

Komatsu Ltd.

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 URL: <https://home.komatsu/en/>

Consolidated Business Results for Six Months of the Fiscal Year Ending March 31, 2018 (U.S. GAAP)

1. Results for Six Months Ended September 30, 2017

(Amounts are rounded to the nearest million yen)

(1) Consolidated Financial Highlights

Millions of yen except per share amounts

	Six Months ended September 30, 2017	Six Months ended September 30, 2016	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Net sales	1,158,958	796,112	362,846	45.6 %
Operating income	112,623	64,126	48,497	75.6 %
Income before income taxes and equity in earnings of affiliated companies	144,117	58,095	86,022	148.1 %
Net income attributable to Komatsu Ltd.	101,755	37,518	64,237	171.2 %
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	¥ 107.90	¥ 39.80	¥ 68.10	
Diluted	¥ 107.75	¥ 39.75	¥ 68.00	

Note: Comprehensive income for six months ended September 30, 2017 and 2016

2017: 116,813 millions of yen

2016: (68,884) millions of yen

(2) Consolidated Financial Position

Millions of yen except per share amounts

	As of September 30, 2017	As of March 31, 2017
Total assets	3,330,226	2,656,482
Total equity	1,735,413	1,648,515
Komatsu Ltd. shareholders' equity	1,658,813	1,576,674
Komatsu Ltd. shareholders' equity ratio	49.8%	59.4%
Komatsu Ltd. shareholders' equity per share (Yen)	¥ 1,758.67	¥ 1,672.01

2. Dividends

(For the fiscal years ended March 31, 2017 and ending March 31, 2018)

Yen

	The entire FY ending March 31, 2018		The entire FY ended March 31, 2017
	Results	Projection	
First quarter period			
Second quarter period	36.00		29.00
Third quarter period			
Year-end		36.00	29.00
Total		72.00	58.00

Note: Changes in the projected cash dividend as of October 27, 2017: Applicable

3. Projection for the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to March 31, 2018)

Millions of yen except per share amounts

	2018	
		Changes Increase (Decrease)
Net sales	2,328,000	29.1 %
Operating income	216,000	24.1 %
Income before income taxes and equity in earnings of affiliated companies	237,000	42.4 %
Net income attributable to Komatsu Ltd.	159,000	40.2 %
Net income attributable to Komatsu Ltd. per share - Basic (Yen)	¥ 168.58	

Notes: 1) Changes in the projected consolidated business results as of October 27, 2017: Applicable

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: Applicable

New additions: 4 companies

- 1) Komatsu Mining Corp.
- 2) Joy Global Australia Holding Company Pty Ltd
- 3) Joy Global Longview Operations LLC
- 4) Joy Global Underground Mining LLC

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

(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, 2017: 971,967,660 shares

As of March 31, 2017: 971,967,660 shares

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

As of September 30, 2017: 28,746,177 shares

As of March 31, 2017: 28,984,435 shares

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

Six months ended September 30, 2017: 943,089,765 shares

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

[Reference]

Results for Three Months Ended September 30, 2017

Millions of yen except per share amounts

	Three Months ended September 30, 2017	Three Months ended September 30, 2016	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Net sales	597,747	406,860	190,887	46.9%
Operating income	60,216	34,337	25,879	75.4%
Income before income taxes and equity in earnings of affiliated companies	96,023	33,893	62,130	183.3%
Net income attributable to Komatsu Ltd.	65,360	21,930	43,430	198.0%
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	¥ 69.30	¥ 23.26	¥ 46.04	
Diluted	¥ 69.21	¥ 23.23	¥ 45.98	

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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 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 first six-month period (April 1 - September 30, 2017) of the fiscal year ending March 31, 2018, consolidated net sales totaled JPY1,158.9 billion, up 45.6% from the corresponding period a year ago. In the construction, mining and utility equipment business, the six-month sales expanded sharply from the corresponding period a year ago, as Komatsu steadfastly capitalized on demand in China, Indonesia and many other countries. Komatsu also benefited from the new addition of Joy Global Inc. (currently, Komatsu Mining Corp.), as a consolidated subsidiary, a leading U.S. manufacturer of mining equipment in which Komatsu completed the acquisition in April 2017. In the industrial machinery and others business, sales remained flat from the corresponding period a year ago, supported by increased sales of presses and machine tools to the automobile manufacturing industry, offsetting reduced sales of wire saws and other products.

With respect to profits for the first six-month period under review, operating income expanded by 75.6% from the corresponding period a year ago, to JPY112.6 billion, driven by increased sales in many regions of the world, more than offsetting temporary expenses incurred in relation to the acquisition of the former Joy Global Inc. The operating income ratio improved by 1.6 percentage points to 9.7%. Income before income taxes and equity in earnings of affiliated companies climbed to JPY 144.1 billion, up 148.1 % from the corresponding period a year ago, reflecting a gain from the sale of investment securities. Net income attributable to Komatsu Ltd. totaled JPY 101.7 billion, up 171.2%.

	Six Months ended September 30, 2017	Six Months ended September 30, 2016	Changes
	1USD=JPY111.1 1EUR=JPY125.8 1RMB=JPY16.4	1USD=JPY106.3 1EUR=JPY119.5 1RMB=JPY16.1	Increase (Decrease)
	[A]	[B]	[(A-B)/B]
Net sales	1,158,958	796,112	45.6 %
Construction, Mining and Utility Equipment	1,064,419	698,643	52.4 %
Retail Finance	31,242	23,470	33.1 %
Industrial Machinery and Others	79,185	79,027	0.2 %
Elimination	(15,888)	(5,028)	-
Segment profit	113,720	64,236	77.0 %
Construction, Mining and Utility Equipment	103,756	57,618	80.1 %
Retail Finance	5,909	4,216	40.2 %
Industrial Machinery and Others	4,837	4,058	19.2 %
Corporate & elimination	(782)	(1,656)	-
Operating income	112,623	64,126	75.6 %
Income before income taxes and equity in earnings of affiliated companies	144,117	58,095	148.1 %
Net income attributable to Komatsu Ltd.	101,755	37,518	171.2 %

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

- 2) Consolidated business results for the first six-month period include the business results of Komatsu Mining Corp. which was added to consolidated accounting, starting in April this year.

Business results by operation are described below.

Construction, Mining and Utility Equipment

For the first six-month period, sales of the construction, mining and utility equipment business expanded by 52.4% from the corresponding period a year ago, to JPY1,064.4 billion. Segment profit reached JPY103.7 billion, an increase of 80.1% from the corresponding period a year ago.

Komatsu embarked on sales of medium-sized “PC200-11” and “PC200i-11” intelligent Machine Control hydraulic excavators, both compliant with Act on Regulation, Etc. of Emissions from Non-road Special Motor Vehicles of 2014, the so called "Off-road Vehicle Act" (Tier 4 Final in the United States). New products have a feature of outstanding reduction of NOx emissions while achieving a high level of productivity and fuel economy, which improves the performance in environmental friendliness, safety and ICT applications. Komatsu has been working on promoting the new models.

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 3,800 construction jobsites to date (cumulative). In October this year, Komatsu established LANDLOG Ltd., jointly with NTT DOCOMO, INC, SAP Japan Co., Ltd. and OPTiM Corp. to develop an open platform, “LANDLOG”, designed to optimize the entire processes of construction through unified management. Under the leadership of LANDLOG Ltd., Komatsu is advocating participation of more partners for solutions in this open platform in order to accelerate its pace of providing optimal service with construction jobsites.

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

	Six Months ended September 30, 2017			Six Months ended September 30, 2016	Changes Increase (Decrease)	
	[A]	Excl. KMC* ²	KMC* ²		[B]	[A-B]
Japan	156,574	156,569	5	137,379	19,195	14.0%
North America	247,522	183,458	64,064	155,516	92,006	59.2%
Latin America	150,088	115,757	34,331	95,041	55,047	57.9%
Americas	397,610	299,215	98,395	250,557	147,053	58.7%
Europe	84,663	77,589	7,074	65,338	19,325	29.6%
CIS	53,295	51,531	1,764	30,314	22,981	75.8%
Europe & CIS	137,958	129,120	8,838	95,652	42,306	44.2%
China	70,020	63,571	6,449	36,122	33,898	93.8%
Asia* ¹	133,085	131,332	1,753	80,581	52,504	65.2%
Oceania	85,139	64,504	20,635	48,219	36,920	76.6%
Asia* ¹ & Oceania	218,224	195,836	22,388	128,800	89,424	69.4%
Middle East	17,503	17,448	55	16,375	1,128	6.9%
Africa	58,935	44,142	14,793	30,403	28,532	93.8%
Middle East & Africa	76,438	61,590	14,848	46,778	29,660	63.4%
Total	1,056,824	905,901	150,923	695,288	361,536	52.0%

Notes: 1) Excluding Japan and China

2) KMC: Komatsu Mining Corp.

Komatsu's operations by region are described below.

Japan

For the first six-month period under review, sales increased from the corresponding period a year ago, supported by an increase of demand centering on the rental industry before the enforcement of new emission control regulations.

Americas

In the United States, demand was steady centering on the infrastructure development and energy-related sectors, while it was also steady among construction customers in Canada. In Latin America, demand for construction equipment increased from the corresponding period a year ago, especially in Argentina and Mexico. Affected also by the new addition of Komatsu Mining Corp. to consolidated accounting, sales expanded sharply from the corresponding period a year ago.

Europe & CIS

In Europe, sales improved from the corresponding period a year ago, reflecting steady demand for construction equipment, centering on Germany, a major market of the region. In CIS, sales expanded sharply from the corresponding period a year ago, driven by a continued increase in demand for mining equipment, especially for coal and gold mines.

China

Sales advanced sharply from the corresponding period a year ago. This was supported by the continued expansion of demand for construction equipment resulting from the progress of infrastructure development nationwide.

Asia & Oceania

In Asia, sales expanded substantially from the corresponding period a year ago, reflecting a sharp increase of demand for mining equipment in Indonesia, the largest market of the region, resulting from the growing price of coal. In Oceania, in addition to an increase in demand for mining equipment, sales increased sharply from the corresponding period a year ago, as affected also by the addition of Komatsu Mining Corp. to consolidated accounting.

Middle East & Africa

In the Middle East, sales increased from the corresponding period a year ago, mainly reflecting a recovering trend of market demand in some countries, offsetting negative effects of reduced budgets in Gulf nations against lowered crude oil prices. In Africa, sales advanced substantially from the corresponding period a year ago, supported by an increase in demand for mining equipment in South Africa and benefits of newly adding Komatsu Mining Corp. to consolidated accounting.

Retail Finance

Revenues advanced by 33.1% from the previous fiscal year, to JPY31.2 billion, mainly supported by expanded sales in Chile and increased assets in North America. Segment profit expanded by 40.2% from the corresponding period a year ago, to JPY5.9 billion, mainly reflecting no more allowance for doubtful accounts recorded in China.

Industrial Machinery and Others

In the industrial machinery and others business, sales totaled JPY79.1 billion for the six-month period under review, up 0.2% from the corresponding period a year ago, mainly supported by increased sales of presses and machine tools to the automobile manufacturing industry, offsetting reduced sales of wire saws. Segment profit increased to JPY4.8 billion, up 19.2 %.

In June this year, Gigaphoton Inc. completed construction of a new building to accommodate its business growth. Also in June this year, KELK Ltd. embarked on full-scale production and sales of thermoelectric generation-applied products for use in a diverse range of use by applying its advanced thermoelectric technologies. Such products include the thermoelectric EH device, which works as a sensor and wireless transmitter of power.

(2) Financial Conditions

As of September 30, 2017, total assets increased by JPY673.7 billion from the previous fiscal year-end, to JPY3,330.2 billion, mainly due to the addition of Komatsu Mining Corp. to consolidated accounting. Interest-bearing debt increased by JPY408.6 billion from the previous fiscal year-end, to JPY817.3 billion, mainly due to financing the acquisition of Joy Global Inc. Komatsu Ltd. shareholders' equity increased by JPY82.1 billion from the previous fiscal year-end, to JPY1,658.8 billion. As a result, Komatsu Ltd. shareholders' equity ratio decreased by 9.6 percentage points from the previous fiscal year-end, to 49.8%.

For the first six-month period under review, net cash provided by operating activities totaled JPY81.1 billion, a decrease of JPY14.8 billion from the corresponding period a year ago, mainly due to net income and depreciation and amortization, while working capital increased. Net cash used in investing activities

increased by 243.9 billion from the corresponding period a year ago, to JPY294.9 billion, mainly due to paying the acquisition of Joy Global Inc. Net cash provided by financing activities totaled JPY254.4 billion, mainly due to paying the consideration of the acquisition of Joy Global Inc., as compared to JPY68.6 billion used for the previous corresponding period a year ago. After adding the effects of foreign exchange fluctuations, cash and cash equivalents, as of September 30, 2017, totaled JPY161.4 billion, an increase of JPY41.5 billion from the previous fiscal year-end.

(3) Projection for the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to March 31, 2018)

In the first six-month period of FY2017, sales of construction equipment in Strategic Markets, such as China and Indonesia, as well as sales of mining equipment surpassed the projections. In addition, the Japanese yen depreciated more than anticipated, and Komatsu secured a gain from the sale of investment securities. As a result, sales outperformed the initial projection for the period under review. In the second six-month period of FY2017, Komatsu anticipates that demand for construction and mining equipment will remain firm in a multiple number of regions. Accordingly, Komatsu projects that actual business results for FY2017 will outperform its initial projections. Komatsu has also reassessed the projected foreign exchange rates, which are preconditions for the projection of full-year results. Specifically, Komatsu changed the average exchange rates in the second six-month period of FY2017 to EUR1=JPY123 and RMB1=JPY15.5. As a result, Komatsu is revising consolidated sales and profits of the full-year projections of April 27, 2017 for FY2017 (April 1, 2017 - March 31, 2018).

Komatsu estimates the average exchange rates for the full year as follows: USD1=JPY108.0, EUR1=JPY124.4 and RMB1=JPY16.0. (Initial assumption: USD1=JPY105, EUR1=JPY115 and RMB1=JPY15.0)

Projection for Consolidated Business Results for FY2017 (April 1, 2017 - March 31, 2018)

Millions of yen except per share amounts

	Current projection	Earlier projection	Changes		Results for FY ended March 31, 2017
	[A]	[B]	[A-B]	[(A-B)/B]	
Net sales	2,328,000	2,135,000	193,000	9.0%	1,802,989
Operating income	216,000	156,000	60,000	38.5%	174,097
Income before income taxes and equity in earnings of affiliated companies	237,000	141,000	96,000	68.1%	166,469
Net income attributable to Komatsu Ltd.	159,000	92,000	67,000	72.8%	113,381
Net income attributable to Komatsu Ltd. per share - Basic (Yen)	168.58	97.56	-	-	120.26

[Reference] Projection for Non-consolidated Business Results for FY2017 (April 1, 2017 - March 31, 2018)

Similar to the revision of consolidated business results, Komatsu is revising non-consolidated sales and profits of the full-year projections for FY2017 (April 1, 2017 - March 31, 2018), announced on April 27 this year, as sales of construction equipment in Strategic Markets, such as China and Indonesia, and those of mining equipment outperformed its projections for the first six-month period under review, demand for construction and mining equipment should remain firm in a multiple number of regions, and Komatsu has also reassessed the projected foreign exchange rates, which are preconditions for the projection of full-year results.

Projection for Non-consolidated Business Results for FY2017 (April 1, 2017 - March 31, 2018)

Millions of yen except per share amounts

	Current projection	Earlier projection	Changes		Results for FY ended March 31, 2017
	[A]	[B]	[A-B]	[(A-B)/B]	
Net sales	812,000	738,000	74,000	10.0%	685,938
Ordinary profit	117,000	94,000	23,000	24.5%	76,747
Net income	120,000	73,000	47,000	64.4%	67,320
Net income per share - Basic (Yen)	127.17	77.37	-	-	71.36

The above-mentioned projections of future business results, plans, estimates and the like reflect the figures which the Company's top management has evaluated as rational based on information currently available. Please be advised in advance that actual business results can significantly change materially from the projections, plans or estimates in this news release, depending on a variety of factors. Such factors include changes in economic conditions and demand for products in Komatsu's principal markets, changes in foreign exchange rates, and regulatory changes and accounting principles and practices in Japan or foreign countries.

(4) Others

- 1) Changes in important subsidiaries during the six-month period under review: Applicable
Komatsu Mining Corp. and its subsidiaries, Joy Global Australia Holding Company Pty Ltd, Joy Global Longview Operations LLC and Joy Global Underground Mining LLC became specified subsidiaries of the Company through acquisition.
- 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 six months ended September 30, 2017, Komatsu has adopted the Accounting Standards Update ("ASU") 2015-17, "Income Taxes: Balance Sheet Classification of Deferred Taxes" and

classified deferred tax assets and liabilities as noncurrent in the consolidated balance sheets. Prior periods were not retrospectively adjusted. Komatsu's current deferred tax assets were JPY56,276 million and current deferred tax liabilities were JPY421 million as of March 31, 2017.

b) Changes in other matters except for a) above: None

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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

Assets

Millions of yen

	As of September 30, 2017		As of March 31, 2017	
		Ratio (%)		Ratio (%)
Current assets				
Cash and cash equivalents	¥ 161,422		¥ 119,901	
Time deposits	2,538		2,289	
Trade notes and accounts receivable, net	716,980		619,265	
Inventories	712,570		533,897	
Deferred income taxes and other current assets	116,455		144,169	
Total current assets	1,709,965	51.3	1,419,521	53.4
Long-term trade receivables, net	342,338	10.3	313,946	11.8
Investments				
Investments in and advances to affiliated companies	31,082		30,330	
Investment securities	25,182		67,716	
Other	2,822		2,424	
Total investments	59,086	1.8	100,470	3.8
Property, plant and equipment				
- less accumulated depreciation and amortization	763,665	22.9	679,027	25.6
Goodwill	175,969	5.3	40,072	1.5
Other intangible assets				
- less accumulated amortization	186,122	5.6	61,083	2.3
Deferred income taxes and other assets	93,081	2.8	42,363	1.6
Total	¥ 3,330,226	100.0	¥ 2,656,482	100.0

Liabilities and Equity

Millions of yen

	As of September 30, 2017		As of March 31, 2017	
		Ratio (%)		Ratio (%)
Current liabilities				
Short-term debt	¥ 227,594		¥ 128,452	
Current maturities of long-term debt	75,835		89,391	
Trade notes, bills and accounts payable	287,012		240,113	
Income taxes payable	41,752		25,136	
Deferred income taxes and other current liabilities	288,470		217,090	
Total current liabilities	920,663	27.7	700,182	26.3
Long-term liabilities				
Long-term debt	513,892		190,859	
Liability for pension and retirement benefits	87,261		65,247	
Deferred income taxes and other liabilities	72,997		51,679	
Total long-term liabilities	674,150	20.2	307,785	11.6
Total liabilities	1,594,813	47.9	1,007,967	37.9
Komatsu Ltd. shareholders' equity				
Common stock	67,870		67,870	
Capital surplus	138,300		138,285	
Retained earnings:				
Appropriated for legal reserve	45,804		45,368	
Unappropriated	1,431,306		1,357,350	
Accumulated other comprehensive income (loss)	26,088		18,682	
Treasury stock	(50,555)		(50,881)	
Total Komatsu Ltd. shareholders' equity	1,658,813	49.8	1,576,674	59.4
Noncontrolling interests	76,600	2.3	71,841	2.7
Total equity	1,735,413	52.1	1,648,515	62.1
Total	¥ 3,330,226	100.0	¥ 2,656,482	100.0

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

Six months ended September 30, 2017 and 2016

Consolidated Statements of Income

Millions of yen except per share amounts

	Six Months ended September 30, 2017		Six Months ended September 30, 2016	
		Ratio (%)		Ratio (%)
Net sales	¥ 1,158,958	100.0	¥ 796,112	100.0
Cost of sales	832,644	71.8	569,548	71.5
Selling, general and administrative expenses	212,594	18.3	162,328	20.4
Other operating income (expenses), net	(1,097)	(0.1)	(110)	(0.0)
Operating income	112,623	9.7	64,126	8.1
Other income (expenses), net				
Interest and dividend income	2,952	0.3	1,603	0.2
Interest expense	(8,237)	(0.7)	(3,849)	(0.5)
Gain on sales of investment securities	39,563	3.4	196	0.0
Other, net	(2,784)	(0.2)	(3,981)	(0.5)
Total other income (expenses)	31,494	2.7	(6,031)	(0.8)
Income before income taxes and equity in earnings of affiliated companies	144,117	12.4	58,095	7.3
Income taxes	38,250	3.3	21,159	2.7
Income before equity in earnings of affiliated companies	105,867	9.1	36,936	4.6
Equity in earnings of affiliated companies	1,749	0.2	1,812	0.2
Net income	107,616	9.3	38,748	4.9
Less: Net income attributable to noncontrolling interests	5,861	0.5	1,230	0.2
Net income attributable to Komatsu Ltd.	¥ 101,755	8.8	¥ 37,518	4.7
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	¥ 107.90		¥ 39.80	
Diluted	¥ 107.75		¥ 39.75	

Consolidated Statements of Comprehensive Income

Millions of yen

	Six Months ended September 30, 2017	Six Months ended September 30, 2016
Net income	¥ 107,616	¥ 38,748
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments	30,670	(110,222)
Net unrealized holding gains (losses) on securities available for sale	(23,603)	1,115
Pension liability adjustments	848	1,180
Net unrealized holding gains (losses) on derivative instruments	1,282	295
Total other comprehensive income (loss), for the period, net of tax	9,197	(107,632)
Comprehensive income (loss)	116,813	(68,884)
Less: Comprehensive income (loss) attributable to noncontrolling interests	7,652	(6,202)
Comprehensive income (loss) attributable to Komatsu Ltd.	¥ 109,161	¥ (62,682)

Three months ended September 30, 2017 and 2016

Consolidated Statements of Income

Millions of yen except per share amounts

	Three Months ended September 30, 2017		Three Months ended September 30, 2016	
		Ratio (%)		Ratio (%)
Net sales	¥ 597,747	100.0	¥ 406,860	100.0
Cost of sales	430,479	72.0	290,031	71.3
Selling, general and administrative expenses	106,547	17.8	81,593	20.1
Other operating income (expenses), net	(505)	(0.1)	(899)	(0.2)
Operating income	60,216	10.1	34,337	8.4
Other income (expenses), net				
Interest and dividend income	1,588	0.3	578	0.1
Interest expense	(4,665)	(0.8)	(1,891)	(0.5)
Gain on sales of investment securities	39,563	6.6	68	0.0
Other, net	(679)	(0.1)	801	0.2
Total other income (expenses)	35,807	6.0	(444)	(0.1)
Income before income taxes and equity in earnings of affiliated companies	96,023	16.1	33,893	8.3
Income taxes	28,746	4.8	11,944	2.9
Income before equity in earnings of affiliated companies	67,277	11.3	21,949	5.4
Equity in earnings of affiliated companies	987	0.2	708	0.2
Net income	68,264	11.4	22,657	5.6
Less: Net income attributable to noncontrolling interests	2,904	0.5	727	0.2
Net income attributable to Komatsu Ltd.	¥ 65,360	10.9	¥ 21,930	5.4
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	¥ 69.30		¥ 23.26	
Diluted	¥ 69.21		¥ 23.23	

Consolidated Statements of Comprehensive Income

Millions of yen

	Three Months ended September 30, 2017	Three Months ended September 30, 2016
Net income	¥ 68,264	¥ 22,657
Other comprehensive income (loss), for the period, net of tax		
Foreign currency translation adjustments	19,656	(13,910)
Net unrealized holding gains (losses) on securities available for sale	(26,649)	4,641
Pension liability adjustments	465	457
Net unrealized holding gains (losses) on derivative instruments	1,213	(908)
Total other comprehensive income (loss), for the period, net of tax	(5,315)	(9,720)
Comprehensive income (loss)	62,949	12,937
Less: Comprehensive income (loss) attributable to noncontrolling interests	4,092	150
Comprehensive income (loss) attributable to Komatsu Ltd.	¥ 58,857	¥ 12,787

(3) Consolidated Statements of Cash Flows

Millions of yen

	Six Months ended September 30, 2017	Six Months ended September 30, 2016
Operating activities		
Net income	¥ 107,616	¥ 38,748
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	65,465	51,810
Deferred income taxes	(1,869)	(1,635)
Impairment loss and net loss (gain) from sale of investment securities	(39,424)	(177)
Net loss (gain) on sale of property	(172)	(483)
Loss on disposal of fixed assets	1,245	1,020
Pension and retirement benefits, net	(1,194)	2,367
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(42,216)	31,537
Decrease (increase) in inventories	(47,481)	(35,017)
Increase (decrease) in trade payables	8,280	(7,523)
Increase (decrease) in income taxes payable	15,676	(7,851)
Other, net	15,265	23,292
Net cash provided by (used in) operating activities	81,191	96,088
Investing activities		
Capital expenditures	(79,895)	(67,638)
Proceeds from sale of property	12,523	10,625
Proceeds from sale of available for sale investment securities	46,184	600
Purchases of available for sale investment securities	(235)	(106)
Proceeds from sale of subsidiaries and equity investees, net of cash disposed	570	5,485
Acquisition of subsidiaries and equity investees, net of cash acquired	(273,137)	-
Collection of loan receivables	47	7
Disbursement of loan receivables	(776)	-
Decrease (increase) in time deposits, net	(181)	89
Net cash provided by (used in) investing activities	(294,900)	(50,938)
Financing activities		
Proceeds from debt issued (Original maturities greater than three months)	273,706	46,618
Payment on debt (Original maturities greater than three months)	(44,592)	(75,044)
Short-term debt, net (Original maturities three months or less)	55,608	(9,379)
Repayments of capital lease obligations	(23)	(29)
Sale (purchase) of treasury stock, net	76	18
Dividends paid	(27,363)	(27,354)
Other, net	(2,927)	(3,510)
Net cash provided by (used in) financing activities	254,485	(68,680)
Effect of exchange rate change on cash and cash equivalents	745	4,419
Net increase (decrease) in cash and cash equivalents	41,521	(19,111)
Cash and cash equivalents, beginning of year	119,901	106,259
Cash and cash equivalents, end of period	¥ 161,422	¥ 87,148

(4) Note to the Going Concern Assumption

None

(5) Business Segment Information

1) Information by Operating Segments

Six Months ended September 30, 2017 and 2016

(For Six Months ended September 30, 2017)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	1,056,824	23,681	78,453	1,158,958	-	1,158,958
Intersegment	7,595	7,561	732	15,888	(15,888)	-
Total	1,064,419	31,242	79,185	1,174,846	(15,888)	1,158,958
Segment profit	103,756	5,909	4,837	114,502	(782)	113,720

(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

Three Months ended September 30, 2017 and 2016

(For Three Months ended September 30, 2017)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	545,826	11,697	40,224	597,747	-	597,747
Intersegment	3,530	1,993	292	5,815	(5,815)	-
Total	549,356	13,690	40,516	603,562	(5,815)	597,747
Segment profit	55,772	2,584	2,465	60,821	(100)	60,721

(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

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) 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.

2) Geographic Information

Net sales determined by customer location were as follows:

For Six Months ended September 30, 2017 and 2016

Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
FY2017	189,788	432,130	144,569	79,238	236,634	76,599	1,158,958
FY2016	173,050	276,584	101,466	51,405	146,786	46,821	796,112

For Three Months ended September 30, 2017 and 2016

Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
FY2017	105,665	224,343	70,450	37,283	118,707	41,299	597,747
FY2016	97,973	139,714	46,662	24,508	75,854	22,149	406,860

Note: * Excluding Japan and China

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

None

(end)