

Komatsu Ltd.

Corporate Communications Dept.

Tel: +81-(0)3-5561-2616

Date: April 25, 2014

URL: <http://www.komatsu.com/>

Consolidated Business Results for the Fiscal Year Ended March 31, 2014 (U.S. GAAP)

1. Results for the Fiscal Year Ended March 31, 2014

(Amounts are rounded to the nearest million yen)

(1) Consolidated Financial Highlights

(For the fiscal years ended March 31, 2014 and 2013)

Millions of yen except per share amounts

	2014	2013	Changes	
	[A]	[B]	[A-B]	[(A-B)/B] (%)
Net sales	1,953,657	1,884,991	68,666	3.6%
Operating income	240,495	211,602	28,893	13.7%
Income before income taxes and equity in earnings of affiliated companies	242,056	204,603	37,453	18.3%
Net income attributable to Komatsu Ltd.	159,518	126,321	33,197	26.3%
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	¥ 167.36	¥ 132.64	¥ 34.72	
Diluted	¥ 167.18	¥ 132.51	¥ 34.67	
Return on equity	12.4%	11.5%	0.9%	
Return on total assets	9.4%	8.5%	0.9%	
Return on sales	12.3%	11.2%	1.1%	

Notes: 1) Comprehensive income:

2014: 245,766 millions of yen, up 1.1% from 2013

2013: 243,015 millions of yen, up 47.2% from 2012

2) Equity in earnings of affiliated companies:

2014: 3,491 millions of yen

2013: 1,621 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, 2014 and 2013)

Millions of yen except per share amounts

	2014	2013
Total assets	2,651,556	2,517,857
Total equity	1,441,111	1,252,695
Komatsu Ltd. shareholders' equity	1,376,391	1,193,194
Komatsu Ltd. shareholders' equity ratio	51.9%	47.4%
Komatsu Ltd. shareholders' equity per share (Yen)	¥ 1,443.97	¥ 1,252.33

(3) Consolidated Cash Flows

(For the fiscal years ended March 31, 2014 and 2013)

Millions of yen

	2014	2013
Net cash provided by (used in) operating activities	319,424	214,045
Net cash provided by (used in) investing activities	(167,439)	(131,397)
Net cash provided by (used in) financing activities	(155,349)	(71,814)
Cash and cash equivalents, end of year	90,872	93,620

2. Dividends

(For the fiscal years ended March 31, 2014 and 2013, and ending March 31, 2015)

	2014	2013	2015 Projections
Cash dividends per share (Yen)			
Interim	29.00	24.00	29.00
Year-end	29.00	24.00	29.00
Total	58.00	48.00	58.00
Annual dividends (Millions of yen)	55,317	45,749	--
Payout ratio (Consolidated basis) (%)	34.7%	36.2%	35.9%
Dividends as percentage of equity (Consolidated basis) (%)	4.3%	4.2%	--

3. Projections for the Fiscal Year Ending March 31, 2015

(From April 1, 2014 to March 31, 2015)

Millions of yen except per share amounts

	The full fiscal year	
		Changes Increase (Decrease)
Net sales	1,880,000	(3.8) %
Operating income	243,000	1.0 %
Income before income taxes and equity in earnings of affiliated companies	237,000	(2.1) %
Net income attributable to Komatsu Ltd.	154,000	(3.5) %
Net income attributable to Komatsu Ltd. per share (basic) (Yen)	¥ 161.56	

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: Applicable

Note: See “Basis of Consolidated Financial Statements” on page 23 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:

2014: 983,130,260 shares

2013: 983,130,260 shares

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

2014: 29,933,292 shares

2013: 30,351,401 shares

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

2014: 953,134,746 shares

2013: 952,376,139 shares

Note: See “Net Income per Share” on page 25 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.

1. Results for the Fiscal Year Ended March 31, 2014

(1) Non-Consolidated Financial Highlights

(For the fiscal years ended March 31, 2014 and 2013)

Millions of yen except per share amounts

	2014	2013	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B] (%)
Net sales	757,766	738,871	18,895	2.6%
Ordinary profit	160,887	85,390	75,497	88.4%
Net income	133,876	66,016	67,860	102.8%
Net income per share (Yen)				
Basic	¥ 140.38	¥ 69.28	¥ 71.10	
Diluted	¥ 140.21	¥ 69.21	¥ 71.00	

(2) Non-Consolidated Financial Position

(As of March 31, 2014 and 2013)

Millions of yen except per share amounts

	2014	2013
Total assets	1,156,060	1,082,548
Net assets	683,183	592,734
Equity ratio (%)	58.8%	54.5%
Net assets per share (Yen)	¥ 712.79	¥ 618.32

Note: Shareholders' equity: 2014: 679,821 million yen 2013: 589,465 million yen

2. Projections for the Fiscal Year Ending March 31, 2015

(From April 1, 2014 to March 31, 2015)

Millions of yen except per share amounts

	2015	
		Changes Increase (Decrease)
Net sales	710,000	(6.3) %
Ordinary profit	120,000	(25.4) %
Net income	105,000	(21.6) %
Net income per share (basic) (Yen)	¥ 110.09	

Note: Percentages shown above represent the rates of change compared with the corresponding period a year ago.

Appendix

Management Performance and Financial Conditions

- (1) Outline of Operations and Business Results P.6
- (2) Financial Conditions P.10
- (3) Basic Policy for Redistribution of Profits and Dividends for the Fiscal Year
under Review and Next Fiscal Year..... P.11

Komatsu Group P.12

Management Policy

- (1) Basic Management Policy P.14
- (2) Mid to Long-Range Management Plan and Issues Ahead P.14

Consolidated Financial Statements

- (1) Consolidated Balance Sheets P.17
- (2) Consolidated Statements of Income and Consolidated Statements of
Comprehensive Income.....P.19
- (3) Consolidated Statements of Equity P.21
- (4) Consolidated Statements of Cash Flows..... P.22
- (5) Note to the Going Concern Assumption P.23
- (6) Basis of Consolidated Financial Statements.....P.23
- (7) Notes to Consolidated Financial Statements..... P.24
 - 1) Business Segment Information P.24
 - 2) Net Income per Share P.25
 - 3) Others..... P.25

Management Performance and Financial Conditions

(1) Outline of Operations and Business Results

Komatsu Ltd. (“Company”) and its consolidated subsidiaries (together “Komatsu”) embarked on the “Together We Innovate GEMBA Worldwide” three-year mid-range management plan in April 2013. Under this plan, Komatsu is making focused 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, 2013 – March 31, 2014), which represents the first year of the mid-range management plan, in the construction, mining and utility equipment business, while demand for mining equipment remained slack, that for construction equipment increased in Japan, China and some other regions. In addition, reflecting the Japanese yen’s depreciation, sales increased from the previous fiscal year. With respect to the industrial machinery and others business, while sales of sheet-metal and press machines were firm mainly in the automobile manufacturing industry, total sales declined from the previous fiscal year, largely affected by further decline in sales of wire saws. As a result, consolidated net sales for the year increased by 3.6% from the previous fiscal year, to JPY1,953.6 billion.

Concerning profits, while the loss of the inventories of wire saws was realized, operating income improved by 13.7% from the previous fiscal year, to JPY240.4 billion, supported by the Japanese yen’s depreciation and continued focus on improving selling prices and production costs as well as curtailing fixed costs. Operating income ratio was 12.3%, up 1.1 percentage points. Income before income taxes and equity in earnings of affiliated companies improved by 18.3% to JPY242.0 billion. Net income attributable to Komatsu Ltd. advanced by 26.3% to JPY159.5 billion.

[Consolidated Financial Highlights]

Millions of yen

	2014 USD1=JPY99.6 EUR1=JPY132.8 RMB1=JPY16.3	2013 USD1=JPY82.5 EUR1=JPY106.6 RMB1=JPY13.2	Changes Increase (Decrease)
	[A]	[B]	[(A-B)/B]
Net sales	1,953,657	1,884,991	3.6 %
Construction, Mining and Utility Equipment	1,752,260	1,679,579	4.3 %
Industrial Machinery and Others	209,177	216,291	(3.3)%
Elimination	(7,780)	(10,879)	-
Segment profit	242,205	214,012	13.2 %
Construction, Mining and Utility Equipment	242,101	208,951	15.9 %
Industrial Machinery and Others	2,038	6,222	(67.2)%
Corporate & elimination	(1,934)	(1,161)	-
Operating income	240,495	211,602	13.7 %
Income before income taxes and equity in earnings of affiliated companies	242,056	204,603	18.3 %
Net income attributable to Komatsu Ltd.	159,518	126,321	26.3 %

Note: Sales and profit figures in this report show the respective sums of twelve months from April 1 to March 31. 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

While demand for mining equipment remained slack in coal and iron ore mines, demand for construction equipment was brisk in Japan, especially against the backdrop of thriving construction investment, and increased steadily in China where it upturned for recover during the fiscal year under review. In addition, as the Japanese yen depreciated against the U.S. dollar, euro and renminbi, sales of construction, mining and utility equipment increased by 4.3% from the previous fiscal year, to JPY1,752.2 billion. Segment profit improved by 15.9% to JPY242.1 billion.

During the fiscal year under review, Komatsu launched the medium-sized D61PXi-23 intelligent Machine Control (iMC) dozers in North America, Europe and Japan. This model features the world's first automatic blade control as a next-generation product to lead Komatsu's strategies based on innovation. Komatsu also widened its model range. Also during the fiscal year, the machine population of KOMTRAX (Komatsu Machine Tracking System)-installed units surpassed 330,000 worldwide. By taking advantage of KOMTRAX information concerning machine operations, Komatsu worked to strengthen the aftermarket business, which includes the provision of services and sales expansion of strategic parts. With respect to models certified for new emission regulations which have become effective in the United States, Europe and Japan since 2011, Komatsu continued aggressive market introduction together with KOMATSU CARE, a service program designed to reduce the total lifecycle costs of these models and prolong machine life.

To strengthen research and development of operations related to manufacturing engineering, Komatsu began operation of a new manufacturing engineering development center in October 2013, designed to play an important role of reforming production and improving product performance. Komatsu also facilitated activities to cut down electric power consumption to half at all plants in Japan, including the on-going construction of a new factory which will feature dynamic energy-saving and productivity by means of cutting-edge technologies, at the Awazu Plant in Ishikawa Prefecture.

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

Millions of yen

	2014	2013	Changes	
	[A]	[B]	[A-B]	[(A-B)/B]
Japan	342,156	292,732	49,424	16.9 %
North America	276,104	276,475	(371)	(0.1) %
Latin America	266,761	259,275	7,486	2.9 %
Americas	542,865	535,750	7,115	1.3 %
Europe	121,908	100,350	21,558	21.5 %
CIS	68,540	89,483	(20,943)	(23.4) %
Europe & CIS	190,448	189,833	615	0.3 %
China	162,002	119,940	42,062	35.1 %
Asia*	193,903	218,009	(24,106)	(11.1) %
Oceania	154,704	193,050	(38,346)	(19.9) %
Asia* & Oceania	348,607	411,059	(62,452)	(15.2) %
Middle East	55,399	29,686	25,713	86.6 %
Africa	108,278	98,049	10,229	10.4 %
Middle East & Africa	163,677	127,735	35,942	28.1 %
Total	1,749,755	1,677,049	72,706	4.3 %

* Excluding Japan and China

Komatsu's operations by region are described below.

Japan

Demand for construction equipment advanced, reflecting an increase in sales as more customers anticipated stringer emission regulations for the near future, in addition to full-scale start-ups of reconstruction projects in the regions destroyed by the Great East Japan Earthquake and tsunami. In particular, demand in rental companies was strong. As a result, sales increased from the previous fiscal year.

Concerning the products which are compliant with new emission regulations which have been steadily in effect since 2011, Komatsu has already launched over 40 models in total, including the HB205-2 hybrid hydraulic excavator of which Komatsu began sales in October 2013. Komatsu worked to expand sales of these new models. Since last year Komatsu Rental Ltd. and Komatsu Group rental companies began introducing D61PXi-23 and D37PXi-23 iMC dozers. Having been deployed at over 20 job sites, these models have gained great responses from customers.

Americas

In North America, while renewal demand since FY2012 in the rental industry ran its course and demand declined for equipment for use especially in coal mines, demand grew in the housing sector and infrastructure development, such as highway construction. Sales remained about flat from the previous fiscal year. In June 2013, Komatsu launched the medium-sized D61EXi/PXi-23 iMC dozer in the United States, the first in the world, and has steadily increased their sales volume. To meet the promising, growing trend of renting by customers, Komatsu reinforced its rental-to-used equipment business, by increasing the amount of equipment at distributors.

In Latin America, while demand for equipment declined for use in copper mines in Chile and Peru, sales increased from the previous fiscal year, reflecting the Japanese yen's depreciation. In Brazil, Komatsu has built an integrated Komatsu group-wide support operation for mining customers, as Komatsu Brasil International Ltda. commenced sales and service of mining equipment in April 2013.

Europe & CIS

While demand remained slack against the backdrop of the Eurozone crisis in Germany and France, among the major European markets, sales increased from the previous fiscal year, reflecting the Japanese yen's depreciation. In northern Europe, Komatsu worked to expand sales of hybrid hydraulic excavators to customers who are keenly interested in environmental preservation.

In CIS, sales declined from the previous fiscal year, adversely impacted by the downturn of demand for equipment for use in gold mines and the energy sector.

China

Demand, which had been sluggish since FY2011, upturned for recovery in April 2013 and increased for the fiscal year, albeit some slowdown after the Chinese New Year in January 2014. Komatsu worked to expand sales of the 20-ton class PC200-8M0 hydraulic excavator with improved performance of fuel economy, which was launched in February 2013. As a result, sales improved from the previous fiscal year.

To further strengthen production in China, Komatsu continuously worked to improve production costs and human resource development. In October 2013, Komatsu Shantui Construction Machinery Co., Ltd., a manufacturing subsidiary of medium-sized hydraulic excavators in Shandong Province, received the Deming Prize for 2013, for its active engagement in TQM (total quality management). Komatsu Shantui became the first award-winning company of overseas Komatsu Group companies.

Asia & Oceania

In Indonesia, the largest market of Southeast Asia, demand for mining and construction equipment dropped, mainly affected by the sluggish international price of thermal coal and the accelerating depreciation of the Indonesian rupiah since August 2013. As a result, sales in Asia declined from the previous fiscal year. In FY2013, Komatsu started launching the 20-ton class PC200-8M0 which features improved performance of fuel economy in Asia, following China.

In Oceania, as demand for mining equipment in iron ore mines and that for construction equipment remained slack, sales declined from the previous fiscal year. In October 2013, Komatsu introduced the 30-ton class HB335-1 hybrid hydraulic excavator in Australia by leading other regions of the world. It is Komatsu's second hybrid hydraulic excavator after 20-ton class models.

Middle East & Africa

In the Middle East, demand grew steadily in some countries of Gulf nations, and sales advanced from the previous fiscal year. In Saudi Arabia, Komatsu steadfastly reinforced sales and product support operations with a leading local company with whom Komatsu signed the distributorship agreement at the end of 2012.

In Africa, Komatsu promoted proactive sales and service activities by effectively utilizing information obtained from the KOMTRAX Plus, Komatsu's mining equipment management system, and made good sales in mines in Namibia in addition to South Africa. As a result, sales advanced from the previous fiscal year.

Industrial Machinery and Others

While sales of sheet-metal and press machines remained firm, mainly to the automobile manufacturing industry, sales of wire saws further declined in particular. As a result, sales of the industrial machinery and others business declined by 3.3% from the previous fiscal year, to JPY209.1 billion. Segment profit decreased by 67.2% to JPY2.0 billion. During the year under review, Komatsu realized a loss of JPY 10.8 billion for wire saw inventories.

In the business of machine tools as well as sheet metal and press machines, Komatsu worked to expand sales of strategic products, such as the NTG-4SP grinder, the H1F-2 small AC Servo press and the new KFL Series fiber laser cutting machine, all designed to enhance customers' productivity, safety and environmental performance.

[Projections for the Fiscal Year Ending March 31, 2015]

(From April 1, 2014 to March 31, 2015)

In the construction, mining and utility equipment business, while demand for construction equipment is steady in North America and some other regions of the world, Komatsu expects to meet a market environment which is more challenging than FY2013. Such market environment is attributable to demand in rental companies having run its course in Japan as well as a decline in demand for mining equipment resulting from the conservative mindset of mining customers for capital investment against the backdrop of sluggish commodity prices. In the industrial machinery and other business, while demand for wire saws should remain depressed, Komatsu anticipates steady sales of press and sheet-metal machines as well as machine tools, especially to the automobile manufacturing industry. Komatsu will step up its group-wide efforts to reinforce business models designed to offer comprehensive merits to customers, and strive to expand sales in the entire value chain which includes not only sales of new equipment but also parts and

service, rental-to-used equipment, and retail finance businesses. At the same time, Komatsu will also make continuous efforts to improve selling prices, production costs and the like. As a result, Komatsu projects consolidated business results for the fiscal year ending March 31, 2015 as follows.

As preconditions for our projection, we are assuming the foreign exchange rates as follows: USD1=JPY100, EUR1=JPY137 and RMB1=JPY16.2.

Millions of yen

	2015 Projection [A]	2014 Results [B]	Changes Increase(Decrease) [(A-B)/(B)]
Net sales	1,880,000	1,953,657	(3.8)%
Operating income	243,000	240,495	1.0 %
Income before income taxes and equity in earnings of affiliated companies	237,000	242,056	(2.1)%
Net income attributable to Komatsu Ltd.	154,000	159,518	(3.5)%

(2) Financial Conditions

As of March 31, 2014, total assets increased by JPY133.6 billion from the previous fiscal year-end, to JPY2,651.5 billion, mainly due to more depreciation of the Japanese yen against the U.S. dollar, euro and renminbi compared to the previous fiscal year-end. Interest-bearing debt decreased by JPY74.6 billion from the previous fiscal year-end, to JPY605.0 billion. Komatsu Ltd. shareholders' equity increased by JPY183.1 billion from the previous fiscal year-end, to JPY1,376.3 billion. As a result, Komatsu Ltd. shareholders' equity ratio increased by 4.5 percentage points from the previous fiscal year-end, to 51.9%. Net debt-to-equity ratio* was 0.37, compared to 0.49 as of the previous fiscal year-end.

* Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders' equity

For the fiscal year under review, net cash provided by operating activities totaled JPY319.4 billion, an increase of JPY105.3 billion from the previous fiscal year, mainly due to net income of JPY169.6 billion and reduced inventories. Net cash used in investing activities amounted to JPY167.4 billion, an increase of JPY36.0 billion from the previous fiscal year, mainly due to the purchase of fixed assets. Net cash used in financing activities amounted to JPY155.3 billion, mainly due to the payment of cash dividends and repayment of debt, as compared to JPY71.8 billion used for the previous fiscal year. After adding the effects of foreign exchange rate fluctuations, cash and cash equivalents, totaled JPY90.8 billion, a decrease of JPY2.7 billion from the previous fiscal year-end.

Cash flow indexes are described below.

[Trends of Financial Conditions Indicators]

(Fiscal years ended March 31, 2014, 2013 and 2012)

	2014	2013	2012
Komatsu Ltd. shareholders' equity ratio (%)	51.9	47.4	43.5
Komatsu Ltd. shareholders' equity ratio at aggregate market value (%)	76.9	85.1	96.8
Years of debt redemption	1.9	3.2	6.1

* Komatsu Ltd. shareholders' equity ratio: Komatsu Ltd. shareholders' equity/Total assets

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

* 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 cash dividends to shareholders, the Company maintains the policy of redistributing profits by considering consolidated business results and continuing stable dividends.

Concerning the year-end cash dividend from surplus funds, the Company is planning to pay JPY29 per share in accordance with its policy of redistribution which sets the goal of a consolidated payout ratio of 30% or higher and no decrease of dividends, as long as the consolidated payout ratio does not surpass 50%, in addition to 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 145th ordinary general meeting of shareholders scheduled for June 18, 2014.)

Annual cash dividends for the year under review, including the interim dividend of JPY29 per share, amount to JPY58 per share (an increase of JPY10 from annual cash dividends for the previous fiscal year). This amount translates into a consolidated payout ratio of 34.7%.

Regarding annual cash dividends for the fiscal year ending March 31, 2015, the Company plans to set the annual cash dividends per share at JPY58, the same amount for the fiscal year ended March 31, 2014.

Cautionary Statement

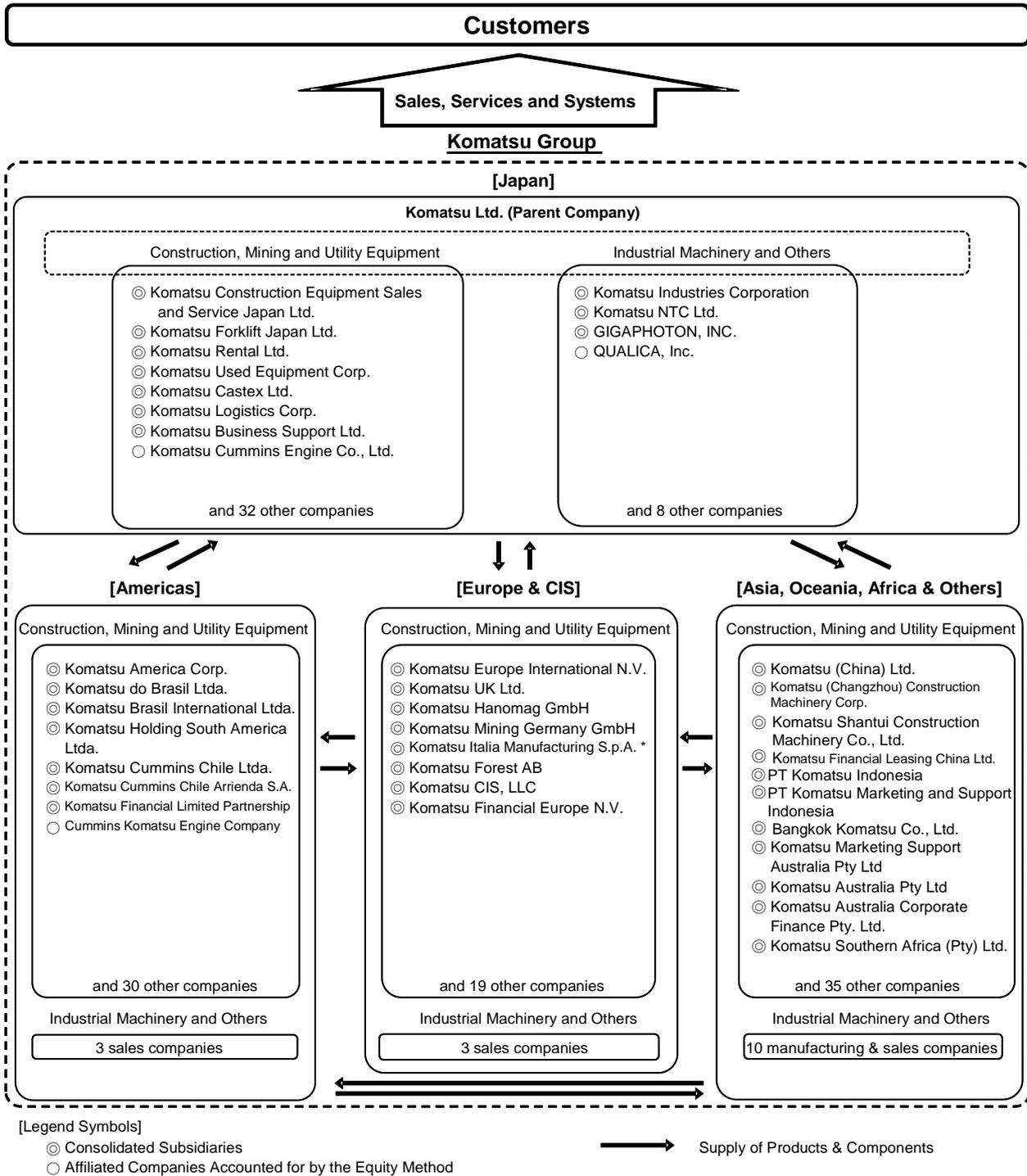
The announcement set forth herein contains forward-looking statements which reflect management's current views with respect to certain future events, including expected financial position, operating results, and business strategies. These statements can be identified by the use of terms such as "will," "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.

Business Categories and Principal Products & Services	
Construction, Mining and Utility Equipment	
Excavating Equipment	Hydraulic excavators, mini excavators and backhoe loaders
Loading Equipment	Wheel loaders, mini wheel loaders and skid steer loaders
Grading and Roadbed Preparation Equipment	Bulldozers, motor graders and vibratory rollers
Hauling Equipment	Off-highway dump trucks, articulated dump trucks and crawler carriers
Forestry Equipment	Harvesters, forwarders and feller-bunchers
Tunneling Machines	Shield machines, tunnel-boring machines and small-diameter pipe jacking machines
Recycling Equipment	Mobile debris crushers, mobile soil recyclers and mobile tub grinders
Industrial Vehicles	Forklift trucks
Other Equipment	Railroad maintenance equipment
Engines and Components	Diesel engines, diesel generator sets and hydraulic equipment
Casting Products	Steel castings and iron castings
Logistics	Packing, warehousing and transport
Industrial Machinery and Others	
Metal Forging and Stamping Presses	Servo and mechanical presses
Sheet-Metal Machines	Laser cutting machines, fine-plasma cutting machines, press brakes and shears
Machine Tools	Transfer machines, machining centers, crankshaft millers, grinding machines and wire saws
Defense Systems	Ammunition and armored personnel carriers
Temperature-control equipment	Thermoelectric modules and temperature-control equipment for semiconductor manufacturing
Others	Commercial-use prefabricated structures and excimer laser for lithography tools in semiconductor manufacturing

Komatsu Group (Chart)

(As of March 31, 2014)



* Komatsu Italia manufacturing S.p.A. changed its company name from Komatsu Utility Europe S.p.A. in January 2014.

Management Policy

(1) Basic Management Policy

The cornerstone of Komatsu's management is commitment to Quality and Reliability for maximization of its corporate value. This commitment is not limited to delivering safe and innovative products and services which incorporate the viewpoints of customers. Komatsu is continuing its efforts to enhance the Quality and Reliability of all organizations, businesses, employees and management of the entire Komatsu Group. It is the top management task of Komatsu to continue improving the Quality and Reliability of all these, year after year.

(2) Mid to Long-Range Management Plan and Issues Ahead

In April 2013, Komatsu embarked on the "Together We Innovate GEMBA Worldwide" mid-range management plan scheduled for completion in the fiscal year ending March 31, 2016. Since then, the Komatsu Group has followed it and generated some results, including the market launch of iMC dozers equipped with the world's first automatic blade control. At the same time, FY2013 tested Komatsu's ability to respond to changes in the market, such as a drastic drop in demand for mining equipment and belated recovery of demand for wire saws.

Komatsu anticipates that demand for construction and mining equipment will grow in the mid to long range, reflecting an increase in global population and urbanization rates. Meanwhile, by considering economic slowdowns in some emerging countries and demand being at a standstill for the immediate future in Strategic Markets, Komatsu is stepping up efforts in the business model which looks into comprehensive merits for customers, such as reduction in their machines' lifecycle costs.

While the external environment of Komatsu is dynamically changing, Komatsu is determined to speed up its implementation of three focused efforts defined in the mid-range management plan, continue to strengthen its operations capable of flexibly meeting demand changes, and steadily generate results.

[Markets as Positioned by the Komatsu]

Traditional Markets	Japan, North America and Europe
Strategic Markets	China, Latin America, Asia, Oceania, Africa, Middle East and CIS

Target figures of the "Together We Innovate GEMBA Worldwide" mid-range management plan

Items	Targets for Fiscal Year Ending March 31, 2016
Operating income ratio	18% – 20%
ROE: Return on Equity	18% – 20%
Net debt-to-equity ratio	0.3 or below
Consolidated payout ratio	30% – 50% (stably)

*ROE=Net income attributable to Komatsu Ltd. for the year/[(Komatsu Ltd. shareholders' equity at the beginning + Komatsu Ltd. shareholders' equity at the end of the fiscal year)/2]

* Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders' equity

[Premises]

Items	Fiscal Year Ending March 31, 2016		
Guideline on sales	JPY2,300 billion ± JPY200 billion		
Guidelines on exchange rates	USD1	EUR1	RMB1
	JPY90 – 95	JPY120 – 125	JPY15.0 – 15.3

Focused activities of the “Together We Innovate GEMBA Worldwide” mid-range management plan

1. Growth strategies based on innovation

We are going to actively make innovation, which will create totally new value at our customers’ GEMBA (workplaces), in our core businesses of construction, mining and utility equipment as well as in industrial machinery. To this end, mainly through the Office of Chief Technology Officer (CTO), we are going to develop mid- to long-range technology strategies and research policies, while we will promote academic-industrial as well as private-sector collaborations for technologies we cannot obtain within the Komatsu Group.

In the construction, mining and utility equipment business, we introduced iMC dozers, equipped with the world’s first automatic blade control, to the North American, European and Japanese markets last year. The iMC dozers represent our ICT-intensive construction equipment designed to enable machine automation and efficient, centralized management of jobsite information. Starting in 2014, we are going to launch the medium-sized iMC hydraulic excavator in these same markets. With respect to the Autonomous Haulage System (AHS), we will steadfastly advance the large-lot deployment project with Rio Tinto in Australia. In April this year, we established a joint-ownership company with General Electric Company. Through this new company, we are going to develop next-generation equipment for underground mining, in which we have no experience. We will do this by emphasizing the importance of productivity and safety as we have done with mining equipment for use in open-pit mines. In the business of 2- to 3-ton class, small forklift trucks, in May 2014 we will launch the new FE25-1 electric model capable of outdoor work comparable to internal-combustion models in performance as well as long hours of use, thanks mainly to high-speed charging technology.

In the industrial machinery and others business, we are working on in-house development and the manufacturing of key components and promoting the market introduction of new products, such as innovative Servo presses and machine tools.

2. Growth strategies of existing businesses

In response to new emission regulations (e.g., Tier4 Final in the United States), which require further reduction of NOx (nitrogen oxides) and PM (particulate matter), to be effective in the United States, Europe and Japan this year, we are focusing efforts on product development by capitalizing on our advantages of in-house development and the manufacturing of engines, hydraulic equipment, control systems and the like and incorporating cutting-edge technologies. In FY2014, we are going to launch new models, such as the medium-sized PC490LC-11 hydraulic excavator and D155AX-8 large dozer first in the United States.

In the aftermarket business, while expanding the product mix of strategic parts, such as buckets, teeth and track shoes, as well as attachments, like the Xcentric™ Ripper, we will continue to reinforce our supply operation of Reman (Remanufacturing).

Through KOMTRAX which was mounted on over 330,000 units as of March 31, 2014, together with KOMTRAX Plus, and KOMTRAX Parts which provides information concerning the conditions and replacement records of parts, we are going to make a variety of information “visible.” As we the Komatsu Group, including distributors, are set to maximize KOMTRAX applications, we are going to implement the prompt delivery of parts and service activities and expand the value chain, including the rental-to-used equipment and retail finance businesses, thereby further improving customer satisfaction.

3. Structural reforms designed to reinforce the business foundation

While we as the Komatsu Group have about doubled sales for the last 10 years, we have controlled fixed costs at about a constant level. By separating costs from growth, we will continue to reduce production costs and maintain an appropriate level of fixed costs.

At our plants in Japan, we have been promoting programs to cut down electric power consumption to half and production costs substantially by implementing production reforms and consolidating or renewing factory buildings. After completing the construction of a new assembly factory at the Awazu Plant in May this year, we are going to follow the same initiatives at the Oyama and Tochigi plants. We will also enhance the level of sales, production and inventory planning of new equipment centering on the Global HANSEI Operation Center, and work to reduce our inventory of spare parts by linking our plants with the marketplace.

Based on the belief that “its corporate value is the total sum of trust given to Komatsu by society and all its stakeholders,” Komatsu is further strengthening its corporate governance to ensure sound and transparent management, while improving management efficiency. Komatsu will also ensure all employees share The KOMATSU Way and continue to constantly address the fundamentals of safety, environmental conservation, compliance and quality assurance. In addition to improving its business performance, Komatsu will facilitate both the development of corporate strength and the achievement of social responsibility in a well-balanced manner.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

Assets

Millions of yen

	As of March 31, 2014		As of March 31, 2013	
		Ratio (%)		Ratio (%)
Current assets				
Cash and cash equivalents	¥ 90,872		¥ 93,620	
Time deposits	277		217	
Trade notes and accounts receivable, net	617,334		606,904	
Inventories	625,077		633,647	
Deferred income taxes and other current assets	159,872		157,668	
Total current assets	1,493,432	56.3	1,492,056	59.3
Long-term trade receivables, net	260,904	9.8	235,825	9.4
Investments				
Investments in and advances to affiliated companies	23,192		19,404	
Investment securities	67,175		59,279	
Other	2,020		2,574	
Total investments	92,387	3.5	81,257	3.2
Property, plant and equipment				
- Less accumulated depreciation and amortization	667,347	25.2	585,220	23.2
Goodwill	36,020	1.4	34,703	1.4
Other intangible assets				
- Less accumulated amortization	58,532	2.2	58,523	2.3
Deferred income taxes and other assets	42,934	1.6	30,273	1.2
Total	¥ 2,651,556	100.0	¥ 2,517,857	100.0

Liabilities and Equity

Millions of yen

	As of March 31, 2014		As of March 31, 2013	
		Ratio (%)		Ratio (%)
Current liabilities				
Short-term debt	¥ 176,515		¥ 205,156	
Current maturities of long-term debt	117,485		130,793	
Trade notes, bills and accounts payable	234,231		226,275	
Income taxes payable	42,211		33,227	
Deferred income taxes and other current liabilities	221,789		232,125	
Total current liabilities	792,231	29.9	827,576	32.8
Long-term liabilities				
Long-term debt	311,067		343,814	
Liability for pension and retirement benefits	49,428		49,912	
Deferred income taxes and other liabilities	57,719		43,860	
Total long-term liabilities	418,214	15.8	437,586	17.4
Total liabilities	1,210,445	45.7	1,265,162	50.2
Komatsu Ltd. shareholders' equity				
Common stock	67,870		67,870	
Capital surplus	138,984		138,818	
Retained earnings:				
Appropriated for legal reserve	39,962		38,230	
Unappropriated	1,141,751		1,034,504	
Accumulated other comprehensive income (loss)	30,035		(43,440)	
Treasury stock	(42,211)		(42,788)	
Total Komatsu Ltd. shareholders' equity	1,376,391	51.9	1,193,194	47.4
Noncontrolling interests	64,720	2.4	59,501	2.4
Total equity	1,441,111	54.3	1,252,695	49.8
Total	¥ 2,651,556	100.0	¥ 2,517,857	100.0

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

(For the fiscal years ended March 31, 2014 and 2013)

Consolidated Statements of Income

Millions of yen

	2014		2013	
		Ratio (%)		Ratio (%)
Net sales	¥ 1,953,657	100.0	¥ 1,884,991	100.0
Cost of sales	1,393,048	71.3	1,377,459	73.1
Selling, general and administrative expenses	318,404	16.3	293,520	15.6
Impairment loss on long-lived assets	2,300	0.1	1,907	0.1
Other operating income (expenses), net	590	0.0	(503)	(0.0)
Operating income	240,495	12.3	211,602	11.2
Other income (expenses), net				
Interest and dividend income	3,898	0.2	4,277	0.2
Interest expense	(8,831)	(0.5)	(8,236)	(0.4)
Other, net	6,494	0.3	(3,040)	(0.2)
Total other income (expenses)	1,561	0.1	(6,999)	(0.4)
Income before income taxes and equity in earnings of affiliated companies	242,056	12.4	204,603	10.9
Income taxes	75,943	3.9	69,089	3.7
Income before equity in earnings of affiliated companies	166,113	8.5	135,514	7.2
Equity in earnings of affiliated companies	3,491	0.2	1,621	0.1
Net income	169,604	8.7	137,135	7.3
Less: Net income attributable to noncontrolling interests	10,086	0.5	10,814	0.6
Net income attributable to Komatsu Ltd.	¥ 159,518	8.2	¥ 126,321	6.7

Consolidated Statements of Comprehensive Income

Millions of yen

	2014	2013
Net income	¥ 169,604	¥ 137,135
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments	63,326	99,195
Net unrealized holding gains (losses) on securities available for sale	6,782	4,690
Pension liability adjustments	4,674	1,440
Net unrealized holding gains (losses) on derivative instruments	1,380	555
Total other comprehensive income (loss), for the period, net of tax	76,162	105,880
Comprehensive income	245,766	243,015
Less: Comprehensive income attributable to noncontrolling interests	12,807	17,745
Comprehensive income attributable to Komatsu Ltd.	¥ 232,959	¥ 225,270

(3) Consolidated Statements of Equity

For the fiscal year ended March 31, 2014

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, 2013	¥67,870	¥138,818	¥38,230	¥1,034,504	¥(43,440)	¥(42,788)	¥1,193,194	¥59,501	¥1,252,695
Cash dividends				(50,539)			(50,539)	(6,406)	(56,945)
Transfer to retained earnings appropriated for legal reserve			1,732	(1,732)			-		-
Other changes		(491)			34		(457)	(1,182)	(1,639)
Net income				159,518			159,518	10,086	169,604
Other comprehensive income for the period, net of tax					73,441		73,441	2,721	76,162
Issuance and exercise of stock acquisition rights		313					313		313
Purchase of treasury stock						(47)	(47)		(47)
Sales of treasury stock		344				624	968		968
Balance at March 31, 2014	¥67,870	¥138,984	¥39,962	¥1,141,751	¥30,035	¥(42,211)	¥1,376,391	¥64,720	¥1,441,111

For the fiscal year ended March 31, 2013

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, 2012	¥67,870	¥138,384	¥37,954	¥951,395	¥(142,389)	¥(43,518)	¥1,009,696	¥47,761	¥1,057,457
Cash dividends				(42,877)			(42,877)	(5,958)	(48,835)
Transfer to retained earnings appropriated for legal reserve			276	(276)			-		-
Other changes							-	(47)	(47)
Net income				126,321			126,321	10,814	137,135
Other comprehensive income for the period, net of tax					98,949		98,949	6,931	105,880
Issuance and exercise of stock acquisition rights		434					434		434
Purchase of treasury stock						(32)	(32)		(32)
Sales of treasury stock				(59)		762	703		703
Balance at March 31, 2013	¥67,870	¥138,818	¥38,230	¥1,034,504	¥(43,440)	¥(42,788)	¥1,193,194	¥59,501	¥1,252,695

(4) Consolidated Statements of Cash Flows

(For the fiscal years ended March 31, 2014 and 2013)

Millions of yen

	2014	2013
Operating activities		
Net income	¥ 169,604	¥ 137,135
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	87,273	89,322
Deferred income taxes	2,007	(5,539)
Impairment loss and net loss (gain) from sale of investment securities	(1,701)	3,058
Net loss (gain) on sale of property	(4,157)	(567)
Loss on disposal of fixed assets	4,045	1,867
Impairment loss on long-lived assets	2,300	1,907
Pension and retirement benefits, net	1,558	(979)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	9,491	(21,656)
Decrease (increase) in inventories	49,504	42,040
Increase (decrease) in trade payables	369	(54,347)
Increase (decrease) in income taxes payable	8,320	9,407
Other, net	(9,189)	12,397
Net cash provided by (used in) operating activities	319,424	214,045
Investing activities		
Capital expenditures	(186,030)	(142,992)
Proceeds from sales of property	18,672	11,436
Proceeds from sales of available for sale investment securities	4,568	3,766
Purchases of available for sale investment securities	(73)	(11)
Acquisition of subsidiaries and equity investees, net of cash acquired	(5,639)	(5,051)
Collection of loan receivables	366	706
Disbursement of loan receivables	(16)	(50)
Decrease (increase) in time deposits, net	713	799
Net cash provided by (used in) investing activities	(167,439)	(131,397)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	198,686	292,013
Payment on debt (Original maturities greater than three months)	(240,743)	(392,647)
Short-term debt - net (Original maturities three months or less)	(48,632)	84,823
Repayments of capital lease obligations	(6,671)	(6,591)
Sale (purchase) of treasury stock, net	(31)	38
Dividends paid	(50,539)	(42,877)
Other, net	(7,419)	(6,573)
Net cash provided by (used in) financing activities	(155,349)	(71,814)
Effect of exchange rate change on cash and cash equivalents	616	(293)
Net increase (decrease) in cash and cash equivalents	(2,748)	10,541
Cash and cash equivalents, beginning of year	93,620	83,079
Cash and cash equivalents, end of year	¥ 90,872	¥ 93,620

(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: 143 companies

Number of affiliated companies accounted for by the equity method: 36 companies

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

From the fiscal year ended March 31, 2014, Komatsu adopted the Accounting Standards Update (“ASU”) 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income”. This adoption did not have any impact on Komatsu’s financial position and results of operations.

4) Changes in other matters except for 3) above: Applicable

Change in the depreciation method

The company and some of its consolidated subsidiaries which had adopted the declining balance method for depreciation of property, plant and equipment changed the depreciation method to the straight-line method beginning April 1, 2013.

Komatsu promotes continuous innovation of technologies by concentrating the production of high-value added and technologically important key components in Japan, and also undertakes integrated development and production under the Mother Plant system. As a general rule, Komatsu engages in local production in different parts of the world where there is sufficient market demand for its products. With respect to mainstay products, however, Komatsu has facilitated effective use of its global production capacities by cross sourcing finished products after producing them at its most cost-effective plants and exporting them in light of changes in market demand and foreign exchange rate. Komatsu is establishing its production efficiency, standardization of production and stable operation of production facilities through renewing its old factory buildings in Japan, reassessing logistics and reforming production process by technology innovation as well as cutting down electric power consumption in half at its plants in Japan. With respect to capital investment, Komatsu continues to invest in its production facilities for renovation at a constant level. In light of those activities, Komatsu expects stable production and facility utilization within its production capacity, and is able to receive economic benefits from those facilities at a constant rate throughout their durable periods.

As a result of reviewing its depreciation method, Komatsu concluded that the straight-line method would be an appropriate depreciation method to reflect its usage of property, plants and equipment and to allocate the costs in earnings.

The effect of the change in depreciation method is recognized prospectively as a change in accounting estimate in accordance with the FASB Accounting Standards Codification (ASC) 250 “Accounting Changes and Error Corrections”.

As a result of the change in depreciation method, depreciation expense for the fiscal year ended March 31, 2014 decreased by JPY12,181 million. Net Income attributable to Komatsu Ltd. for the fiscal year ended March 31, 2014 increased by JPY7,540 million. Basic and Diluted net income attributable to Komatsu Ltd. per common share for the fiscal year ended March 31, 2014 increased by JPY7.91, and JPY7.90, respectively.

(7) Notes to Consolidated Financial Statements

1) Business Segment Information

< Information by Operating Segment >

(For the fiscal year ended March 31, 2014)

Millions of yen

	Construction, Mining and Utility Equipment	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:					
Customers	1,749,755	203,902	1,953,657	--	1,953,657
Intersegment	2,505	5,275	7,780	(7,780)	--
Total	1,752,260	209,177	1,961,437	(7,780)	1,953,657
Segment profit	242,101	2,038	244,139	(1,934)	242,205
Assets	2,322,045	267,369	2,589,414	62,142	2,651,556
Depreciation and Amortization	79,290	6,547	85,837	--	85,837
Capital investment	174,347	4,723	179,070	--	179,070

(For the fiscal year ended March 31, 2013)

Millions of yen

	Construction, Mining and Utility Equipment	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:					
Customers	1,677,049	207,942	1,884,991	--	1,884,991
Intersegment	2,530	8,349	10,879	(10,879)	--
Total	1,679,579	216,291	1,895,870	(10,879)	1,884,991
Segment profit	208,951	6,222	215,173	(1,161)	214,012
Assets	2,195,232	282,342	2,477,574	40,283	2,517,857
Depreciation and Amortization	78,589	9,416	88,005	--	88,005
Capital investment	127,706	9,256	136,962	--	136,962

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, recycling equipment, industrial vehicles, other equipment, engines & components, casting products, and logistics

b) 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) The Company and some of its consolidated subsidiaries, which had adopted the declining-balance method for depreciation of property, plant and equipment, changed the depreciation method to the straight-line method, beginning in April 1, 2013. As a result of this change, compared to the former method, depreciation expenses decreased by JPY10,880 million in the construction, mining and utility

equipment segment, and by JPY1,301 million in the industrial machinery and others segment, and resulted in the increases in segment profit of the two segments for the fiscal year under review. For more details, see (6) Basis of Consolidated Financial Statements: Change in the depreciation method.

< Geographic Information >

Net sales to customers recognized by sales destination were as follows:

(For the fiscal years ended March 31, 2014 and 2013) Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
2014	434,999	575,620	198,803	187,705	392,822	163,708	1,953,657
2013	380,024	561,962	203,878	156,030	454,394	128,703	1,884,991

*Excluding Japan and China

2) Net Income per Share

(For the fiscal years ended March 31, 2014 and 2013)

Millions of yen

	2014	2013
Net income attributable to Komatsu Ltd.	159,518	126,321

Number of shares

	2014	2013
Weighted average common shares outstanding, less treasury stock	953,134,746	952,376,139
Dilutive effect of: Stock options	1,040,817	902,065
Weighted average diluted common shares outstanding	954,175,563	953,278,204

Yen

	2014	2013
Net income attributable to Komatsu Ltd. per share:		
Basic	167.36	132.64
Diluted	167.18	132.51

3) Others

Other notes are omitted in this release of Consolidated Business Results for the Fiscal Year Ended March 31, 2014 (U.S. GAAP), because the need for their disclosure is considered insignificant.

(end)