

Business Results for FY2015 (April 1, 2015-March 31, 2016)

April 27, 2016

Komatsu Ltd. Participants

Tetsuji Ohashi	President and CEO
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I . Highlights of Business Results of FY2015

- Consolidated net sales decreased by 6.3% from FY2014, to JPY1,854.9 billion.
- Operating income declined by 13.8% from FY2014, to JPY208.5 billion. Operating income ratio was 11.2%, down 1.0 point from FY2014.
- Net income declined by 10.8% from FY2014, to JPY137.4 billion.

Billions of yen	FY2014 results ¥109.7/USD ¥139.6/EUR ¥17.7/RMB	FY2015 (Projection) ¥115/USD ¥127/EUR ¥18.3/RMB	FY2015 results ¥120.8/USD ¥132.4/EUR ¥19.0/RMB	Changes	
				Increase (decrease)	% Change
Net sales	1,978.6	1,880.0	1,854.9	(123.7)	(6.3)%
Segment profit	240.9	225.0	202.0	(38.9)	(16.2)%
Other operating income (expenses)	1.0	(4.0)	6.5	+5.4	-
Operating income	242.0	221.0	208.5	(33.4)	(13.8)%
Profit ratio	12.2%	11.8%	11.2%	(1.0)pts.	-
Other income (expenses)	(5.9)	(7.0)	(3.6)	+2.2	-
Net income before income taxes	236.0	214.0	204.8	(31.1)	(13.2)%
Net income *	154.0	138.0	137.4	(16.5)	(10.8)%
ROE	10.6%	9.0%	9.0%	(1.6)pts.	-
Net D/E ratio	0.32	0.27	0.23	(0.09)pts.	-
Excl. consolidated retail finance subsidiaries	(0.00)	(0.03)	(0.09)	(0.09)pts.	-
Consolidated retail finance subsidiaries	3.20	2.88	3.40	+0.20pts	-
Cash dividends per share	58yen	58yen	58yen	+/- 0 yen	
Consolidated payout ratio	35.8%	39.6%	39.8%		

* Upon adoption of ASC 810, "Net income" is equivalent to "Net income attributable to Komatsu Ltd."

Segment Sales and Profit of FY2015

- Construction, Mining & Utility Equipment: Segment sales declined by 6.9% from FY2014, to JPY1,641.0 billion. Segment profit dropped 19.0% to JPY184.1 billion. Segment profit ratio was 11.2%, down 1.7 points.
- Industrial Machinery & Others: Segment sales decreased 0.6% to JPY220.1 billion. Segment profit advanced 19.2% to JPY19.3 billion.

□ : Profit ratio [] : Sales after elimination of inter-segment transactions

Billions of yen	FY2014 results	FY2015 (Projection)	FY2015 results	Changes	
				Increase (decrease)	% Change
Net sales	1,978.6	1,880.0	1,854.9	(123.7)	(6.3)%
Construction, mining & utility equipment	[1,761.3] 1,763.4	[1,668.0] 1,670.0	[1,638.4] 1,641.0	[(122.9)] (122.3)	[(7.0)%] (6.9)%
Industrial machinery & others	[217.2] 221.5	[212.0] 215.0	[216.5] 220.1	[(0.7)] (1.3)	[(0.3)%] (0.6)%
Elimination	(6.2)	(5.0)	(6.2)	+0.0	-
Segment profit	□ 12.2% 240.9	□ 12.0% 225.0	□ 10.9% 202.0	(38.9)	(16.2)%
Construction, mining & utility equipment	□ 12.9% 227.2	□ 12.6% 210.0	□ 11.2% 184.1	(43.1)	(19.0)%
Industrial machinery & others	□ 7.3% 16.2	□ 8.4% 18.0	□ 8.8% 19.3	+3.1	+19.2%
Corporate & elimination	(2.5)	(3.0)	(1.4)	+1.0	-

Review of two segments

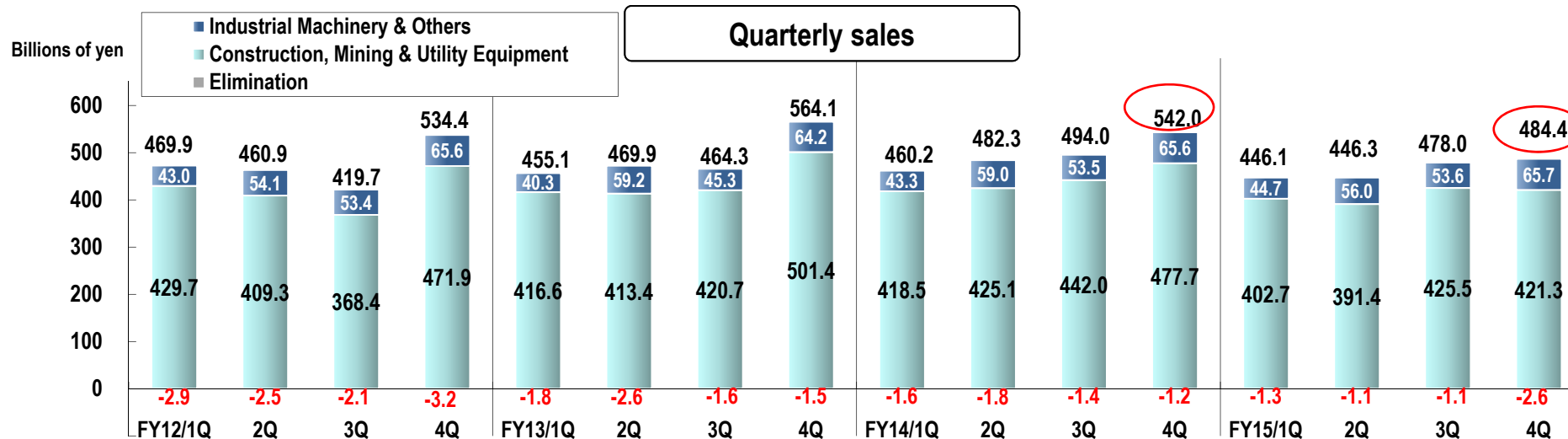
■ Construction, Mining and Utility Equipment

While we steadfastly captured demand for construction equipment in North America, both sales and profit declined from FY2014, as affected by declining sales of mining equipment against the backdrop of slack demand as well as drastically reduced demand in China and other emerging countries.

■ Industrial Machinery and Others

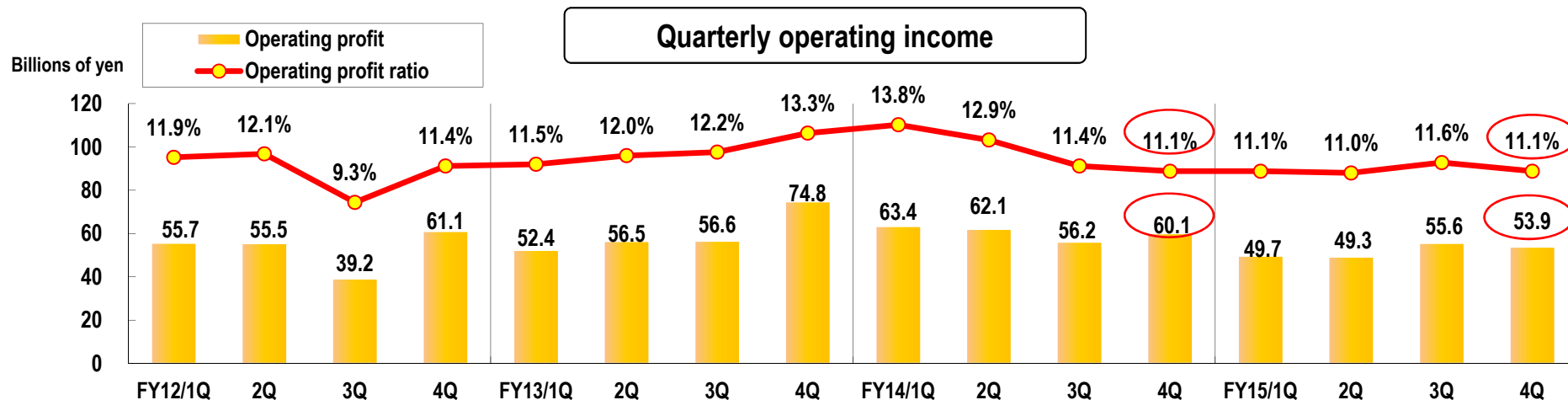
While GIGAPHOTON INC. expanded sales, supported by stable machine utilization of the semiconductor industry, total sales declined due to reduced sales of press and other machines. Segment profit improved.

Quarterly Sales and Operating Income

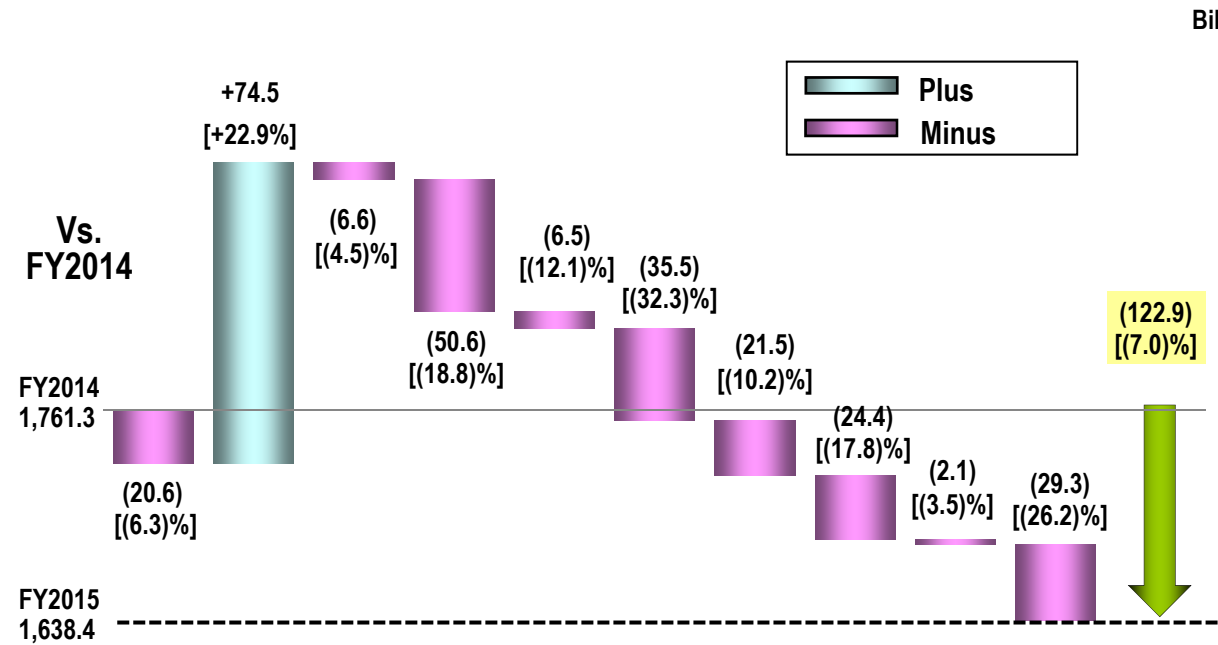


Exchange rates

	12/1Q	12/2Q	12/3Q	12/4Q	13/1Q	13/2Q	13/3Q	13/4Q	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q
¥/USD	80.6	78.7	80.1	90.7	97.3	98.6	99.7	102.7	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0
¥/EUR	104.6	98.3	103.5	120.1	126.4	129.9	135.1	139.9	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0
¥/RMB	12.8	12.4	12.8	14.6	15.8	16.1	16.3	16.9	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9

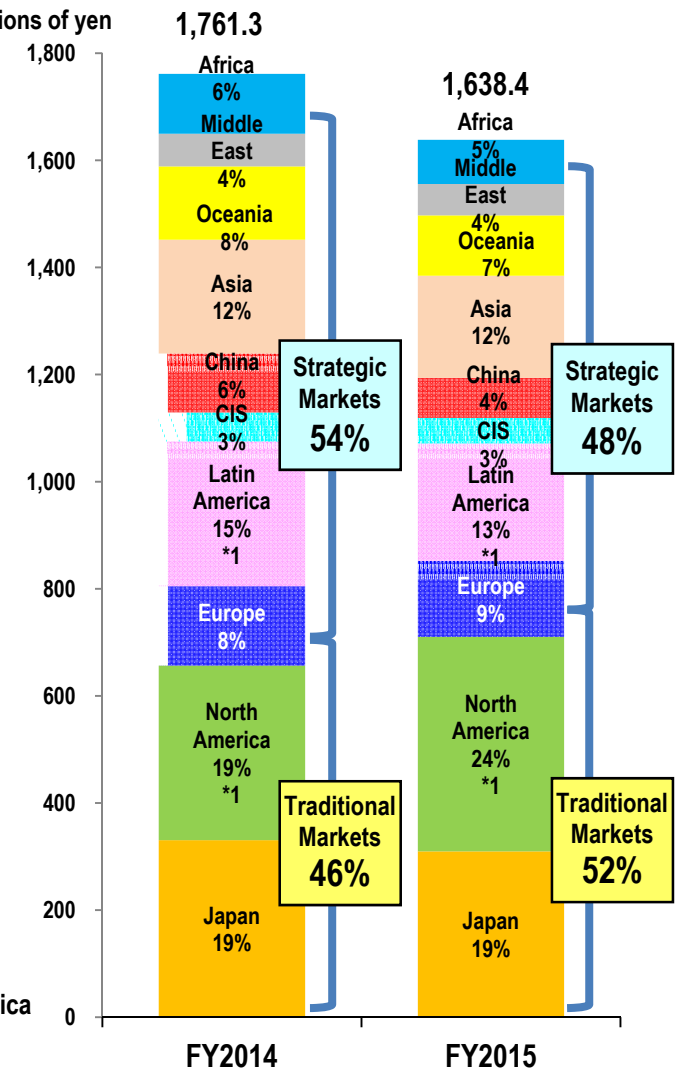


- Sales to outside customers declined by 7.0% from FY2014, to JPY1,638.4 billion.
- While sales advanced in North America, these dropped drastically in Strategic Markets, such as Latin America, China and Africa. As a result, the share of Traditional Markets increased to 52% of total.



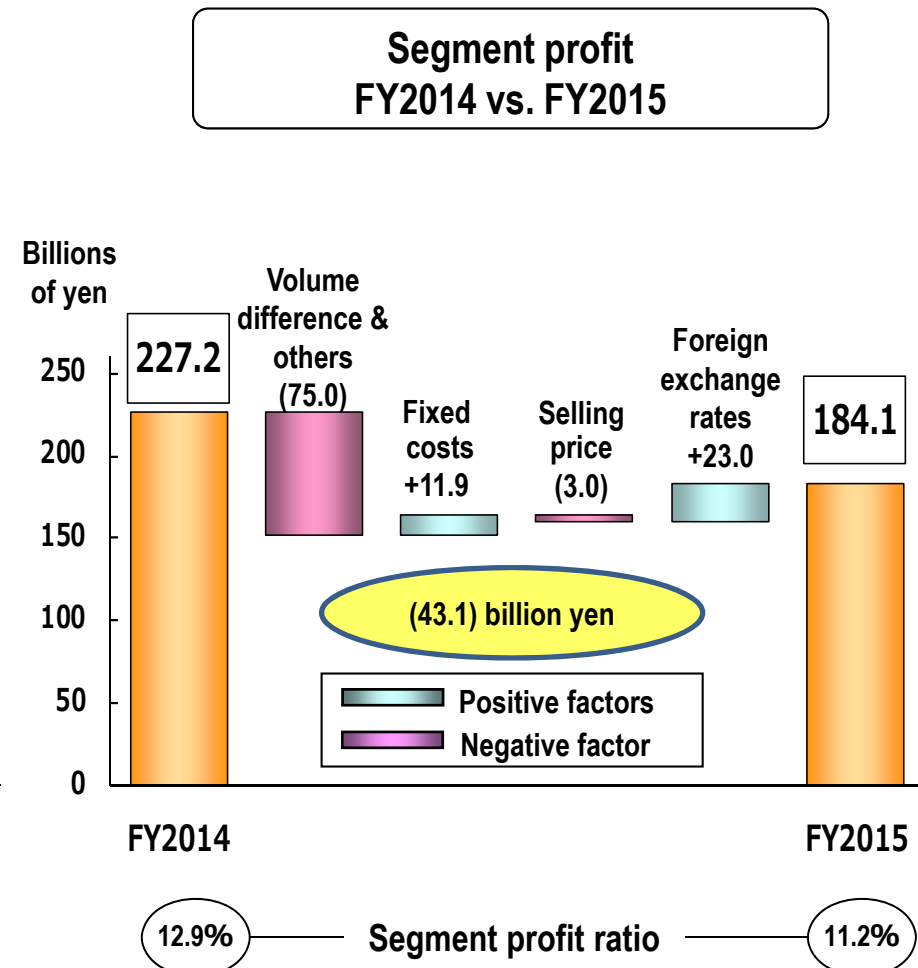
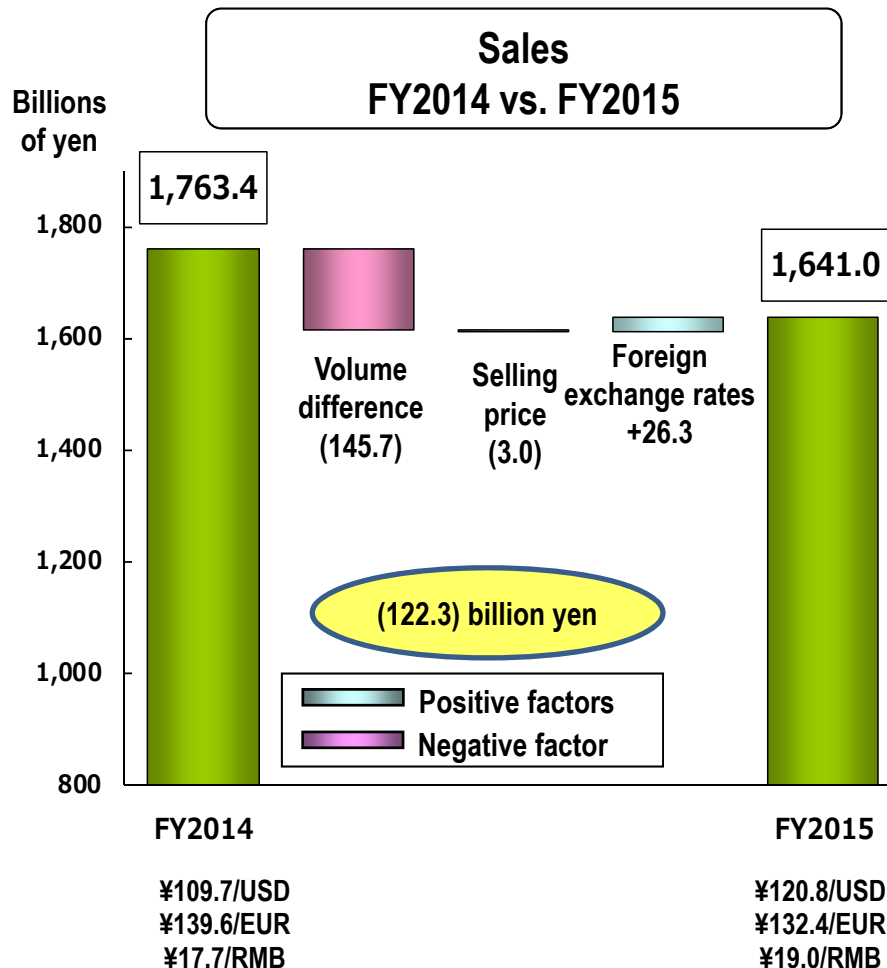
Billions of yen	Japan	North America *1	Europe	Latin America *1	CIS	China	Asia	Oceania	Middle East	Africa	Total
FY2014	330.5	325.8	148.2	270.1	54.3	110.2	212.3	137.0	60.8	111.7	1,761.3
FY2015	309.9	400.3	141.6	219.4	47.7	74.6	190.7	112.6	58.6	82.4	1,638.4

Traditional Markets
 Strategic Markets

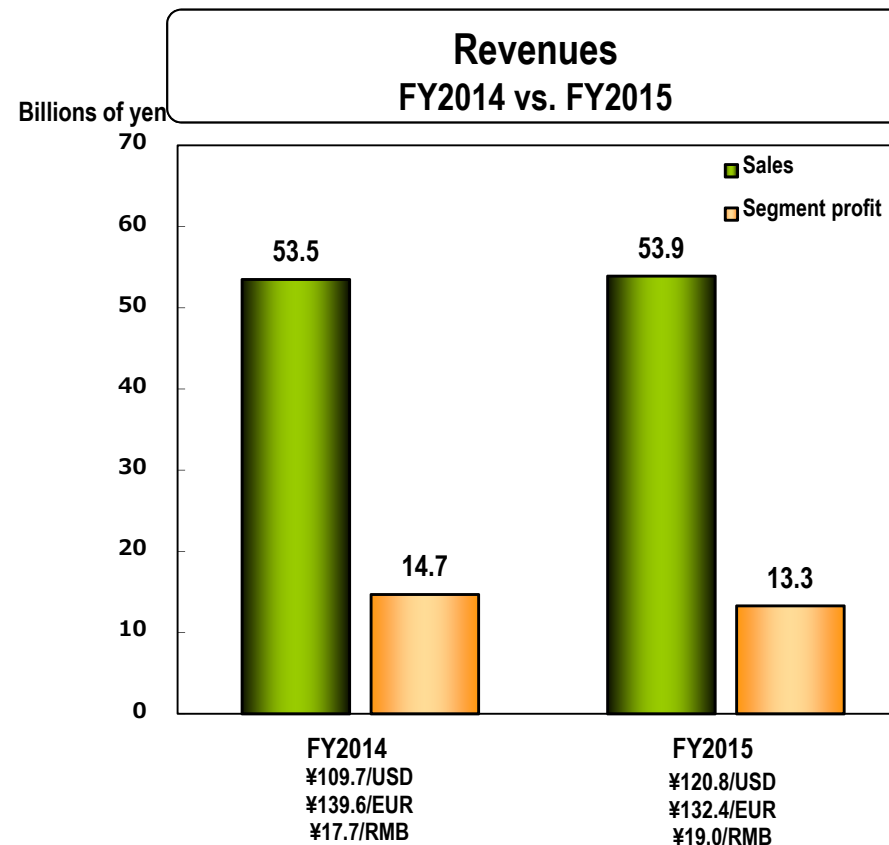
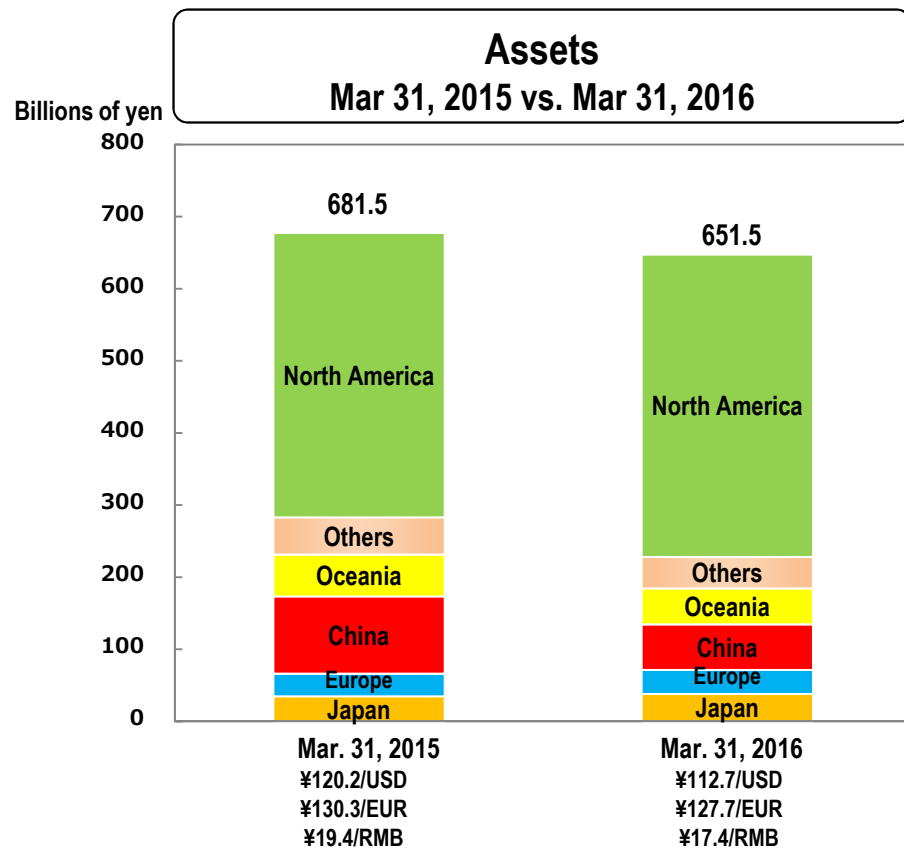


*1: Due to the acquisition of a distributor in Mexico, a part of sales in Mexico was reclassified from North America to Latin America, starting in FY2015. <Corresponding sales of FY2014 were also reclassified accordingly.>

- Sales declined by JPY122.3 billion from FY2014, affected by a sharp drop in the volume of sales in Strategic Markets, such as Latin America, China and Africa, which more than offset the effects of the Japanese yen's depreciation. Segment profit also declined by JPY43.1 billion, in spite of reduced fixed costs in addition to the effects of the Japanese yen's depreciation.
- Segment profit ratio was 11.2%, down 1.7 points.



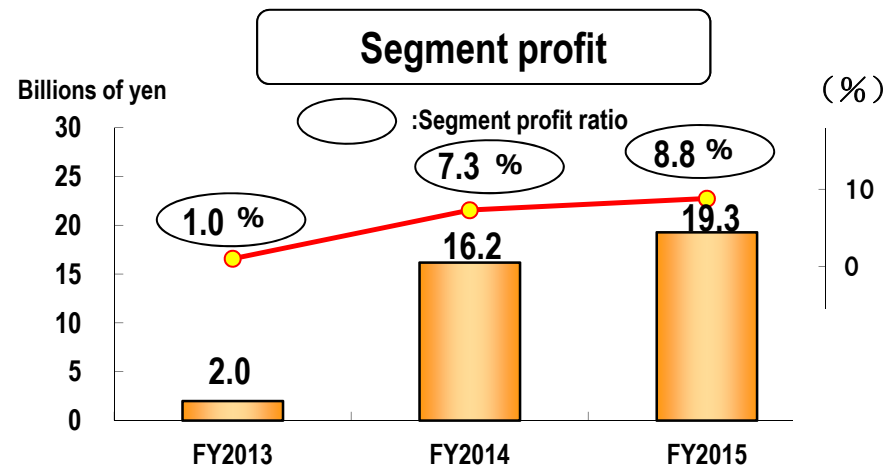
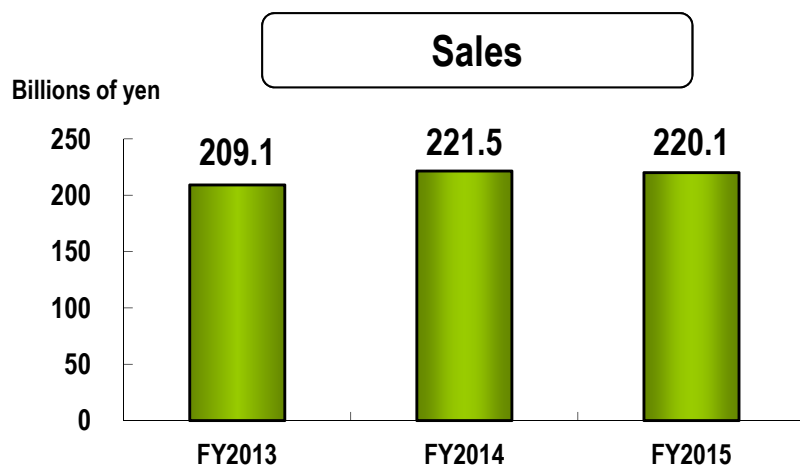
- While assets increased with additional contracts in North America, total assets declined from the previous fiscal year-end, affected by the effects of foreign exchanges and reduced new contracts in China and Chile.
- Segment profit declined mainly affected by a decline in assets in China.



Billions of yen	Mar. 31, 2015	Mar. 31, 2016	Changes
Interest-bearing debt	498.8	483.5	(15.3)
Interest-bearing debt, net	487.7	476.6	(11.1)
Net D/E ratio	3.20	3.40	+0.20pts.

	FY2014	FY2015	Changes
ROA	2.4%	2.0%	(0.4)%

- While GIGAPHOTON INC. expanded sales, supported by stable machine utilization of the semiconductor industry, sales of press and other machines declined. As a result, segment sales decreased by 0.6% from FY2014, to JPY220.1 billion. Segment profit ratio was 8.8%.



Breakdown of sales	Billions of yen	FY2013	FY2014	FY2015	Changes	
					Increase (decrease)	% change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]		54.5	64.0	58.0	(5.9)	(9.2)%
Komatsu NTC Ltd. [represented by wire saws]		73.5 [5.8]	73.6 [7.8]	71.0 [6.9]	(2.6) [(0.8)]	(3.6)% [(11.3)%]
Others [represented by Gigaphoton] [represented by Komatsu House]		81.1 [24.0] [16.4]	83.8 [29.2] [16.3]	91.0 [34.0] [16.1]	+7.1 [+4.8] [(0.2)]	+8.6% [+16.7%] [(1.5)%]
Total		209.1	221.5	220.1	(1.3)	(0.6)%

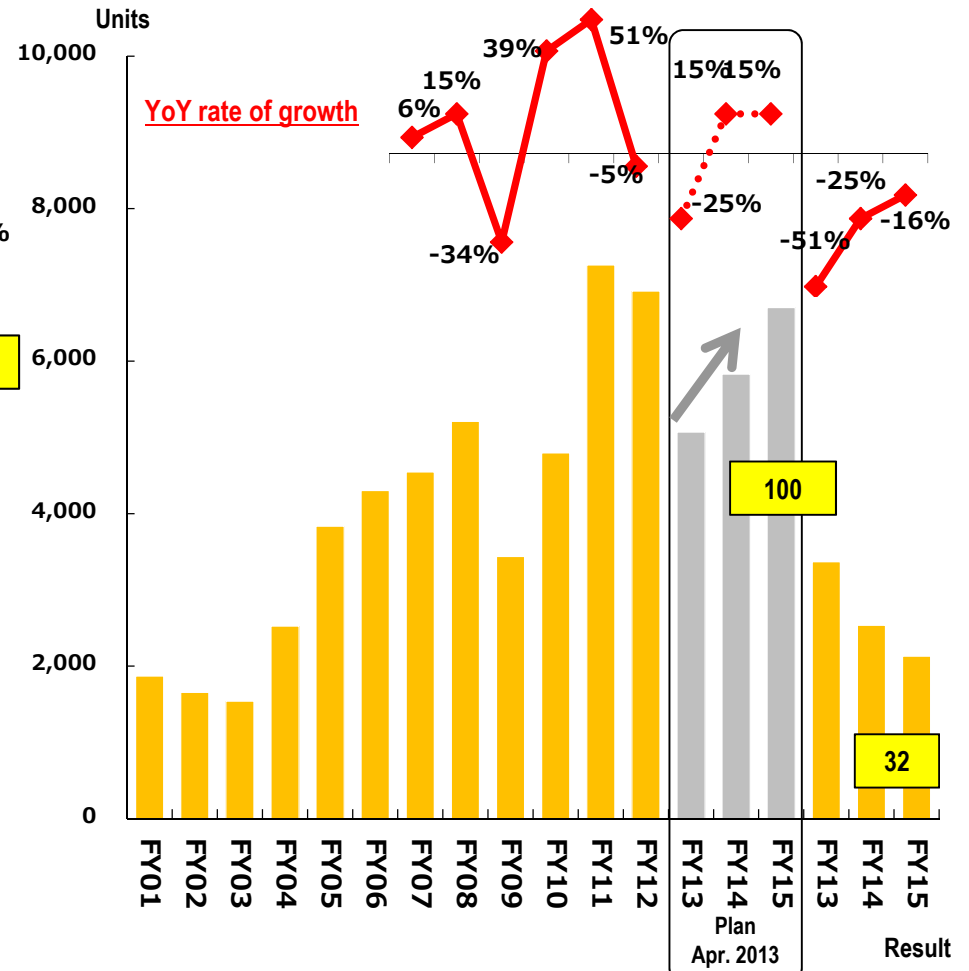
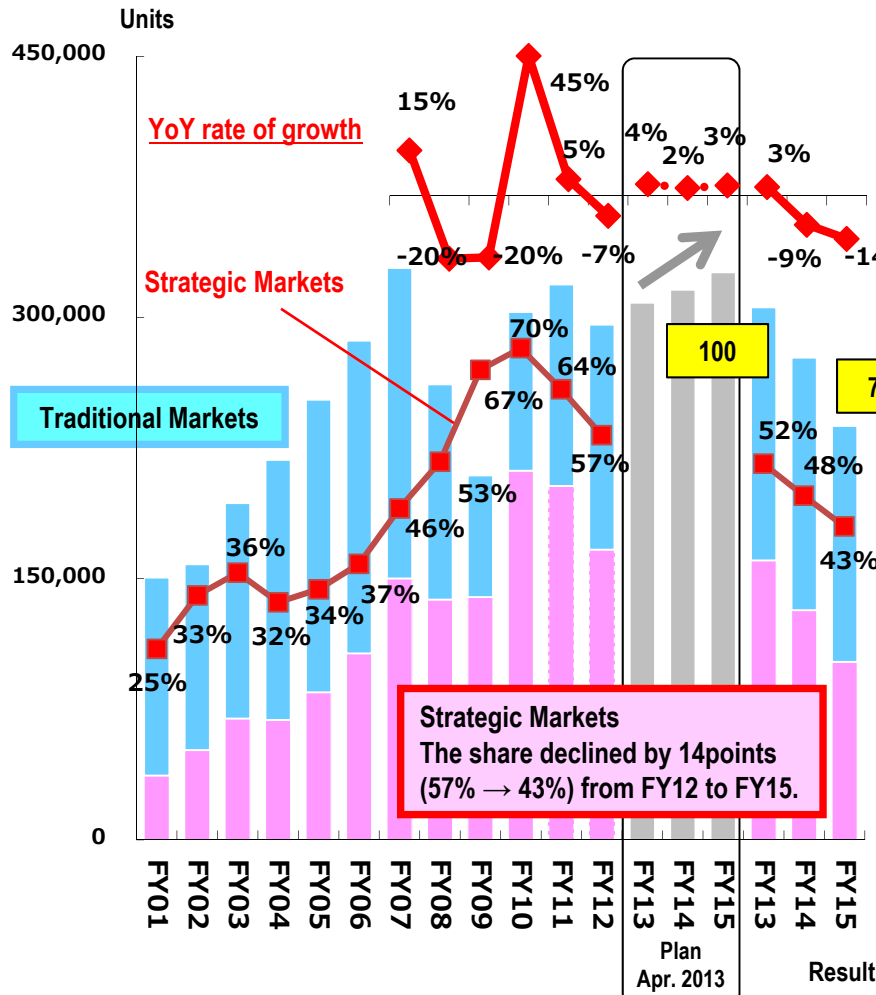
- Total assets declined by JPY183.7 billion from the previous fiscal year-end, mainly affected by foreign exchanges and reduced inventories.
- Komatsu shareholders' equity ratio increased by 3.4 points to 58.0%. Net debt-to-equity ratio as 0.23.

Billions of yen	Mar. 31, 2015 ¥120.2/USD ¥130.3/EUR ¥19.4/RMB	Mar. 31, 2016 ¥112.7/USD ¥127.7/EUR ¥17.4/RMB	Increase (decrease)
○ : Net debt-to-equity ratio			
Cash & deposits (incl. time deposits) [a]	107.3	108.4	+ 1.1
Accounts receivable (incl. long-term trade receivables) <Excl. those of consolidated retail finance subsidiaries>	900.2 <398.1>	875.3 <366.1>	(24.9) <(32.0)>
Inventories	622.8	539.6	(83.2)
Tangible fixed assets	743.9	697.7	(46.1)
Other assets	424.0	393.5	(30.5)
Total assets	2,798.4	2,614.6	(183.7)
Accounts payable	225.0	205.4	(19.6)
Interest-bearing debt [b] <Excl. those of consolidated retail finance subsidiaries>	589.1 <90.2>	457.5 <(25.9)>	(131.5) <(116.2)>
Other liabilities	385.6	363.9	(21.7)
Total liabilities	1,199.9	1,026.8	(173.0)
[Shareholders' equity ratio]	[54.6%]	[58.0%]	[+3.4pts.]
Komatsu Ltd. shareholders' equity	1,528.9	1,517.4	(11.5)
Noncontrolling interests	69.5	70.3	+0.8
Liabilities & Equity	2,798.4	2,614.6	(183.7)
Interest-bearing debt, net [b-a]	481.8	349.0	(132.7)
Net D/E ratio	0.32	0.23	
excl. cash and interest-bearing debt of retail finance	▲0.00	▲0.09	
retail finance	3.20	3.40	

- Global demand has entered an adjustment phase centering on emerging countries, resulting in a big gap from the plan which assumed gradual recovery.
- Assumptions for growth in the long range remain unchanged.

[Assumptions for demand for 7 major products]
 Growth in North America. Bottoming out in FY2012 in China. Stable growth in Latin America and CIS. Accelerating growth in Strategic Markets from FY2015.

[Assumptions for demand for mining equipment]
 Decline of 25% in FY2013 from FY2012. Gradual recovery from FY2014. Comparable to FY2012 in FY2015. Stable growth after FY2015.

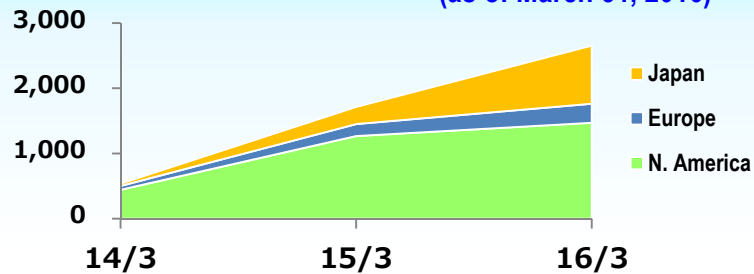


- Even when demand was sluggish, we made no change in the basic strategies and focused efforts and unfailingly implemented them.
- We will advance and accelerate continuing and new themes in the new mid-range management plan and implement them for growth.

1) Growth strategies based in innovation

- Development and launches of intelligent Machine Control models

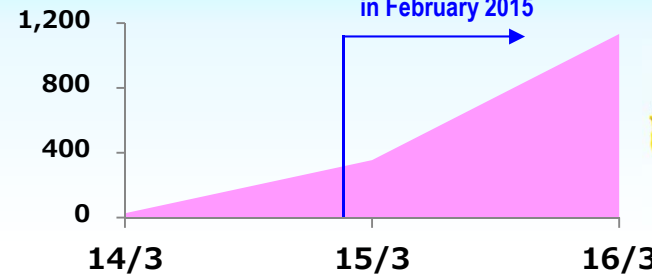
[Factory shipment: Over 2,600 units (cumulative)]
(as of March 31, 2016)



• Promotion of SMARTCONSTRUCTION

[No. of intelligent Machine Control model-deployed jobsites in Japan]
Over 1,100 sites (as of March 31, 2016)

Started SMARTCONSTRUCTION in February 2015



2) Growth strategies of existing businesses

- Expansion of parts sales

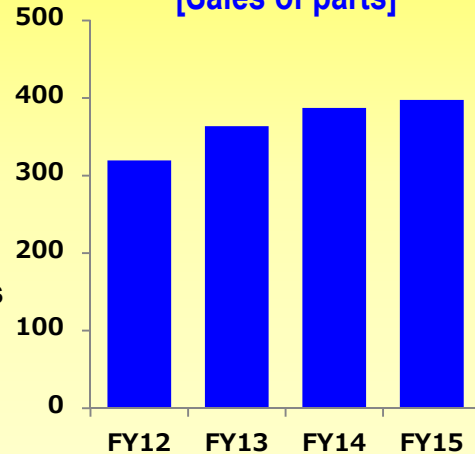
Bn. JPY

[Sales of parts]

- Reinforcement of distribution network

- Saudi Arabia
- USA
- Mexico, etc.

- Development and launches of models compliant to newest emission regulations

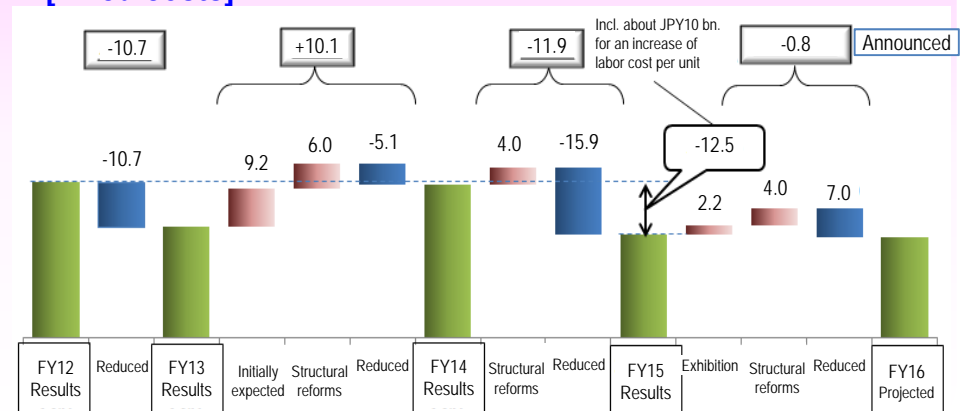


3) Structural reforms to reinforce the business foundation

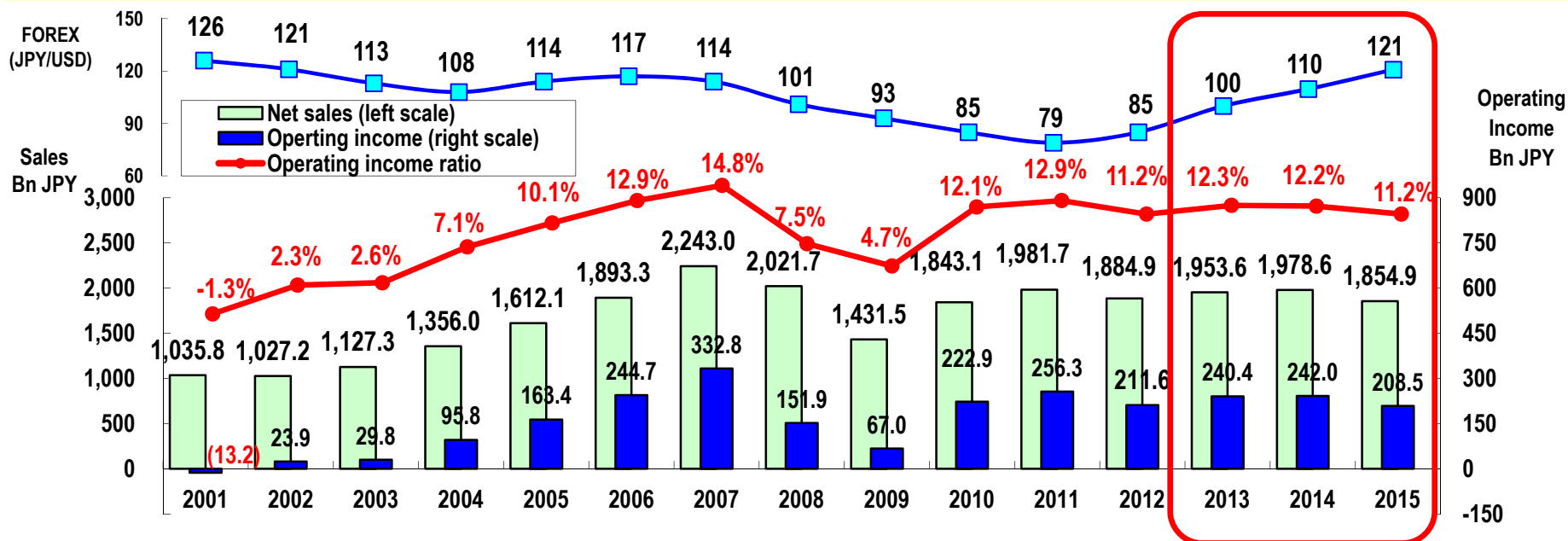
- Structural reforms and continuous cost improvement efforts

[Fixed costs]

Bn. JPY



- We fell short of achieving the targets of operating income ratio and ROE, as demand for construction equipment dropped much more than our assumption.
- We achieved the target of net debt-to-equity ratio. Concerning redistribution of profits to shareholders, we repurchased our shares.



<Mid-Range Management Targets>

1. We will work to attain the industry's top-level profitability and financial position.
2. We will increase the level of redistribution to shareholders.
3. We will improve net debt-to-equity ratio and ROE, as we invest in our future growth.

Targets	FY	FY2012 Results	FY2013 Results	FY2014 Results	FY2015 Results	FY2015 Targets
Operating income		11.2%	12.3%	12.2%	11.2%	18~20%
ROE		11.5%	12.4%	10.6%	9.0%	18~20%
Net debt-to- equity ratio		0.49	0.37	0.32	0.23	0.3 or below
Consolidated payout ratio (Redistribution ratio,incl. stock buy back)		36.2%	34.7%	35.8%	39.8%	30~50% (-)

Guidelines	Sales[billion yen]		1,884.9	1,953.6	1,978.6	1,854.9	2,300.0±200.0
	Foreign exchange rates	JPY/USD	82.5	99.6	109.7	120.8	90~95
		JPY/ EUR	106.6	132.8	139.6	132.4	120~125
		JPY/RMB	13.2	16.3	17.7	19.0	15.0~15.3

II . Outlook of FY2016 Business Results

- Consolidated net sales will decrease by 9.2% from FY2015, to JPY1,685.0 billion.
- Operating income will decline by 28.1% to JPY150.0 billion. Operating income ratio will translate into 8.9%, down 2.3 points.
- Net income will drop by 33.1% to JPY92.0 billion.

Billions of yen	FY2015 ¥120.8/USD ¥132.4/EUR ¥19.0/RMB	FY2016 (Projection) ¥105/USD ¥119/EUR ¥16.2/RMB	Changes	
			Increase (decrease)	% Change
Net sales	1,854.9	1,685.0	(169.9)	(9.2)%
Segment profit	202.0	155.0	(47.0)	(23.3)%
Other operating income (expenses)	6.5	(5.0)	(11.5)	-
Operating income	208.5	150.0	(58.5)	(28.1)%
Profit ratio	11.2%	8.9%	(2.3)pts.	-
Other income (expenses)	(3.6)	(5.0)	(1.3)	-
Net income before income taxes	204.8	145.0	(59.8)	(29.2)%
Net income *	137.4	92.0	(45.4)	(33.1)%
ROE	9.0%	6.2%	(2.8)pts.	
Cash dividends per share	58yen	58yen	+/- 0 yen	
Consolidated payout ratio	39.8%	59.4%		

* Upon adoption of ASC 810, "Net income" is equivalent to "Net income attributable to Komatsu Ltd."

Projection for Segment Sales and Profit of FY2016

- Retail finance will become a separate business segment, starting in FY2016.
- Both sales and profits of all segments of Construction, Mining & Utility Equipment, Retail Finance, and Industrial Machinery & Others will decline from FY2015.

□ : Profit ratio [] : Sales after elimination of inter-segment transactions

Billions of yen	FY2015		FY2016 (Projection)		Changes	
					Increase(decrease)	% Change
Net sales		1,854.9		1,685.0	(169.9)	(9.2)%
Construction, mining & utility equipment	[1,587.5]	1,602.0	[1,434.0]	1,445.0	[(153.5)] (157.0)	[(9.7)%] (9.8)%
Retail finance	[50.8]	53.9	[40.0]	43.0	[(10.8)] (10.9)	[(21.3)%] (20.3)%
Industrial machinery & others	[216.5]	220.1	[211.0]	212.0	[(5.5)] (8.1)	[(2.6)%] (3.7)%
Elimination		(21.1)		(15.0)	+6.1	-
Segment profit		□ 10.9% 202.0		□ 9.2% 155.0	(47.0)	(23.3)%
Construction, mining & utility equipment		□ 10.5% 169.0		□ 8.9% 129.0	(40.0)	(23.7)%
Retail finance		□ 24.7% 13.3		□ 25.6% 11.0	(2.3)	(17.4)%
Industrial machinery & others		□ 8.8% 19.3		□ 8.5% 18.0	(1.3)	(7.1)%
Corporate & elimination		0.3		(3.0)	(3.3)	-

Conditions of three business segments:

■ Construction, Mining & Utility Equipment

- We will work to expand sales while demand will remain sluggish. However, we project that both sales and profit will decline from FY2015, affected particularly by the Japanese yen's appreciation.

■ Retail Finance

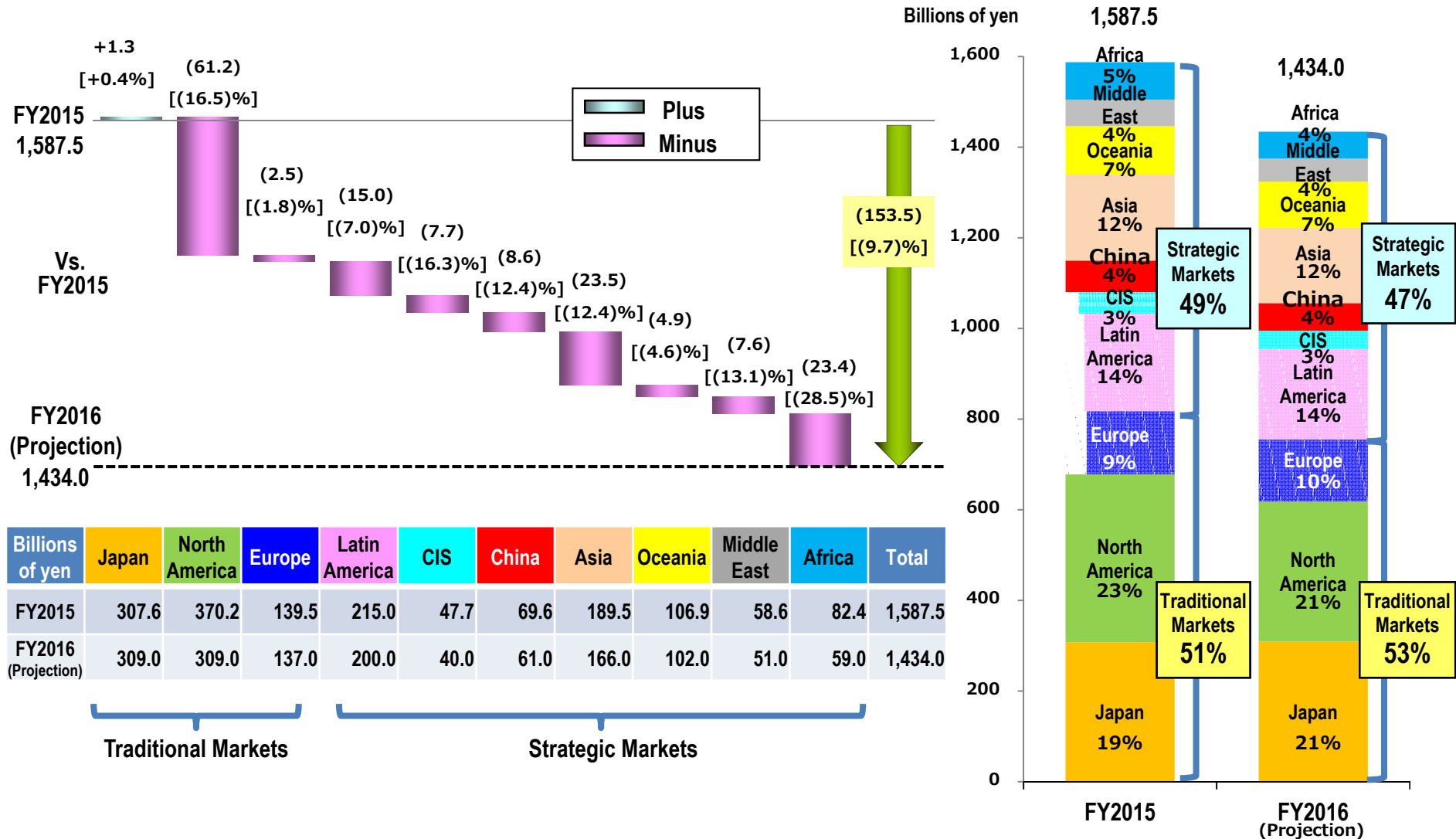
- Retail Finance will become a separate business unit, starting in FY2016.
- Both revenues and profit will decline, affected by reduced assets and the effects of foreign exchange rates.

■ Industrial Machinery & Others

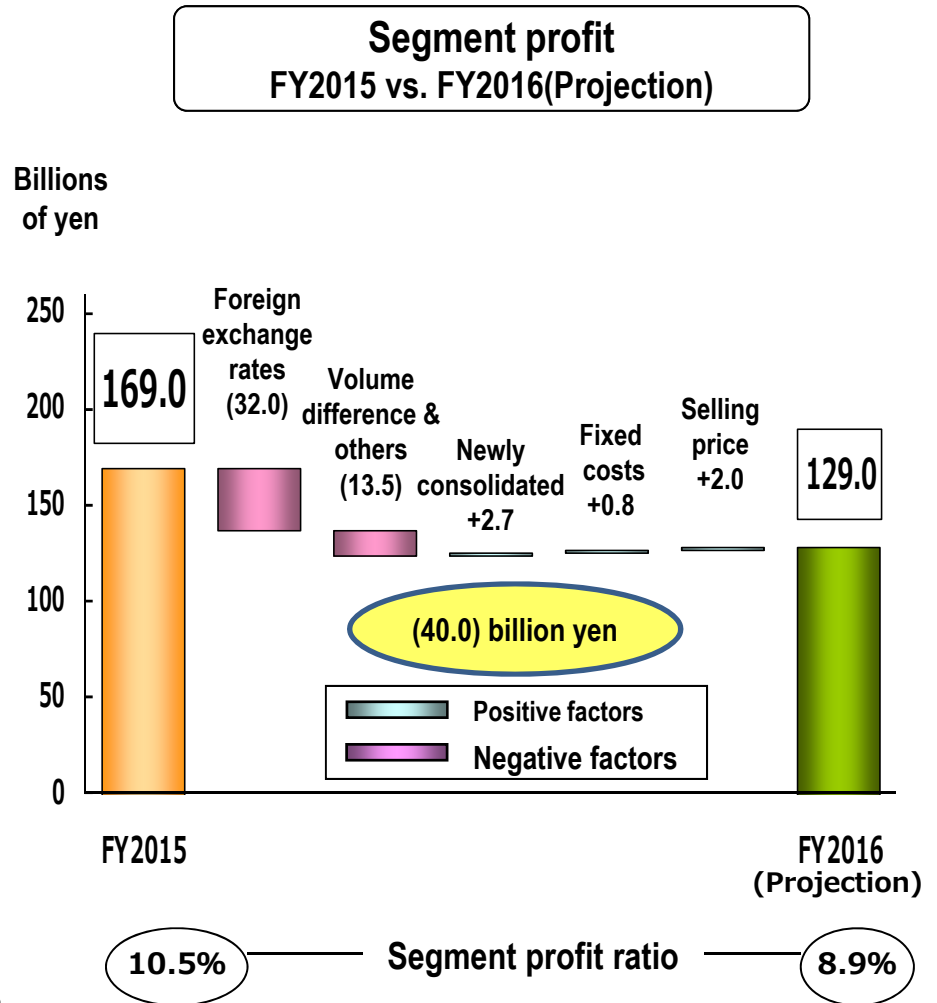
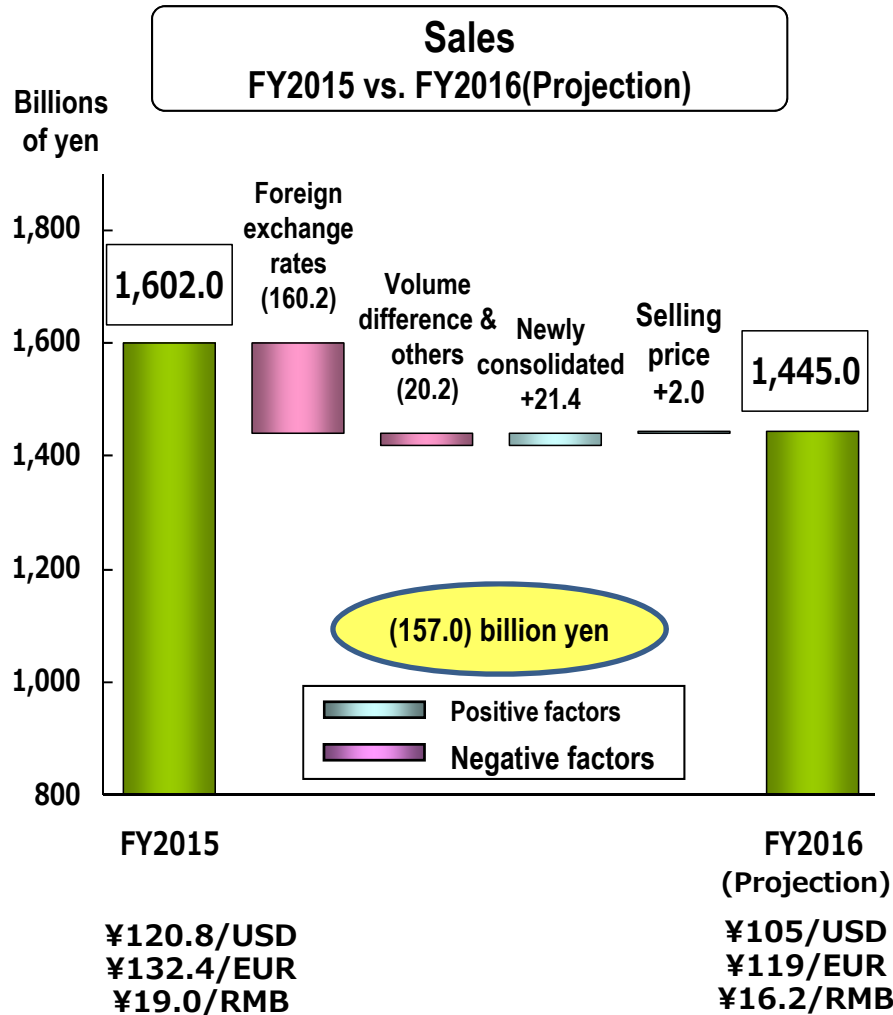
- Sales should increase, when the effects of the sale of shares of Komatsu House Ltd.* are removed.

* We plan to sell 85% of all shares issued and outstanding to NISSEI BUILD KOGYO CO., LTD. on April 28, 2016.

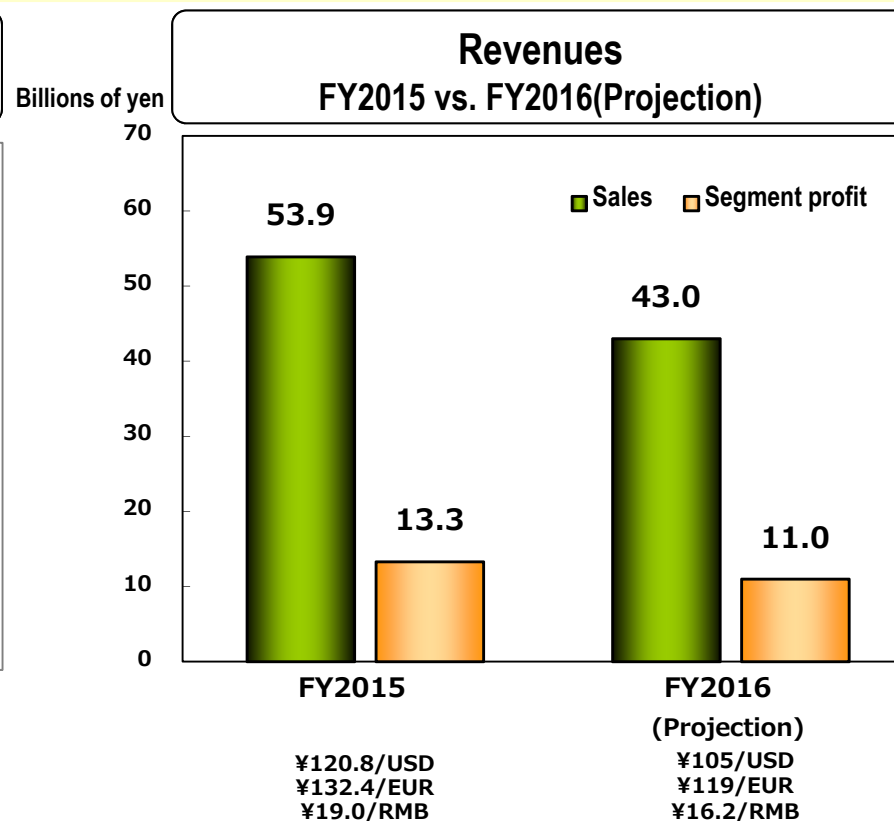
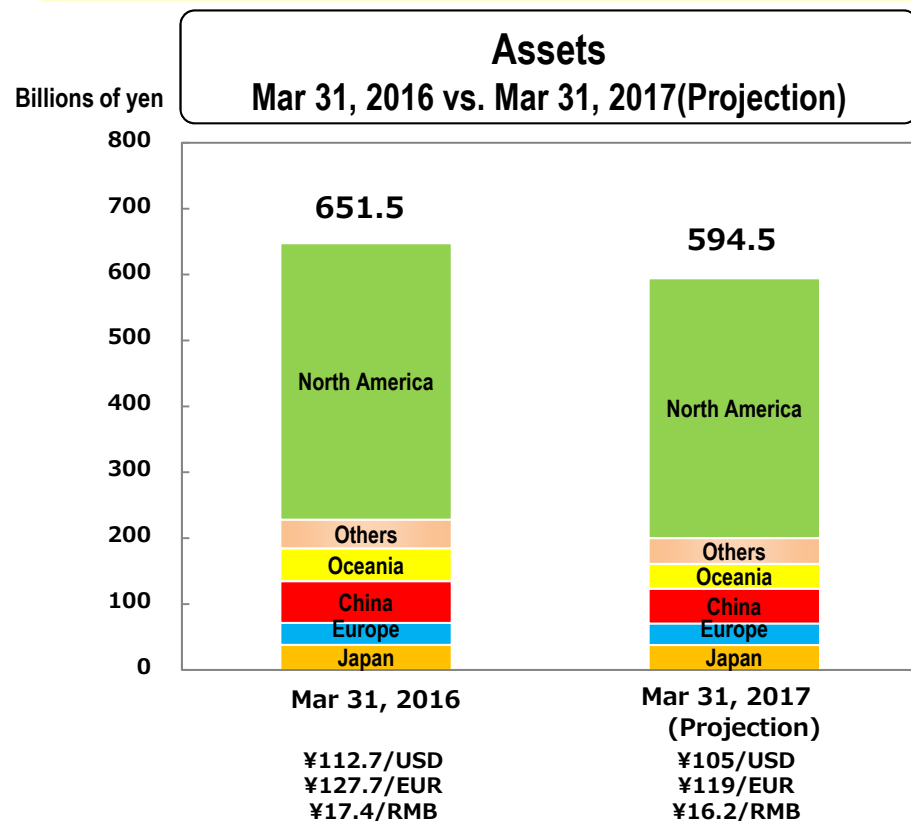
- Sales to outside customers for FY2016 will decline by 9.7% from FY2015, to JPY1,434.0 billion, reflecting negative growth in all regions except for Japan particularly due to the Japanese yen's appreciation.
- The share of Traditional Markets will increase to 53%.



- Sales will decline by JPY157.0 billion and profit by JPY40.0 billion from FY2015, as both will sharply be affected by the effects of foreign exchange rates.
- Segment profit ratio will decrease by 1.6 points to 8.9%.



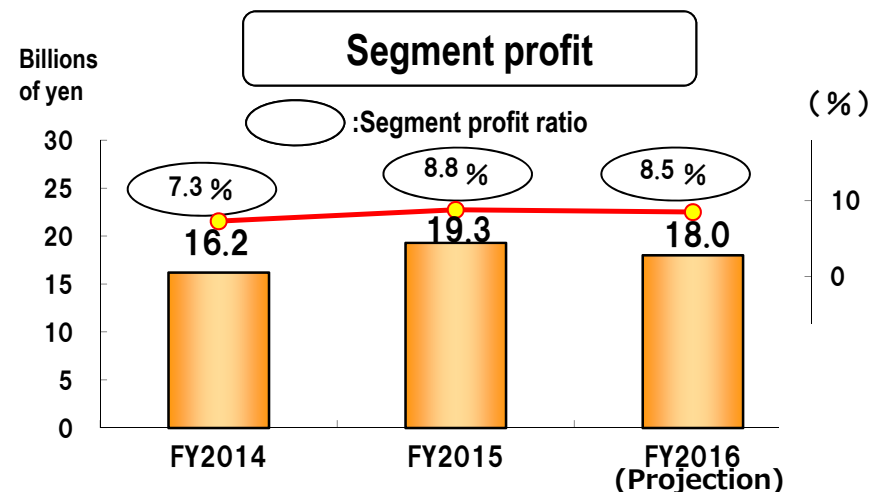
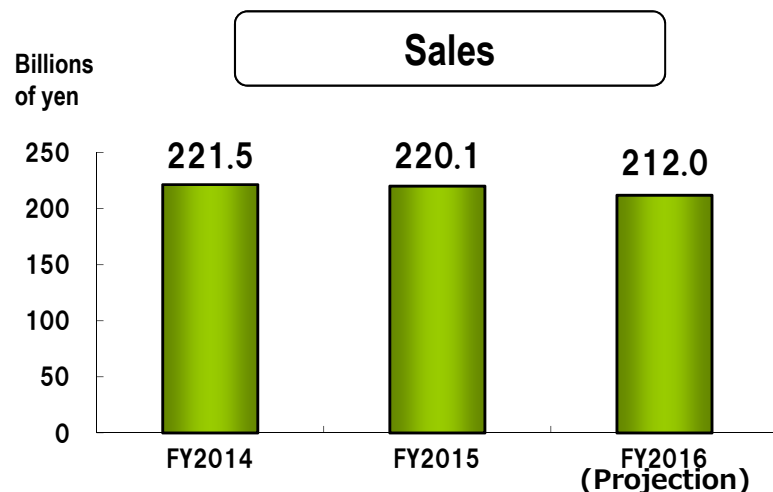
- Assets will decrease from March 31, 2016, affected by the effects of foreign exchange rates and a decline in new contracts in China and Oceania.
- Revenues will decline, affected by reduced assets and the effects of foreign exchange rates.



Billions of yen	2016/3E	2017/3E	Changes
Interest-bearing debt	483.5	441.6	(41.8)
Interest-bearing debt, net	476.6	434.7	(41.9)
Net D/E ratio	3.40	3.42	+0.02pts.

	FY2015	FY2016 (Projection)	Changes
ROA	2.0%	1.7%	(0.3)%

- Sales will decrease by 3.7% from FY2015, to JPY212.0 billion. Segment profit will decline by JPY1.3 billion to JPY18.0 billion.
- Sales should increase, when the effects of the sale of shares of Komatsu House Ltd. are removed.

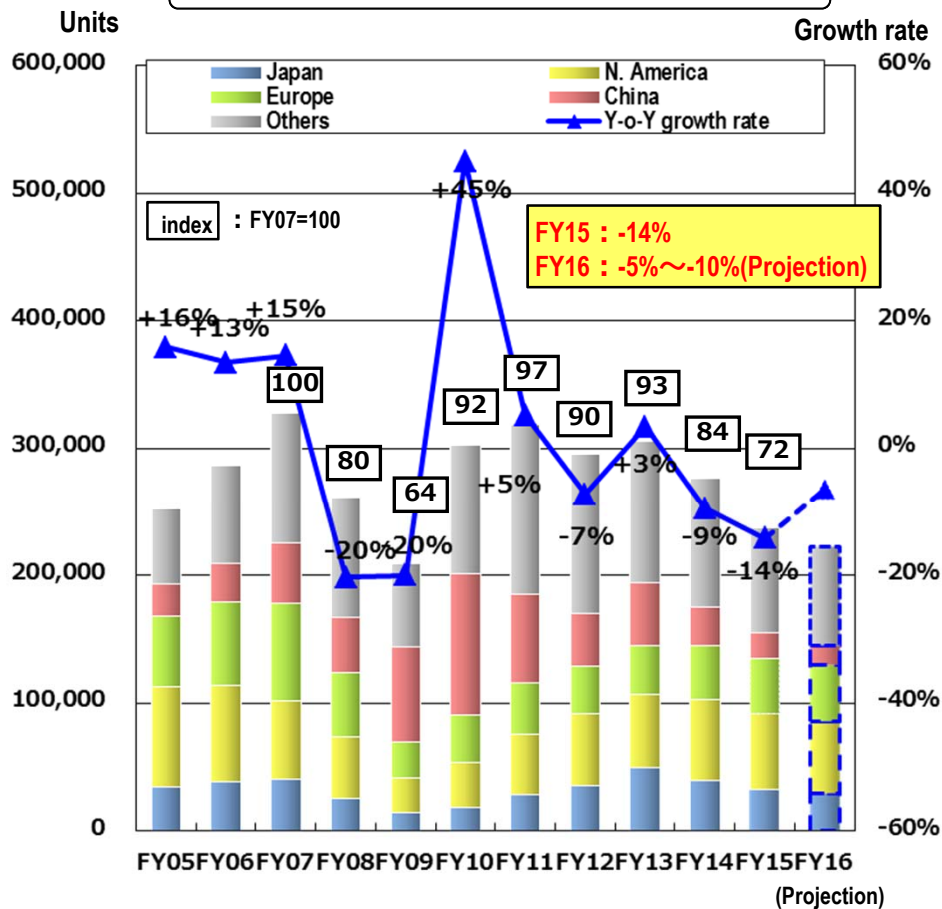


Breakdown of sales Billions of yen	FY2014	FY2015	FY2016 (Projection)	Changes	
				Increase (decrease)	% change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	64.0	58.0	58.6	+0.5	+1.0%
Komatsu NTC Ltd. [represented by wire saws]	73.6 [7.8]	71.0 [6.9]	76.1 [13.2]	+5.1 [+6.3]	+7.2% [+90.4%]
Gigaphoton	29.2	34.0	33.0	(1.0)	(3.0)%
Komatsu House	16.3	16.1	-	(16.1)	-
Others	38.2	40.7	44.0	+3.2	+8.0%
Total	221.5	220.1	212.0	(8.1)	(3.7)%

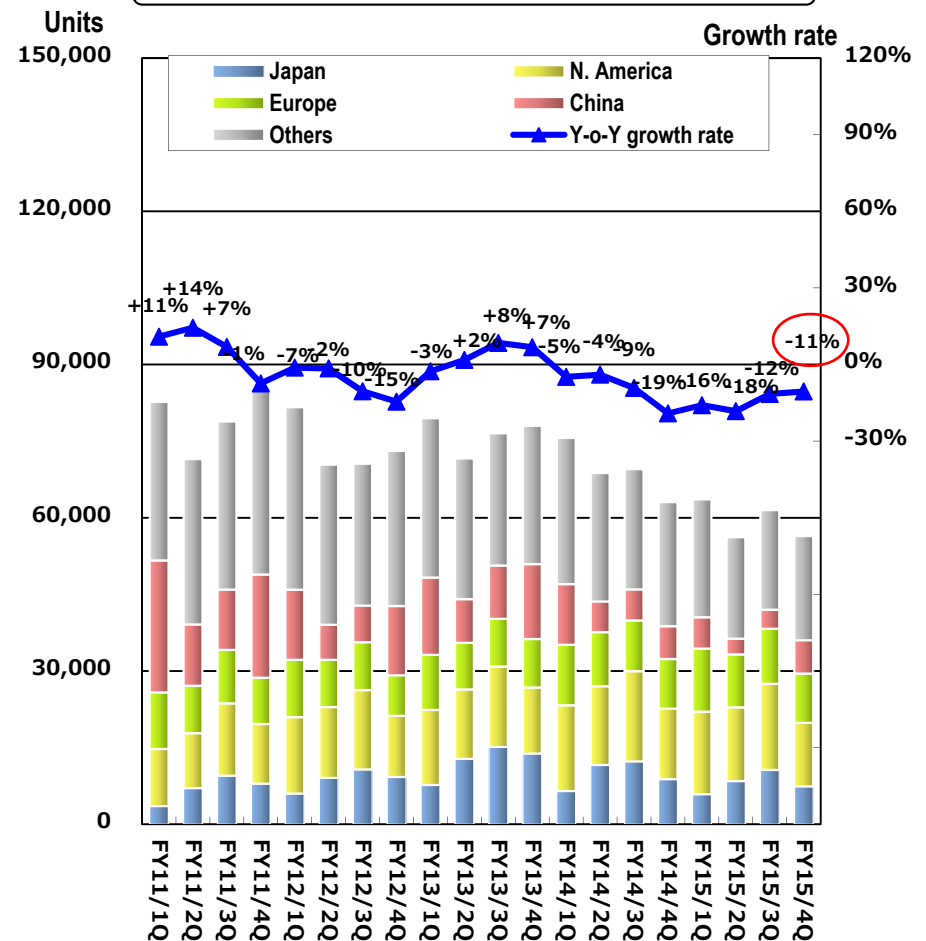
* We plan to sell 85% of all shares issued and outstanding to NISSEI BUILD KOGYO CO., LTD. on April 28, 2016.

- In FY2015 demand declined by 14% from FY2014, affected by a sharp drop in Strategic Markets, such as China, while demand was steady in some regions, such as Europe.
- In FY2016 demand will continue to decline as it did in FY2015. Global demand will decline from FY2015 by 5% to 10%.

Annual demand for 7 major products



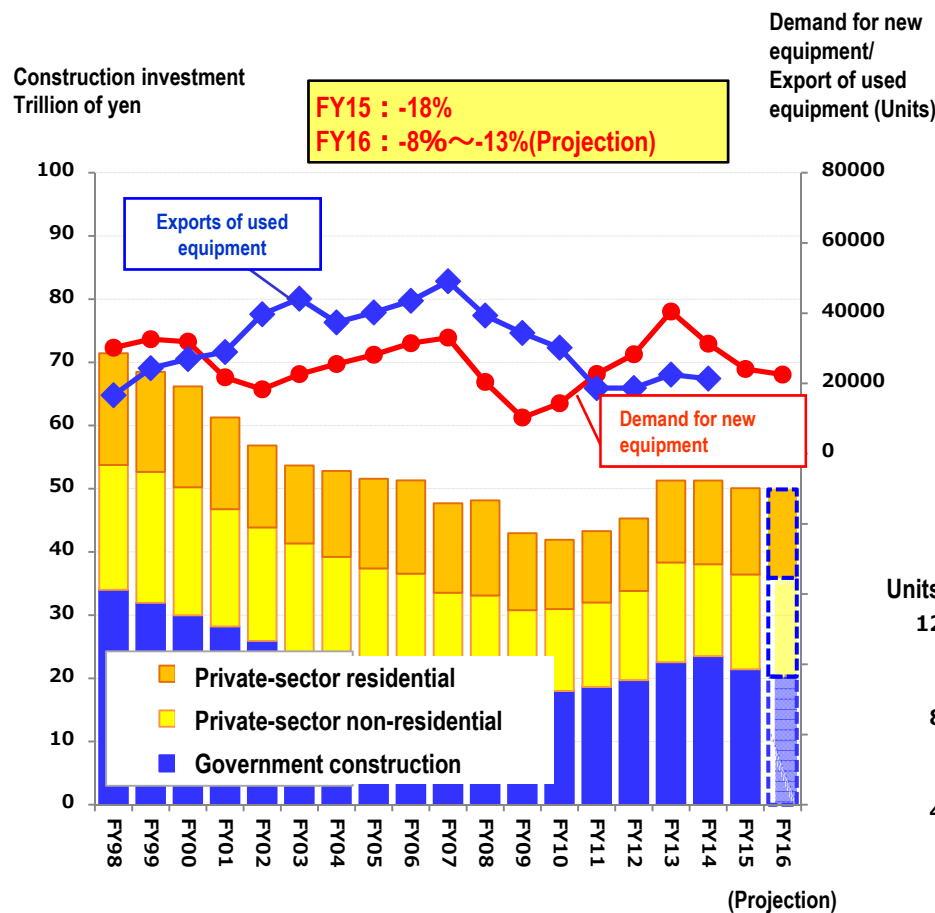
Quarterly demand for 7 major products



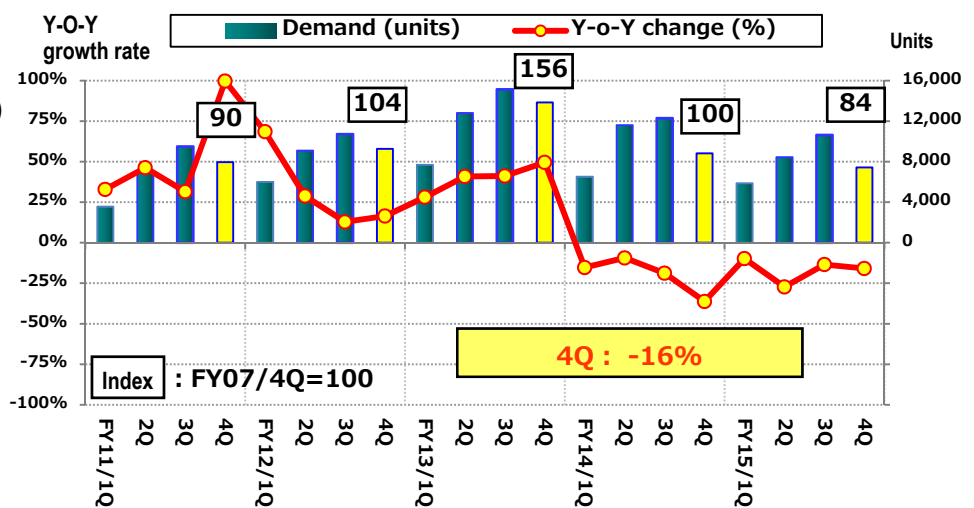
[Source]: Demand for 7 major products estimated by Komatsu

- In FY2015 demand declined by 18% from FY2014.
- In FY2016 demand will decline by 8% to 13% from FY2015, as construction investment will continue to decrease.

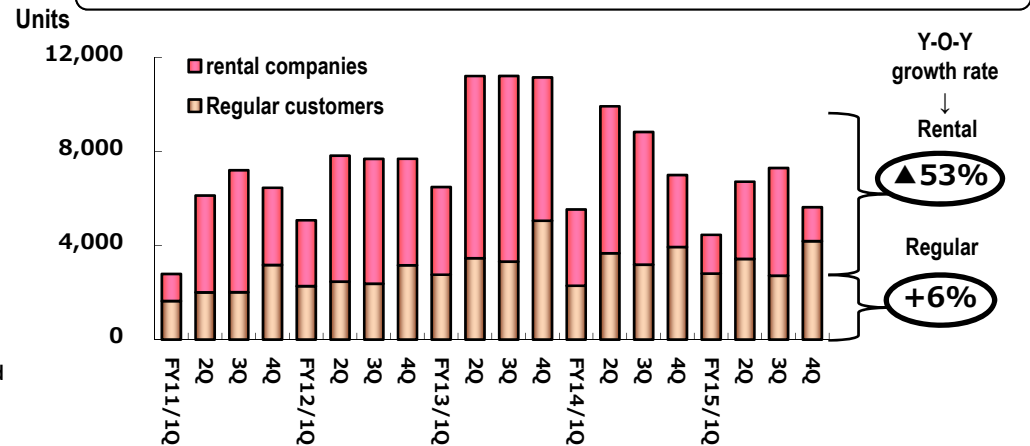
Demand for new equipment (7 major products) and construction investment



Quarterly demand for 7 major products



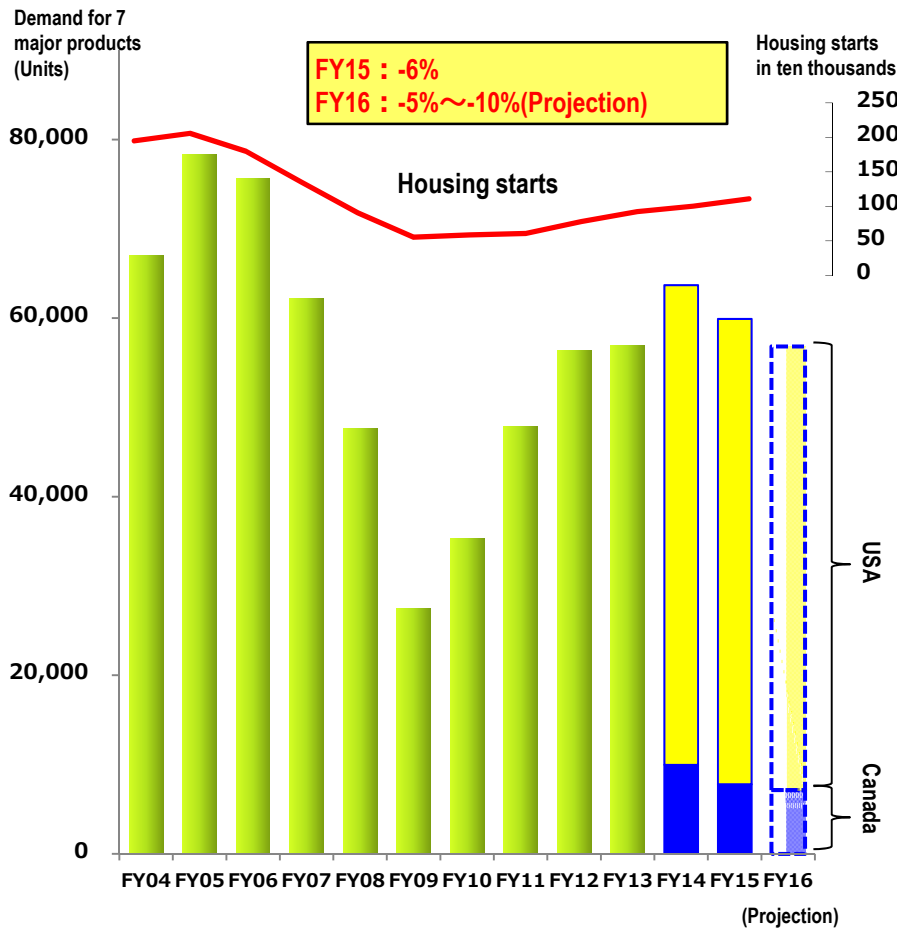
Quarterly demand for hydraulic excavators (Rental & regular uses)



[Sources]Construction investment by the Ministry of Land, Infrastructure, Transport & Tourism, and Research Institute of Construction and Economy
 Demand for 7 major products and No. of exported used equipment estimated by Komatsu

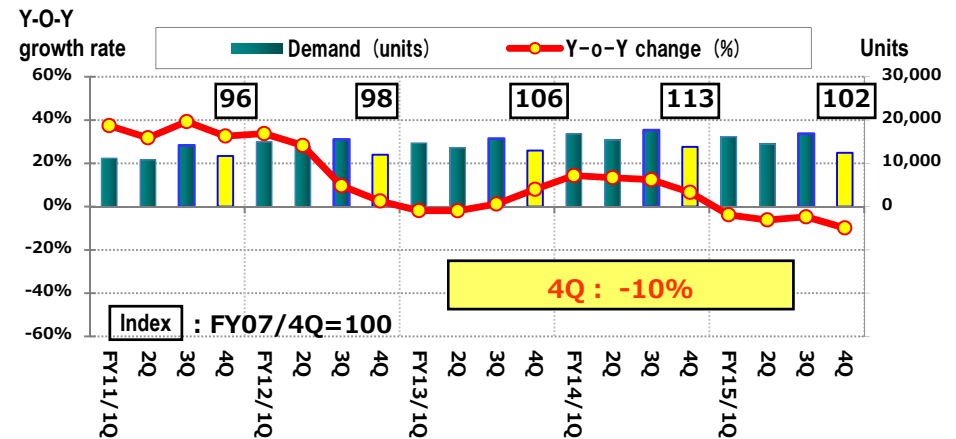
- In FY2015 demand declined by 6% from FY2014.
- In FY2016, while demand for construction equipment will remain steady in the United States, it will be sluggish in Canada and demand will be slack in the mining and energy sectors. Total demand will decline by 5% to 10%.

Demand for 7 major products and US housing starts

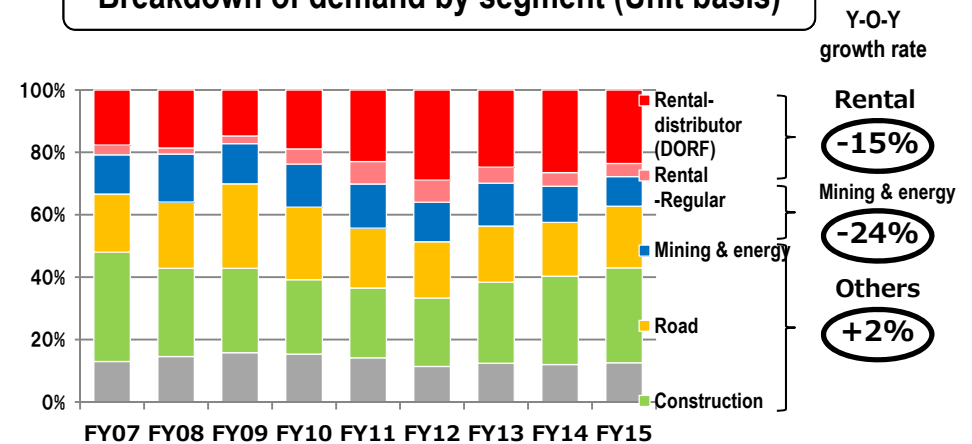


[Source]: Demand for 7 major products estimated by Komatsu

Quarterly demand for 7 major products

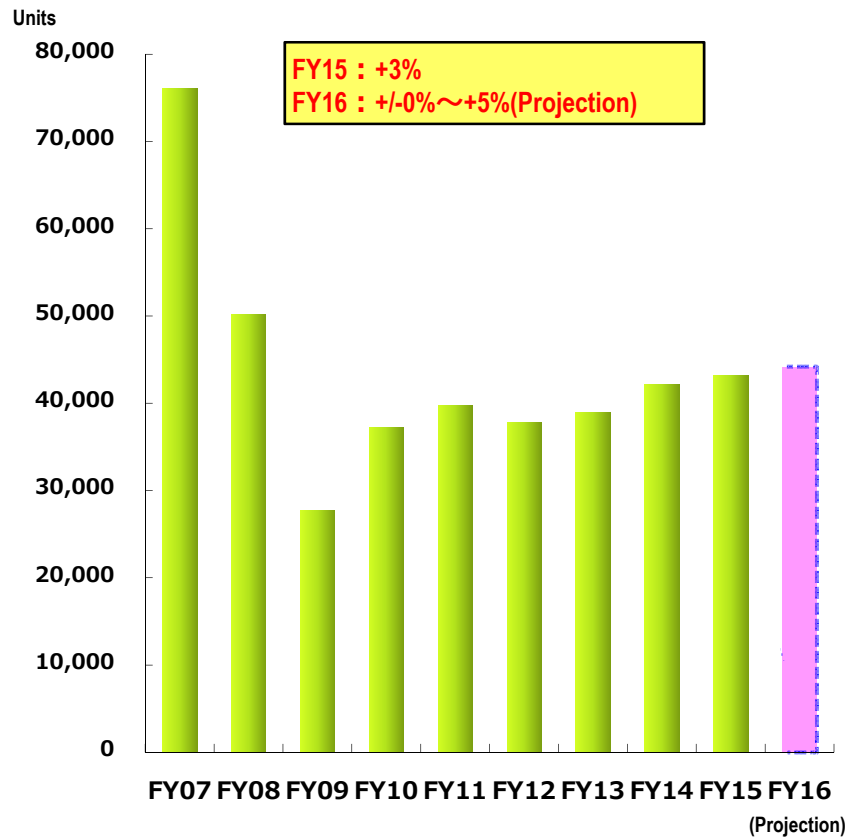


Breakdown of demand by segment (Unit basis)



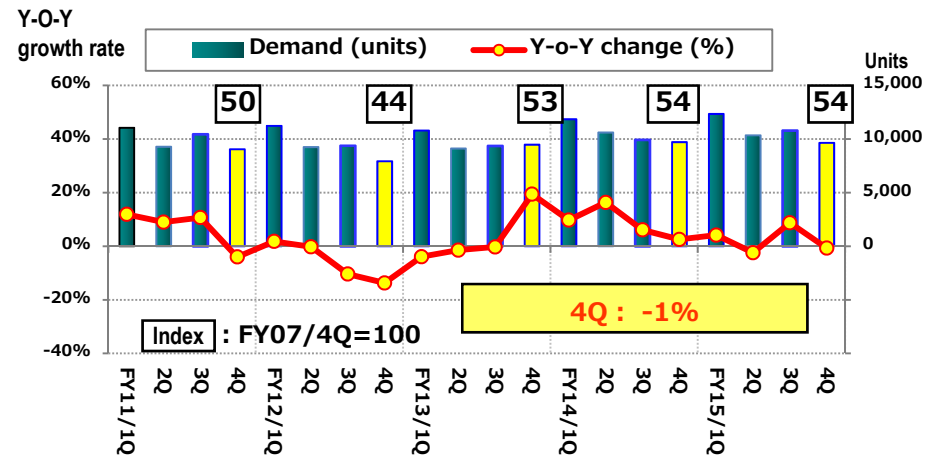
- In FY2015 demand should have increased by 3% from FY2014.
- In FY2016 demand will remain firm in major markets centering on Germany, and a recovery trend will continue in northern, southern and eastern Europe. Total demand will increase by +/-0% to 5%.

Annual demand for 7 major products

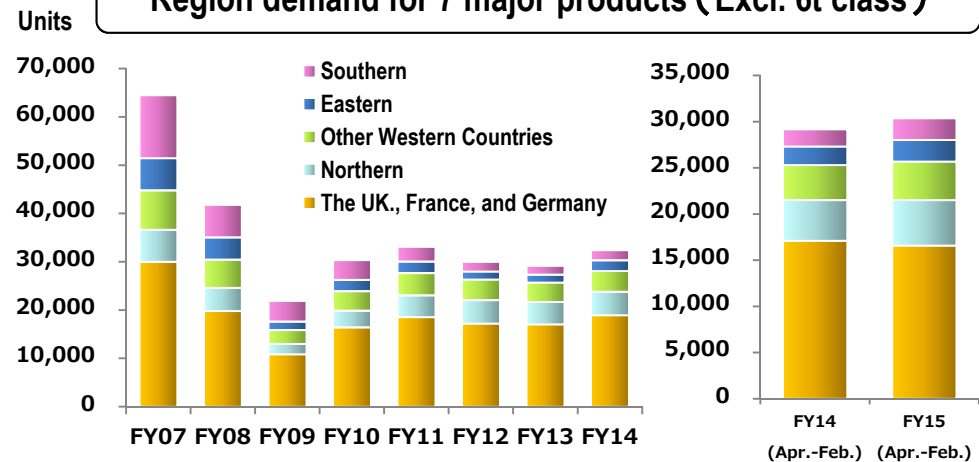


[Source]: Demand for 7 major products estimated by Komatsu

Quarterly demand for 7 major products

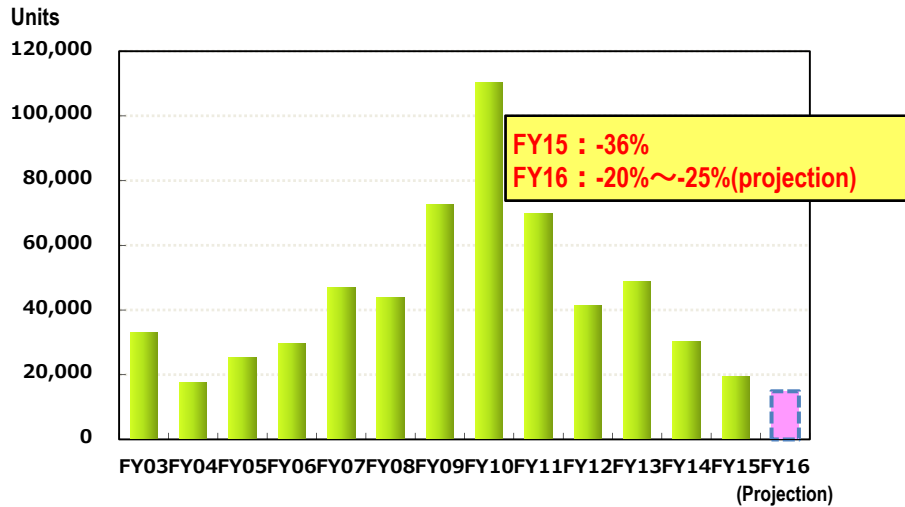


Region demand for 7 major products (Excl. 6t class)

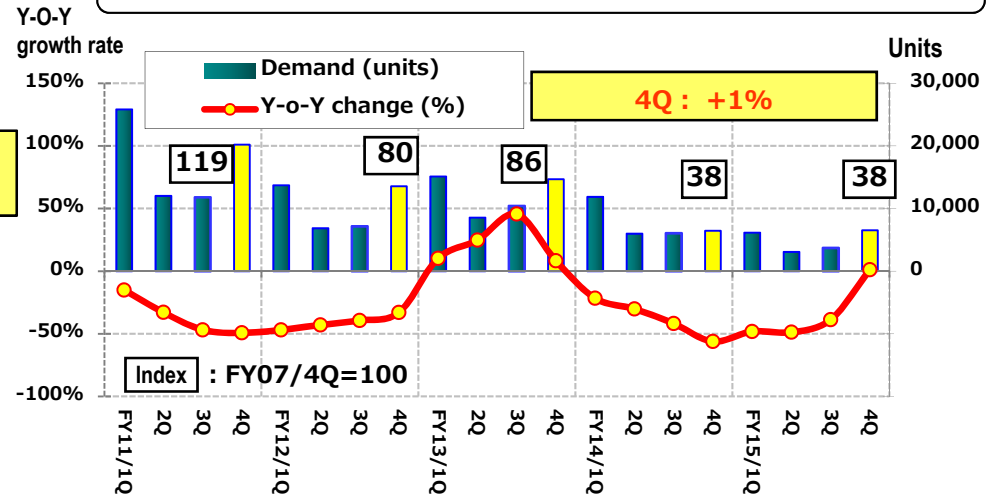


- In FY2015 demand dropped by 36% from FY2014.
- In FY2016 demand will still continue to decline from FY2015 and result in a rate between -20% and -25%.

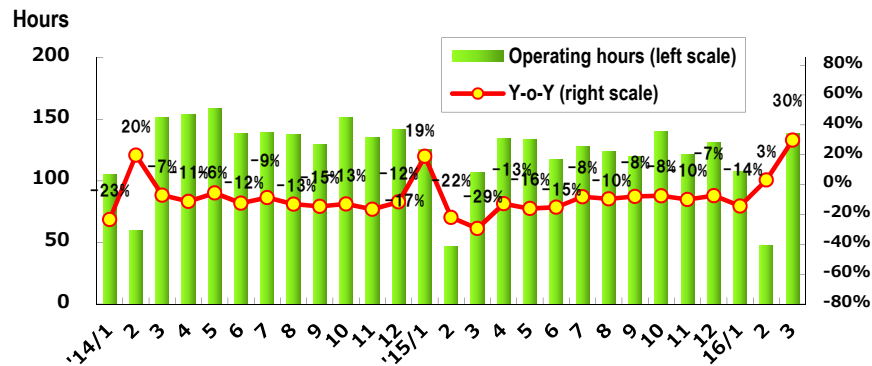
Annual demand for 7 major products (Foreign makers)



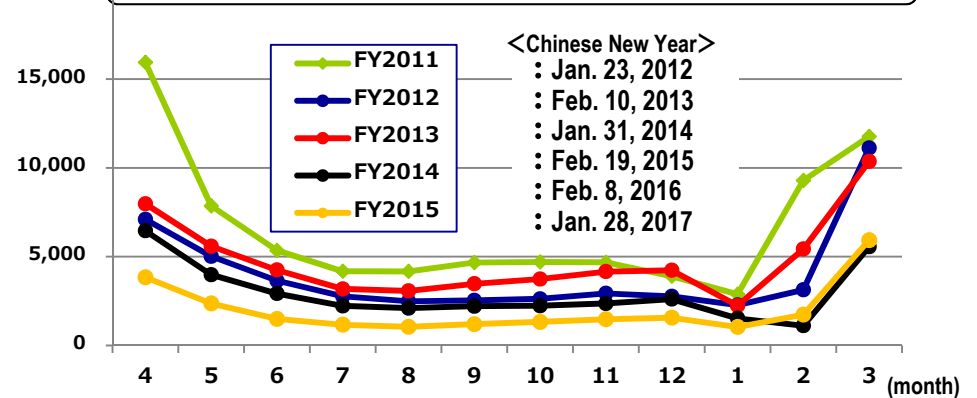
Quarterly demand for 7 major products (Foreign makers)



KOMTRAX in China : Average operating hours per month



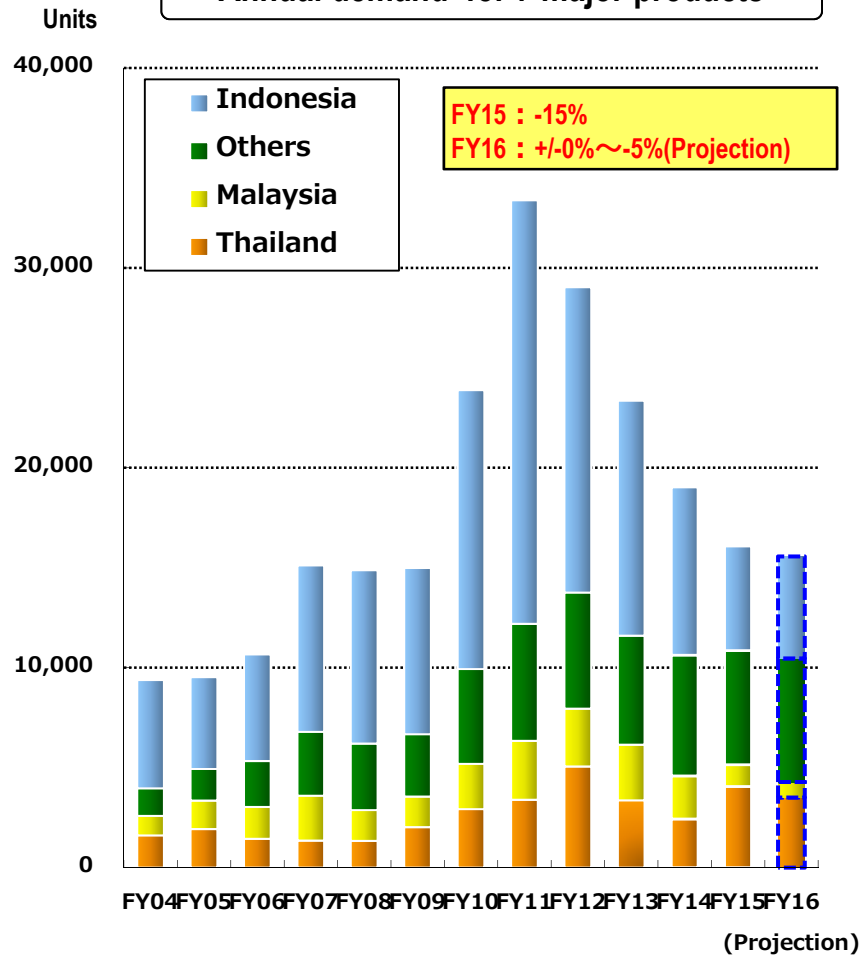
Monthly demand for hydraulic excavators : Total of 6-ton and larger models



[Source]: Demand for 7 major products and hydraulic excavators estimated by Komatsu

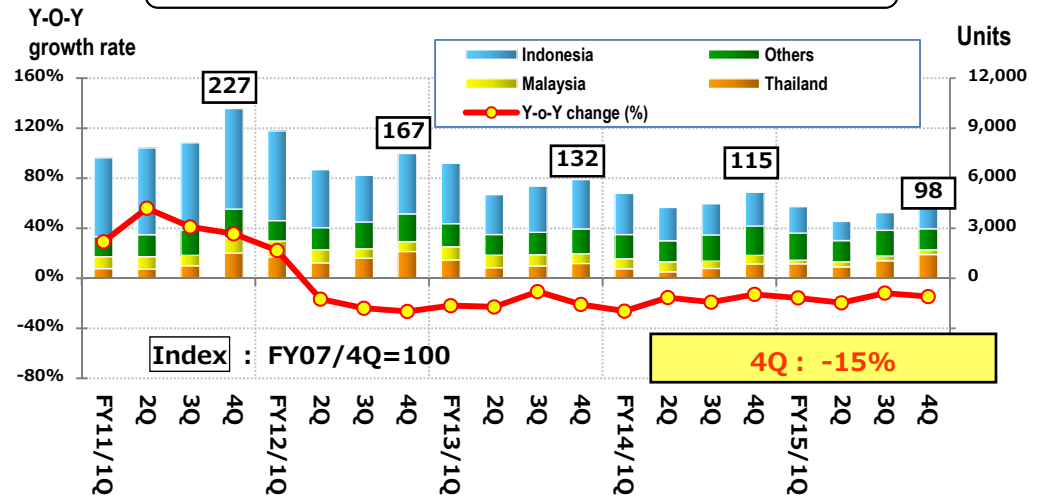
- In FY2015 demand declined by 15% from FY2014.
- In FY2016 demand will remain on a declining trend in general from FY2015, as mainly affected by slack Chinese economy, resulting in a rate between +/-0 and -5%.

Annual demand for 7 major products

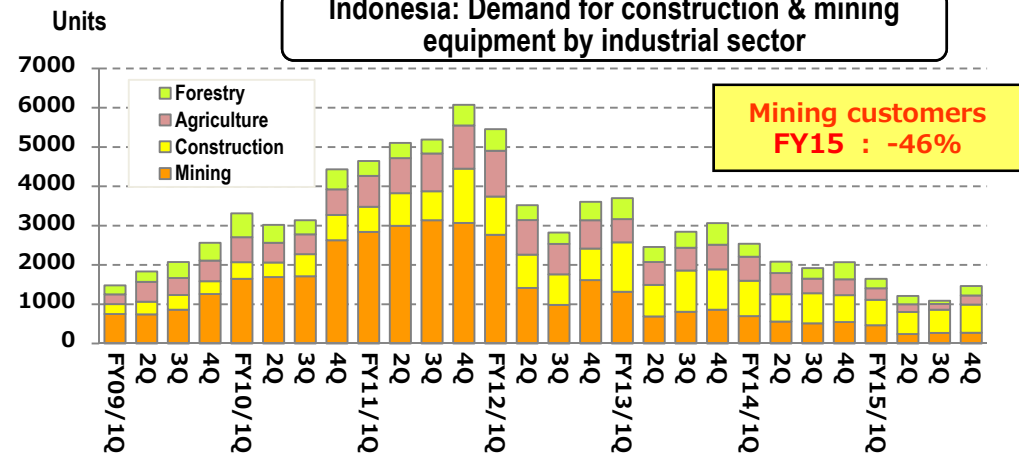


[Source]: Demand for 7 major products estimated by Komatsu

Quarterly demand for 7 major products



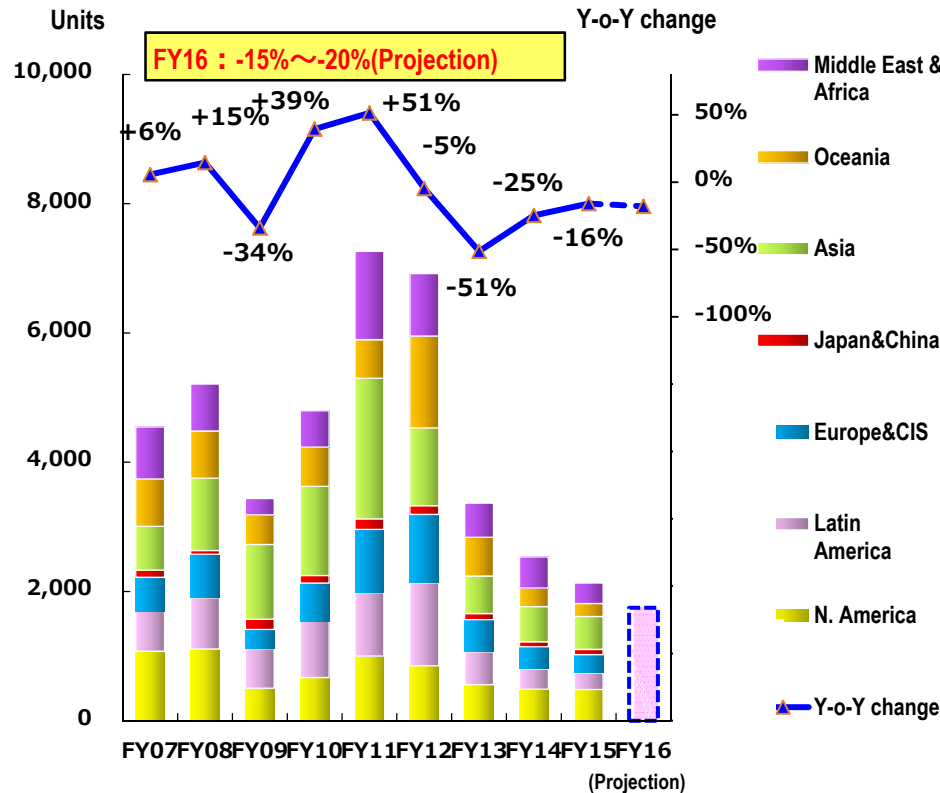
Indonesia: Demand for construction & mining equipment by industrial sector



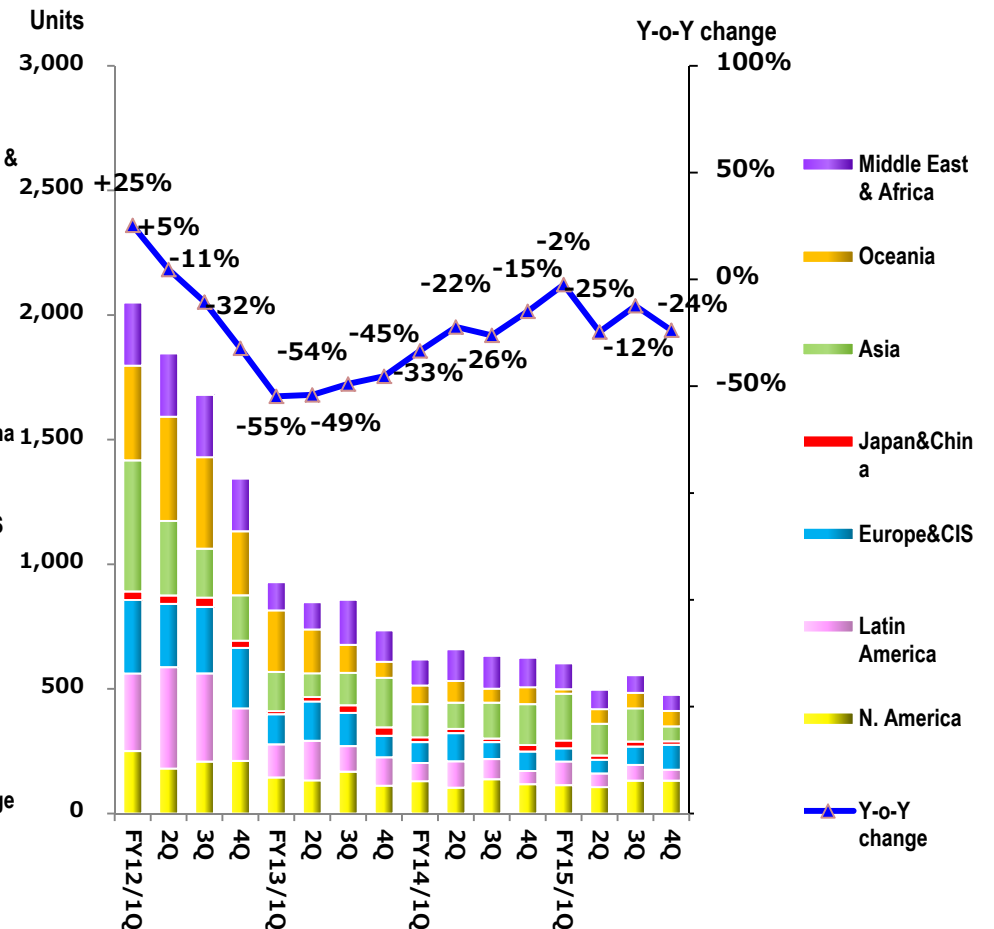
- In FY2015 global demand remained sluggish and should have declined by 16% from FY2014, although the rate of decline became smaller.
- In FY2016 global demand will also fall 15% to 20% from FY2015, centering on limited renewal demand.

Annual demand for mining equipment

• Dump trucks: 75 tons (HD785) and larger, Bulldozers: 525HP (D375) and larger, Excavators: 200 tons (PC2000) and larger, Wheel loaders: 810HP (WA800) and larger, Motor graders: 280HP (GD825) and larger



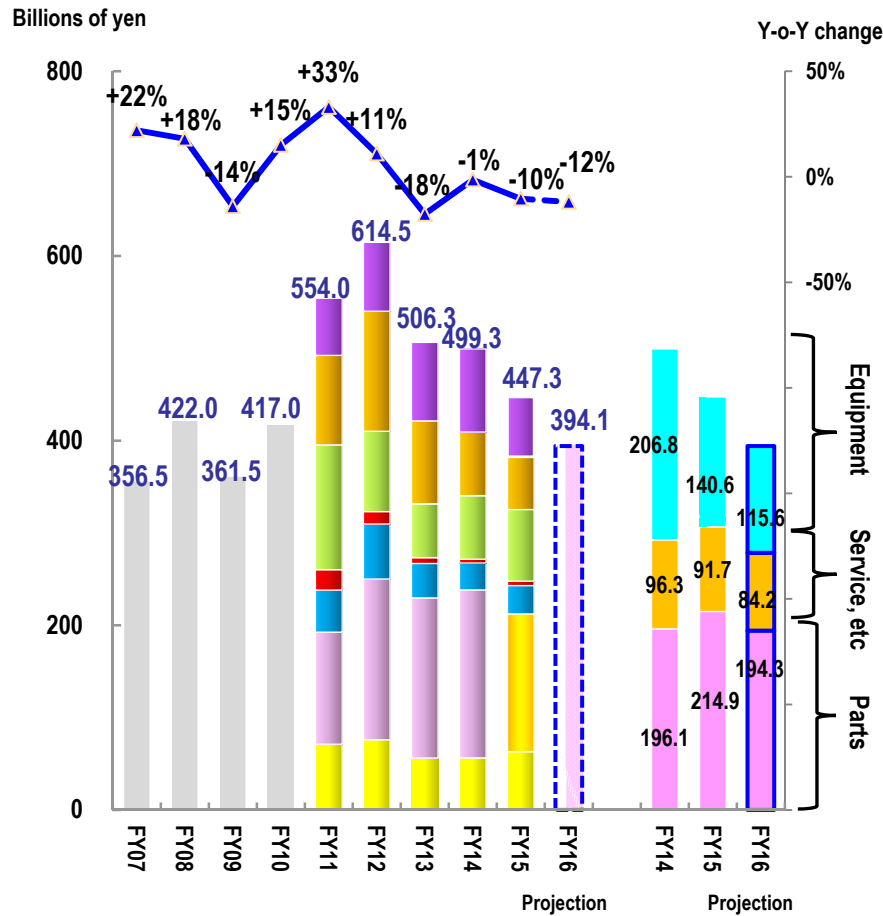
Quarterly demand for mining equipment



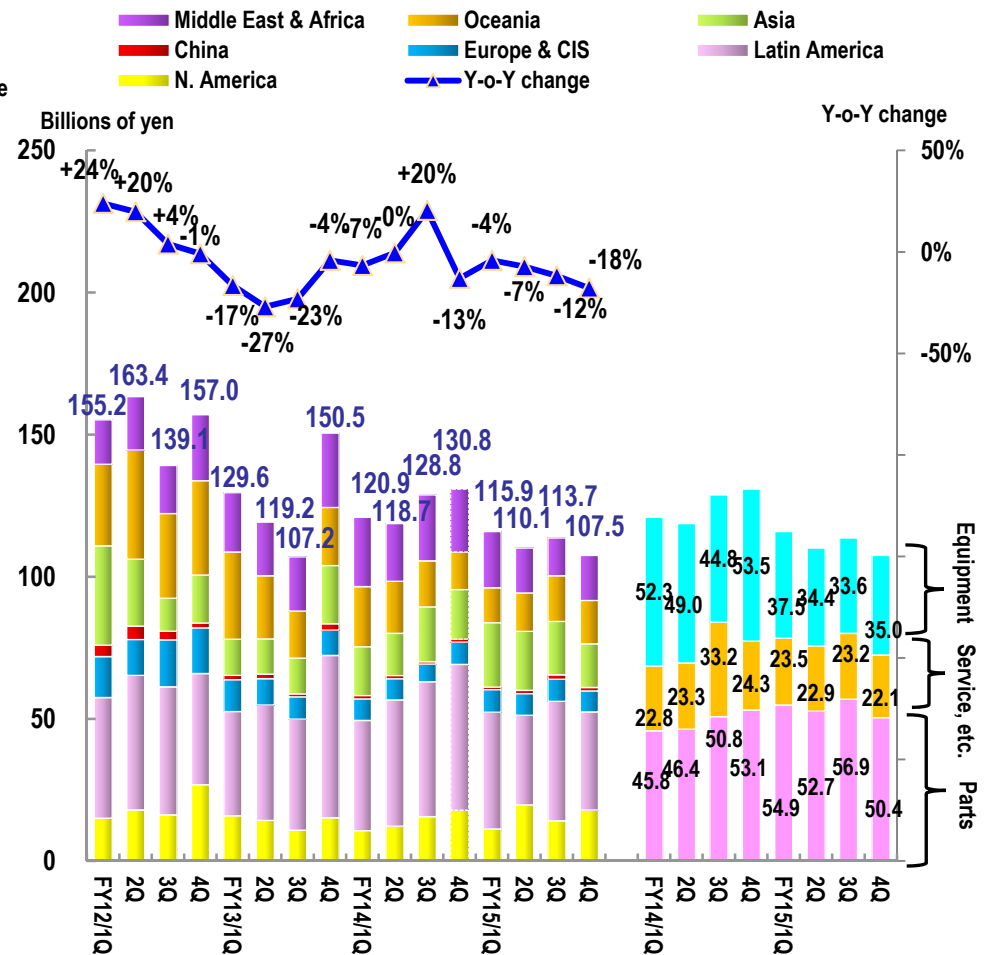
Note: Demand estimated by Komatsu

- FY2015 sales declined by 10% from FY2014, to JPY447.3 billion, as sales of equipment remained sluggish.
- FY2016 sales will decline from FY2015, affected by reduced demand for equipment and the effects of foreign exchange rates.

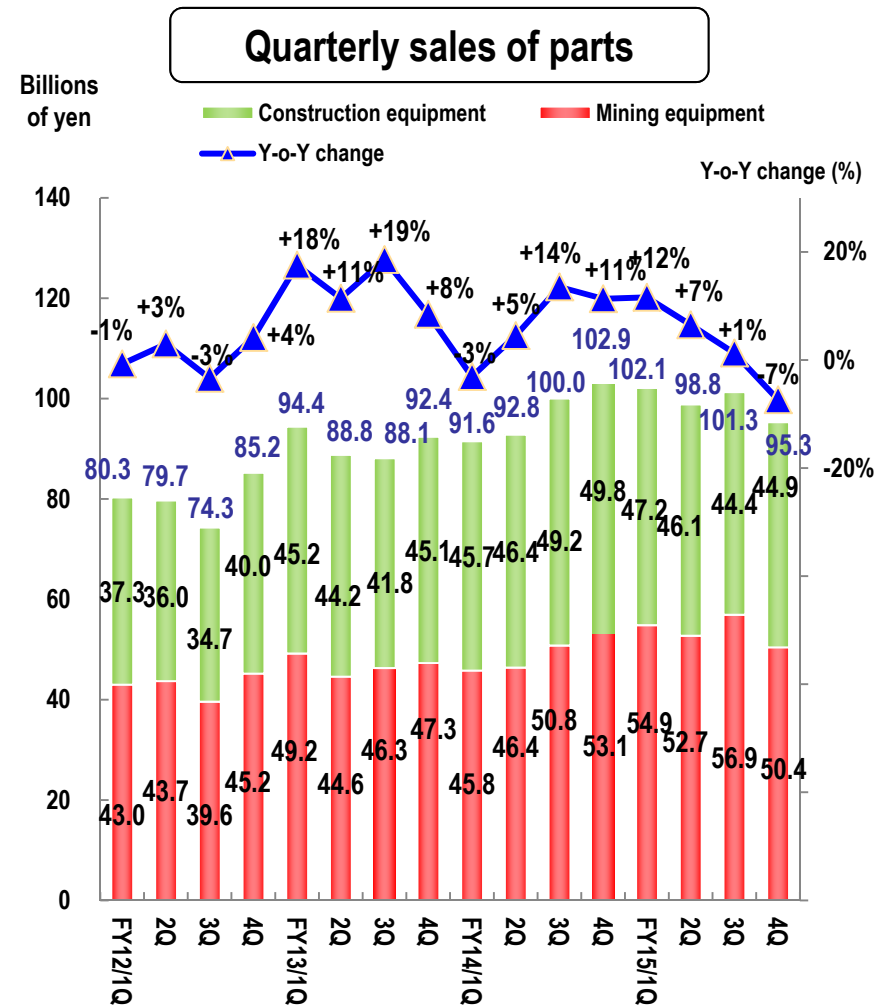
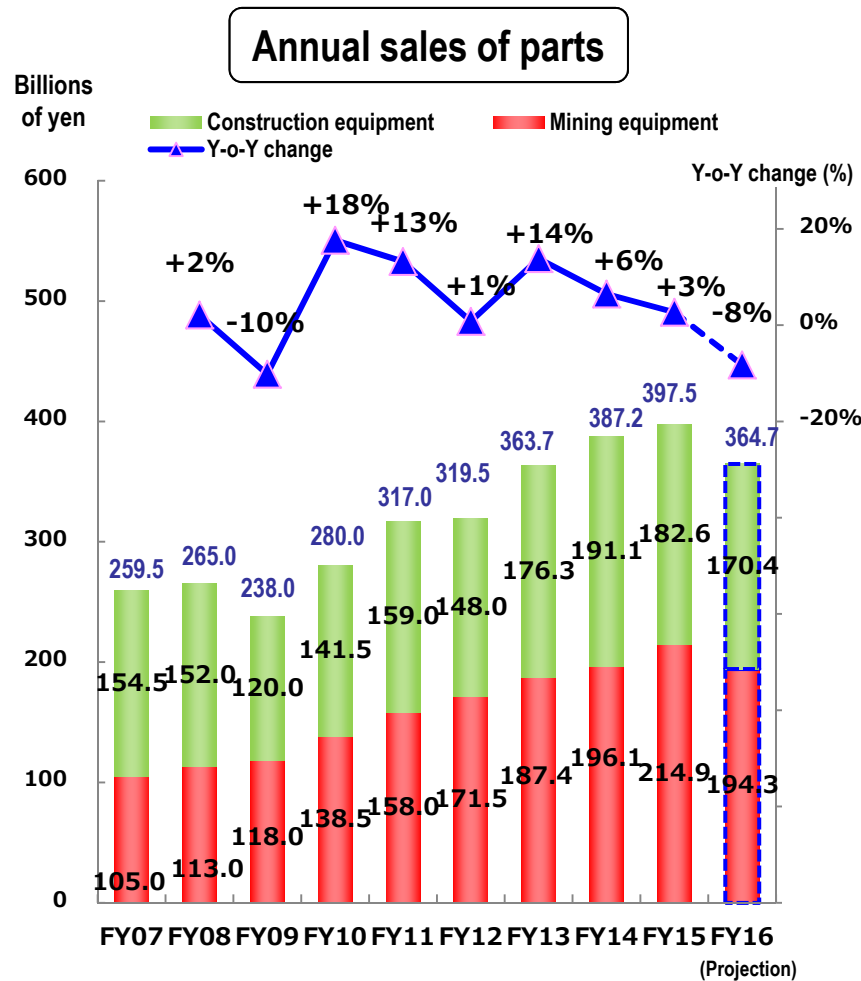
Annual sales of mining equipment (incl. parts and service)



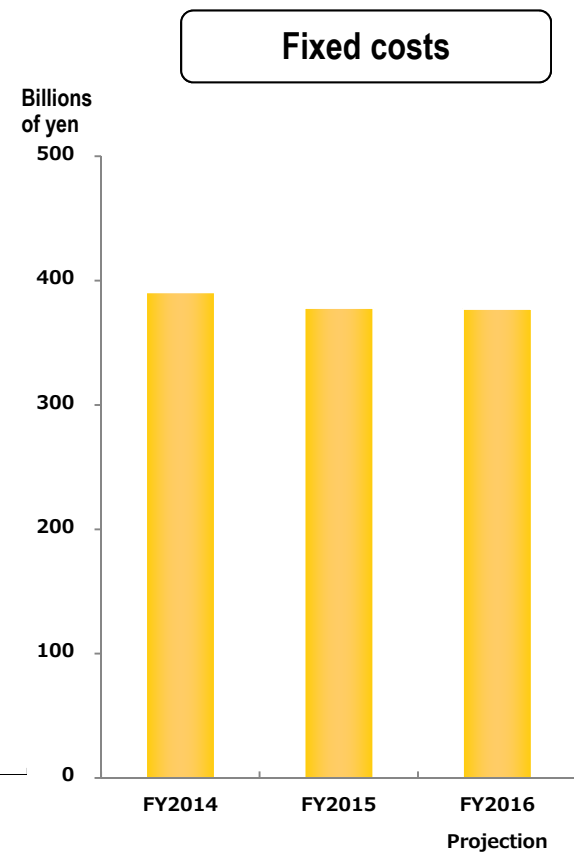
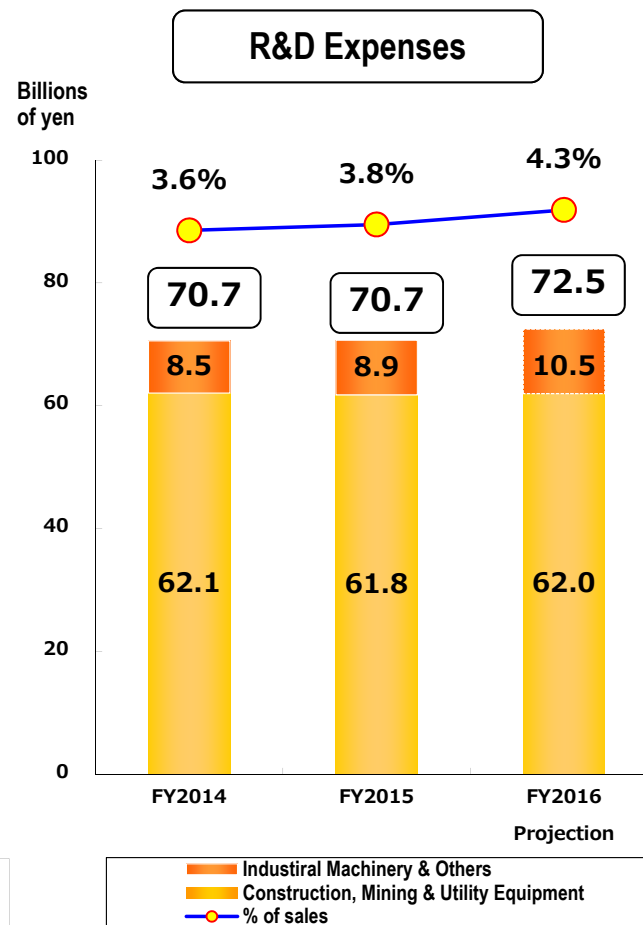
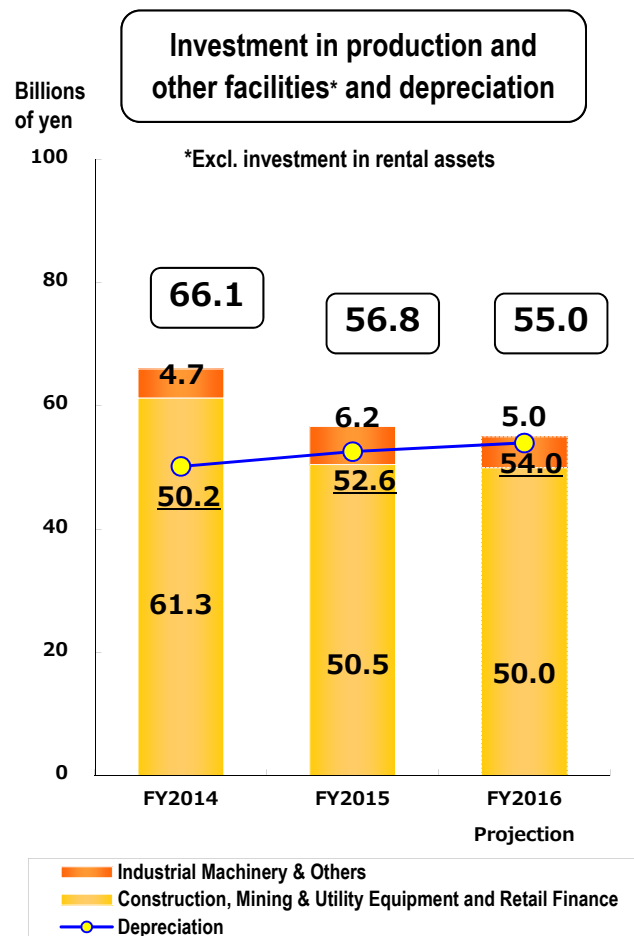
Quarterly sales of mining equipment (incl. parts and service)



- FY2015 sales of parts increased by 3% from FY2014, to JPY397.5 billion. When the effects of foreign exchange rates are removed, sales were about flat from FY2014.
- FY2016 sales will decrease by 8% from FY2015, affected by the effects of foreign exchange rates.



- We will center capital investment on spare parts operation, IoT, production reforms and consolidation of sales bases in Japan, while curtailing the total amount of CAPEX.
- We will focus R&D expenses on emission controls, development of products by application and region, and innovation-based development of next-generation products.
- While continuing to curtail overall fixed costs by continuing structural reforms, we will secure funds to invest in future growth.



**Ⅲ. Mid-Range Management Plan
(FY2016 -18)**

Mid-Range Management Plan (FY2016 -18)

Together We Innovate GEMBA Worldwide
Growth Toward Our 100th Anniversary(2021) and Beyond

April 27, 2016

Tetsuji Ohashi
President and CEO
Komatsu Ltd.

1. Catchphrase of Mid-range Management Plan

Komatsu Group employees worldwide will team up with distributors, suppliers and other partners, innovate customers' GEMBA (workplace) together with them, and provide innovation designed to create new values, thereby working for growth of our core businesses of construction and mining equipment as well as industrial machinery toward our 100th anniversary and beyond.

Integrated power of customers, distributors, suppliers and Komatsu Group employees

Everything begins with GEMBA

Our GEMBA is found all around the world.

Together We Innovate GEMBA Worldwide **Growth Toward Our 100th Anniversary(2021) and Beyond**

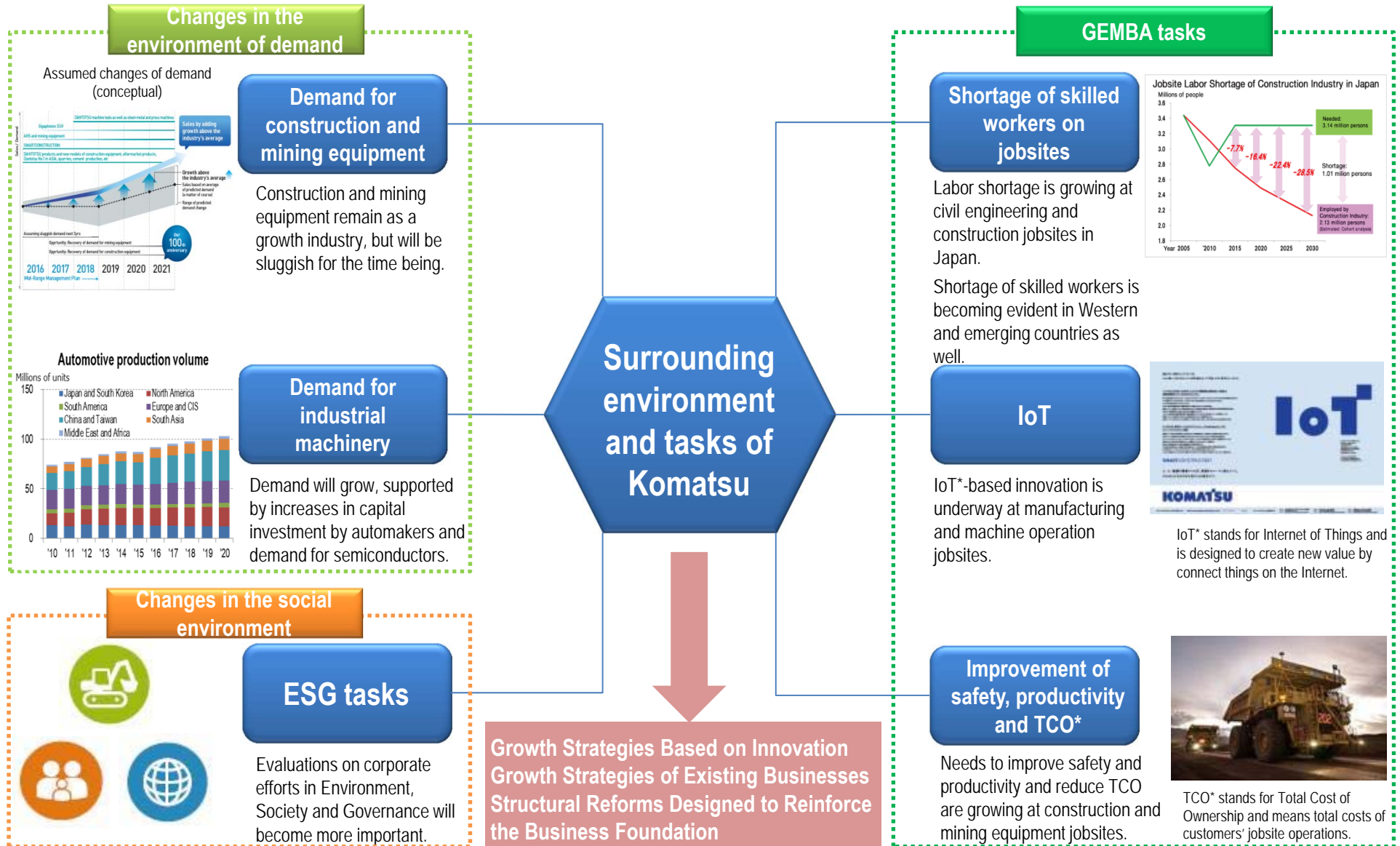
Growing towards our 100th anniversary and beyond



Together We Innovate GEMBA Worldwide
Growth Toward Our 100th Anniversary(2021) and Beyond

Komatsu Group employees worldwide will team up with distributors, suppliers and other partners, innovate customers' GEMBA (workplace) together with them, and provide innovation designed to create new values, thereby working for growth of our core businesses of construction and mining equipment as well as industrial machinery toward our 100th anniversary and beyond.

- We will work for growth as we meet changes in our surrounding environment and tasks



In response to our surrounding environment and tasks, we will work to achieve sustainable growth by focusing efforts and through open innovation, when applicable, in 1) Growth strategies based on innovation, 2) Growth strategies of existing businesses, and 3) Structural reforms designed to reinforce the business foundation, centering on DANTOTSU products, service and solutions.

1. Growth Strategies Based on Innovation

- Development of next-generation construction and mining equipment as well as next-generation components
- Deployment of SMARTCONSTRUCTION and development of next-generation KOMTRAX
- Deployment of AHS*1 and reinforcement of platform for mining solutions
- Development of DANTOTSU industrial machinery by promoting in-house production of key components
- Gigaphoton's development of EUV*2 and new products

*1: AHS stands for Autonomous Haulage System and means a system to operate unmanned dump trucks.
*2: EUV stands for Extreme Ultraviolet, and EUV light source is a next-generation semiconductor manufacturing technology.

2. Growth Strategies of Existing Businesses

- Contributions to expanding sales by developing new products, incl. DANTOTSU products
- Expansion of earnings in the value chain
- Expansion of the mining equipment business
- Expansion of the construction equipment business (DANTOTSU No. 1 in Asia, enhancement of global presence in quarrying and cement production companies, expansion of application – specific models, etc.)
- Expansion of the industrial machinery business
- Expansion of the forest machinery business
- M&A

IoT at Komatsu

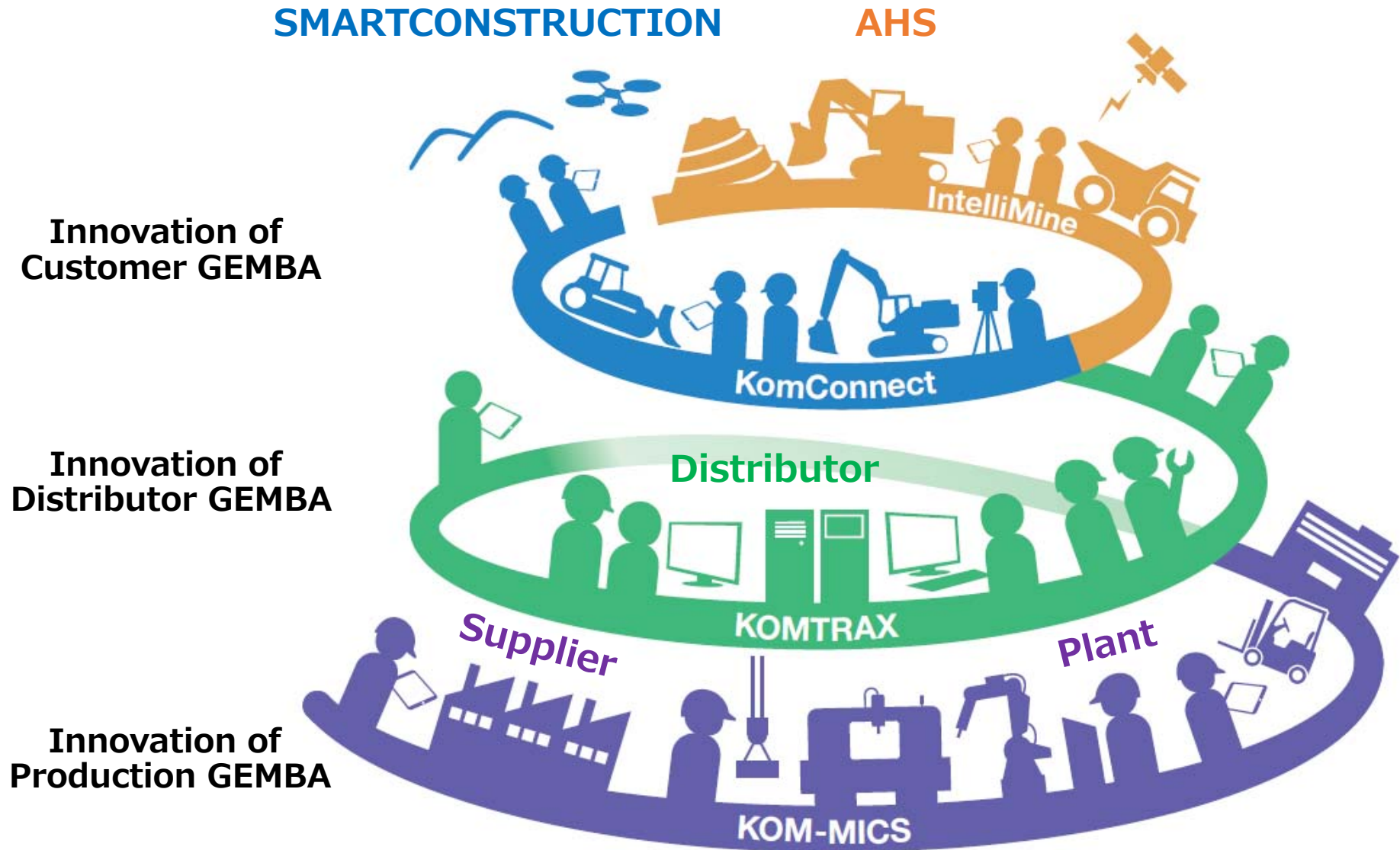
IoT enables connection and sharing of real-time information concerning all processes from production to sales.

Production being connected

Plants being connected to market information

3. Structural Reforms Designed to Reinforce the Business Foundation

- Production reforms through connected plants
- Continuous reduction of costs (production and fixed costs)
- Reforms of spare parts operation
- Lean and powerful development
- Development of human resources with global perspective and framework to promote diversity for sustainable growth



We will further strengthen our efforts to meet social needs in the areas of Environment, Society and Governance based on The KOMATSU Way.

Environment

Lifecycle of construction equipment

Manufacturing accounts for about 2% of total CO2 emissions.

Use of machines accounts for about 90% of total CO2 emissions.

CO2 reduction from machines in use

25% reduction per Work volume*1

*1: New models to be sold in 2025 as compared to 2007

CO2 reduction in manufacturing

Japan: 57% reduction*2

Overseas: 32% reduction*2

*2

- Target rate of reduction in 2020
- Improvement rate of unit per mfg. value
- Benchmark years: 2000 in Japan, 2010 overseas
- Applicability: Komatsu Group's main plants worldwide

Society

Improvement of safety at customers' jobsites

Complete unmanned operation

ICT-intensive construction

Working for no accidents at customers' jobsites by developing technology to improve safety

Social contribution efforts

Komatsu-made demining machine in Cambodia

School built in March 2015. 6th one in Cambodia

Growing with local communities

Assistance to welders' school in India

Science class for children at Komatsu-no-mori

Governance

Corporate governance

Reinforcement of corporate governance

Reinforcement of internal control

Global management system

Promotion of diversity

Thorough safety, health and compliance

FIVE PRINCIPLES OF COMPLIANCE

1. Compliance with laws, regulations, standards and codes of conduct is the basis of activity.
2. Integrity of the Group will not be harmed.
3. Matters to prevent and control will be reported.
4. Matters shall be reported to the relevant authorities.
5. The Group shall not be involved in any activities that are prohibited by laws, regulations, standards and codes of conduct.

Message concerning Occupational Safety and Health

The Komatsu Group shall, first of all, strive to "ensure a safe and comfortable work environment" and "realize and promote occupational health."

The Group will continue to improve its occupational safety and health management system for all employees to ensure the above conditions by working together as one body. It will also carry forward its safety management activities of the Komatsu Group and contribute to the realization of a safe and sound society.

Health promotion plan

Risk management

Risk Management Committee

BCP*3

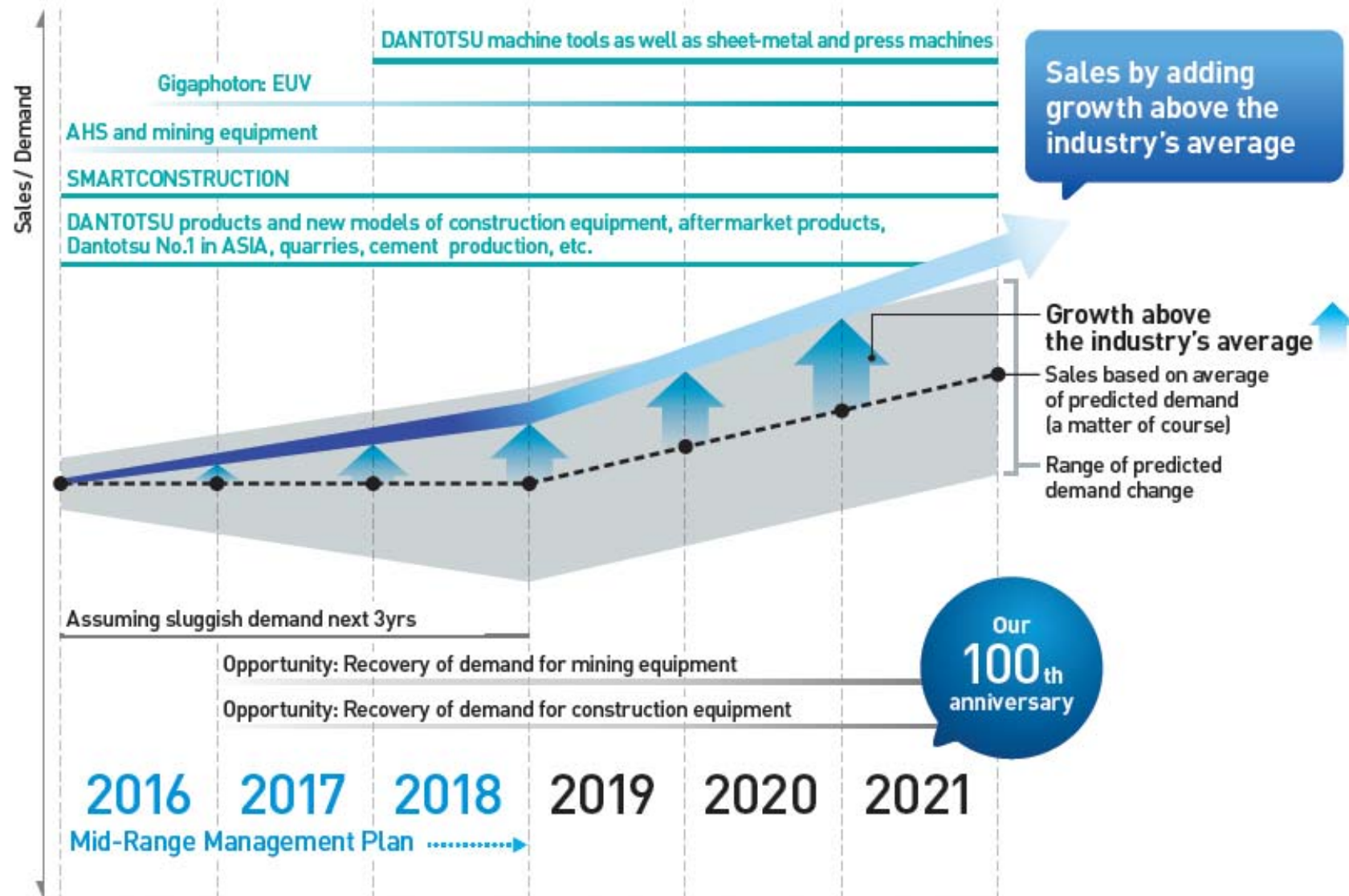
Information security

Identification of potential risks

*3: BCP stands for Business Continuity Plan, and we have developed it to continue important operations or make a quick recovery from damages of natural disasters or accidents.

6. Growth Toward Our 100th Anniversary and Beyond

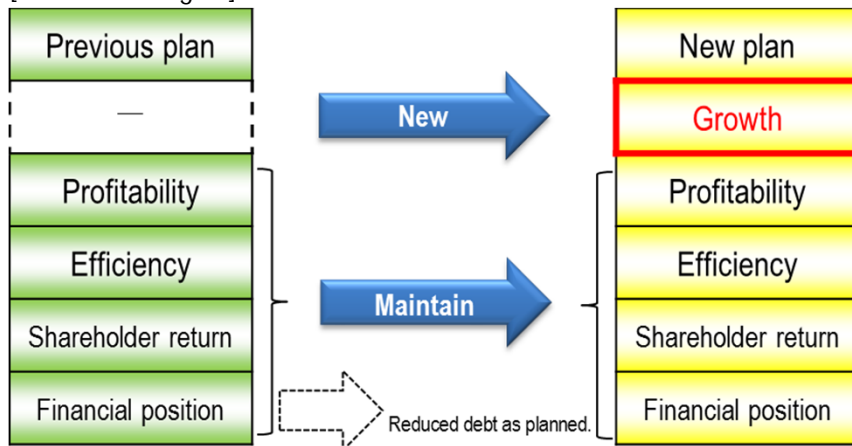
- Although we assume that demand will remain sluggish for the time being, we will achieve our growth above the industry's average by promoting growth based on innovation and of existing businesses.



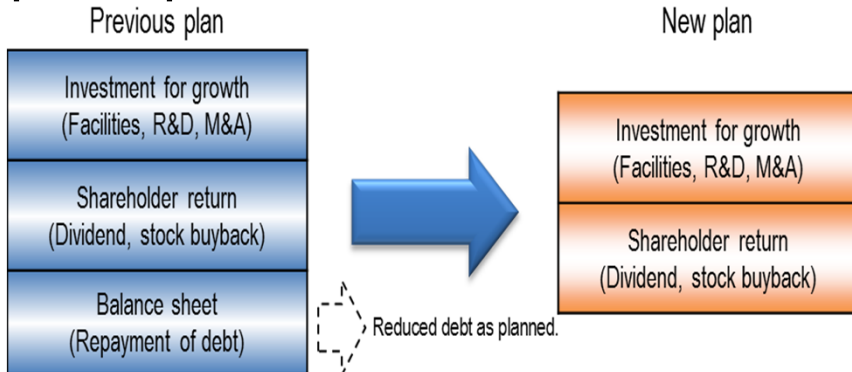
7. Targets of Mid-range Management Plan

- In addition to our conventional top-level profitability and financial position in the industry, we will work for growth above the industry's average, even while demand will remain sluggish.
- We will place more importance on redistribution of profits to shareholders, and set the goal of a consolidated payout ratio of 40% or higher, and maintain the policy of not decreasing dividends as long as the ratio does not surpass 60%.
- By segmenting the retail finance business, we will enhance transparency of profitability and financial position of consolidated and retail finance business performance. The retail finance business will set up its own target figures.

[Stance on Targets]



[Use of funds]



<Balancing the three>

<Balancing the two>

[Targets]

Growth	• Aim at a growth rate above the industry's average.
Profitability	• Aim at an Industry's top-level operating income ratio.
Efficiency	• Aim at 10%-level ROE.
Shareholder return	<ul style="list-style-type: none"> • Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment. • Set the goal of a consolidated payout ratio of 40% or higher, and maintain the policy of not decreasing dividends as long as the ratio does not surpass 60%.
Financial position	• Aim at industry's top-level financial position.

Retail finance business	<ul style="list-style-type: none"> • ROA: 2.0% or above • 5.0 or under for net debt-to-equity ratio
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Ms. Miku Tashiro
(Courtesy of AFLO)

Ms. Miku Tashiro, a member of the Komatsu Women's Judo Team, will represent Japan in the women's 63kg category of 2016 Rio de Janeiro Olympics. She was chosen by All Japan Judo Federation after 2016 All-Japan Weight Category Championships for Chosen Contestants. We would like to ask for your continuing support for her. She works at Komatsu Labor Union.

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.

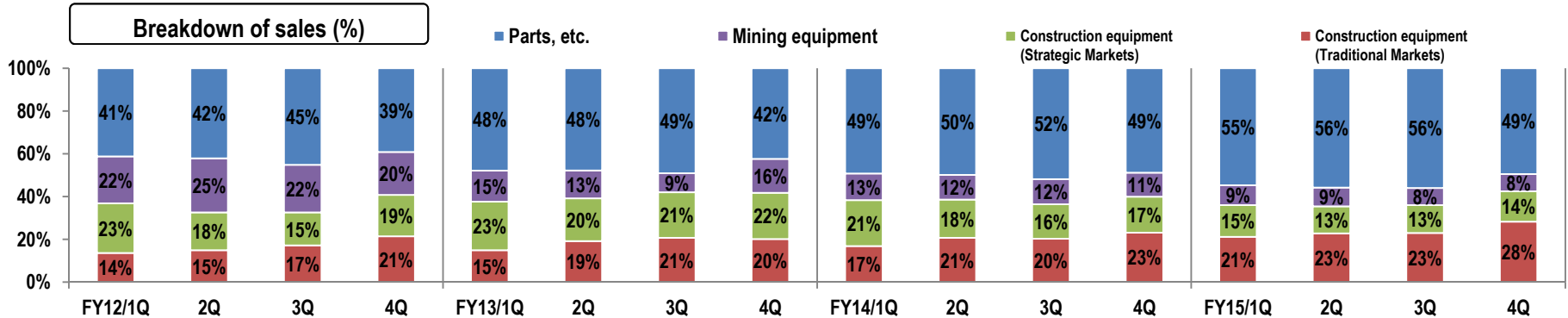
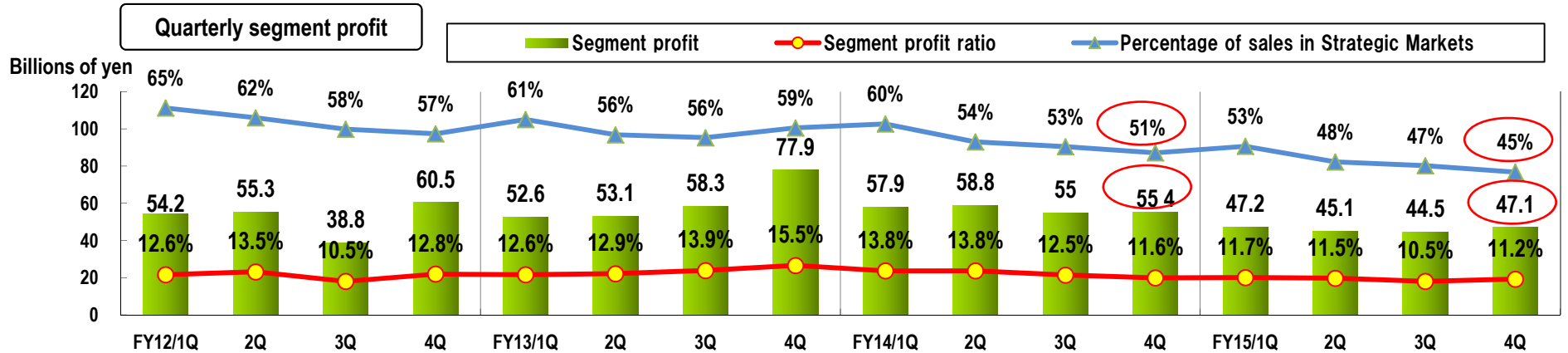
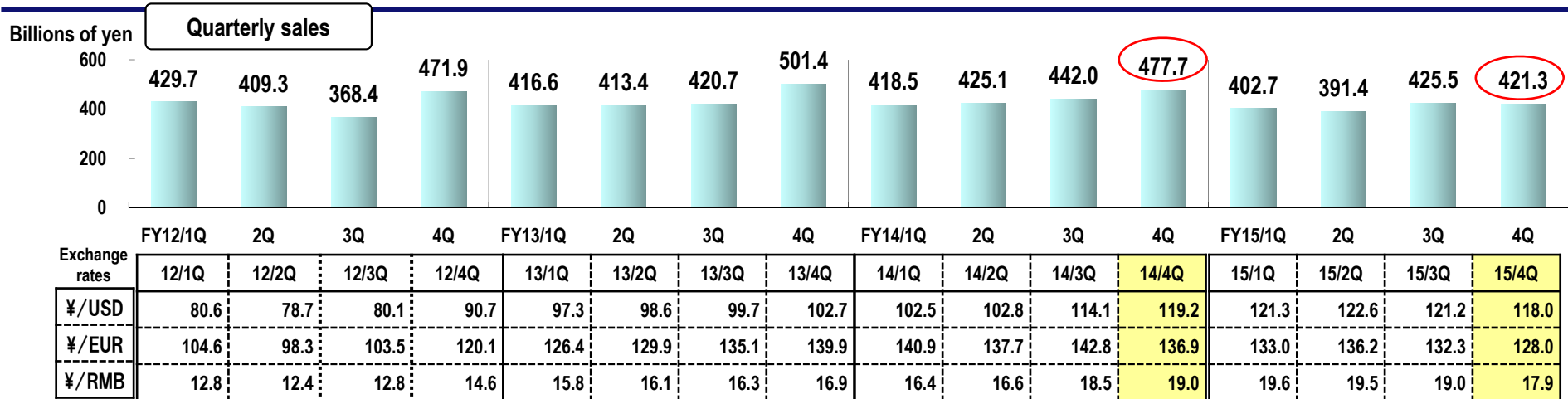
Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes 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 Coordination Department, KOMATSU LTD.

TEL: +81-3-5561-2687 FAX: +81-3-3582-8332 <http://www.komatsu.com/>

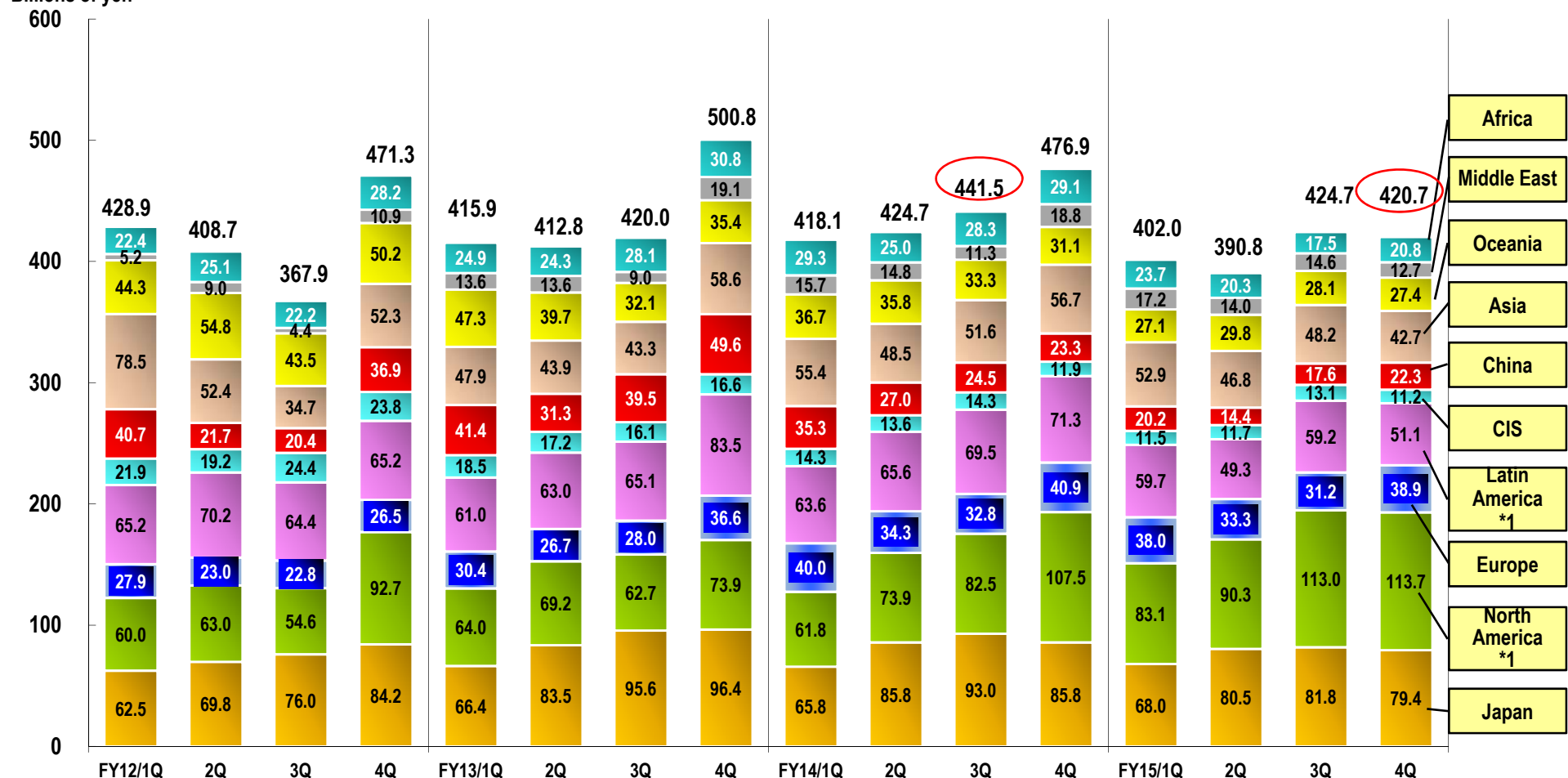
Appendix

Construction, Mining & Utility Equipment: Quarterly Sales and Segment Profit



Construction, Mining & Utility Equipment: Quarterly Sales (To Outside Customers) by Region

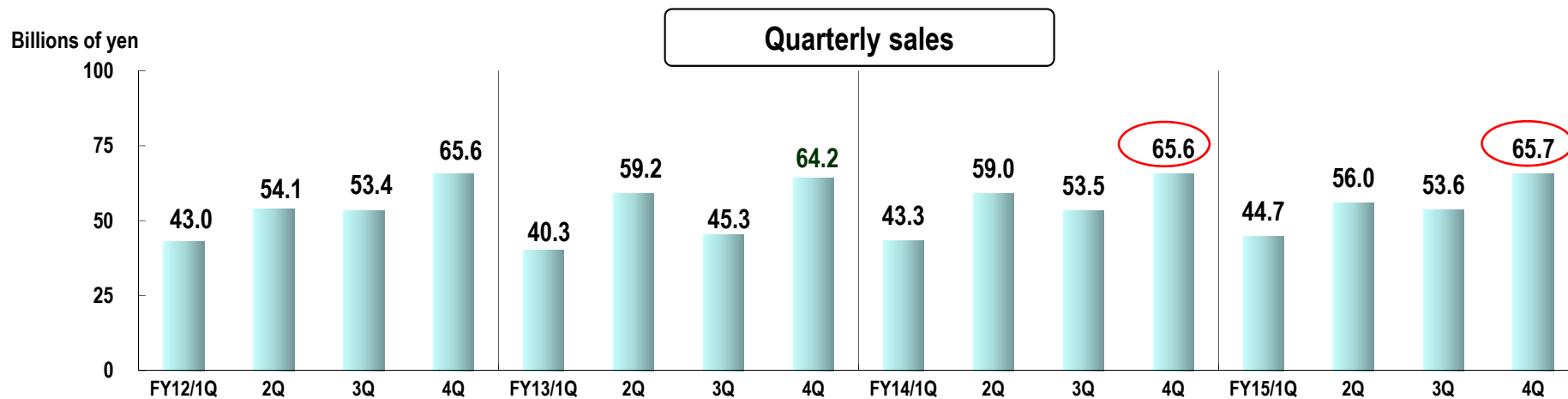
Billions of yen



Exchange rates

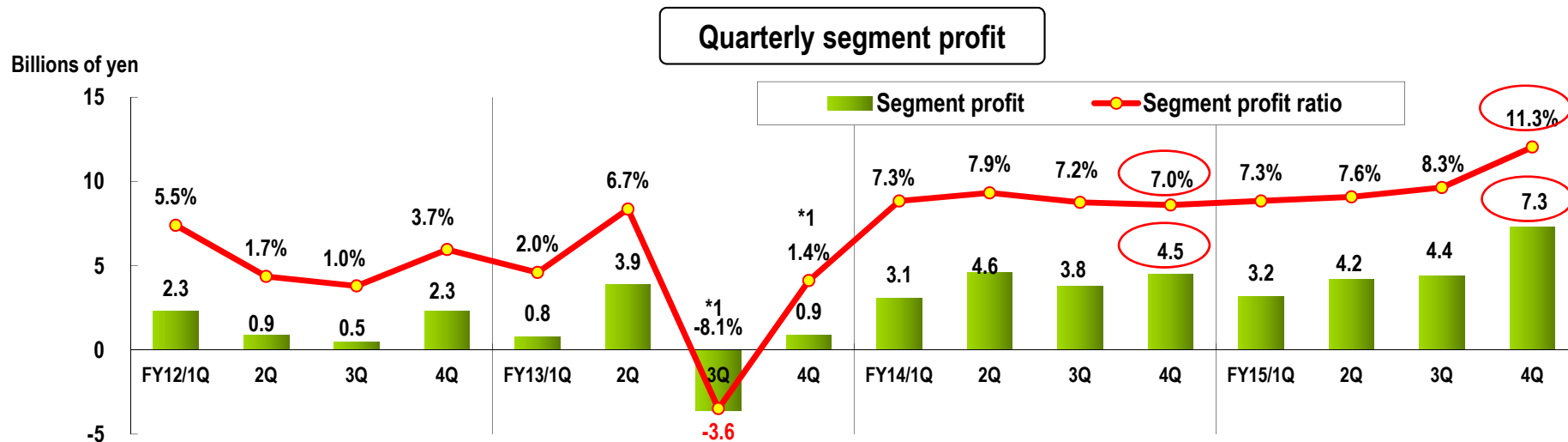
	12/1Q	12/2Q	12/3Q	12/4Q	13/1Q	13/2Q	13/3Q	13/4Q	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q
¥/USD	80.6	78.7	80.1	90.7	97.3	98.6	99.7	102.7	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0
¥/EUR	104.6	98.3	103.5	120.1	126.4	129.9	135.1	139.9	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0
¥/RMB	12.8	12.4	12.8	14.6	15.8	16.1	16.3	16.9	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9

*1: Due to the acquisition of a distributor in Mexico, a part of sales in Mexico was reclassified from North America to Latin America, starting in FY2015. (Corresponding sales for FY2012.were also reclassified accordingly.)



Exchange rates

	12/1Q	12/2Q	12/3Q	12/4Q	13/1Q	13/2Q	13/3Q	13/4Q	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q
¥/USD	80.6	78.7	80.1	90.7	97.3	98.6	99.7	102.7	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0
¥/EUR	104.6	98.3	103.5	120.1	126.4	129.9	135.1	139.9	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0
¥/RMB	12.8	12.4	12.8	14.6	15.8	16.1	16.3	16.9	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9

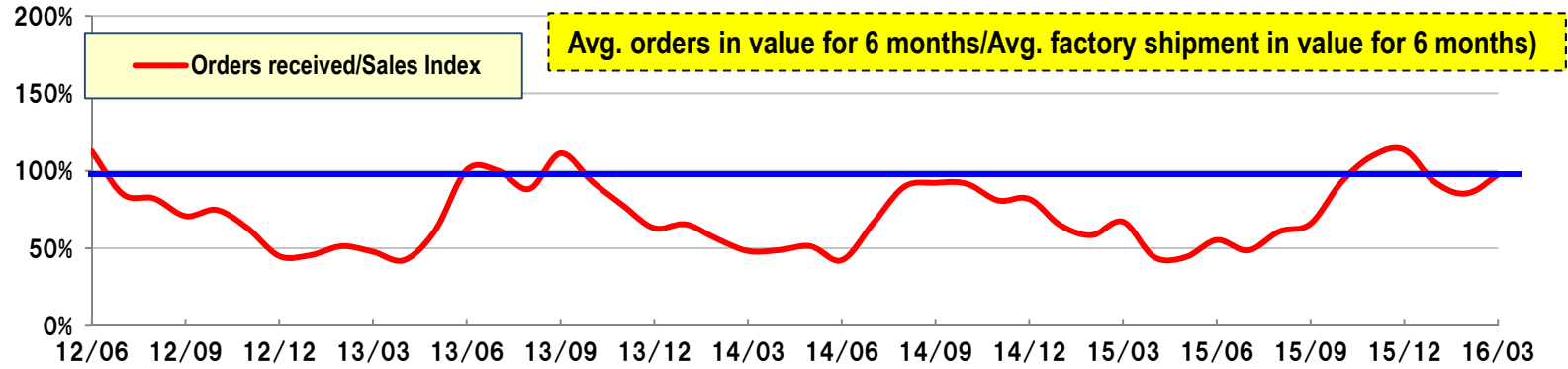


*1 Including a loss of JPY10.8 bn on Komatsu NTC's wire saw inventories (3Q: JPY-7.6 bn, and 4Q: JPY-3.2 bn)

Orders received / Sales Index for Mining Equipment (6 Months)

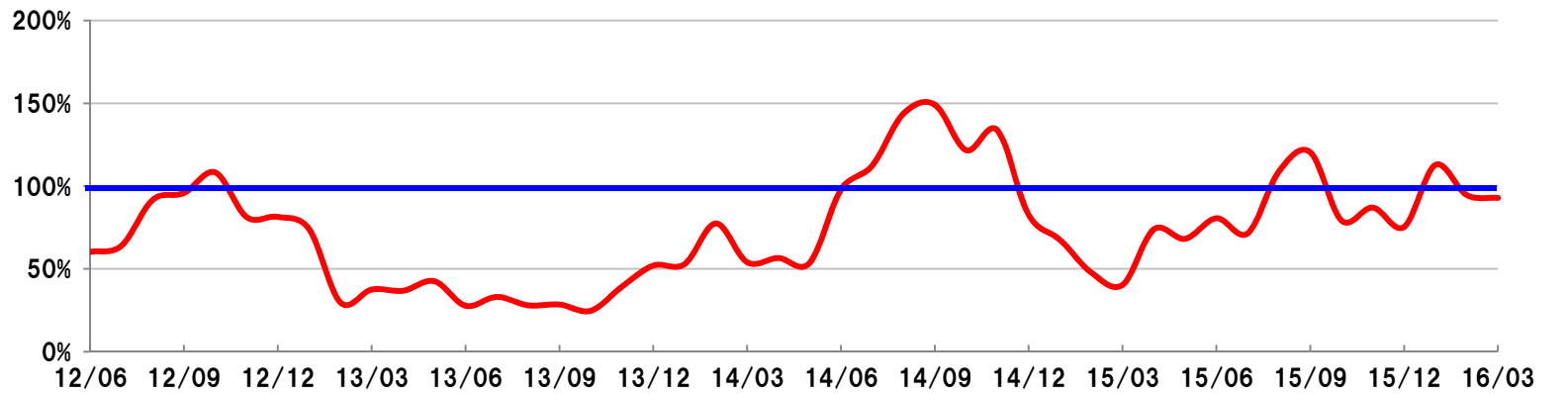
**Komatsu America
(Mining eqpt)**

730E, 830E, 860E,
930E, 960E,



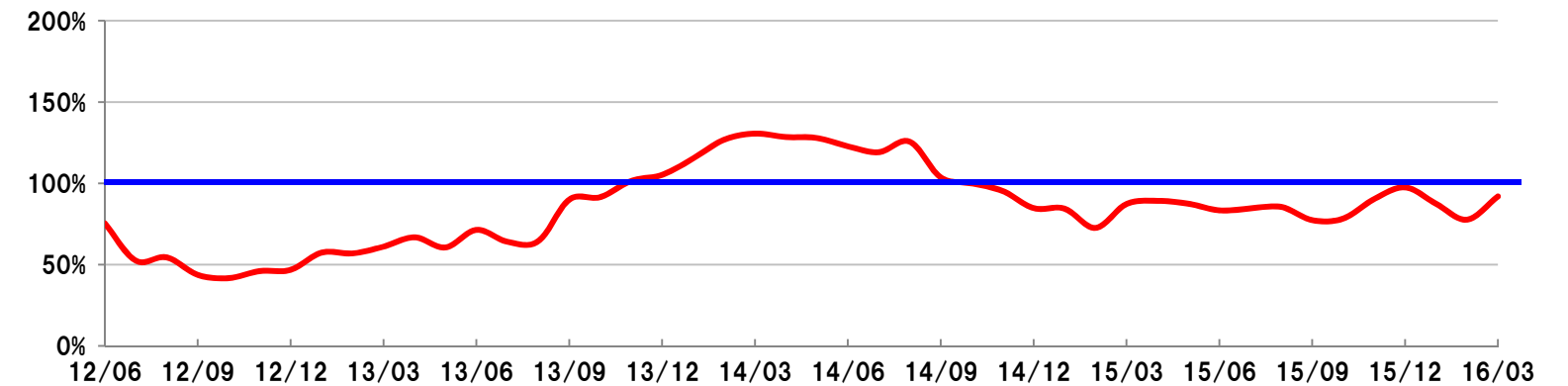
**Komatsu Mining
Germany**

PC3000, PC4000
PC5500, PC8000



**Komatsu Ltd.
(Mining eqpt)**

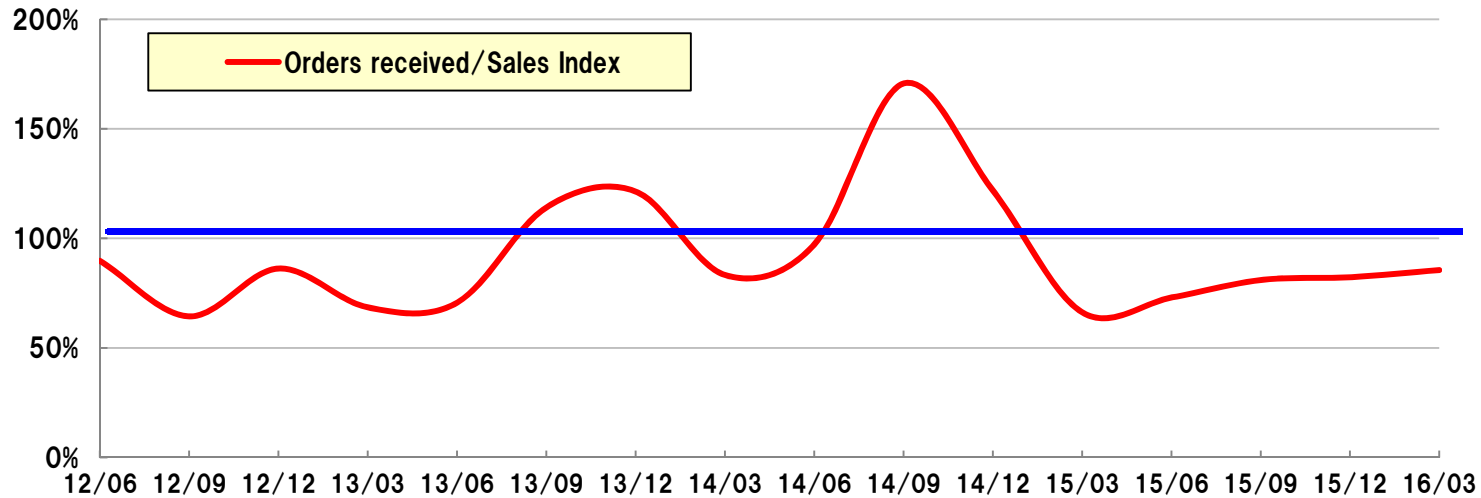
HD785, HD1500
PC2000, PC3000,
PC4000,
WA800 up
D375A up
GD825A up



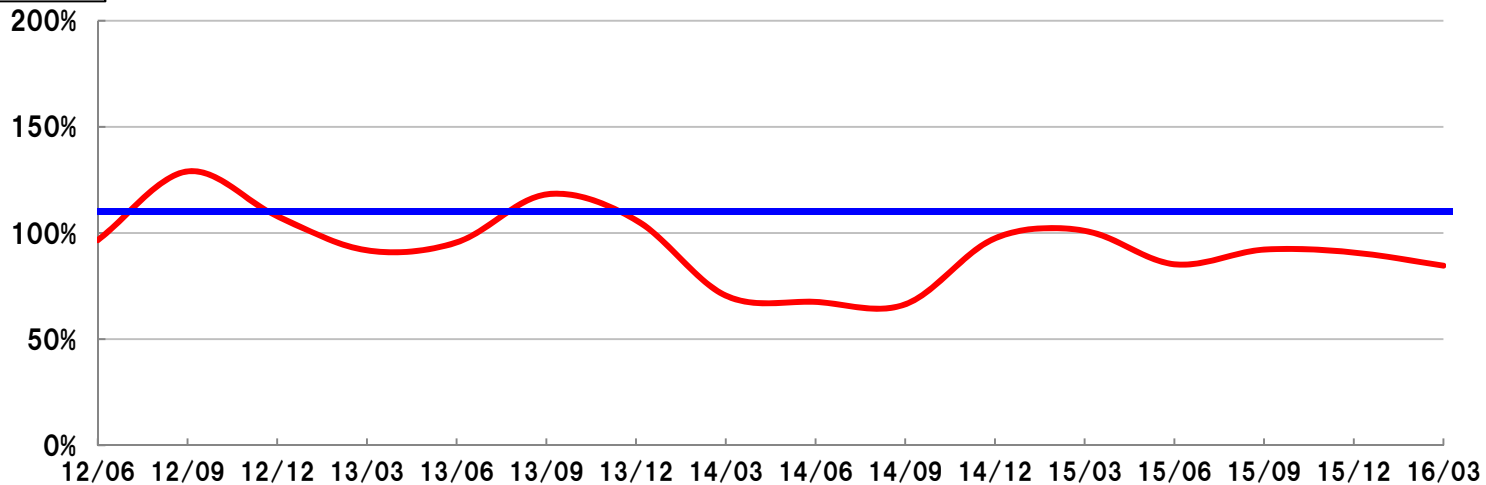
Orders received / Sales Index for Industrial Machinery (6 Months)

Komatsu Industries

Avg. orders in value for 6 months/Avg. factory shipment in value for 6 months



**Komatsu NTC
(Excl. wire saws)**



【Sales and profits】

- Consolidated net sales for FY2015 Q4 declined by 10.6% from FY2014 Q4, to JPY484.4 billion.
- Operating income declined by 10.4% from FY2014 Q4, to JPY53.9 billion. Operating income ratio remained flat at 11.1% from FY2014 Q4.
- Net income attributable to Komatsu Ltd. declined by 10.2% from FY2014 Q4, to JPY33.6 billion.

Billions of yen	Jan.-Mar., 2015 ¥119.2/USD ¥136.9/EUR ¥19.0/RMB	Jan.-Mar., 2016 ¥118.0/USD ¥128.0/EUR ¥17.9/RMB	Changes	
			Increase (decrease)	% Change
Net sales	542.0	484.4	(57.6)	▲10.6%
Segment profit	59.7	55.0	(4.7)	▲7.9%
Other operating income (expenses)	0.3	(1.1)	(1.5)	-
Operating income	60.1	53.9	(6.2)	▲10.4%
Profit ratio	11.1%	11.1%	±0.0ポイント	-
Other income (expenses)	(4.3)	(2.1)	+2.1	-
Net income before income taxes	55.8	51.7	(4.1)	▲7.4%
Net income *	37.4	33.6	(3.8)	▲10.2%

* Upon adoption of ASC 810, “Net income” is equivalent to “Net income attributable to Komatsu Ltd.”

Segment Sales and Profits for Fourth Quarter (January – March, 2016) of FY2015

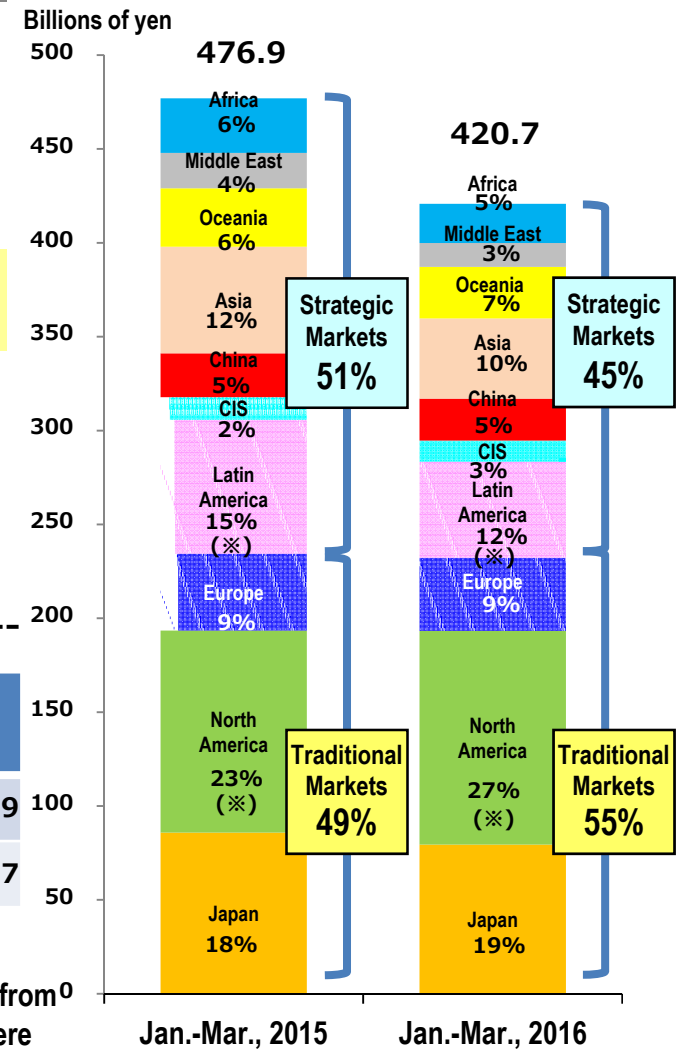
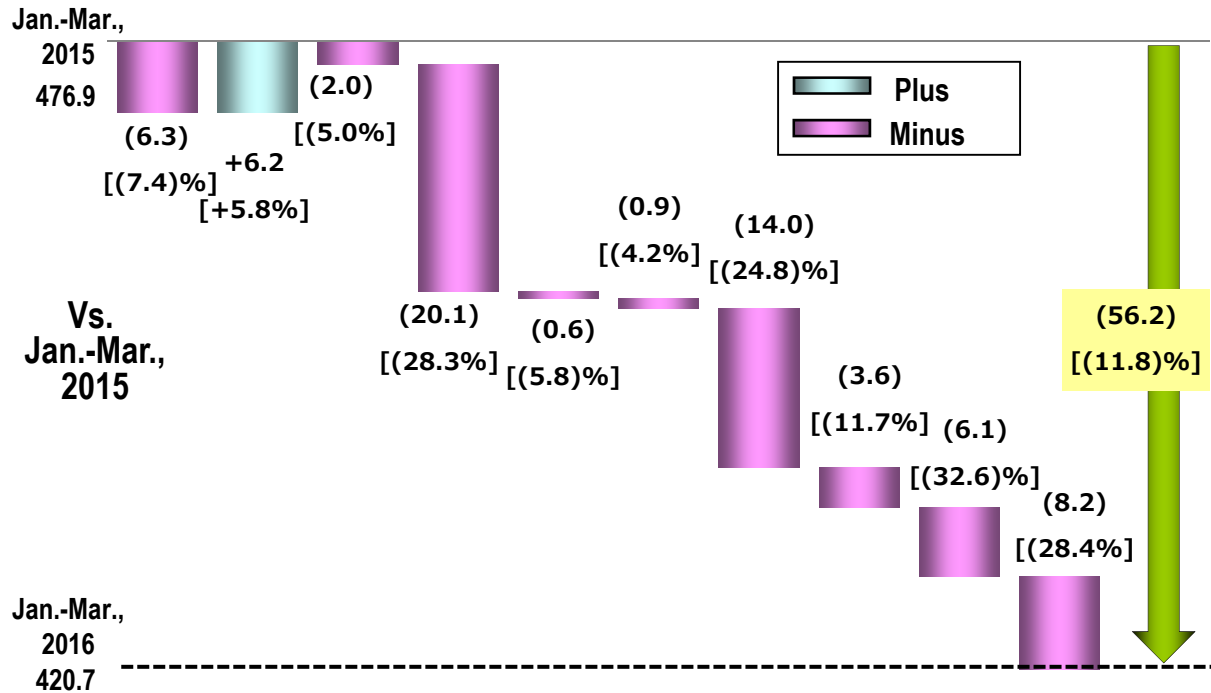
- Construction, Mining & Utility Equipment: Sales declined by 11.8% from FY2014 Q4, to JPY421.3 billion. Segment profit declined by 14.9% from FY2014 Q4, to JPY47.1 billion. Segment profit ratio also decreased 0.4 points to 11.2%.
- Industrial Machinery & Others: Sales increased by 0.2% from FY2014 Q4, to JPY65.7 billion. Segment profit advanced 60.8% to JPY7.3 billion.

% : Profit ratio [] : Sales after elimination of inter-segment transactions

Billions of yen	Jan.-Mar., 2015		Jan.-Mar., 2016		Changes		
					Increase (decrease)	% Change	
Net sales		542.0		478.0		(16.0)	(3.2)%
Construction, mining & utility equipment	[476.9]	477.7	[420.7]	421.3	[(56.2)]	(56.3)	[(11.8)%] (11.8)%
Industrial machinery & others	[65.0]	65.6	[63.6]	65.7	[(1.3)]	+0.1	[(2.1)%] +0.2%
Elimination		(1.2)		(2.6)		(1.3)	-
Segment profit		11.0% 59.7		11.4% 55.0		(4.7)	(7.9)%
Construction, mining & utility equipment		11.6% 55.4		11.2% 47.1		(8.2)	(14.9)%
Industrial machinery & others		7.0% 4.5		11.3% 7.3		+2.7	+60.8%
Corporate & elimination		(0.2)		0.5		+0.7	-

Construction, Mining & Utility Equipment: Sales (To Outside Customers)
for Fourth Quarter (January – March, 2016) of FY2015 by Region

- Sales to outside customers declined by 11.8% from FY2014 Q4, to JPY420.7 billion.
- The share of Traditional Markets increased to 55%, as sales sharply dropped in Strategic Markets, such as Latin America and Asia, while sales advanced in North America.



	Japan	North America *1	Europe	Latin America *1	CIS	China	Asia	Oceania	Middle East	Africa	Total
Jan.-Mar., 2015	85.8	107.5	40.9	71.3	11.9	23.3	56.7	31.1	18.8	29.1	476.9
Jan.-Mar., 2016	79.4	113.7	38.9	51.1	11.2	22.3	42.7	27.4	12.7	20.8	420.7

Traditional Markets: Japan, North America, Europe, Latin America

Strategic Markets: CIS, China, Asia, Oceania, Middle East, Africa

*1: Due to the acquisition of a distributor in Mexico, a part of sales in Mexico was reclassified from⁰ North America to Latin America, starting in FY2015.1Q. (Corresponding sales for FY2014 2Q.were also reclassified accordingly.)