

Consolidated Business Results for the Fiscal Year Ended March 31, 2019 (U.S. GAAP)

1. Results for the Fiscal Year Ended March 31, 2019

(Amounts are rounded to the nearest million yen)

(1) Consolidated Financial Highlights

(For the fiscal years ended March 31, 2019 and 2018)

Millions of yen except per share amounts

	2019	2018	Changes	
	[A]	[B]	[A-B]	[(A-B)/B] (%)
Net sales	2,725,243	2,501,107	224,136	9.0%
Operating income	397,806	268,503	129,303	48.2%
Income before income taxes and equity in earnings of affiliated companies	377,471	291,807	85,664	29.4%
Net income attributable to Komatsu Ltd.	256,491	196,410	60,081	30.6%
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	¥ 271.81	¥ 208.25	¥ 63.56	
Diluted	¥ 271.51	¥ 207.97	¥ 63.54	
Return on equity	14.7%	12.1%	2.6%	
Return on total assets	10.8%	9.7%	1.1%	
Return on sales	14.6%	10.7%	3.9%	

Notes: 1) Comprehensive income:

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

2018: 159,517 millions of yen, up 34.6% from 2017

2) Equity in earnings of affiliated companies:

2019: 3,779 millions of yen

2018: 3,545 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, 2019 and 2018)

Millions of yen except per share amounts

	2019	2018
Total assets	3,638,219	3,372,538
Total equity	1,902,868	1,743,590
Komatsu Ltd. shareholders' equity	1,815,582	1,664,540
Komatsu Ltd. shareholders' equity ratio	49.9%	49.4%
Komatsu Ltd. shareholders' equity per share (Yen)	¥ 1,923.47	¥ 1,764.58

(3) Consolidated Cash Flows

(For the fiscal years ended March 31, 2019 and 2018)

Millions of yen

	2019	2018
Net cash provided by (used in) operating activities	202,548	148,394
Net cash provided by (used in) investing activities	(187,204)	(377,745)
Net cash provided by (used in) financing activities	(3,660)	243,949
Cash and cash equivalents, end of year	148,479	144,397

2. Dividends

(For the fiscal years ending March 31, 2020 and ended March 31, 2019 and 2018)

	2019	2018	2020 Projections
Cash dividends per share (Yen)			
Interim	51.00	36.00	55.00
Year-end	59.00	48.00	55.00
Total	110.00	84.00	110.00
Annual dividends (Millions of yen)	103,874	79,274	-
Payout ratio (Consolidated basis) (%)	40.5%	40.3%	48.3%
Dividends as percentage of equity (Consolidated basis) (%)	6.0%	4.9%	-

3. Projections for the Fiscal Year Ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

Millions of yen except per share amounts

	2020	
		Changes Increase (Decrease)
Net sales	2,617,000	(4.0%)
Operating income	337,000	(15.3%)
Income before income taxes and equity in earnings of affiliated companies	317,000	(16.0%)
Net income attributable to Komatsu Ltd.	215,000	(16.2%)
Net income attributable to Komatsu Ltd. Per share – Basic (Yen)	¥ 227.78	

Notes: 1) Percentages shown above represent the rates of change compared with the corresponding periods a year ago.

2) Refer to “Management Performance and Financial Conditions” for preconditions of the projections above and other related issues.

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 19 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:

2019: 972,252,460 shares

2018: 971,967,660 shares

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

2019: 28,343,514 shares

2018: 28,662,171 shares

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

2019: 943,461,673 shares

2018: 943,167,127 shares

Note: Refer to “Net Income per Share” on page 22 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, 2019

(1) Non-Consolidated Financial Highlights

(For the fiscal years ended March 31, 2019 and 2018)

Millions of yen except per share amounts

	2019	2018	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B] (%)
Net sales	928,967	868,403	60,564	7.0%
Ordinary profit	195,534	136,924	58,610	42.8%
Net income	157,754	135,119	22,635	16.8%
Net income per share (Yen)				
Basic	¥ 167.10	¥ 143.18	¥ 23.92	
Diluted	¥ 166.94	¥ 143.00	¥ 23.94	

(2) Non-Consolidated Financial Position

(As of March 31, 2019 and 2018)

Millions of yen except per share amounts

	2019	2018
Total assets	1,339,074	1,305,526
Net assets	877,409	813,162
Equity ratio (%)	65.4%	62.1%
Net assets per share (Yen)	¥ 927.18	¥ 859.01

Note: Shareholders' equity: 2019: 875,612 million yen 2018: 810,713 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, 2020” 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 upheld the “Together We Innovate GEMBA Worldwide: Growth Toward Our 100th Anniversary (2021) and Beyond” three-year mid-term management plan to be completed in the fiscal year ended March 31, 2019. Under this plan, Komatsu is focusing its efforts on 1) Growth strategies based on innovation, 2) Growth strategies of existing businesses, and 3) Structural reforms designed to reinforce the business foundation.

For the fiscal year under review (April 1, 2018 - March 31, 2019), consolidated net sales totaled JPY 2,725.2 billion, up 9.0% from the previous fiscal year. In the construction, mining and utility equipment business, Komatsu steadfastly captured growing demand in many regions of the world, centering on North America and Asia & Oceania. As a result, sales improved from the previous fiscal year. In the industrial machinery and others business, sales increased from the previous fiscal year, mainly supported by increased sales of presses and machine tools to the automobile manufacturing industry.

With respect to profits for the fiscal year under review, operating income expanded by 48.2% from the previous fiscal year, to JPY 397.8 billion, driven by increased sales in many regions of the world and reflecting reduced temporary expenses in association with the acquisition of Komatsu Mining Corp., which became a consolidated subsidiary in April 2017. The operating income ratio improved by 3.9 percentage points to 14.6%. Income before income taxes and equity in earnings of affiliated companies advanced to JPY 377.4 billion, up 29.4%. Net income attributable to Komatsu Ltd. totaled JPY 256.4 billion, up 30.6%.

[Consolidated Financial Highlights]

Millions of yen

	2019	2018	Changes Increase (Decrease)
	USD1=JPY110.6 EUR1=JPY128.5 RMB1=JPY16.5	USD1=JPY111.2 EUR1=JPY129.6 RMB1=JPY16.8	
	[A]	[B]	[(A-B)/B]
Net sales	2,725,243	2,501,107	9.0 %
Construction, Mining and Utility Equipment	2,478,986	2,280,967	8.7 %
Retail Finance	63,585	60,309	5.4 %
Industrial Machinery and Others	203,235	185,414	9.6 %
Elimination	(20,563)	(25,583)	-
Segment profit	399,393	299,899	33.2 %
Construction, Mining and Utility Equipment	365,346	273,019	33.8 %
Retail Finance	17,506	12,963	35.0 %
Industrial Machinery and Others	18,637	14,333	30.0 %
Corporate & elimination	(2,096)	(416)	-
Operating income	397,806	268,503	48.2 %
Income before income taxes and equity in earnings of affiliated companies	377,471	291,807	29.4 %
Net income attributable to Komatsu Ltd.	256,491	196,410	30.6 %

Notes: 1) Unless otherwise noted, all sales by segment in this report indicate the amounts before elimination of inter-segment transactions.

2) From the three months ended June 30, 2018, Komatsu has adopted the Accounting Standards Update (“ASU”) 2017-07, “Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”. Accordingly, the figures for the previous fiscal year, were reclassified in accordance with ASU 2017-07.

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 increased by 8.7% from the previous fiscal year, to JPY 2,478.9 billion. Segment profit reached JPY 365.3 billion, an expansion of 33.8% from the previous fiscal year.

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 to over 7,500 construction jobsites to date (cumulative). In May 2018, Komatsu embarked on a new service under the name of “EverydayDrone”. This new service uses special, fully automated drones and edge computing capable of on-site high-speed data processing. For example, it generates 3D site survey data in about 20 minutes, which used to take a whole day, enabling the management of daily progress of jobsite work. In October 2018, Komatsu participated in CEATEC JAPAN 2018, Asia’s largest class CPS/IoT exhibition, for the first time. Under the theme of safer, more productive and smarter construction jobsites of the future, Komatsu introduced new challenges taken up by its SMARTCONSTRUCTION, including autonomous construction equipment currently under development, as well as remote-control technology in a 5G network. Komatsu will advance R&D efforts for the early commercialization of these technologies, thereby accelerating the speed of achieving Workplaces of the Future with enhanced safety and productivity.

In March this year, Komatsu opened the Dubai Training & Demonstration Center on the premises of Komatsu Middle East FZE’s head office. The Center is going to offer a variety of training programs, such as for sales, service, and machine operations, needed for distributors of Komatsu construction equipment. In addition to these trainings,

the Center will play a role of sales promotion by meeting a wide range of customer needs, such as conducting machine demonstrations and offering trial operations and training programs for operators. At the Center, Komatsu is also going to focus its efforts on human resource development of distributors to expand business in the Middle East and Africa.

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

	2019	2018	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Japan	312,791	315,690	(2,899)	(0.9 %)
North America	612,245	538,269	73,976	13.7 %
Latin America	325,605	314,754	10,851	3.4 %
Americas	937,850	853,023	84,827	9.9 %
Europe	207,570	180,486	27,084	15.0 %
CIS	134,643	108,557	26,086	24.0 %
Europe & CIS	342,213	289,043	53,170	18.4 %
China	164,803	164,772	31	0.0 %
Asia*	339,008	298,654	40,354	13.5 %
Oceania	215,603	181,972	33,631	18.5 %
Asia* & Oceania	554,611	480,626	73,985	15.4 %
Middle East	30,290	39,554	(9,264)	(23.4 %)
Africa	124,102	124,624	(522)	(0.4 %)
Middle East & Africa	154,392	164,178	(9,786)	(6.0 %)
Total	2,466,660	2,267,332	199,328	8.8 %

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, as affected mainly by a rebound of pre-buy demand in anticipation of the new emission control regulations enforced in September 2017, while demand increased in the rental industry mainly against the backdrop of recovery work from natural disasters.

Americas

In North America, demand for both construction and mining equipment remained brisk, centering on the energy-related and infrastructure development sectors, and sales advanced from the previous fiscal year. In Latin America, sales improved, mainly reflecting increased demand in Brazil, while demand declined in Argentina resulting from deteriorating economic conditions.

Europe and CIS

In Europe, sales advanced from the previous fiscal year, reflecting steady demand for construction equipment, especially in the major markets of Germany, the United Kingdom and France. In CIS, sales expanded, as demand for both construction and mining equipment remained brisk.

China

While demand increased in tandem with nationwide progress in infrastructure development, the rate of demand growth slowed down sharply in the second half period of the fiscal year under review. Partly because of this, sales remained about flat from the previous fiscal year.

Asia and Oceania

In Asia, sales expanded from the previous fiscal year, mainly as demand increased for both construction and mining equipment, while the rate of demand growth slowed down in Indonesia, the largest market of the region. In Oceania, sales advanced, as demand for both construction and mining equipment remained strong.

Middle East and Africa

In the Middle East, sales decreased from the previous fiscal year, mainly affected by reduced demand in public works in the region as governments tightened their budgets resulting from prolonged civil war in Yemen, as well as the depreciated Turkish lira. In Africa, while demand for mining equipment increased in South Africa, demand declined in other countries. Partly because of this, sales remained about flat from the previous fiscal year.

Retail Finance

Revenues increased by 5.4% from the previous fiscal year to JPY 63.5 billion, supported by increased revenues, mainly in North America, which more than offset an extraordinary factor in which Komatsu had to sell used equipment resulting from the cancellation of a leasing contract in Chile in the previous fiscal year. Segment profit advanced by 35.0% to JPY 17.5 billion, mainly because Komatsu was able to recover the doubtful accounts for which it recorded allowances in FY2016 and performed a reversal of allowances for doubtful accounts in China.

Industrial Machinery and Others

For the fiscal year under review, sales advanced by 9.6% from the previous fiscal year, to JPY 203.2 billion, mainly supported by increased sales of presses and machine tools to the automobile manufacturing industry, as well as improved sales of Excimer laser-related business on the semiconductor market. Segment profit improved by 30.0% to JPY 18.6 billion. In December 2018, Komatsu Industries Corp. launched sales of the “SF100H-1” leveler feeder. It is designed to not only enhance the feeding capacity, but also synchronize operation with the “H2FM” servo press introduced in March 2018. Structured to synchronize the operation of the press and leveler feeder, in particular, the new leveler feeder enables about 30% improvement of productivity through simple operations, when compared to using conventional machines.

[Projections for the Fiscal Year Ending March 31, 2020]

(From April 1, 2019 to March 31, 2020)

In April 2019, Komatsu embarked on the new three-year, mid-term management plan, entitled “DANTOTSU Value - FORWARD Together for Sustainable Growth”. Under the new management plan, we are upholding three new strategies of growth, 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. We will focus our priority on investment in growth areas based on these three pillars of growth strategies. In this manner, we will strive for sustainable growth as we turn a positive cycle of improving earnings and solving ESG issues without being affected by changes in market demand. As our external environment is changing dynamically, while we assume gradual growth of demand in the mid to long range, we project that volatility will remain high in the short range. Accordingly, we project a decrease in both consolidated sales and profits for the fiscal year ending March 31, 2020.

In the construction, mining and utility equipment business, while we anticipate that demand will remain steady in Traditional Markets*, we will weather slowing growth of demand in China and Indonesia as well as the Japanese

yen's appreciation. As a result, we estimate sales will decline for the fiscal year. Although we will make efforts to improve selling prices, profits will also decrease from the previous fiscal year, as mainly affected by assumed changes in sales volume and geographical sales composition as well as an estimated increase in fixed costs, resulting from focused investment in growth areas.

In the retail finance business, we project an increase in revenues but a decline in segment profit for the fiscal year, reflecting no more reversal of allowances for doubtful accounts which we recorded in China for FY2018.

In the industrial machinery and others business, we project that both sales and segment profit will improve, as demand for presses should remain steady.

As preconditions for its projection, Komatsu is assuming the foreign exchange rates will be as follows: USD1=JPY 105, EUR1=JPY 119, and RMB1=JPY 15.6.

Notes: Markets as Positioned by Komatsu

Traditional Markets: Japan, North America and Europe

Strategic Markets: China, Latin America, Asia, Oceania, Africa, Middle East and CIS

[Projections]

Millions of yen

	2020 Projection USD1=JPY105.0 EUR1=JPY119.0 RMB1=JPY15.6 [A]	2019 Results USD1=JPY110.6 EUR1=JPY128.5 RMB1=JPY16.5 [B]	Changes Increase (Decrease) [(A-B)/B]
Net sales	2,617,000	2,725,243	(4.0 %)
Construction, Mining and Utility Equipment	2,362,000	2,478,986	(4.7 %)
Retail Finance	70,000	63,585	10.1 %
Industrial Machinery and Others	207,000	203,235	1.9 %
Elimination	(22,000)	(20,563)	-
Segment profit	342,000	399,393	(14.4 %)
Construction, Mining and Utility Equipment	311,000	365,346	(14.9 %)
Retail Finance	13,000	17,506	(25.7 %)
Industrial Machinery and Others	21,000	18,637	12.7 %
Corporate & elimination	(3,000)	(2,096)	-
Operating income	337,000	397,806	(15.3 %)
Income before income taxes and equity in earnings of affiliated companies	317,000	377,471	(16.0 %)
Net income attributable to Komatsu Ltd.	215,000	256,491	(16.2 %)

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

(2) Financial Conditions

As of March 31, 2019, total assets increased by JPY 265.6 billion from the previous fiscal year-end, to JPY 3,638.2 billion, mainly reflecting increased receivables and inventories. Interest-bearing debt increased by JPY 120.1 billion from the previous fiscal-year end, to JPY 930.7 billion. Komatsu Ltd. shareholders' equity increased by JPY 151.0 billion from the previous fiscal year-end, to JPY 1,815.5 billion. As a result,

Komatsu Ltd. shareholders' equity ratio improved by 0.5 percentage points from the previous fiscal year-end, to 49.9%.

For the fiscal year under review, net cash provided by operating activities totaled JPY 202.5 billion, an increase of JPY 54.1 billion from the previous fiscal year, due to expanded net income for the year. Net cash used in investing activities totaled JPY 187.2 billion, mainly due to the purchase of fixed assets. This amount shows a decline of JPY 190.5 billion from the previous fiscal year, as expenses associated with the acquisition of Joy Global Inc. were recorded for the previous fiscal year. Net cash used in financing activities amounted to JPY 3.6 billion, mainly due to the payment of cash dividends. For the previous fiscal year, net cash provided by financing activities totaled JPY 243.9 billion, mainly due to funding the above-mentioned acquisition of Joy Global Inc. After adding the effects of foreign exchange fluctuations to the total amount of each cash flow, as of March 31, 2019, cash and cash equivalents totaled JPY 148.4 billion, an increase of JPY 4.0 billion from the previous fiscal year-end.

[Trends of Financial Conditions Indicators]

(Fiscal years ended March 31, 2019, 2018 and 2017)

	2019	2018	2017
Komatsu Ltd. shareholders' equity ratio (%)	49.9	49.4	59.4
Komatsu Ltd. shareholders' equity ratio at aggregate market value (%)	66.7	99.2	103.0
Years of debt redemption	4.6	5.5	1.6

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 as well as flexible and agile corporate strengths to increase its corporate value. Concerning the policy for cash dividends to shareholders, the Company redistributes profits by considering consolidated business results and continues to pay stable dividends.

Concerning the year-end cash dividend from surplus funds, the Company is planning to pay JPY 59 per share in accordance with its policy of redistribution which sets the goal of a consolidated payout ratio of 40% or higher and no decrease of dividends, as long as the consolidated payout ratio does not surpass 60%. The Company has determined the dividend amount based on this policy and by reviewing the business results for the fiscal year under review, as well as current and future business prospects. (This dividend amount will be proposed to the 150th ordinary general meeting of shareholders scheduled for June 18, 2019.) Annual cash dividends for the year under review, including the interim dividend of JPY 51 per share, amount to JPY 110 per share (an increase of JPY 26 per share from the previous fiscal year). This amount translates into a consolidated payout ratio of 40.5%.

Regarding annual cash dividends for the fiscal year ending March 31, 2020, the Company plans to set them at JPY 110 per share, the same amount for the fiscal year ended March 31, 2019.

(Reference: Dividend policy in FY2019 and onward)

Based on its new mid-term management plan entitled "DANTOTSU Value - FORWARD Together for Sustainable Growth" spanning three years from April 2019 to March 2022, Komatsu has decided on the

dividend policy as follows.

To sustainably increase our corporate value, we at Komatsu are working to secure a sound financial position and strengthen our competitiveness. Concerning cash dividends to our shareholders, we maintain the policy of continuing stable dividends by comprehensively considering consolidated business results, future investment plans, cash flow and other related factors. Specifically, we have set the policy of a consolidated payout ratio of 40% or higher.

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, 2019		As of March 31, 2018	
		Ratio (%)		Ratio (%)
Current assets				
Cash and cash equivalents	¥ 148,479		¥ 144,397	
Time deposits	2,331		2,460	
Trade notes and accounts receivable, net	842,183		792,714	
Inventories	837,552		730,288	
Other current assets	138,415		127,732	
Total current assets	1,968,960	54.1	1,797,591	53.3
Long-term trade receivables, net	416,363	11.4	362,367	10.8
Investments				
Investments in and advances to affiliated companies	37,321		32,879	
Investment securities	7,473		9,213	
Other	2,528		2,655	
Total investments	47,322	1.3	44,747	1.3
Property, plant and equipment				
- Less accumulated depreciation and amortization	776,422	21.3	740,528	22.0
Goodwill	161,921	4.5	155,881	4.6
Other intangible assets				
- Less accumulated amortization	166,406	4.6	173,215	5.1
Deferred income taxes and other assets	100,825	2.8	98,209	2.9
Total	¥ 3,638,219	100.0	¥ 3,372,538	100.0

Liabilities and Equity

Millions of yen

	As of March 31, 2019		As of March 31, 2018	
		Ratio (%)		Ratio (%)
Current liabilities				
Short-term debt	¥ 404,659		¥ 259,093	
Current maturities of long-term debt	53,556		70,806	
Trade notes, bills and accounts payable	266,951		303,556	
Income taxes payable	43,022		66,541	
Other current liabilities	313,951		289,665	
Total current liabilities	1,082,139	29.7	989,661	29.3
Long-term liabilities				
Long-term debt	472,485		480,698	
Liability for pension and retirement benefits	90,187		86,374	
Deferred income taxes and other liabilities	90,540		72,215	
Total long-term liabilities	653,212	18.0	639,287	19.0
Total liabilities	1,735,351	47.7	1,628,948	48.3
Komatsu Ltd. shareholders' equity				
Common stock	68,311		67,870	
Capital surplus	136,798		138,450	
Retained earnings:				
Appropriated for legal reserve	46,028		45,828	
Unappropriated	1,654,105		1,491,965	
Accumulated other comprehensive income (loss)	(39,792)		(29,150)	
Treasury stock	(49,868)		(50,423)	
Total Komatsu Ltd. shareholders' equity	1,815,582	49.9	1,664,540	49.4
Noncontrolling interests	87,286	2.4	79,050	2.3
Total equity	1,902,868	52.3	1,743,590	51.7
Total	¥ 3,638,219	100.0	¥ 3,372,538	100.0

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

(For the fiscal years ended March 31, 2019 and 2018)

Consolidated Statements of Income

Millions of yen

	2019		2018	
		Ratio (%)		Ratio (%)
Net sales	¥ 2,725,243	100.0	¥ 2,501,107	100.0
Cost of sales	1,885,163	69.2	1,765,904	70.6
Selling, general and administrative expenses	440,687	16.2	435,304	17.4
Impairment loss on long-lived assets	1,251	0.0	6,629	0.3
Impairment loss on goodwill	-	-	13,413	0.5
Other operating income (expenses), net	(336)	(0.0)	(11,354)	(0.5)
Operating income	397,806	14.6	268,503	10.7
Other income (expenses), net				
Interest and dividend income	7,154	0.3	5,255	0.2
Interest expense	(24,101)	(0.9)	(18,372)	(0.7)
Gain on sales of investment securities, net	-	-	49,083	2.0
Other, net	(3,388)	(0.1)	(12,662)	(0.5)
Total other income (expenses), net	(20,335)	(0.7)	23,304	0.9
Income before income taxes and equity in earnings of affiliated companies	377,471	13.9	291,807	11.7
Income taxes	106,599	3.9	86,387	3.5
Income before equity in earnings of affiliated companies	270,872	9.9	205,420	8.2
Equity in earnings of affiliated companies	3,779	0.1	3,545	0.1
Net income	274,651	10.1	208,965	8.4
Less: Net income attributable to noncontrolling interests	18,160	0.7	12,555	0.5
Net income attributable to Komatsu Ltd.	¥ 256,491	9.4	¥ 196,410	7.9

Consolidated Statements of Comprehensive Income

Millions of yen

	2019	2018
Net income	¥ 274,651	¥ 208,965
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments	(3,373)	(22,827)
Net unrealized holding gains (losses) on securities available for sale	-	(29,433)
Pension liability adjustments	(3,138)	414
Net unrealized holding gains (losses) on derivative instruments	(1,676)	2,398
Total other comprehensive income (loss), for the period, net of tax	(8,187)	(49,448)
Comprehensive income	266,464	159,517
Less: Comprehensive income attributable to noncontrolling interests	17,888	10,939
Comprehensive income attributable to Komatsu Ltd.	¥ 248,576	¥ 148,578

(3) Consolidated Statements of Equity

(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 ^{*1}				(515)			(515)	(12)	(527)
Cumulative effects of Accounting Standards Update-adoption of ASU 2016-01, net of tax ^{*1}				681	(681)		-		-
Cumulative effects of Accounting Standards Update-adoption of ASU 2016-16, net of tax ^{*1}				(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 ^{*2}	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

Notes: 1) Refer to "Changes resulting from revisions in accounting standards, etc" on page 19 for more details

2) Refer to "Net Income per Share" on page 22 for more details

(For the fiscal year ended March 31, 2018)

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, 2017	¥67,870	¥138,285	¥45,368	¥1,357,350	¥18,682	¥(50,881)	¥1,576,674	¥71,841	¥1,648,515
Cash dividends				(61,335)			(61,335)	(5,010)	(66,345)
Transfer to retained earnings appropriated for legal reserve			460	(460)			-		-
Other changes							-	1,280	1,280
Net income				196,410			196,410	12,555	208,965
Other comprehensive income (loss), for the period, net of tax					(47,832)		(47,832)	(1,616)	(49,448)
Issuance and exercise of stock acquisition rights		103					103		103
Purchase of treasury stock						(54)	(54)		(54)
Sales of treasury stock		62				512	574		574
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

(4) Consolidated Statements of Cash Flows

(For the fiscal years ended March 31, 2019 and 2018)

Millions of yen

	2019	2018
Operating activities		
Net income	¥ 274,651	¥ 208,965
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	131,464	133,910
Deferred income taxes	(5,942)	(652)
Impairment loss and net loss (gain) from sale of investment securities	499	(48,793)
Net loss (gain) on sale of property	(1,971)	(237)
Loss on disposal of fixed assets	3,660	3,014
Impairment loss on long-lived assets	1,251	6,629
Impairment loss on goodwill	-	13,413
Pension and retirement benefits, net	(1,827)	(3,246)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(74,121)	(181,426)
Decrease (increase) in inventories	(99,507)	(94,154)
Increase (decrease) in trade payables	(37,683)	28,830
Increase (decrease) in income taxes payable	(22,971)	40,387
Other, net	35,045	41,754
Net cash provided by (used in) operating activities	202,548	148,394
Investing activities		
Capital expenditures	(192,050)	(154,927)
Proceeds from sale of property	11,200	17,389
Proceeds from sale of available for sale investment securities	1,960	63,004
Purchases of available for sale investment securities	(342)	(595)
Sale of subsidiaries and equity investees, net of cash disposed	175	(10,520)
Acquisition of subsidiaries and equity investees, net of cash acquired	(8,035)	(289,801)
Other, net	(112)	(2,295)
Net cash provided by (used in) investing activities	(187,204)	(377,745)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	400,176	444,564
Payment on debt (Original maturities greater than three months)	(339,971)	(227,222)
Short-term debt, net (Original maturities three months or less)	45,087	96,332
Repayments of capital lease obligations	(63)	(54)
Sale (purchase) of treasury stock, net	(20)	49
Dividends paid	(93,457)	(61,335)
Other, net	(15,412)	(8,385)
Net cash provided by (used in) financing activities	(3,660)	243,949
Effect of exchange rate change on cash and cash equivalents	(7,602)	9,898
Net increase (decrease) in cash and cash equivalents	4,082	24,496
Cash and cash equivalents, beginning of year	144,397	119,901
Cash and cash equivalents, end of year	¥ 148,479	¥ 144,397

(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: 215 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, 2019, Komatsu has adopted the Accounting Standards Update (hereinafter “ASU”) 2014-09 “Revenue from Contracts with Customers”. This update requires that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Komatsu has adopted the update to all contracts at the date of initial application under the modified retrospective approach, and primarily in particular transactions, combined two or more contracts provided for a single purpose and recognized revenue for each distinct good or service. Accordingly, a reduction of JPY 515 million was made as an adjustment of cumulative effect from retained earnings as of April 1, 2018. In comparison with the case where the previous accounting standard had been applied, there is no significant impact on Komatsu’s financial position and results of operations.

From the fiscal year ended March 31, 2019, Komatsu has adopted ASU 2016-01 “Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities”. This update changes the impact on net income from fair value changes of equity investments held by an entity and also changes recognition of fair value changes of financial liability held by an entity with the fair value option. In principle, this update requires that equity investments, excluding investments in consolidated subsidiaries and affiliated companies accounted for by the equity method, be measured at fair value with changes in the fair value recognized in net income. This update has been adopted under the modified retrospective approach through a cumulative effect adjustment to retained earnings at the beginning of the initial application period. Consequently, Komatsu added JPY 681 million of unrealized gains, net of tax, on available-for-sale securities, which was recognized as accumulated other comprehensive income, as an adjustment of cumulative effect to retained earnings as of April 1, 2018.

From the fiscal year ended March 31, 2019, Komatsu has adopted ASU 2016-16 “Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory”. This update requires both the seller and the buyer in an intra-entity transfer of assets other than inventory to immediately recognize tax consequences of that transaction as current and deferred taxes. This update has been adopted under the modified retrospective approach through a cumulative effect adjustment to retained earnings at the beginning of the initial application period. Consequently, Komatsu reduced JPY 860 million as an adjustment of cumulative effect from retained earnings as of April 1, 2018.

From the fiscal year ended March 31, 2019, Komatsu has adopted ASU 2017-07 “Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”. This update requires an entity to divide net periodic pension cost and net periodic postretirement benefit cost into the service cost component and other components, and present the former in the same line

item as other personnel expenses while presenting the latter in non-operating income or expenses. Of net periodic pension cost and net periodic postretirement benefit cost, only the service cost component is allowed to be capitalized into inventory and others. The presentation change is applied retrospectively, whereas the capitalization change is applied prospectively. Due to the application of the provision requiring the division into the service cost component and other components, Komatsu reclassified JPY 72 million and JPY 3,006 million from cost of sales and selling, general and administrative expenses, respectively, to other, net under other income (expenses), net for the twelve months ended March 31, 2018. As a result, operating income from the fiscal year ended March 31, 2019 decreased by JPY 3,078 million compared with that before the reclassification. The application of the provision that limits cost eligible for capitalization to the service cost component 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, 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

(For the fiscal year ended March 31, 2018)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	2,267,332	49,647	184,128	2,501,107	-	2,501,107
Intersegment	13,635	10,662	1,286	25,583	(25,583)	-
Total	2,280,967	60,309	185,414	2,526,690	(25,583)	2,501,107
Segment profit	273,019	12,963	14,333	300,315	(416)	299,899
Assets	2,434,291	728,518	209,476	3,372,285	253	3,372,538
Depreciation and Amortization	100,773	25,433	6,236	132,442	-	132,442
Capital investment	86,250	54,661	4,757	145,668	-	145,668

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 others

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

3) From the fiscal year ended March 31, 2019, Komatsu has adopted the Accounting Standards Update (“ASU”) 2017-07, “Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Period Postretirement Benefit Cost”. Accordingly, the figures from the fiscal year ended March 31, 2019, were reclassified in accordance with ASU 2017-07.

< Geographic Information >

Net sales determined by customer location were as follows:

(For the fiscal years ended March 31, 2019 and 2018)

Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
2019	404,160	1,014,587	358,516	192,660	600,754	154,566	2,725,243
2018	396,061	926,198	303,584	193,481	517,196	164,587	2,501,107

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 years ended March 31, 2019 and 2018)

Millions of yen

	2019	2018
Net income attributable to Komatsu Ltd.	256,491	196,410
Net income attributable to participating securities (restricted stocks)	44	-
Net income attributable to common shareholders	256,447	196,410

Number of shares

	2019	2018
Weighted average common shares outstanding, less treasury stock	943,625,229	943,167,127
Dilutive effect of: Stock options	1,063,977	1,266,360

Weighted average number of participating securities (restricted stocks)	163,556	-
Weighted average diluted common shares outstanding	944,525,650	944,433,487

Yen

	2019	2018
Net income attributable to Komatsu Ltd. per share:		
Basic	271.81	208.25
Diluted	271.51	207.97

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, 2019(U.S. GAAP), because the need for their disclosure is considered insignificant.

(end)