

**Komatsu Ltd.**

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## Consolidated Business Results for Six Months of the Fiscal Year Ending March 31, 2017 (U.S. GAAP)

### 1. Results for Six Months Ended September 30, 2016

(Amounts are rounded to the nearest million yen)

#### (1) Consolidated Financial Highlights

Millions of yen except per share amounts

	Six Months ended September 30, 2016	Six Months ended September 30, 2015	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Net sales	<b>796,112</b>	892,497	(96,385)	(10.8)%
Operating income	<b>64,126</b>	99,021	(34,895)	(35.2)%
Income before income taxes and equity in earnings of affiliated companies	<b>58,095</b>	97,879	(39,784)	(40.6)%
Net income attributable to Komatsu Ltd.	<b>37,518</b>	65,096	(27,578)	(42.4)%
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	<b>¥ 39.80</b>	¥ 69.07	¥ (29.27)	
Diluted	<b>¥ 39.75</b>	¥ 68.98	¥ (29.23)	

Note: Comprehensive income for six months ended September 30, 2016 and 2015

2016: (68,884) millions of yen

2015: 41,569 millions of yen, down 64.7% from 2014

#### (2) Consolidated Financial Position

Millions of yen except per share amounts

	As of September 30, 2016	As of March 31, 2016
Total assets	<b>2,392,010</b>	2,614,654
Total equity	<b>1,488,666</b>	1,587,760
Komatsu Ltd. shareholders' equity	<b>1,427,320</b>	1,517,414
Komatsu Ltd. shareholders' equity ratio	<b>59.7%</b>	58.0%
Komatsu Ltd. shareholders' equity per share (Yen)	<b>¥ 1,513.90</b>	¥ 1,609.69

## 2. Dividends

(For the fiscal years ended March 31, 2016 and ending March 31, 2017)

Yen

	The entire FY ending March 31, 2017		The entire FY ended March 31, 2016
	Results	Projection	
First quarter period			
Second quarter period	<b>29.00</b>	----	29.00
Third quarter period			
Year-end	----	<b>29.00</b>	29.00
Total	<b>58.00</b>		58.00

Note: Changes in the projected cash dividend as of October 28, 2016: None

## 3. Projection for the Fiscal Year Ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

Millions of yen except per share amounts

	2017	
		Changes Increase (Decrease)
Net sales	<b>1,685,000</b>	(9.2)%
Operating income	<b>150,000</b>	(28.1)%
Income before income taxes and equity in earnings of affiliated companies	<b>145,000</b>	(29.2)%
Net income attributable to Komatsu Ltd.	<b>92,000</b>	(33.1)%
Net income attributable to Komatsu Ltd. Per share – Basic (Yen)	<b>¥ 97.59</b>	

Notes: 1) Changes in the projected consolidated business results as of October 28, 2016: None

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

## 4. Others

(1) Changes in important subsidiaries during the six-month period under review: None

(2) Use of simplified accounting procedures and adoption of specific accounting procedures for the preparation of consolidated quarterly financial statements: None

(3) Changes in significant accounting rules, procedures and presentation and changes in significant accounting policies and estimates

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

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

Note: See (4) Others on page 10 for more details.

(4) Number of common shares outstanding

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

As of September 30, 2016: 971,967,660 shares

As of March 31, 2016: 971,967,660 shares

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

As of September 30, 2016: 29,157,487 shares

As of March 31, 2016: 29,292,304 shares

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

Six months period ended September 30, 2016: 942,726,748 shares

Six months period ended September 30, 2015: 942,451,185 shares

**[Reference]**

**Results for Three Months Ended September 30, 2016**

Millions of yen except per share amounts

	Three Months ended September 30, 2016	Three Months ended September 30, 2015	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Net sales	<b>406,860</b>	446,394	(39,534)	(8.9)%
Operating income	<b>34,337</b>	49,308	(14,971)	(30.4)%
Income before income taxes and equity in earnings of affiliated companies	<b>33,893</b>	46,942	(13,049)	(27.8)%
Net income attributable to Komatsu Ltd.	<b>21,930</b>	32,566	(10,636)	(32.7)%
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	<b>¥ 23.26</b>	¥ 34.55	¥ (11.29)	
Diluted	<b>¥ 23.23</b>	¥ 34.51	¥ (11.28)	

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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-range management plan to be completed in the fiscal year ending March 31, 2019. 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 first six-month period (April 1 - September 30, 2016) of the fiscal year ending March 31, 2017, consolidated net sales totaled JPY796.1 billion, down 10.8% from the corresponding period a year ago. In the construction, mining and utility equipment business, the first six-month sales decreased from the corresponding period a year ago, while Komatsu steadfastly captured demand for construction equipment in North America and Europe in Traditional Markets and also in CIS and China, where sales improved on a local currency basis. The decrease was due to the Japanese yen’s appreciation and slack demand for construction and mining equipment in Strategic Markets, such as the Middle East, Africa and Indonesia. In the retail finance business, revenues decreased from the corresponding period a year ago, affected by the Japanese yen’s appreciation and a decline of assets, mainly in China and Oceania. In the industrial machinery and others business, sales declined from the corresponding period a year ago, affected by reduced sales of presses and machine tools, especially to the automobile manufacturing industry.

With respect to profits, Komatsu continued to cut down fixed costs and improve selling prices. However, profits were adversely affected mainly by the Japanese yen's appreciation, changes in the geographic mix and inventory write-off of remanufactured/rebuilt parts recorded for the first three-month period. As a result, operating income dropped by 35.2% from the corresponding period a year ago, to JPY64.1 billion. The operating income ratio translated into 8.1%, down 3.0 percentage points. Income before income taxes and equity in earnings of affiliated companies totaled JPY58.0 billion, down 40.6%. Net income attributable to Komatsu Ltd. amounted to JPY37.5 billion, down 42.4%.

[Consolidated Financial Highlights]

Millions of yen

	Six Months ended September 30, 2016	Six Months ended September 30, 2015	Changes  Increase (Decrease)
	1USD=JPY106.3 1EUR=JPY119.5 1RMB=JPY16.1 [A]	1USD=JPY121.9 1EUR=JPY134.6 1RMB=JPY19.5 [B]	[(A-B)/B]
Net sales	<b>796,112</b>	892,497	(10.8) %
Construction, Mining and Utility Equipment	<b>698,643</b>	772,897	(9.6) %
Retail Finance	<b>23,470</b>	27,313	(14.1) %
Industrial Machinery and Others	<b>79,027</b>	100,784	(21.6) %
Elimination	<b>(5,028)</b>	(8,497)	-
Segment profit	<b>64,236</b>	98,403	(34.7) %
Construction, Mining and Utility Equipment	<b>57,618</b>	83,229	(30.8) %
Retail Finance	<b>4,216</b>	7,539	(44.1) %
Industrial Machinery and Others	<b>4,058</b>	7,533	(46.1) %
Corporate & elimination	<b>(1,656)</b>	102	-
Operating income	<b>64,126</b>	99,021	(35.2) %
Income before income taxes and equity in earnings of affiliated companies	<b>58,095</b>	97,879	(40.6) %
Net income attributable to Komatsu Ltd.	<b>37,518</b>	65,096	(42.4) %

- Notes: 1) Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. Starting in the three months ended June 30, 2016, and after the reassessment of its management decision-making units, Komatsu has changed to three operating segments of 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Accordingly, the figures for the six months ended September 30, 2015, were reclassified and restated in agreement with the figures for the six months ended September 30, 2016.
- 2) Sales and profit figures in this report show the respective sums of six months from April 1 to September 30, 2016. 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**

The first six-month sales of the construction, mining and utility equipment business decreased by 9.6% from the corresponding period a year ago, to JPY698.6 billion. Segment profit amounted to JPY57.6 billion, down 30.8%.

With respect to “SMARTCONSTRUCTION”, a solutions business for construction jobsites, which Komatsu launched in Japan in February 2015, Komatsu began outsourcing the 3D survey service, which it used to handle, to survey companies nationwide in September this year. Komatsu is also planning to expand the range of "SMARTCONSTRUCTION Partners" with whom Komatsu collaborates to solve jobsite problems of construction and civil engineering, by including not only survey companies but also many partners engaging in all other processes of construction, such as research, survey, design, planning and inspection.

In September this year, Komatsu unveiled "Innovative Autonomous Haulage Vehicle" at MINExpo INTERNATIONAL® 2016, held in Las Vegas, U.S.A. Based on a novel concept of unmanned haulage vehicles, the Innovative Autonomous Haulage Vehicle has no cab and offers high-performance shuttling in both forward and reverse travel directions without K-turns.

In October this year, Komatsu established Asia Development Center on the premises of PT Komatsu Indonesia. This new development center enables Komatsu to promptly develop and introduce application-specific models, optional accessories and attachments, designed to meet local climate conditions, jobsite environment and machine uses mainly in Southeast Asian countries, such as Indonesia, Thailand and the Philippines.

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

	Six Months ended September 30, 2016	Six Months ended September 30, 2015	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Japan	<b>137,379</b>	147,577	(10,198)	(6.9) %
North America	<b>155,516</b>	158,839	(3,323)	(2.1) %
Latin America	<b>95,041</b>	106,789	(11,748)	(11.0) %
Americas	<b>250,557</b>	265,628	(15,071)	(5.7) %
Europe	<b>65,338</b>	70,323	(4,985)	(7.1) %
CIS	<b>30,314</b>	23,338	6,976	29.9 %
Europe & CIS	<b>95,652</b>	93,661	1,991	2.1 %
China	<b>36,122</b>	31,738	4,384	13.8 %
Asia*	<b>80,581</b>	99,164	(18,583)	(18.7) %
Oceania	<b>48,219</b>	53,803	(5,584)	(10.4) %
Asia* & Oceania	<b>128,800</b>	152,967	(24,167)	(15.8) %
Middle East	<b>16,375</b>	31,322	(14,947)	(47.7) %
Africa	<b>30,403</b>	44,108	(13,705)	(31.1) %
Middle East & Africa	<b>46,778</b>	75,430	(28,652)	(38.0) %
Total	<b>695,288</b>	767,001	(71,713)	(9.3) %

Notes: 1) Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. Starting in the three months ended June 30, 2016, and after the reassessment of its management decision-making units, Komatsu has changed to three operating segments of 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Accordingly, the figures for the six months ended September 30, 2015, were reclassified and restated in agreement with the figures for the six months ended September 30, 2016.

2) (\*) Excluding Japan and China

Komatsu's operations by region are described below.

**Japan**

The first six-month sales declined from the corresponding period a year ago, affected by reduced demand for new emission controls-compliant construction equipment having run its course, especially in rental companies.

**Americas**

In North America, while demand was slack, especially, in the energy sector of Canada, that for construction equipment remained firm for regular customers in the United States, resulting in an increase of sales, on a local currency basis, from the corresponding period a year ago. However, as the Japanese yen appreciated, the first six-month sales decreased year-on-year.

In Latin America, while demand for construction and mining equipment was sluggish, mainly in Brazil, sales of mining equipment increased, including super-large dump trucks to major mines in Peru, which improved sales, on a local currency basis, from the corresponding period a year ago. However, as the Japanese yen appreciated, the first six-month sales decreased year-on-year.

**Europe & CIS**

In Europe, demand was firm for construction equipment centering on Germany, a major market of the region, and Komatsu added Lehnhoff Hartstahl GmbH, a German manufacturer of attachments, which Komatsu acquired in FY2015, to consolidated business results. The first six-month sales increased, on a local currency basis, but decreased from the corresponding period a year ago, as adversely affected by the Japanese yen's appreciation.

In CIS, the first six-month sales expanded from the corresponding period a year ago, reflecting an increase in demand for mining equipment, centering on gold mines.

**China**

The first six-month sales increased from the corresponding period a year ago. This was supported by expanded demand for construction equipment resulting from good progress of public works nationwide.

**Asia & Oceania**

In Asia, while Komatsu was able to capture demand in Thailand, where infrastructure development was brisk, its sales of mining equipment and parts declined in tandem with slowing production of coal in Indonesia, the largest market of the region. As a result, the first six-month sales decreased from the corresponding period a year ago.

In Oceania, Komatsu steadfastly captured the needs for parts and services of mining equipment. As a result, the first six-month sales increased, on a local currency basis, but declined as adversely affected by the Japanese yen's appreciation.

**Middle East & Africa**

In the Middle East, the first six-month sales decreased from the corresponding period a year ago, affected by a drastic decline in demand for construction equipment in Gulf nations, mainly resulting from slack crude prices.

In Africa, the first six-month sales decreased from the corresponding period a year ago, affected by a drop in demand for mining equipment in South Africa, the major market of the region.



**Retail Finance**

The first six-month revenues declined by 14.1% from the corresponding period a year ago, to JPY23.4 billion, mainly affected by the Japanese yen's appreciation and a decrease in assets, especially in China and Oceania. The first six-month segment profit dropped by 44.1% from the corresponding period a year ago, to JPY4.2 billion.

**Industrial Machinery and Others**

The first six-month sales declined by 21.6% from the corresponding period a year ago, to JPY79.0 billion, mainly affected by reduced sales of presses and machine tools to the automobile manufacturing industry and the exclusion of former Komatsu House Ltd. (currently, System House R&C Co., Ltd.) from consolidated accounting. Segment profit dropped by 46.1% from the corresponding period a year ago, to JPY4.0 billion.

In August this year, Komatsu Industries Corp. worked to further expand sales by adding new models to the small AC servo press “H1F-2” series and to the AC servo brake “PVS” series, both featuring high productivity and outstanding reduction of running costs.

**(2) Financial Conditions**

As of September 30, 2016, total assets decreased by JPY222.6 billion from the previous fiscal year-end, to JPY2,392.0 billion, mainly due to the Japanese yen's appreciation against the U.S. dollar, euro, renminbi and some other currencies from the previous fiscal year-end as well as good progress made in the collection of notes and accounts receivable. Interest-bearing debt decreased by JPY70.3 billion from the previous fiscal year-end, to JPY387.2 billion. Komatsu Ltd. shareholders' equity decreased by JPY90.0 billion from the previous fiscal year-end, to JPY1,427.3 billion, mainly due to a decline in foreign currency translation adjustments. As a result, Komatsu Ltd. shareholders' equity ratio increased by 1.7 percentage points from the previous fiscal year-end, to 59.7%.

For the first six-month period under review, net cash provided by operating activities totaled JPY96.0 billion, a decrease of JPY55.9 billion from the corresponding period a year ago, mainly due to net income of JPY38.7 billion and the collection of notes and accounts receivable. Net cash used in investing activities amounted to JPY50.9 billion, a decrease of JPY15.6 billion from the corresponding period a year ago, mainly due to the purchase of fixed assets. Net cash used in financing activities totaled JPY68.6 billion, mainly due to the repayment of debt and payment of cash dividends, as compared to JPY123.7 billion used for the corresponding period a year ago. After adding the effects of foreign exchange fluctuations, cash and cash equivalents, as of September 30, 2016, totaled JPY87.1 billion, a decrease of JPY19.1 billion from the previous fiscal year-end.

**(3) Projection for the Fiscal Year Ending March 31, 2017**

(From April 1, 2016 to March 31, 2017)

Komatsu makes no change in the projection of April 27, 2016, concerning consolidated business results for the fiscal year ending March 31, 2017, which are shown on page 2 of this report.

**(4) Others**

- 1) Changes in important subsidiaries during the six-month period under review: None
- 2) Use of simplified accounting procedures and adoption of specific accounting procedures for the preparation of consolidated quarterly financial statements: None
- 3) Changes in significant accounting rules, procedures and presentation and changes in significant accounting policies and estimates
  - a) Changes resulting from revisions in accounting standards, etc: Applicable  
From the fiscal year ending March 31, 2017, Komatsu has adopted the Accounting Standards Update (“ASU”) 2015-16, “Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments”. This update eliminates the requirement to retrospectively account for adjustments made to provisional amounts during the measurement period recognized in a business combination. This update also requires an acquirer in a business combination to recognize the adjustment to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This adoption did not have any impact on Komatsu’s financial position and results of operations.
  - b) Changes in other matters except for a) above: None

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**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.

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## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

#### Assets

Millions of yen

	As of September 30, 2016		As of March 31, 2016	
		Ratio (%)		Ratio (%)
<b>Current assets</b>				
Cash and cash equivalents	¥ 87,148		¥ 106,259	
Time deposits	1,903		2,212	
Trade notes and accounts receivable, net	502,888		583,390	
Inventories	523,742		539,611	
Assets held for sale	-		13,388	
Deferred income taxes and other current assets	130,216		141,593	
<b>Total current assets</b>	<b>1,245,897</b>	<b>52.1</b>	<b>1,386,453</b>	<b>53.0</b>
<b>Long-term trade receivables, net</b>	<b>270,006</b>	<b>11.3</b>	<b>291,923</b>	<b>11.2</b>
<b>Investments</b>				
Investments in and advances to affiliated companies	27,674		28,123	
Investment securities	53,475		51,590	
Other	2,273		2,640	
<b>Total investments</b>	<b>83,422</b>	<b>3.5</b>	<b>82,353</b>	<b>3.2</b>
<b>Property, plant and equipment</b>				
- less accumulated depreciation and amortization	645,506	27.0	697,742	26.7
<b>Goodwill</b>	<b>37,868</b>	<b>1.6</b>	<b>40,005</b>	<b>1.5</b>
<b>Other intangible assets</b>				
- less accumulated amortization	58,287	2.4	63,056	2.4
<b>Deferred income taxes and other assets</b>	<b>51,024</b>	<b>2.1</b>	<b>53,122</b>	<b>2.0</b>
<b>Total</b>	<b>¥ 2,392,010</b>	<b>100.0</b>	<b>¥ 2,614,654</b>	<b>100.0</b>

**Liabilities and Equity**

Millions of yen

	As of September 30, 2016		As of March 31, 2016	
		Ratio (%)		Ratio (%)
<b>Current liabilities</b>				
Short-term debt	¥ 124,137		¥ 144,552	
Current maturities of long-term debt	85,204		100,364	
Trade notes, bills and accounts payable	189,403		205,411	
Income taxes payable	21,333		29,310	
Liabilities held for sale	-		7,057	
Deferred income taxes and other current liabilities	196,583		214,200	
<b>Total current liabilities</b>	<b>616,660</b>	<b>25.8</b>	700,894	26.8
<b>Long-term liabilities</b>				
Long-term debt	177,864		212,636	
Liability for pension and retirement benefits	65,744		67,972	
Deferred income taxes and other liabilities	43,076		45,392	
<b>Total long-term liabilities</b>	<b>286,684</b>	<b>12.0</b>	326,000	12.5
<b>Total liabilities</b>	<b>903,344</b>	<b>37.8</b>	1,026,894	39.3
<b>Komatsu Ltd. shareholders' equity</b>				
Common stock	67,870		67,870	
Capital surplus	137,950		138,243	
Retained earnings:				
Appropriated for legal reserve	45,363		44,018	
Unappropriated	1,308,849		1,300,030	
Accumulated other comprehensive income (loss)	(81,533)		18,667	
Treasury stock	(51,179)		(51,414)	
<b>Total Komatsu Ltd. shareholders' equity</b>	<b>1,427,320</b>	<b>59.7</b>	1,517,414	58.0
<b>Noncontrolling interests</b>	<b>61,346</b>	<b>2.5</b>	70,346	2.7
<b>Total equity</b>	<b>1,488,666</b>	<b>62.2</b>	1,587,760	60.7
<b>Total</b>	<b>¥ 2,392,010</b>	<b>100.0</b>	¥ 2,614,654	100.0

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

**Six months ended September 30, 2016 and 2015**

### **Consolidated Statements of Income**

Millions of yen except per share amounts

	Six Months ended September 30, 2016		Six Months ended September 30, 2015	
		Ratio (%)		Ratio (%)
Net sales	¥ 796,112	100.0	¥ 892,497	100.0
Cost of sales	569,548	71.5	625,421	70.1
Selling, general and administrative expenses	162,328	20.4	168,673	18.9
Other operating income (expenses), net	(110)	(0.0)	618	0.1
<b>Operating income</b>	<b>64,126</b>	<b>8.1</b>	99,021	11.1
<b>Other income (expenses), net</b>				
Interest and dividend income	1,603	0.2	1,886	0.2
Interest expense	(3,849)	(0.5)	(4,873)	(0.5)
Other, net	(3,785)	(0.5)	1,845	0.2
<b>Total other income (expenses)</b>	<b>(6,031)</b>	<b>(0.8)</b>	(1,142)	(0.1)
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>58,095</b>	<b>7.3</b>	97,879	11.0
<b>Income taxes</b>	<b>21,159</b>	<b>2.7</b>	31,294	3.5
<b>Income before equity in earnings of affiliated companies</b>	<b>36,936</b>	<b>4.6</b>	66,585	7.5
<b>Equity in earnings of affiliated companies</b>	<b>1,812</b>	<b>0.2</b>	1,197	0.1
<b>Net income</b>	<b>38,748</b>	<b>4.9</b>	67,782	7.6
<b>Less: Net income attributable to noncontrolling interests</b>	<b>1,230</b>	<b>0.2</b>	2,686	0.3
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 37,518</b>	<b>4.7</b>	¥ 65,096	7.3
<b>Net income attributable to Komatsu Ltd. per share (Yen)</b>				
<b>Basic</b>	<b>¥ 39.80</b>		¥ 69.07	
<b>Diluted</b>	<b>¥ 39.75</b>		¥ 68.98	

**Consolidated Statements of Comprehensive Income**

Millions of yen

	<b>Six Months ended September 30, 2016</b>	Six Months ended September 30, 2015
<b>Net income</b>	¥ 38,748	¥ 67,782
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments	(110,222)	(18,513)
Net unrealized holding gains (losses) on securities available for sale	1,115	(8,977)
Pension liability adjustments	1,180	942
Net unrealized holding gains (losses) on derivative instruments	295	335
<b>Total</b>	<b>(107,632)</b>	(26,213)
<b>Comprehensive income (loss)</b>	<b>(68,884)</b>	41,569
<b>Less: Comprehensive income (loss) attributable to noncontrolling interests</b>	<b>(6,202)</b>	(70)
<b>Comprehensive income (loss) attributable to Komatsu Ltd.</b>	¥ <b>(62,682)</b>	¥ 41,639

**Three months ended September 30, 2016 and 2015**

**Consolidated Statements of Income**

Millions of yen except per share amounts

	Three Months ended September 30, 2016		Three Months ended September 30, 2015	
		Ratio (%)		Ratio (%)
Net sales	¥ 406,860	100.0	¥ 446,394	100.0
Cost of sales	290,031	71.3	312,944	70.1
Selling, general and administrative expenses	81,593	20.1	84,648	19.0
Other operating income (expenses), net	(899)	(0.2)	506	0.1
<b>Operating income</b>	<b>34,337</b>	<b>8.4</b>	49,308	11.0
<b>Other income (expenses), net</b>				
Interest and dividend income	578	0.1	840	0.2
Interest expense	(1,891)	(0.5)	(2,376)	(0.5)
Other, net	869	0.2	(830)	(0.2)
<b>Total other income (expenses)</b>	<b>(444)</b>	<b>(0.1)</b>	(2,366)	(0.5)
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>33,893</b>	<b>8.3</b>	46,942	10.5
<b>Income taxes</b>	<b>11,944</b>	<b>2.9</b>	13,711	3.1
<b>Income before equity in earnings of affiliated companies</b>	<b>21,949</b>	<b>5.4</b>	33,231	7.4
<b>Equity in earnings of affiliated companies</b>	<b>708</b>	<b>0.2</b>	800	0.2
<b>Net income</b>	<b>22,657</b>	<b>5.6</b>	34,031	7.6
<b>Less: Net income attributable to noncontrolling interests</b>	<b>727</b>	<b>0.2</b>	1,465	0.3
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 21,930</b>	<b>5.4</b>	¥ 32,566	7.3
<b>Net income attributable to Komatsu Ltd. per share (Yen)</b>				
<b>Basic</b>	<b>¥ 23.26</b>		¥ 34.55	
<b>Diluted</b>	<b>¥ 23.23</b>		¥ 34.51	

**Consolidated Statements of Comprehensive Income**

Millions of yen

	<b>Three Months ended September 30, 2016</b>	Three Months ended September 30, 2015
<b>Net income</b>	¥ 22,657	¥ 34,031
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments	(13,910)	(45,596)
Net unrealized holding gains (losses) on securities available for sale	4,641	(7,898)
Pension liability adjustments	457	701
Net unrealized holding gains (losses) on derivative instruments	(908)	306
<b>Total</b>	<b>(9,720)</b>	(52,487)
<b>Comprehensive income (loss)</b>	<b>12,937</b>	(18,456)
<b>Less: Comprehensive income (loss) attributable to noncontrolling interests</b>	<b>150</b>	(2,589)
<b>Comprehensive income (loss) attributable to Komatsu Ltd.</b>	¥ 12,787	¥ (15,867)



**(3) Consolidated Statements of Cash Flows**

Millions of yen

	<b>Six Months ended September 30, 2016</b>	Six Months ended September 30, 2015
<b>Operating activities</b>		
Net income	¥ 38,748	¥ 67,782
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	51,810	54,718
Deferred income taxes	(1,635)	(729)
Impairment loss and net loss (gain) from sale of investment securities	(177)	(3,723)
Net loss (gain) on sale of property	(483)	(772)
Loss on disposal of fixed assets	1,020	982
Pension and retirement benefits, net	2,367	1,315
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	31,537	56,409
Decrease (increase) in inventories	(35,017)	6,815
Increase (decrease) in trade payables	(7,523)	(27,801)
Increase (decrease) in income taxes payable	(7,851)	(15,772)
Other, net	23,292	12,780
Net cash provided by (used in) operating activities	<b>96,088</b>	152,004
<b>Investing activities</b>		
Capital expenditures	(67,638)	(79,482)
Proceeds from sale of property	10,625	9,203
Proceeds from sale of available for sale investment securities	600	5,106
Purchases of available for sale investment securities	(106)	(369)
Proceeds from sale of subsidiaries and equity investees, net of cash disposed	5,485	-
Acquisition of subsidiaries and equity investees, net of cash acquired	-	(796)
Collection of loan receivables	7	102
Decrease (increase) in time deposits, net	89	(338)
Net cash provided by (used in) investing activities	<b>(50,938)</b>	(66,574)
<b>Financing activities</b>		
Proceeds from debt issued (Original maturities greater than three months)	46,618	91,412
Payment on debt (Original maturities greater than three months)	(75,044)	(106,405)
Short-term debt, net (Original maturities three months or less)	(9,379)	(75,203)
Repayments of capital lease obligations	(29)	(359)
Sale (purchase) of treasury stock, net	18	61
Dividends paid	(27,354)	(27,345)
Other, net	(3,510)	(5,928)
Net cash provided by (used in) financing activities	<b>(68,680)</b>	(123,767)
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>4,419</b>	511
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(19,111)</b>	(37,826)
<b>Cash and cash equivalents, beginning of year</b>	<b>106,259</b>	105,905
<b>Cash and cash equivalents, end of period</b>	<b>¥ 87,148</b>	¥ 68,079

#### (4) Note to the Going Concern Assumption

None

#### (5) Business Segment Information

##### 1) Information by Operating Segments

##### Six Months ended September 30, 2016 and 2015

(For Six Months ended September 30, 2016)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	695,288	22,291	78,533	796,112	-	796,112
Intersegment	3,355	1,179	494	5,028	(5,028)	-
Total	698,643	23,470	79,027	801,140	(5,028)	796,112
Segment profit	57,618	4,216	4,058	65,892	(1,656)	64,236

(For Six Months ended September 30, 2015)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	767,001	25,849	99,647	892,497	-	892,497
Intersegment	5,896	1,464	1,137	8,497	(8,497)	-
Total	772,897	27,313	100,784	900,994	(8,497)	892,497
Segment profit	83,229	7,539	7,533	98,301	102	98,403

##### Three Months ended September 30, 2016 and 2015

(For Three Months ended September 30, 2016)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	351,855	10,986	44,019	406,860	-	406,860
Intersegment	1,622	621	233	2,476	(2,476)	-
Total	353,477	11,607	44,252	409,336	(2,476)	406,860
Segment profit	31,231	2,331	2,350	35,912	(676)	35,236

(For Three Months ended September 30, 2015)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	378,050	12,797	55,547	446,394	-	446,394
Intersegment	2,469	703	505	3,677	(3,677)	-
Total	380,519	13,500	56,052	450,071	(3,677)	446,394
Segment profit	40,794	3,774	4,264	48,832	(30)	48,802

Notes: 1) Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. Starting in the three months ended June 30, 2016, and after the reassessment of its management decision-making units, Komatsu has changed to three operating segments of 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Accordingly, the figures for the six and three months ended September 30, 2015, were reclassified and restated in agreement with the figures for the six and three months ended September 30, 2016.

2) 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) Retail Finance**

Financing

**c) Industrial Machinery and Others**

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

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

## 2) Geographic Information

Net sales determined by customer location were as follows:

### For Six Months ended September 30, 2016 and 2015

Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
<b>FY2016</b>	<b>173,050</b>	<b>276,584</b>	<b>101,466</b>	<b>51,405</b>	<b>146,786</b>	<b>46,821</b>	<b>796,112</b>
FY2015	186,643	306,937	101,314	48,815	173,080	75,708	892,497

### For Three Months ended September 30, 2016 and 2015

Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
<b>FY2016</b>	<b>97,973</b>	<b>139,714</b>	<b>46,662</b>	<b>24,508</b>	<b>75,854</b>	<b>22,149</b>	<b>406,860</b>
FY2015	100,919	152,102	48,218	24,438	86,285	34,432	446,394

Note: 1) (\*)Excluding Japan and China

### **(6) Note in Case of Notable Changes in the Amount of Shareholders' Equity**

None

(end)