

Komatsu Ltd.

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**Consolidated Business Results for the Fiscal Year Ended
March 31, 2020 (U.S. GAAP)**

1. Results for the Fiscal Year Ended March 31, 2020

(Amounts are rounded to the nearest million yen)

(1) Consolidated Financial Highlights

(For the fiscal years ended March 31, 2020 and 2019)

Millions of yen except per share amounts

	2020	2019	Changes	
	[A]	[B]	[A-B]	[(A-B)/B] (%)
Net sales	2,444,870	2,725,243	(280,373)	(10.3%)
Operating income	250,707	397,806	(147,099)	(37.0%)
Income before income taxes and equity in earnings of affiliated companies	223,114	377,471	(154,357)	(40.9%)
Net income attributable to Komatsu Ltd.	153,844	256,491	(102,647)	(40.0%)
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	¥162.93	¥271.81	¥(108.88)	
Diluted	¥162.80	¥271.51	¥(108.71)	
Return on equity	8.6%	14.7%	(6.1%)	
Return on total assets	6.1%	10.8%	(4.7%)	
Return on sales	10.3%	14.6%	(4.3%)	

Notes: 1) Comprehensive income:

 2020: 66,258 millions of yen, down 75.1% from 2019

 2019: 266,464 millions of yen, up 67.0% from 2018

2) Equity in earnings of affiliated companies:

 2020: 3,443 millions of yen

 2019: 3,779 millions of yen

3) Return on equity is calculated by using net income attributable to Komatsu Ltd. and total Komatsu Ltd. shareholders' equity.

4) Return on total assets is calculated by using income before income taxes and equity in earnings of affiliated companies.

5) Return on sales is calculated by using operating income.

(2) Consolidated Financial Position
(As of March 31, 2020 and 2019)

Millions of yen except per share amounts

	2020	2019
Total assets	3,653,686	3,638,219
Total equity	1,856,225	1,902,868
Komatsu Ltd. shareholders' equity	1,771,606	1,815,582
Komatsu Ltd. shareholders' equity ratio	48.5%	49.9%
Komatsu Ltd. shareholders' equity per share (Yen)	¥1,875.47	¥1,923.47

(3) Consolidated Cash Flows
(For the fiscal years ended March 31, 2020 and 2019)

Millions of yen

	2020	2019
Net cash provided by (used in) operating activities	295,181	202,548
Net cash provided by (used in) investing activities	(190,930)	(187,204)
Net cash provided by (used in) financing activities	(3,457)	(3,660)
Cash and cash equivalents, end of year	247,616	148,479

2. Dividends

(For the fiscal years ending March 31, 2021 and ended March 31, 2020 and 2019)

	2020	2019	2021 Projections
Cash dividends per share (Yen)			
Interim	55.00	51.00	-
Year-end	39.00	59.00	-
Total	94.00	110.00	-
Annual dividends (Millions of yen)	88,827	103,874	-
Payout ratio (Consolidated basis) (%)	57.7%	40.5%	-%
Dividends as percentage of equity (Consolidated basis) (%)	4.9%	6.0%	-

3. Projections for the Fiscal Year Ending March 31, 2021

(From April 1, 2020 to March 31, 2021)

As of today, it is impossible to predict the end of the coronavirus (COVID-19) pandemic. Concerning the projection of consolidated business results for the fiscal year ending March 31, 2021, it is difficult for Komatsu to calculate them in an appropriate and rational manner, so they remain undecided as of now. Komatsu will disclose them as soon as it becomes possible to calculate them in the future.

4. Others

(1) Changes in important subsidiaries during the year under review: None

(2) Changes in accounting standards, procedures and presentations

1) Changes resulting from revisions in accounting standards, etc.: Applicable

2) Change in other matters except for 1) above: None

Note: Refer to “Changes resulting from revisions in accounting standards, etc” on page 20 for more details.

(3) Number of common shares outstanding

1) The numbers of common shares issued (including treasury stock) as of March 31 were as follows:

2020: 972,581,230 shares

2019: 972,252,460 shares

2) The numbers of treasury stock as of March 31 were as follows:

2020: 27,959,273 shares

2019: 28,343,514 shares

3) The weighted average numbers of common shares outstanding were as follows:

2020: 943,771,382 shares

2019: 943,461,673 shares

Note: Refer to “Net Income per Share” on page 23 for the number of common shares, which was used as the basis for calculating the amount of net income attributable to Komatsu Ltd. per share.

[Reference]

Financial Highlights of Komatsu Ltd. (“Company”)

The following financial information is prepared based on the non-consolidated financial results of the Company in accordance with generally accepted accounting principles and practices in Japan.

Results for the Fiscal Year Ended March 31, 2020

(1) Non-Consolidated Financial Highlights

(For the fiscal years ended March 31, 2020 and 2019)

Millions of yen except per share amounts

	2020	2019	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B] (%)
Net sales	719,292	928,967	(209,675)	(22.6%)
Ordinary profit	62,008	195,534	(133,526)	(68.3%)
Net income	58,316	157,754	(99,438)	(63.0%)
Net income per share (Yen)				
Basic	¥61.73	¥167.10	¥(105.37)	
Diluted	¥61.70	¥166.94	¥(105.24)	

(2) Non-Consolidated Financial Position

(As of March 31, 2020 and 2019)

Millions of yen except per share amounts

	2020	2019
Total assets	1,356,652	1,339,074
Net assets	829,003	877,409
Equity ratio (%)	61.0%	65.4%
Net assets per share (Yen)	¥876.06	¥927.18

Note: Shareholders' equity: 2020: 827,966 million yen 2019: 875,612 million yen

Notes:

- Sales and profits gains reports are not subject to audit by CPA or audit firm.
- Explanations concerning the appropriate use of the forests for results of operations and other special matters.
 1. The aforementioned forecasts, plans and projections for results of operations in this report are determined by top management of the Company to be reasonable, based on the currently available information. Please be advised that actual results may differ significantly from the forecasts, plans or projections in this report, due to a variety of changing factors. Such factors may include economic conditions and changes in demand for products in major markets, fluctuations on the foreign exchange market, and changes in regulations, accounting standards and practices in Japan and abroad.
 2. Concerning the background and preconditions of the forecasts for results of operations, refer to “Projections for the Fiscal Year Ending March 31, 2021” on page 9 of the attachment.
 3. Amounts, shown in the outline of Financial Highlights of Komatsu. (“Company”), are rounded to the nearest million yen.
 4. The Company plans to upload the contents (voice) of Financial Results Briefing together with related materials and supplementary information to the Company’s website (<https://home.komatsu/en/ir/>).

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Management Performance and Financial Conditions

(1) Outline of Operations and Business Results

Komatsu Ltd. (“Company”) and its consolidated subsidiaries (together “Komatsu”) have engaged in the three-year mid-term management plan (FY2019 - 2021), “DANTOTSU Value - *FORWARD* Together for Sustainable Growth” for its 100th anniversary in 2021 and beyond. Under the mid-term management plan, Komatsu upholds three pillars of growth strategies of 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. Komatsu is making efforts for sustainable growth through a positive cycle of improving earnings and solving ESG issues.

For the fiscal year under review (April 1, 2019 – March 31, 2020), the first year of the mid-term management plan, consolidated net sales totaled JPY 2,444.8 billion, down 10.3% from the previous fiscal year. In the construction, mining and utility equipment business, demand declined in Strategic Markets, centering on Asia, and in some other regions, as adversely affected by the coronavirus (COVID-19) pandemic in the fourth quarter. As a result, sales decreased from the previous fiscal year. In the industrial machinery and others business, demand for presses and machine tools fell in the automobile manufacturing industry and against the spread of coronavirus infections. Demand for Excimer laser-related products also decreased on the semiconductor market. As a result, sales dropped from the previous fiscal year.

With respect to profits for the fiscal year under review, while Komatsu worked to improve selling prices, operating income dropped by 37.0% from the previous fiscal year, to JPY 250.7 billion. This was mainly due to reduced sales volume, as partially affected by the coronavirus (COVID-19) pandemic, a change in the geographic composition of sales, and adverse effects of the Japanese yen’s appreciation. The operating income ratio decreased by 4.3 percentage points to 10.3%. Income before income taxes and equity in earnings of affiliated companies fell by 40.9% to JPY 223.1 billion. Net income attributable to Komatsu Ltd. totaled JPY 153.8 billion, down by 40.0%.

Under the mid-term management plan, Komatsu has upheld efforts to resolve ESG issues as a management target and defined an external organization’s evaluation as a key performance indicator. In January 2020, Komatsu was again awarded a position on this year’s A List for climate by CDP, the non-profit global environmental disclosure platform which guides companies to reduce their greenhouse gas emissions, safeguard water resources and protect forests.

	2020 USD1=JPY108.7 EUR1=JPY120.8 RMB1=JPY15.6	2019 USD1=JPY110.6 EUR1=JPY128.5 RMB1=JPY16.5	Changes Increase (Decrease)
	[A]	[B]	[(A-B)/B]
Net sales	2,444,870	2,725,243	(10.3%)
Construction, Mining and Utility Equipment	2,211,263	2,478,986	(10.8%)
Retail Finance	70,910	63,585	11.5%
Industrial Machinery and Others	177,586	203,235	(12.6%)
Elimination	(14,889)	(20,563)	-
Segment profit	255,030	399,393	(36.1%)
Construction, Mining and Utility Equipment	227,311	365,346	(37.8%)
Retail Finance	12,673	17,506	(27.6%)
Industrial Machinery and Others	13,703	18,637	(26.5%)
Corporate & elimination	1,343	(2,096)	-
Operating income	250,707	397,806	(37.0%)
Income before income taxes and equity in earnings of affiliated companies	223,114	377,471	(40.9%)
Net income attributable to Komatsu Ltd.	153,844	256,491	(40.0%)

Note: Unless otherwise noted, all sales by segment in this report indicate the amounts before elimination of inter-segment transactions.

Business results by operation are described below.

Construction, Mining and Utility Equipment

For the fiscal year under review, sales of the construction, mining and utility equipment business decreased by 10.8% from the previous fiscal year, to JPY 2,211.2 billion. Segment profit fell by 37.8% to JPY 227.3 billion.

Komatsu promoted efforts of focus defined in the three pillars of growth strategies in the mid-term management plan and made steady progress to achieve a safe, highly productive, smart and clean workplaces of the future. In January 2020, Komatsu launched the PC30E-5 electric mini excavator as rental equipment in Japan. Komatsu also launched hydraulic excavators equipped with the in-house developed KomVision Human Detection & Collision Mitigation System, designed to curb collision accidents with people, as a standard feature for the first time in the industry in the Japanese market. As represented by this new product, Komatsu has continued to make efforts to improve the safety of customers' different workplaces.

With respect to "SMARTCONSTRUCTION," a solutions business for construction jobsites, which Komatsu launched in Japan in February 2015, Komatsu has made steady progress, introducing this new business model to over 10,000 construction sites to date (cumulative) in Japan. In April 2020, Komatsu began the steady introduction of new devices and applications, such as retrofit kits, designed to accelerate the speed of achieving digital transformation of construction sites in Japan. Komatsu also announced a plan to make full-scale launches of SMARTCONSTRUCTION in the United States, the United Kingdom, Germany, France, and Denmark.

Concerning the Autonomous Haulage System (AHS), Komatsu achieved a steady increase of dump trucks in operation.

In response to effects on its business, such as the coronavirus (COVID-19) pandemic, Komatsu focused its efforts on alternative procurement and inventory re-allocation designed to further strengthen global cross-sourcing of finished products and parts through its production and procurement operations. In sales and service operations, Komatsu reassessed their supply routes and promoted shift work, thereby working to ensure a continuous supply of products, parts and service.

[Sales to Outside Customers of Construction, Mining and Utility Equipment by Region]

Millions of yen

	2020	2019	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Japan	310,856	312,791	(1,935)	(0.6%)
North America	573,587	612,245	(38,658)	(6.3%)
Latin America	309,255	325,605	(16,350)	(5.0%)
Americas	882,842	937,850	(55,008)	(5.9%)
Europe	219,728	207,570	12,158	5.9%
CIS	127,410	134,643	(7,233)	(5.4%)
Europe & CIS	347,138	342,213	4,925	1.4%
China	127,064	164,803	(37,739)	(22.9%)
Asia*	205,761	339,008	(133,247)	(39.3%)
Oceania	203,397	215,603	(12,206)	(5.7%)
Asia* & Oceania	409,158	554,611	(145,453)	(26.2%)
Middle East	30,655	30,290	365	1.2%
Africa	98,263	124,102	(25,839)	(20.8%)
Middle East & Africa	128,918	154,392	(25,474)	(16.5%)
Total	2,205,976	2,466,660	(260,684)	(10.6%)

Note: *Excluding Japan and China

Komatsu's operations by region are described below.

Japan

For the fiscal year under review, sales remained flat from the previous fiscal year. This was mainly supported by the recovery from reduced sales, as affected by the reactionary drop of pre-buy demand in anticipation of the new emission control regulations enforced in September 2017, and the steady demand in infrastructure development projects.

Americas

In North America, while demand remained steady, centering on construction equipment in the rental industry, sales decreased from the previous fiscal year, as Komatsu promoted the inventory adjustment of its distributors and weathered adverse effects of the coronavirus (COVID-19) pandemic. In Latin America, while demand for construction and mining equipment was strong in Chile, demand fell in Argentina and Mexico, where economic conditions continued to deteriorate. As a result, sales declined from the previous fiscal year.

Europe and CIS

In Europe, while demand declined in the United Kingdom, a major market of the region, and against the spread of coronavirus infections in the fourth quarter, sales advanced from the previous fiscal year, supported by steady demand, until the third quarter, centering on other major markets of France and Germany, in particular. In CIS, sales fell as adversely affected by the reduced demand for mining equipment in the coal sector.

China

Sales declined from the previous fiscal year, as adversely affected by a sharp drop in post-Chinese New Year (in February 2020) demand, resulting from the coronavirus (COVID-19) pandemic, and an increase in sales by domestic manufacturers.

Asia and Oceania

In Asia, sales dropped sharply from the previous fiscal year, as adversely affected by not only reduced demand for mining equipment in Indonesia, the largest market of the region, resulting from the declining price of thermal coal, but also sluggish demand for construction equipment and adverse effects of spreading infections of coronavirus in Asia. In Oceania, while Komatsu steadily captured sales of parts and service revenues for mining equipment, sales declined from the previous fiscal year, as mainly affected by declined sales of construction equipment.

Middle East and Africa

In the Middle East, sales increased from the previous fiscal year, supported by firm demand for construction equipment, especially in the UAE. In Africa, while sales of construction equipment remained flat in Southern Africa, demand remained sluggish in other regions. As a result, sales dropped from the previous fiscal year.

Retail Finance

Revenues increased by 11.5% from the previous fiscal year, to JPY 70.9 billion, supported by the benefits of increased assets centering on North America and Europe. Segment profit fell by 27.6% to JPY 12.6 billion, mainly reflecting no more reversal of allowances for doubtful accounts in China.

Industrial Machinery and Others

For the fiscal year under review, sales fell by 12.6% from the previous fiscal year, to JPY 177.5 billion, mainly affected by declined demand for presses and machine tools in the automobile manufacturing industry, and against the spread of coronavirus infections, as well as decreased demand for Excimer laser-related products in the semiconductor market. Segment profit declined by 26.5% to JPY 13.7 billion.

During the fiscal year, Komatsu Industries Corp. began sales of the “BENDING SUPPORT” machine to ensure energy savings for its press brake customers. GIGAPHOTON Inc. began shipping the new KrF laser “G300K” for the micro ablation via the processing routine as part of its GIGANEX series in March 2020, thereby making steady headway towards full-scale market entry in micro ablation via the processing steps.

[Projections for the Fiscal Year Ending March 31, 2021]

(From April 1, 2020 to March 31, 2021)

As of today, it is impossible to predict the end of the coronavirus (COVID-19) pandemic. Concerning the projection of consolidated business results for the fiscal year ending March 31, 2021, it is difficult for Komatsu to calculate them in an appropriate and rational manner, so they remain undecided as of now. Komatsu will disclose them as soon as it becomes possible to calculate them in the future.

At present, demand for construction and mining equipment continues to remain slack from the fourth quarter of the current fiscal year under review, as it continues to be adversely affected by the coronavirus (COVID-

19) pandemic. Concerning the parts and service business, Komatsu is continuing to supply parts and service, as construction, mining, agriculture, forestry, logistics and some other industries remain in operation as essential business, supporting social infrastructure. In some countries, the respective governments have eased restrictions designed to prevent the spread of infections, reopening workplaces. Komatsu will closely monitor its KOMTRAX (Komatsu Machine Tracking System) machine-operating data and other market information.

In the short and medium terms, it is also difficult to project market conditions against the backdrop of growing uncertainty of the world economies. In the construction, mining and utility equipment business, Komatsu is going to carefully check customers' investment trends, as affected especially by economic conditions around the world, prices of commodities, and foreign exchange rates, as well as the effects of infrastructure development and housing starts on market demand. In the industrial machinery and others business, as current orders received for presses and machine tools are beginning to decline in the automobile manufacturing industry, Komatsu will closely monitor the trends of capital investment by the automobile manufacturing industry in the future.

In the fiscal year ending March 31, 2021, the second year of our mid-term management plan, "DANTOTSU Value – *FORWARD* Together for Sustainable Growth", Komatsu will continue to strive for sustainable growth, as it flexibly responds to dynamic changes in its external environment and it will promote efforts of focus, based on its three pillars of growth strategies, after setting priorities on the efforts and assessing their cost effect and strategic values.

Komatsu places top priority on the safety and health of our customers and suppliers, residents of local communities, and employees and their families. Komatsu works to prevent coronavirus infections from spreading, based on the policies of the governments of host countries where Komatsu conducts business. Its construction, mining and utility equipment, forest machines and industrial machinery are needed by customers engaging in essential businesses to support critical social infrastructure. For Komatsu to fulfill its responsibilities to customers, it will continue to supply products, parts and service after implementing thorough countermeasures against infections.

(2) Financial Conditions

As of March 31, 2020, total assets increased by JPY 15.4 billion from the previous fiscal year-end, to JPY 3,653.6 billion. Komatsu increased cash to ensure on-hand liquidity and recognized right-of-use assets under operating lease on the consolidated balance sheet in compliance with the new accounting standard it adopted, while decreasing receivables and inventories. Interest-bearing debt increased by JPY 81.6 billion from the previous fiscal year-end, to JPY 1,012.3 billion. Komatsu Ltd. shareholders' equity decreased by JPY 43.9 billion from the previous fiscal year-end, to JPY 1,771.6 billion. As a result, Komatsu Ltd. shareholders' equity ratio decreased by 1.4 percentage points from the previous fiscal year-end, to 48.5%.

For the fiscal year under review, net cash provided by operating activities totaled JPY 295.1 billion, an increase of JPY 92.6 billion from the previous fiscal year, mainly due to good progress made in the collection of trade notes and accounts receivable, while net income for the fiscal year declined. Net cash used in investing activities totaled JPY 190.9 billion, an increase of JPY 3.7 billion, due to increased acquisition of shares of subsidiaries, while the purchase of fixed assets declined. Net cash used in financing activities amounted to JPY 3.4 billion (as compared to JPY 3.6 billion used for the previous fiscal year), mainly due to the payment of cash dividends, while Komatsu funded by issuing commercial papers. After adding the effects of foreign exchange fluctuations to the total amount of each cash flow, as of March 31, 2020, cash and cash equivalents totaled JPY 247.6 billion, an increase of JPY 99.1 billion from the previous fiscal year-end.

[Trends of Financial Conditions Indicators]

(Fiscal years ended March 31, 2020, 2019 and 2018)

	2020	2019	2018
Komatsu Ltd. shareholders' equity ratio (%)	48.5	49.9	49.4
Komatsu Ltd. shareholders' equity ratio at aggregate market value (%)	46.0	66.7	99.2
Years of debt redemption	3.4	4.6	5.5

Notes: 1) Komatsu Ltd. shareholders' equity ratio: Komatsu Ltd. shareholders' equity/Total assets

2) Komatsu Ltd. shareholders' equity ratio at aggregate market value: Aggregate market value of outstanding shares of common stock/Total assets

3) Years of debt redemption: Interest-bearing debt/Net cash provided by operating activities

(3) Basic Policy for Redistribution of Profits and Dividends for the Fiscal Year under Review and Next Fiscal Year

Komatsu is building a sound financial position and enhancing its competitiveness in order to increase its sustainable corporate value. Concerning cash dividends, Komatsu has the policy of continuing stable payment of dividends after comprehensively considering consolidated business results and reviewing future investment plans, cash flows and the like. Specifically, Komatsu has the policy of maintaining a consolidated payout ratio of 40% or higher. As described earlier in this report, sales mainly in the construction, mining and utility equipment business declined for the fiscal year under review, against the backdrop of reduced demand in Strategic Markets such as Asia, and the coronavirus (COVID-19) pandemic in the fourth quarter. Net income attributable to Komatsu Ltd. dropped by 40.0% from the previous fiscal year to JPY 153.8 billion. Concerning annual cash dividends for the fiscal year under review, the Company is planning to pay JPY 94 per share by reviewing the business results for the fiscal year under review, as well as current and future business prospects. The consolidated payout ratio will

become 57.7%, as the Company maintains its earlier projection. As the Company has already paid the interim dividend of JPY 55 per share, the year-end cash dividend will be JPY 39 per share, JPY 16 per share short of the latest plan. This dividend amount will be proposed to the 151st ordinary general meeting of shareholders (scheduled for June 18, 2020).

Regarding annual cash dividends for the fiscal year ending March 31, 2021, Komatsu has not planned the amount, because it is very difficult to project its consolidated business results for that year as of now. When Komatsu becomes able to announce its projection of consolidated business results, it will also disclose its planned amount of annual cash dividends.

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.

Basic Stance on Selection of Accounting Standards

The Company has been preparing its consolidated financial statements in accordance with the U.S. GAAP since before the Japanese government enacted its “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements”, pursuant to the provisions of Article 193 of the Securities and Exchange Act of Japan.

The Company is gathering information on trends in Japan and Overseas in relation to the International Financial Reporting Standards (IFRS).

Consolidated Financial Statements

(1) Consolidated Balance Sheets

Assets

Millions of yen

	As of March 31, 2020		As of March 31, 2019	
		Ratio (%)		Ratio (%)
Current assets				
Cash and cash equivalents	¥ 247,616		¥ 148,479	
Time deposits	2,057		2,331	
Trade notes and accounts receivable, net	744,395		842,183	
Inventories	805,309		837,552	
Other current assets	147,413		138,415	
Total current assets	1,946,790	53.3	1,968,960	54.1
Long-term trade receivables, net	420,918	11.5	416,363	11.4
Investments				
Investments in and advances to affiliated companies	38,210		37,321	
Investment securities	7,328		7,473	
Other	2,436		2,528	
Total investments	47,974	1.3	47,322	1.3
Property, plant and equipment				
- less accumulated depreciation and amortization	757,679	20.8	776,422	21.3
Operating lease right-of-use assets	53,454	1.5	-	-
Goodwill	157,521	4.3	161,921	4.5
Other intangible assets				
- less accumulated amortization	162,062	4.4	166,406	4.6
Deferred income taxes and other assets	107,288	2.9	100,825	2.8
Total	¥ 3,653,686	100.0	¥ 3,638,219	100.0

Liabilities and Equity

Millions of yen

	As of March 31, 2020		As of March 31, 2019	
		Ratio (%)		Ratio (%)
Current liabilities				
Short-term debt	¥ 483,658		¥ 404,659	
Current maturities of long-term debt	118,880		53,556	
Trade notes, bills and accounts payable	220,160		266,951	
Income taxes payable	23,169		43,022	
Current operating lease liabilities	14,933		-	
Other current liabilities	297,825		313,951	
Total current liabilities	1,158,625	31.7	1,082,139	29.7
Long-term liabilities				
Long-term debt	409,840		472,485	
Liability for pension and retirement benefits	96,392		90,187	
Long-term operating lease liabilities	38,624		-	
Deferred income taxes and other liabilities	93,980		90,540	
Total long-term liabilities	638,836	17.5	653,212	18.0
Total liabilities	1,797,461	49.2	1,735,351	47.7
Komatsu Ltd. shareholders' equity				
Common stock	68,689		68,311	
Capital surplus	136,459		136,798	
Retained earnings:				
Appropriated for legal reserve	46,813		46,028	
Unappropriated	1,699,477		1,654,105	
Accumulated other comprehensive income (loss)	(130,666)		(39,792)	
Treasury stock	(49,166)		(49,868)	
Total Komatsu Ltd. shareholders' equity	1,771,606	48.5	1,815,582	49.9
Noncontrolling interests	84,619	2.3	87,286	2.4
Total equity	1,856,225	50.8	1,902,868	52.3
Total	¥ 3,653,686	100.0	¥ 3,638,219	100.0

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(For the fiscal years ended March 31, 2020 and 2019)

Consolidated Statements of Income

Millions of yen

	2020		2019	
		Ratio (%)		Ratio (%)
Net sales	¥ 2,444,870	100.0	¥ 2,725,243	100.0
Cost of sales	1,749,048	71.5	1,885,163	69.2
Selling, general and administrative expenses	440,792	18.0	440,687	16.2
Impairment loss on long-lived assets	3,194	0.1	1,251	0.0
Impairment loss on goodwill	3,699	0.2	-	-
Other operating income (expenses), net	2,570	0.1	(336)	(0.0)
Operating income	250,707	10.3	397,806	14.6
Other income (expenses), net				
Interest and dividend income	7,378	0.3	7,154	0.3
Interest expense	(24,592)	(1.0)	(24,101)	(0.9)
Other, net	(10,379)	(0.4)	(3,388)	(0.1)
Total other income (expenses), net	(27,593)	(1.1)	(20,335)	(0.7)
Income before income taxes and equity in earnings of affiliated companies	223,114	9.1	377,471	13.9
Income taxes	62,873	2.6	106,599	3.9
Income before equity in earnings of affiliated companies	160,241	6.6	270,872	9.9
Equity in earnings of affiliated companies	3,443	0.1	3,779	0.1
Net income	163,684	6.7	274,651	10.1
Less: Net income attributable to noncontrolling interests	9,840	0.4	18,160	0.7
Net income attributable to Komatsu Ltd.	¥ 153,844	6.3	¥ 256,491	9.4

Consolidated Statements of Comprehensive Income

Millions of yen

	2020	2019
Net income	¥ 163,684	¥ 274,651
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments	(94,938)	(3,373)
Pension liability adjustments	(1,096)	(3,138)
Net unrealized holding gains (losses) on derivative instruments	(1,392)	(1,676)
Total other comprehensive income (loss), for the period, net of tax	(97,426)	(8,187)
Comprehensive income	66,258	266,464
Less: Comprehensive income attributable to noncontrolling interests	3,259	17,888
Comprehensive income attributable to Komatsu Ltd.	¥ 62,999	¥ 248,576

(3) Consolidated Statements of Equity

(For the fiscal year ended March 31, 2020)

Millions of yen

	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Noncontrolling interests	Total equity
			Appropriated for legal reserve	Unappropriated					
Balance at March 31, 2019	¥ 68,311	¥ 136,798	¥ 46,028	¥ 1,654,105	¥ (39,792)	¥ (49,868)	¥ 1,815,582	¥ 87,286	¥ 1,902,868
Cash dividends				(107,687)			(107,687)	(6,065)	(113,752)
Transfer to retained earnings appropriated for legal reserve			785	(785)			-		-
Other changes		10			(29)		(19)	139	120
Net income				153,844			153,844	9,840	163,684
Other comprehensive income (loss), for the period, net of tax					(90,845)		(90,845)	(6,581)	(97,426)
Issuance and exercise of stock acquisition rights		(759)					(759)		(759)
Purchase of treasury stock						(33)	(33)		(33)
Sales of treasury stock		35				735	770		770
Restricted stock compensation*	378	375					753		753
Balance at March 31, 2020	¥ 68,689	¥ 136,459	¥ 46,813	¥ 1,699,477	¥ (130,666)	¥ (49,166)	¥ 1,771,606	¥ 84,619	¥ 1,856,225

Note: * Refer to "Net Income per Share" on page 23 for more details.

(For the fiscal year ended March 31, 2019)

Millions of yen

	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd. shareholders' equity	Noncontrolling interests	Total equity
			Appropriated for legal reserve	Unappropriated					
Balance at March 31, 2018	¥ 67,870	¥ 138,450	¥ 45,828	¥ 1,491,965	¥ (29,150)	¥ (50,423)	¥ 1,664,540	¥ 79,050	¥ 1,743,590
Cumulative effects of Accounting Standards Update-adoption of ASU 2014-09, net of tax				(515)			(515)	(12)	(527)
Cumulative effects of Accounting Standards Update-adoption of ASU 2016-01, net of tax				681	(681)		-		-
Cumulative effects of Accounting Standards Update-adoption of ASU 2016-16, net of tax				(860)			(860)		(860)
Cash dividends				(93,457)			(93,457)	(6,291)	(99,748)
Transfer to retained earnings appropriated for legal reserve			200	(200)			-		-
Other changes		(1,497)			(2,046)		(3,543)	(3,349)	(6,892)
Net income				256,491			256,491	18,160	274,651
Other comprehensive income (loss), for the period, net of tax					(7,915)		(7,915)	(272)	(8,187)
Issuance and exercise of stock acquisition rights		(653)					(653)		(653)
Purchase of treasury stock						(41)	(41)		(41)
Sales of treasury stock		60				596	656		656
Restricted stock compensation*	441	438					879		879
Balance at March 31, 2019	¥ 68,311	¥ 136,798	¥ 46,028	¥ 1,654,105	¥ (39,792)	¥ (49,868)	¥ 1,815,582	¥ 87,286	¥ 1,902,868

Note: * Refer to "Net Income per Share" on page 23 for more details.

(4) Consolidated Statements of Cash Flows

(For the fiscal years ended March 31, 2020 and 2019)

Millions of yen

	2020	2019
Operating activities		
Net income	¥ 163,684	¥ 274,651
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	131,596	131,464
Deferred income taxes	(3,591)	(5,942)
Impairment loss and net loss (gain) on valuation of investment securities	(97)	499
Net loss (gain) on sale of fixed assets	(4,714)	(1,971)
Loss on disposal of fixed assets	3,980	3,660
Impairment loss on long-lived assets	3,194	1,251
Impairment loss on goodwill	3,699	-
Pension and retirement benefits, net	(1,672)	(1,827)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	44,568	(74,121)
Decrease (increase) in inventories	(9,915)	(99,507)
Increase (decrease) in trade payables	(38,340)	(37,683)
Increase (decrease) in income taxes payable	(19,445)	(22,971)
Other, net	22,234	35,045
Net cash provided by (used in) operating activities	295,181	202,548
Investing activities		
Capital expenditures	(184,707)	(192,050)
Proceeds from sale of fixed assets	14,968	11,200
Proceeds from sale of investment securities	844	1,960
Purchases of investment securities	(630)	(342)
Acquisition of subsidiaries and equity investees, net of cash acquired	(21,646)	(8,035)
Other, net	241	63
Net cash provided by (used in) investing activities	(190,930)	(187,204)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	587,157	400,176
Payment on debt (Original maturities greater than three months)	(436,952)	(339,971)
Short-term debt, net (Original maturities three months or less)	(37,449)	45,087
Dividends paid	(107,687)	(93,457)
Other, net	(8,526)	(15,495)
Net cash provided by (used in) financing activities	(3,457)	(3,660)
Effect of exchange rate change on cash and cash equivalents	(1,657)	(7,602)
Net increase (decrease) in cash and cash equivalents	99,137	4,082
Cash and cash equivalents, beginning of year	148,479	144,397
Cash and cash equivalents, end of year	¥ 247,616	¥ 148,479

(5) Note to the Going Concern Assumption

None

(6) Basis of Consolidated Financial Statements

1) Changes in important subsidiaries during the Year under Review: None

2) The number of consolidated subsidiaries and affiliated companies accounted for by the equity method

Number of consolidated subsidiaries: 219 companies

Number of affiliated companies accounted for by the equity method: 42 companies

3) Changes resulting from revisions in accounting standards, etc.

From the fiscal year ended March 31, 2020, Komatsu has adopted the Accounting Standards Update (“ASU”) 2016-02 “Leases”. This Update requires lessees to recognize most leases as the right-of-use assets and the lease liabilities on their balance sheets. This Update does not substantially change lessor accounting. The Financial Accounting Standards Board (“FASB”) also modified the definition of lease. Additionally, the guidance expands qualitative and quantitative disclosures related to lease. Concerning accounting in relation to this Update, Komatsu has adopted the rule in which an entity does not separate lease and non-lease components and regards all components as those of a single lease, and the exceptional rule in which an entity does not recognize short-term leases on the balance sheet. Concerning the transition methods in relation to this Update, Komatsu has adopted a series of practical expedients in which an entity does not reassess whether any expired or existing lease contracts are or contain leases, the lease classification for them and initial direct costs for them. Komatsu has also adopted the additional transition methods in which an entity does not retrospectively restate presentation or disclosure of comparative years at the period of the application of the new accounting standards and an entity does not assess whether existing or expired land easements that were not previously accounted for as leases. The application of the provision has no significant impact on Komatsu’s financial position and results of operations.

From the fiscal year ended March 31, 2020, Komatsu has adopted the ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities”. This Update improves the application of hedge accounting under certain circumstances to reflect the economic consequences of an entity's risk management activities in financial statements more appropriately. The Update eliminates the requirement to separately measure and present effective portion and ineffective portion of hedging and requires an entity to record the full amount of change in fair value of the hedging instrument in the same income statement line as gain or loss arising from the hedged item. The application of the provision has no significant impact on Komatsu’s financial position and results of operations.

4) Changes in other matters except for 3) above: None

(7) Notes to Consolidated Financial Statements

1) Business Segment Information

< Information by Operating Segment >

(For the fiscal year ended March 31, 2020)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	2,205,976	62,952	175,942	2,444,870	-	2,444,870
Intersegment	5,287	7,958	1,644	14,889	(14,889)	-
Total	2,211,263	70,910	177,586	2,459,759	(14,889)	2,444,870
Segment profit	227,311	12,673	13,703	253,687	1,343	255,030
Assets	2,521,646	841,063	216,728	3,579,437	74,249	3,653,686
Depreciation and Amortization	91,049	32,266	6,210	129,525	-	129,525
Capital investment	116,282	45,636	4,634	166,552	-	166,552

(For the fiscal year ended March 31, 2019)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	2,466,660	57,355	201,228	2,725,243	-	2,725,243
Intersegment	12,326	6,230	2,007	20,563	(20,563)	-
Total	2,478,986	63,585	203,235	2,745,806	(20,563)	2,725,243
Segment profit	365,346	17,506	18,637	401,489	(2,096)	399,393
Assets	2,559,432	842,147	206,419	3,607,998	30,221	3,638,219
Depreciation and Amortization	94,150	29,505	6,205	129,860	-	129,860
Capital investment	98,809	76,198	4,203	179,210	-	179,210

Notes: 1) Business categories and principal products & services included in each operating segment are as follows:

a) Construction, Mining and Utility Equipment

Excavating equipment, loading equipment, grading & roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, underground mining equipment, recycling equipment, industrial vehicles, other equipment, engines & components, casting products, and logistics

b) Retail Finance

Financing

c) Industrial Machinery and Others

Metal forging & stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment, and optical machinery

2) Transfers between segments are made at estimated arm's-length prices.

< Geographic Information >

Net sales determined by customer location were as follows:

(For the fiscal years ended March 31, 2020 and 2019)

Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
2020	396,584	950,850	359,579	155,814	452,731	129,312	2,444,870
2019	404,160	1,014,587	358,516	192,660	600,754	154,566	2,725,243

Note: * Excluding Japan and China

2) Net Income per Share

The Company has the restricted stock compensation system (hereinafter, the “System”) for directors (other than outside directors) and employees of the Company and directors and employees of major subsidiaries. Among the new shares issued under the System, those transfer restrictions which have not been cancelled are distinguished as participating securities from common shares. Each common share and restricted stock has the same rights to net income attributable to Komatsu Ltd.

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to Komatsu Ltd. per share computations is as follows:

(For the fiscal year ended March 31, 2020 and 2019)

Millions of yen

	2020	2019
Net income attributable to Komatsu Ltd.	153,844	256,491
Net income attributable to participating securities (restricted stocks)	75	44
Net income attributable to common shareholders	153,769	256,447

Number of shares

	2020	2019
Weighted average common shares outstanding, less treasury stock	944,230,565	943,625,229
Dilutive effect of: Stock options	741,949	1,063,977
Weighted average number of participating securities (restricted stocks)	459,183	163,556
Weighted average diluted common shares outstanding	944,513,331	944,525,650

Yen

	2020	2019
Net income attributable to Komatsu Ltd. per share:		
Basic	162.93	271.81
Diluted	162.80	271.51

3) Significant Subsequent Events

None

4) Others

Other notes are omitted in this release of Consolidated Business Results for the Fiscal Year Ended March 31, 2020(U.S. GAAP), because the need for their disclosure is considered insignificant.

(end)