,071
Net unrealized holding gains on securities available for sale	**41,818**	36,910	4,908
Pension liability adjustments	**(10,099)**	(11,299)	1,200
Net unrealized holding gains (losses) on derivative instruments	**(879)**	(276)	(603)
Short & long-term debt	**¥ 359,610**	¥ 377,913	¥ (18,303)

Table of Contents

Condensed Consolidated Statements of Income

(For nine months ended December 31, 2006 and 2005)

	Millions of yen		Changes	
	2006 (A)	2005 (B)	Increase (Decrease) (A)-(B)	%
Net sales	**¥ 1,354,345**	¥ 1,172,674	¥ 181,671	15.5
Cost of sales	**969,035**	861,197	107,838	
Selling, general and administrative expenses	**213,482**	196,553	16,929	
Other operating income (expenses)	**(2,438)**	7,342	(9,780)	
Operating income	**169,390**	122,266	47,124	38.5
Other income (expenses)				
Interest and dividend income	6,219	5,093	1,126	
Interest expense	(11,134)	(9,067)	(2,067)	
Other-net	(881)	(1,784)	903	
Other income (expenses)	(5,796)	(5,758)	(38)	
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliated companies	**163,594**	116,508	47,086	40.4
Income taxes	**63,050**	32,979	30,071	
Minority interests in income of consolidated subsidiaries	**(4,569)**	(4,191)	(378)	
Equity in earnings of affiliated companies	**2,594**	1,104	1,490	
Net income from continuing operations	**98,569**	80,442	18,127	22.5
Net income from discontinued operations	**10,992**	3,280	7,712	235.1
Net income	**¥ 109,561**	¥ 83,722	¥ 25,839	30.9

Notes: 1) Starting from the first half period ended September 30, 2006, Komatsu changed its form of consolidated financial statement of income from single- to multiple-step. Operating income is expressed in conformity with U.S. GAAP.

2) In accordance with Statement of Financial Accounting Standards No.144, Accounting for the Impairment or Disposal of Long-Lived Assets, the result of discontinued operations, less applicable income taxes, is presented as net income from discontinued operations. Previously reported amounts have been reclassified accordingly.

Table of Contents

Business Segment Information

(For nine months ended December 31, 2006 and 2005)

Millions of yen

	2006 (A)			2005 (B)			Changes Increase (Decrease) (A)-(B)	
	Sales	Segment Profit	Segment Profit Ratio (%)	Sales	Segment Profit	Segment Profit Ratio (%)	Sales	Segment Profit
Construction and Mining Equipment	**1,137,036**	**152,701**	**13.4**	946,989	98,124	10.4	190,047	54,577
Industrial Machinery, Vehicles and Others	**288,923**	**19,084**	**6.6**	271,934	16,049	5.9	16,989	3,035
Electronics	**20,569**	**1,669**	**8.1**	31,656	2,843	9.0	(11,087)	(1,174)
Subtotal	**1,446,528**	**173,454**	**12.0**	1,250,579	117,016	9.4	195,949	56,438
Corporate & Elimination	**(92,183)**	**(1,626)**		(77,905)	(2,092)		(14,278)	466
Total	**1,354,345**	**171,828**	**12.7**	1,172,674	114,924	9.8	181,671	56,904

Note: In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the operating results from the discontinued operations have been reclassified.

Table of Contents

Consolidated Sales by Operation

(For nine months ended December 31, 2006 and 2005)

		Millions of yen					
		2006		2005		Changes Increase (Decrease)	
		(A)		(B)		(A)-(B)	
		Sales	Ratio (%)	Sales	Ratio (%)	Sales	(%)
Construction and Mining Equipment	Japan	**208,332**	**15.4**	200,625	17.1	7,707	3.8
	Overseas	**910,483**	**67.2**	730,578	62.3	179,905	24.6
		1,118,815	**82.6**	931,203	79.4	187,612	20.1
Industrial Machinery, Vehicles and Others	Japan	**136,502**	**10.1**	136,808	11.7	(306)	(0.2)
	Overseas	**78,466**	**5.8**	73,013	6.2	5,453	7.5
		214,968	**15.9**	209,821	17.9	5,147	2.5
Electronics	Japan	**6,516**	**0.5**	13,574	1.2	(7,058)	(52.0)
	Overseas	**14,046**	**1.0**	18,076	1.5	(4,030)	(22.3)
		20,562	**1.5**	31,650	2.7	(11,088)	(35.0)
Total	Japan	**351,350**	**26.0**	351,007	30.0	343	0.1
	Overseas	**1,002,995**	**74.0**	821,667	70.0	181,328	22.1
		1,354,345	**100.0**	1,172,674	100.0	181,671	15.5

Note: In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the operating results from the discontinued operations have been reclassified.

Table of Contents

Reference:

Consolidated Business Results for Three Months from October through December 2006

(1) Business Segment Information

	Three months ended December 31, 2006 (A)			Three months ended December 31, 2005 (B)			Millions of yen Changes Increase (Decrease) (A)-(B)	
	Sales	Segment Profit	Segment Profit Ratio (%)	Sales	Segment Profit	Segment Profit Ratio (%)	Sales	Segment Profit
Construction and Mining Equipment	**386,498**	**51,239**	**13.3**	323,236	33,392	10.3	63,262	17,847
Industrial Machinery, Vehicles and Others	**94,319**	**5,571**	**5.9**	95,106	5,430	5.7	(787)	141
Electronics	**7,153**	**651**	**9.1**	9,880	364	3.7	(2,727)	287
Subtotal	**487,970**	**57,461**	**11.8**	428,222	39,186	9.2	59,748	18,275
Corporate & Elimination	**(32,687)**	**505**		(32,374)	(753)		(313)	1,258
Total	**455,283**	**57,966**	**12.7**	395,848	38,433	9.7	59,435	19,533

Table of Contents

(2) Consolidated Sales by Operation

		Three months ended December 31, 2006		Three months ended December 31, 2005		Millions of yen Changes Increase (Decrease)	
		(A)		(B)		(A)-(B)	
		Sales	Ratio (%)	Sales	Ratio (%)	Sales	(%)
Construction and Mining Equipment	Japan	**75,055**	**16.5**	71,254	18.0	3,801	5.3
	Overseas	**305,066**	**67.0**	244,856	61.9	60,210	24.6
		380,121	**83.5**	316,110	79.9	64,011	20.2
Industrial Machinery, Vehicles and Others	Japan	**44,564**	**9.8**	44,075	11.1	489	1.1
	Overseas	**23,446**	**5.1**	25,784	6.5	(2,338)	(9.1)
		68,010	**14.9**	69,859	17.6	(1,849)	(2.6)
Electronics	Japan	**2,349**	**0.5**	4,030	1.0	(1,681)	(41.7)
	Overseas	**4,803**	**1.1**	5,849	1.5	(1,046)	(17.9)
		7,152	**1.6**	9,879	2.5	(2,727)	(27.6)
Total	Japan	**121,968**	**26.8**	119,359	30.1	2,609	2.2
	Overseas	**333,315**	**73.2**	276,489	69.9	56,826	20.6
		455,283	**100.0**	395,848	100.0	59,435	15.0

(3) Sales of Construction and Mining Equipment by Region

	Three months ended December 31, 2006	Three months ended December 31, 2005	Millions of yen Changes Increase	
	(A)	(B)	(A)-(B)	
Japan	**75,055**	71,254	3,801	5.3%
The Americas	**112,135**	106,152	5,983	5.6%
Europe & CIS	**75,922**	58,880	17,042	28.9%
Asia & Oceania	**57,880**	41,188	16,692	40.5%
China	**22,730**	15,558	7,172	46.1%
The Middle East & Africa	**36,399**	23,078	13,321	57.7%
Total	**380,121**	316,110	64,011	20.2%

(end)