

**Presentation for the First 3-Month Period
(April-June, 2016) of FY2016 Business Results
【Telephone conference】**

July 28, 2016

Komatsu Ltd. Participants

Mikio Fujitsuka Executive Vice President and CFO

**Yasuhiro Inagaki Senior Executive Officer and
General Manager of Business Coordination Department**

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I . Highlights of Business Results for the First 3-Month (April – June, 2016) of FY2016

- Consolidated net sales declined by 12.7% from the corresponding period a year ago, to JPY389.2 billion.
- Operating income dropped 40.1% to JPY29.7 billion. Operating income ratio was 7.7%, down 3.4 percentage points.
- Net income attributable to Komatsu Ltd. dropped 52.1% to JPY15.5 billion.
- Profits declined sharply, because of 1) the Japanese yen's appreciation, 2) reduced volume of sales, 3) inventory write-off of remanufactured/rebuilt parts, and 4) additional allowance for bad debts in the retail finance business in China. [3) and 4) were limited to the first 3-Month period of FY2016.]

Billions of yen	Apr.-Jun.,2015 ¥121.3/USD ¥133.0/EUR ¥19.6/RMB	Apr.-Jun.,2016 ¥109.8/USD ¥124.3/EUR ¥16.9/RMB	Changes	
			Increase (decrease)	% Change
Net sales	446.1	389.2	(56.8)	(12.7)%
Segment profit	49.6	29.0	(20.6)	(41.5)%
Other operating income (expenses)	0.1	0.7	+0.6	-
Operating income	49.7	29.7	(19.9)	(40.1)%
Profit ratio	11.1%	7.7%	(3.4)pts.	-
Other income (expenses)	1.2	(5.5)	(6.8)	-
Net income before income taxes	50.9	24.2	(26.7)	(52.5)%
Net income *	32.5	15.5	(16.9)	(52.1)%

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

- Construction, Mining & Utility Equipment: Sales declined by 12.0% from the corresponding period a year ago, to JPY345.1 billion. Segment profit dropped 37.8% to JPY26.3 billion. Segment profit ratio was 7.6%, down 3.2 percentage points.
- Retail Finance: Revenues declined by 14.1% to JPY11.8 billion. Segment profit dropped 49.9% to JPY1.8 billion.
- Industrial Machinery & Others: Sales declined by 22.3% to JPY34.7 billion. Segment profit dropped 47.8% to JPY1.7 billion.

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

Billions of yen	Apr.-Jun.,2015	Apr.-Jun.,2016	Changes	
			Increase (decrease)	% Change
Net sales	446.1	389.2	(56.8)	(12.7)%
Construction, mining & utility equipment	[388.9] 392.3	[343.4] 345.1	[(45.5)] (47.2)	[(11.7%)] (12.0)%
Retail finance	[13.0] 13.8	[11.3] 11.8	[(1.7)] (1.9)	[(13.4%)] (14.1)%
Industrial machinery & others	[44.1] 44.7	[34.5] 34.7	[(9.5)] (9.9)	[(21.7%)] (22.3)%
Elimination	(4.8)	(2.5)	+2.2	-
Segment profit	11.1% 49.6	7.5% 29.0	(20.6)	(41.5)%
Construction, mining & utility equipment	10.8% 42.4	7.6% 26.3	(16.0)	(37.8)%
Retail finance	27.3% 3.7	15.9% 1.8	(1.8)	(49.9)%
Industrial machinery & others	7.3% 3.2	4.9% 1.7	(1.5)	(47.8)%
Corporate & elimination	0.1	(0.9)	(1.1)	-

Review of three business segments
■ Construction, Mining & Utility Equipment

Both sales and segment profit declined from the corresponding period a year ago, mainly affected by the Japanese yen's appreciation and reduced volume of sales in Strategic Markets.

■ Retail Finance [an independent operating segment starting in FY2016]

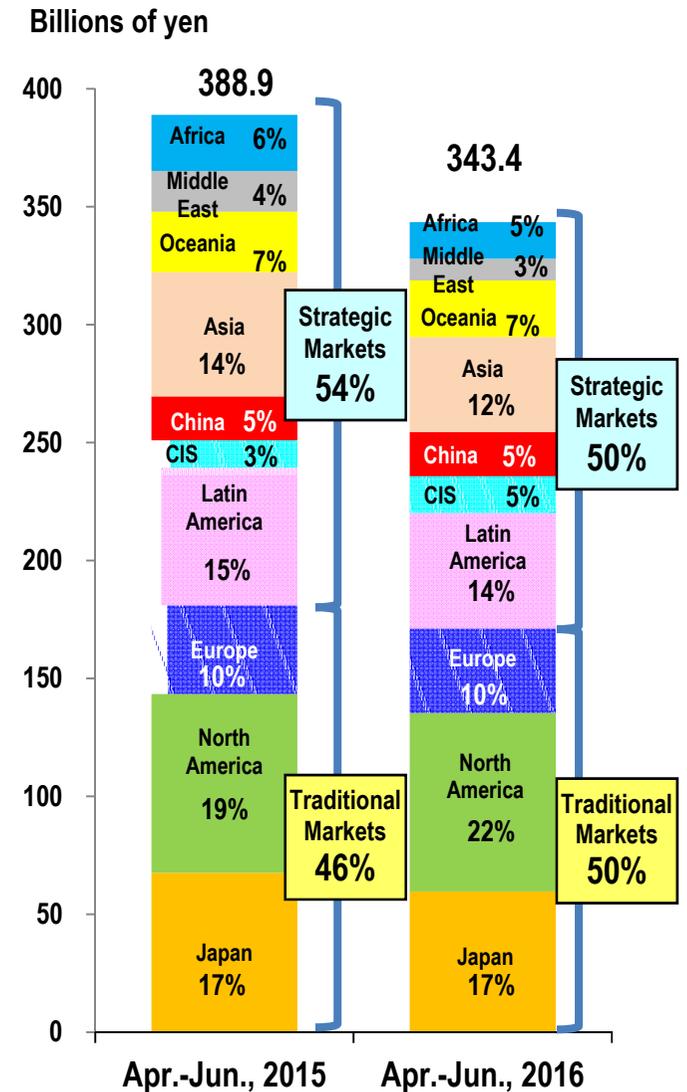
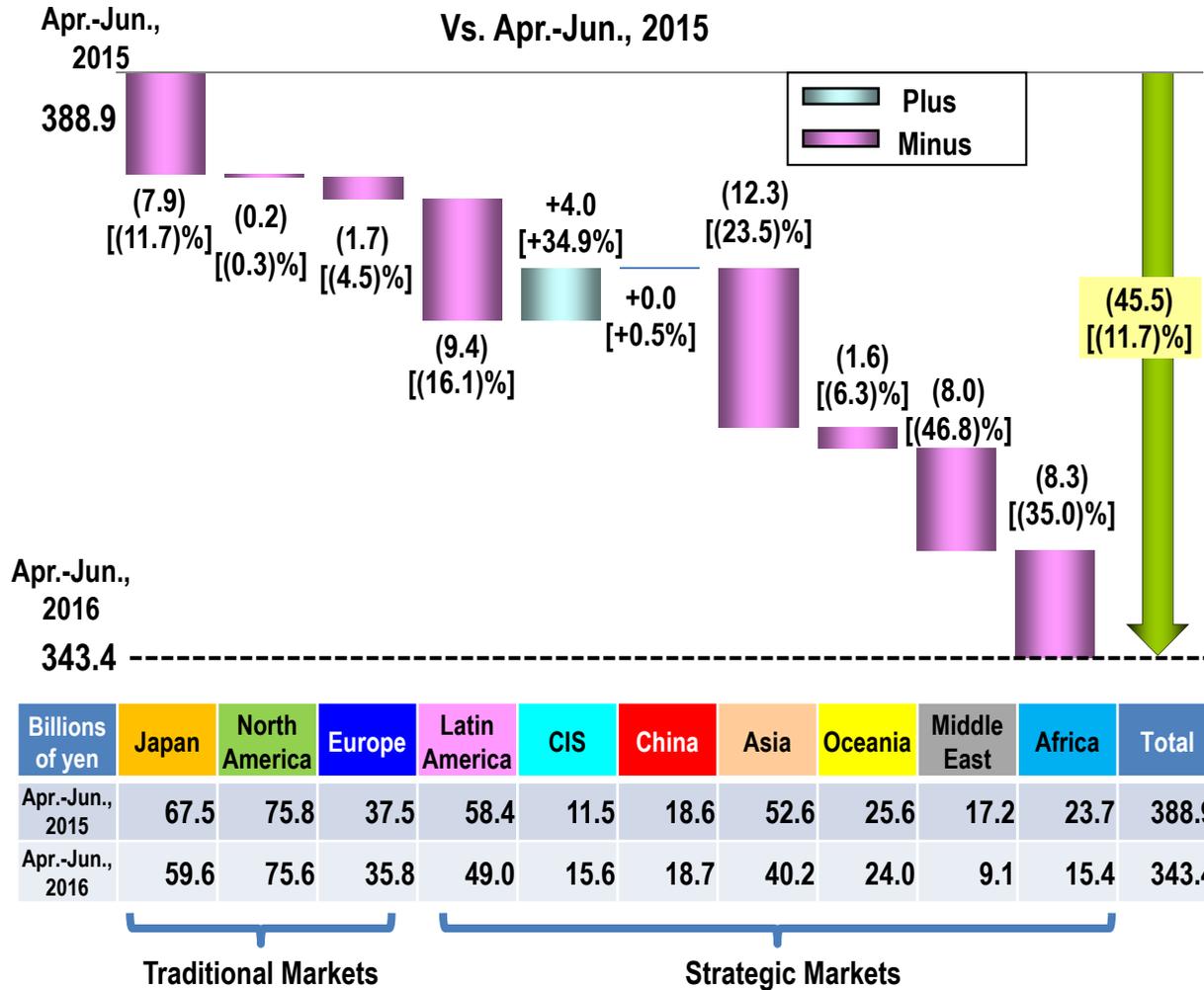
Both revenues and segment profit declined from the corresponding period a year ago, as affected by reduced assets, the Japanese yen's appreciation, and additional allowance for bad debts in China.

■ Industrial Machinery & Others

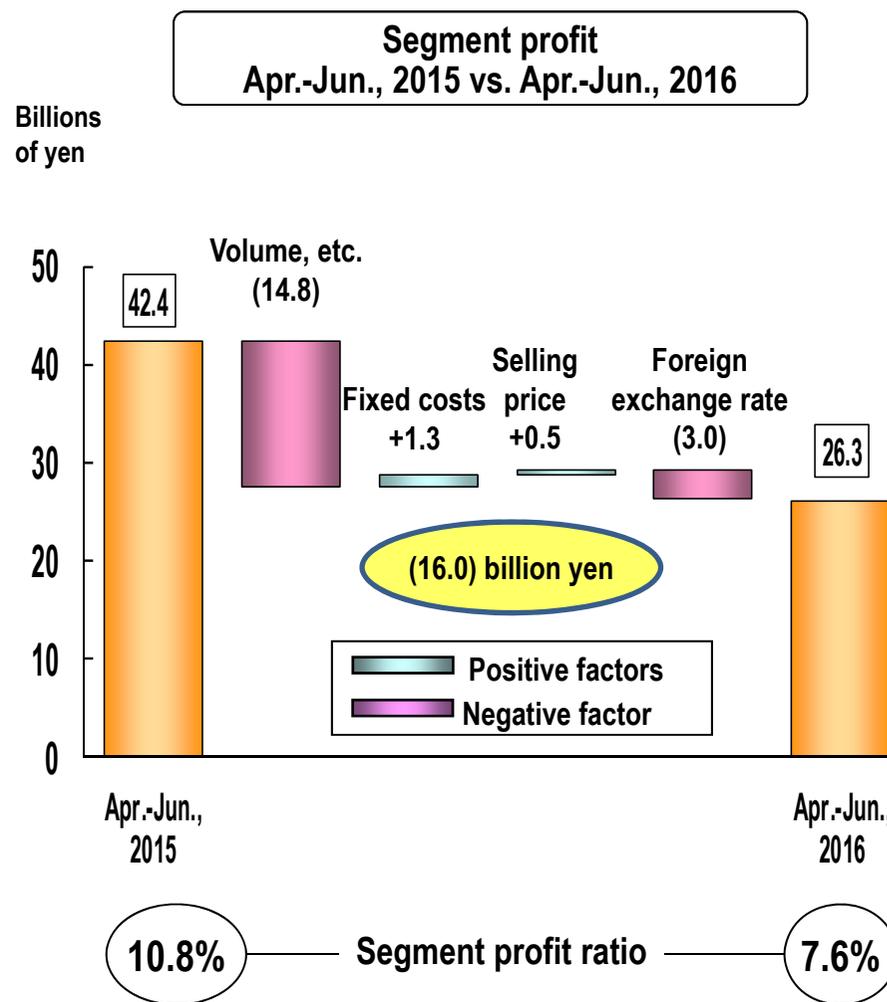
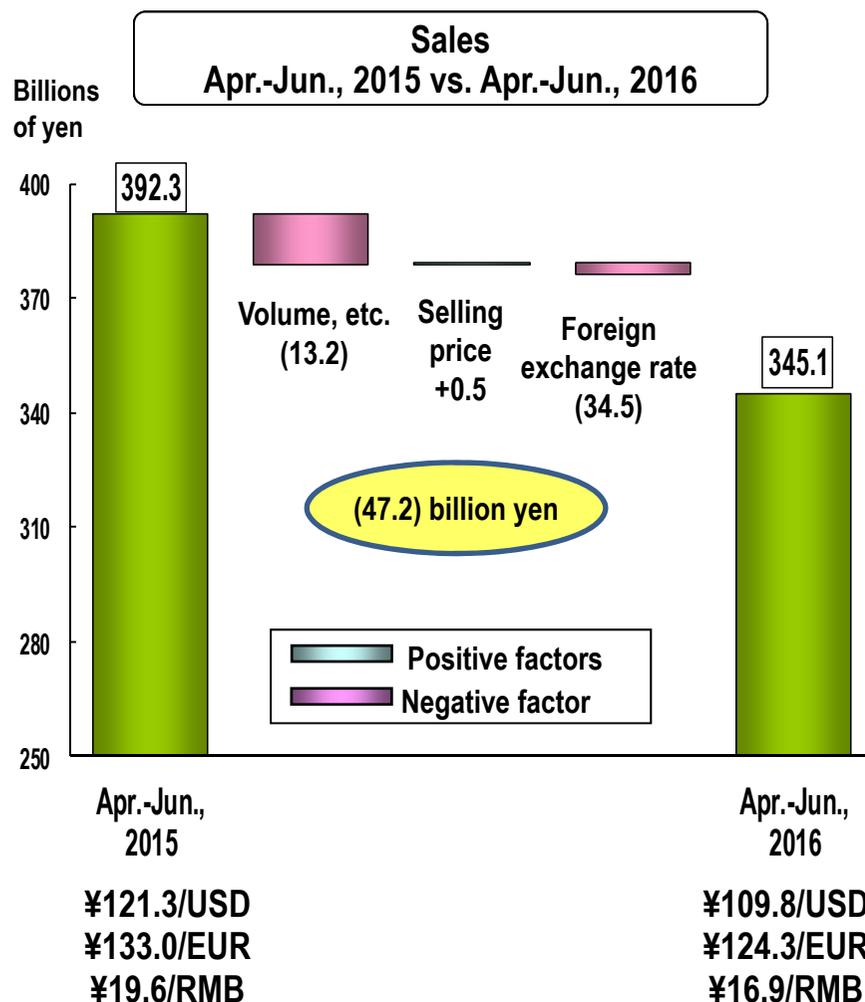
Both sales and segment profit declined from the corresponding period a year ago, as affected by reduced sales of press and other machines as well as exclusion of former Komatsu House Ltd.* from consolidated accounting.

* Komatsu sold the shares, equivalent to 85% of total shares outstanding, of Komatsu House to Nissei Build Industries Co., Ltd. on April 28, 2016.

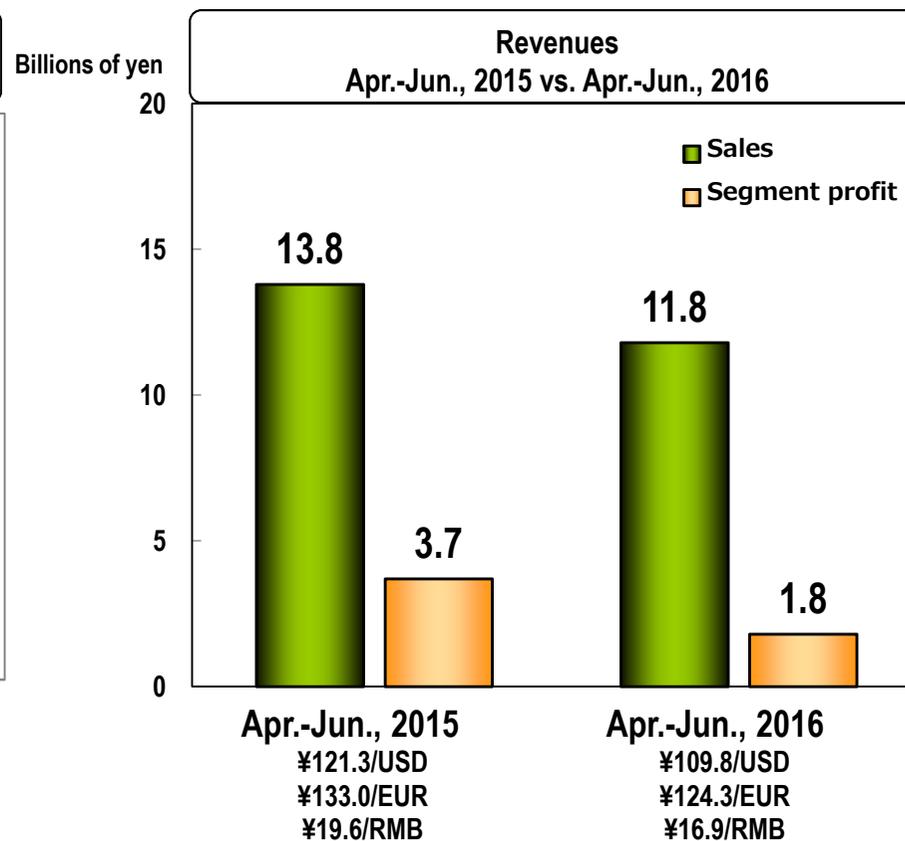
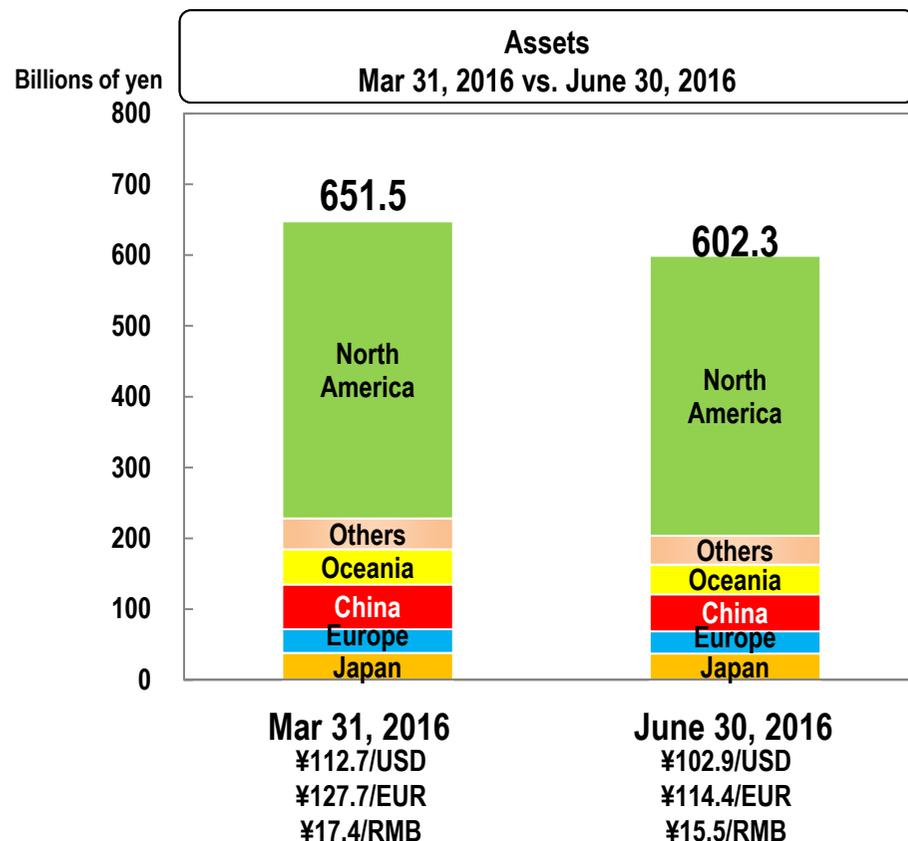
- Sales to outside customers declined by 11.7% from the corresponding period a year ago, to JPY343.4 billion.
- Except for CIS and China, sales declined in all regions. Sales dropped sharply in Strategic Markets, such as Asia and Latin America, increasing the share of Traditional Markets in total sales to 50%.



- Sales declined by JPY47.2 billion from the corresponding period a year ago, as affected by the Japanese yen's appreciation and a sharp drop in the volume of sales resulting from reduced demand in Strategic Markets, such as the Middle East and Indonesia. Segment profit declined JPY16.0 billion.
- Segment profit ratio degenerated to 7.6%, down 3.2 percentage points.

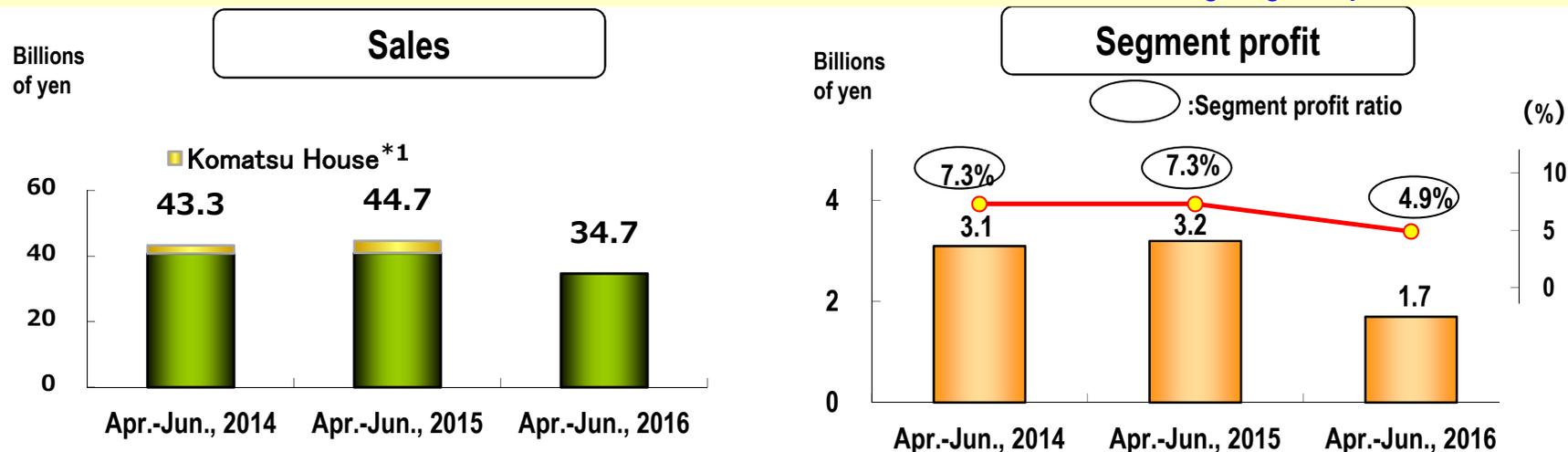


- Assets declined by JPY49.2 billion from the previous fiscal year-end, as affected the Japanese yen's appreciation and reduced receivables especially in China and Oceania.
- Segment profit declined from the corresponding period a year ago, mainly due to recording an additional allowance for bad debts in China.



Billions of yen	2016/3E	2016/6E	Changes
Interest-bearing debt	483.5	451.8	(31.7)
Interest-bearing debt, net	476.6	445.6	(31.0)
Net D/E ratio	3.40	3.50	+0.10

- While Gigaphoton Inc. recorded good sales, supported by stable utilization of machines in the semiconductor manufacturing industry, sales declined by 22.3% from the corresponding period a year ago, to JPY34.7 billion, as affected by reduced sales of press and other machines and the exclusion of former Komatsu House Ltd. from consolidated accounting. Segment profit ratio was 4.9%.



Breakdown of sales Billions of yen	Apr.-Jun., 2014	Apr.-Jun., 2015	Apr.-Jun., 2016	Changes	
				Increase (decrease)	% change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	13.3	12.8	7.7	(5.1)	(39.8)%
Komatsu NTC Ltd. [represented by wire saws]	16.7 [1.9]	14.0 [1.1]	12.6 [5.5]	(1.3) [+4.4]	(9.9)% [+388.1%]
Gigaphoton	6.5	8.3	8.5	+0.1	+2.2%
Komatsu House *1	2.5	3.7	-	(3.7)	-
Others	4.1	5.8	5.8	+0.0	+1.2%
Total	43.3	44.7	34.7	(9.9)	(22.3)%

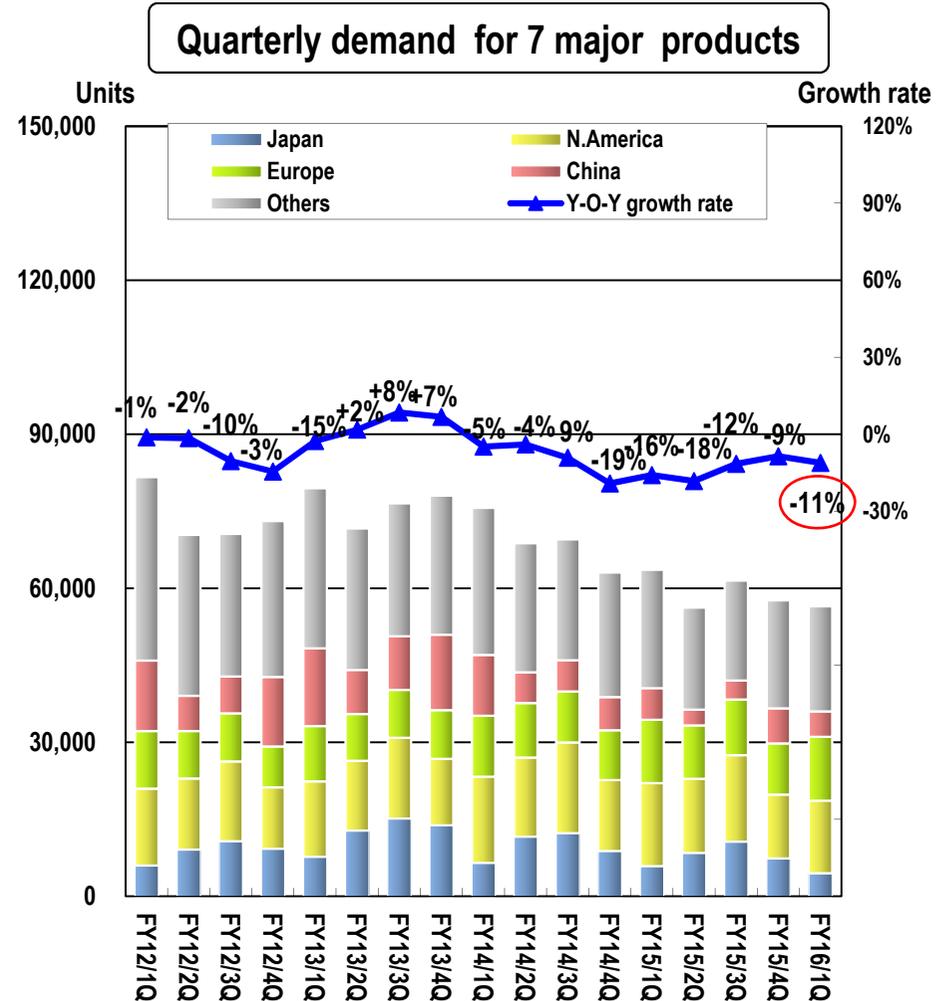
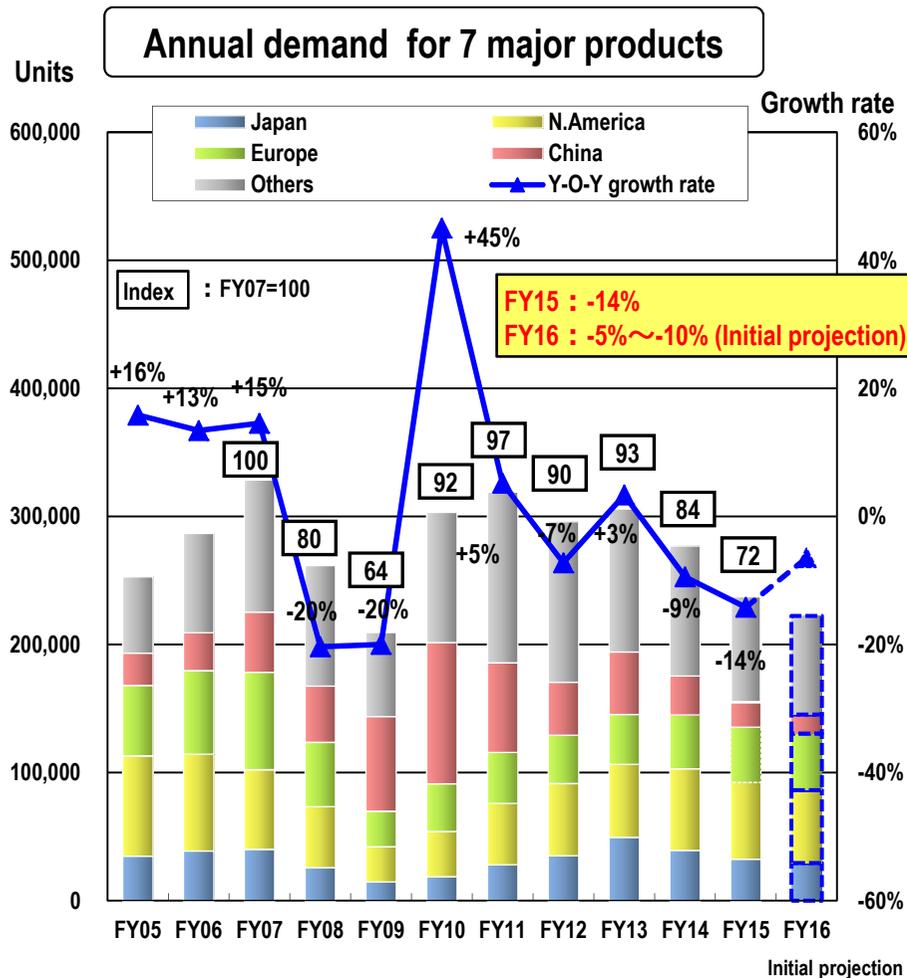
*1: Komatsu sold the shares, equivalent to 85% of total shares outstanding, of Komatsu House to Nissei Build Industries Co., Ltd. on April 28, 2016.

- Total assets declined by JPY195.2 billion from the previous fiscal year-end, due to the Japanese yen's appreciation and reduced receivables.
- Komatsu Ltd. shareholders' equity ratio increased 0.5 percentage points to 58.5%.

Billions of yen	Mar. 31, 2016 ¥112.7/USD ¥127.7/EUR ¥17.4/RMB	June 30, 2016 ¥102.9/USD ¥114.4/EUR ¥15.5/RMB	Increase (decrease)
Cash & deposits (incl. time deposits) [a]	108.4	108.2	(0.2)
Accounts receivable (incl. long-term trade receivables)	875.3	768.3	(106.9)
Inventories	539.6	524.2	(15.3)
Tangible fixed assets	697.7	656.2	(41.4)
Other assets	393.5	362.2	(31.2)
Total assets	2,614.6	2,419.4	(195.2)
Accounts payable	205.4	187.0	(18.3)
Interest-bearing debt [b]	457.5	431.0	(26.5)
Other liabilities	363.9	323.2	(40.6)
Total liabilities	1,026.8	941.2	(85.6)
[Shareholders' equity ratio]	[58.0%]	[58.5%]	[+0.5pts.]
Komatsu Ltd. shareholders' equity	1,517.4	1,414.5	(102.8)
Noncontrolling interests	70.3	63.5	(6.8)
Liabilities & Equity	2,614.6	2,419.4	(195.2)
Interest-bearing debt, net [b-a]	349.0	322.7	(26.3)
Net D/E ratio	0.23	0.23	

II. Construction and Mining Equipment: Demand and Outlook

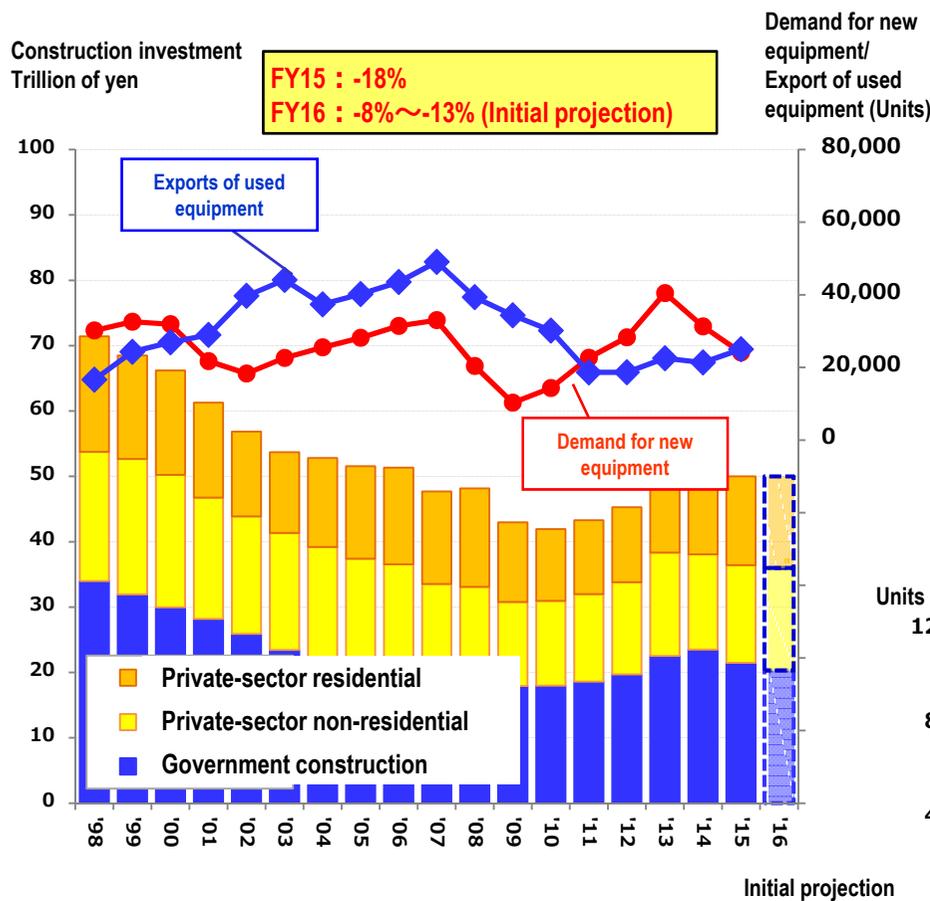
- In the first 3-Month period of FY2016, global demand declined by 11% from the corresponding period a year ago.
- While demand was steady in some regions, global demand was especially affected by a drop in Japan, North America, China, the Middle East and Indonesia.
- We project that global demand should remain as we projected at the start of the fiscal year, even though there will be some ups and downs in some regions.



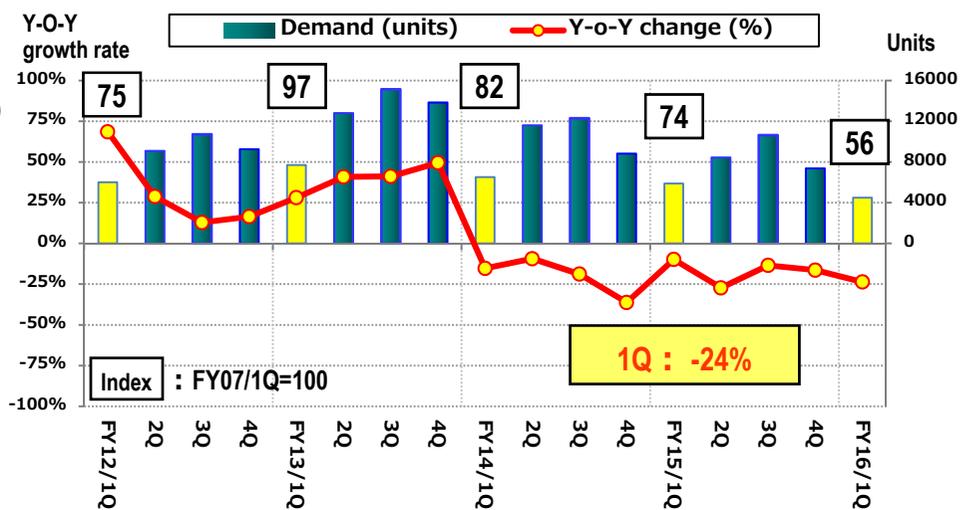
Note: Estimated by Komatsu

- In the first 3-Month period of FY2016, demand declined by 24% from the corresponding period a year ago.
- Demand continues to be affected by rebound of pre-buys for new emission controls especially among rental companies.

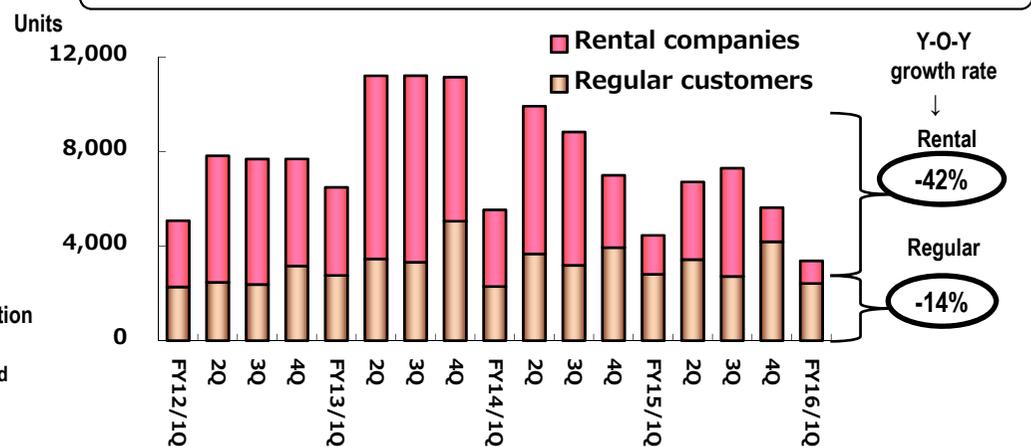
Demand for new equipment (7 major products) and construction investment



Quarterly demand for 7 major products



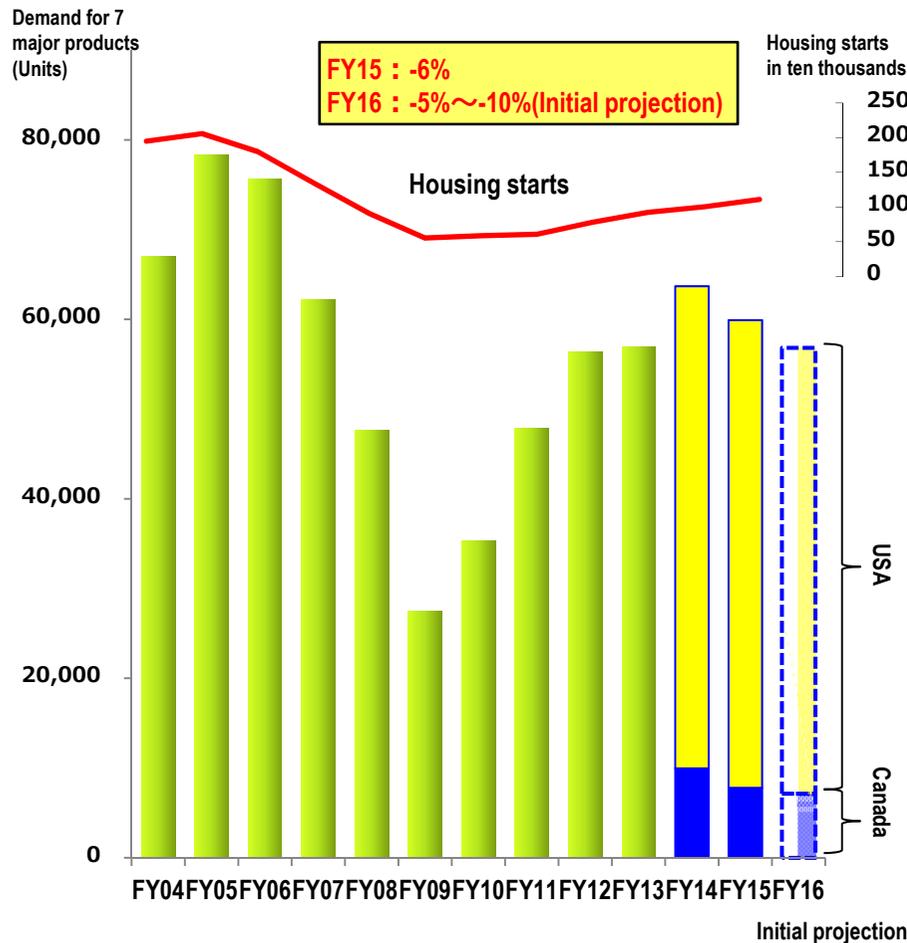
Quarterly demand for hydraulic excavators (Rental & regular uses)



[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

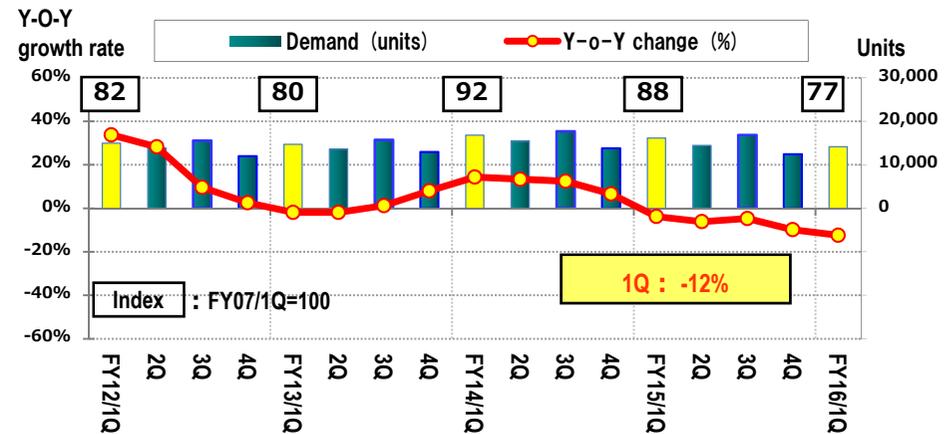
- In the first 3-Month period of FY2016, demand declined by 12% from the corresponding period a year ago.
- In the United States, demand is steady in regular customers against the backdrop of a gradual increase in residential construction. Demand was sluggish in the rental industry.
- In Canada, demand remains slack especially in the energy sector.

Demand for 7 major products and US housing starts

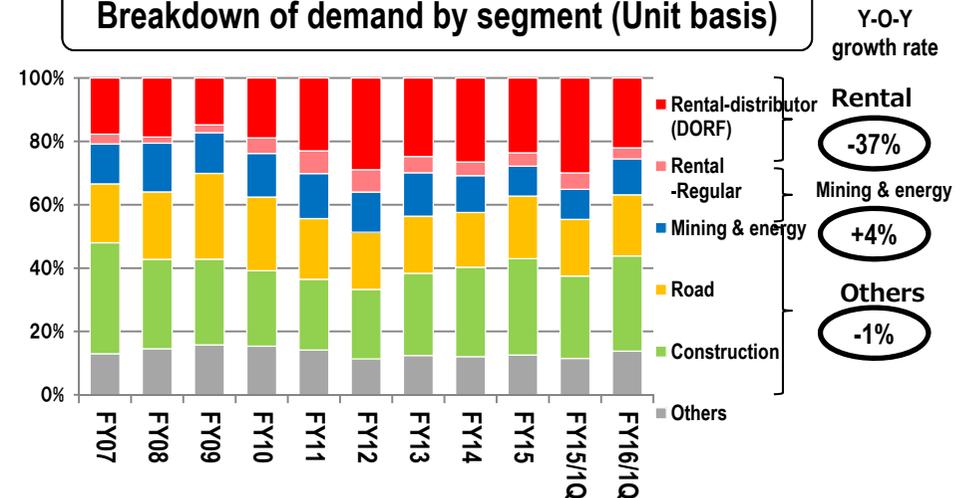


[Source]: Demand for 7 major products estimated by Komatsu

Quarterly demand for 7 major products

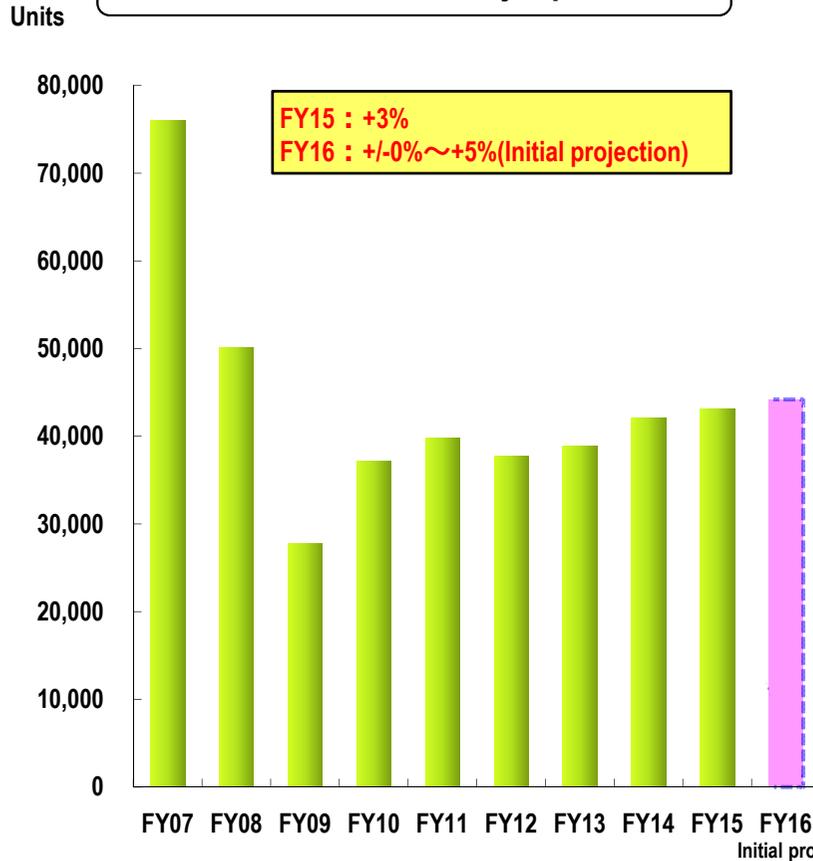


Breakdown of demand by segment (Unit basis)



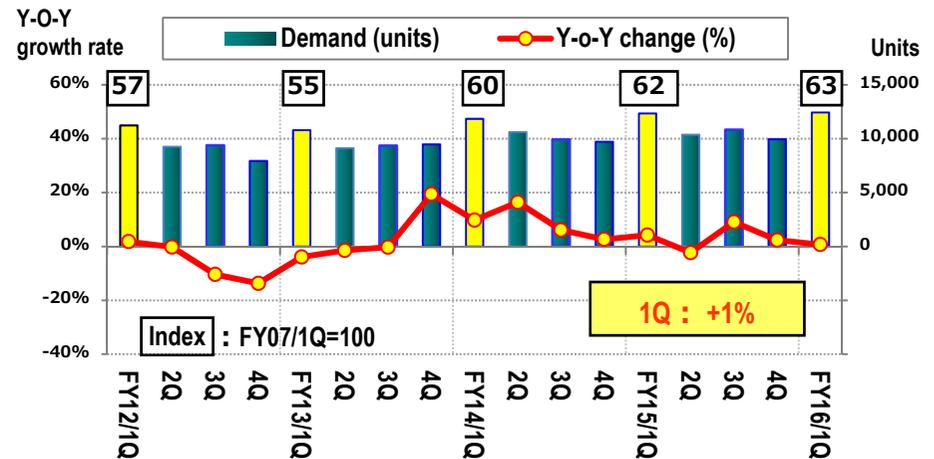
- In the first 3-Month period of FY2016, demand increased by 1% from the corresponding period a year ago.
- Demand was firm in major markets centering on Germany as well as northern and southern Europe.

Annual demand for 7 major products

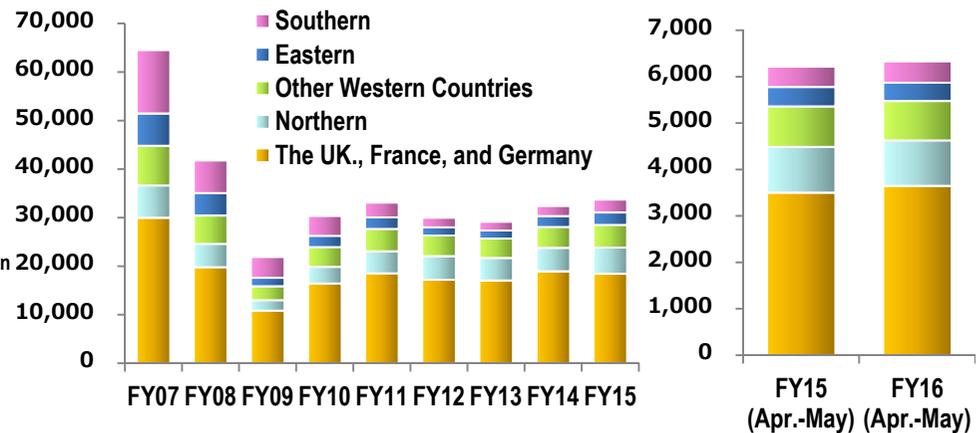


[Source]: Demand for 7 major products estimated by Komatsu

Quarterly demand for 7 major products

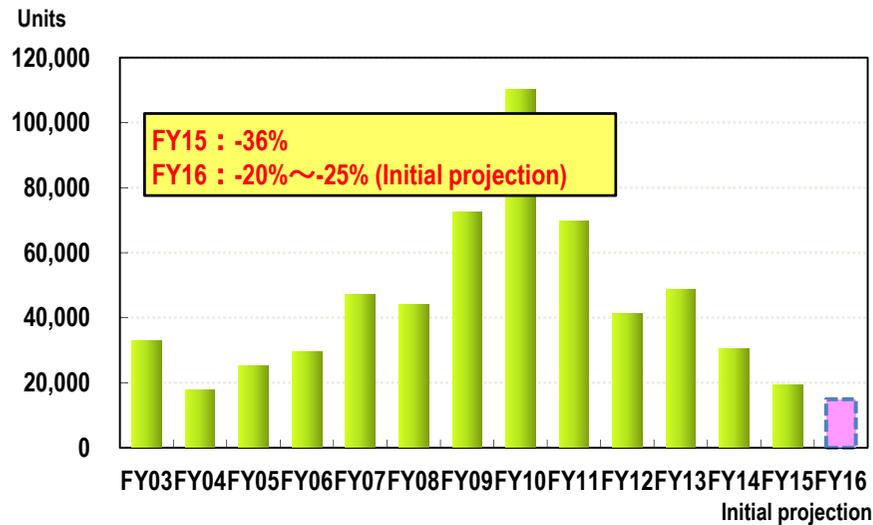


Region demand for 7 major products (Excl. 6t class)

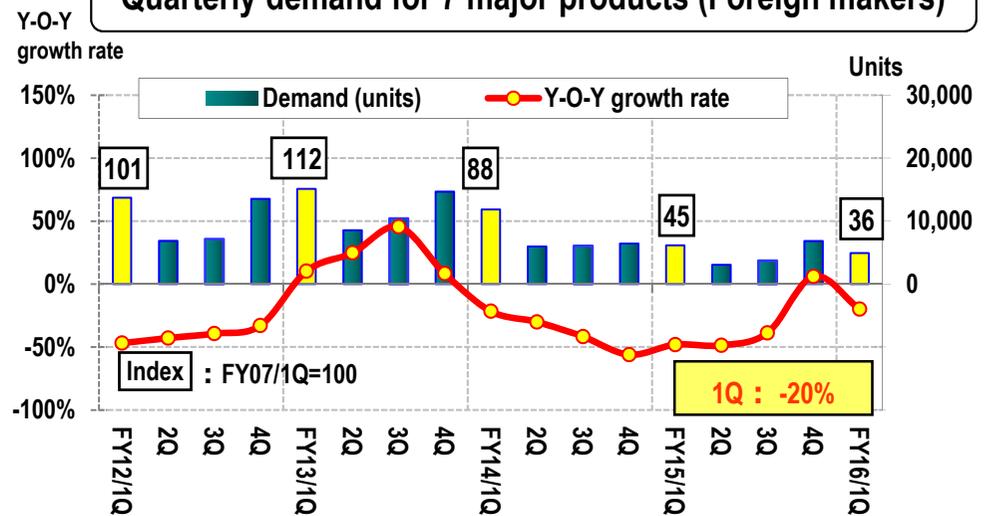


- In the first 3-Month period of FY2016, demand declined by 20% from the corresponding period a year ago.
- While we project full-year demand will decrease from FY2015, the rate of decline is becoming smaller. Average monthly hours of machine operation also continue to increase from the corresponding months a year ago.

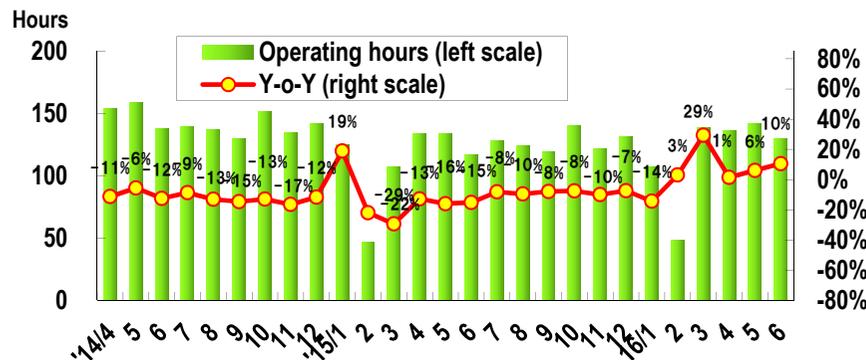
Annual demand for 7 major products (Foreign makers)



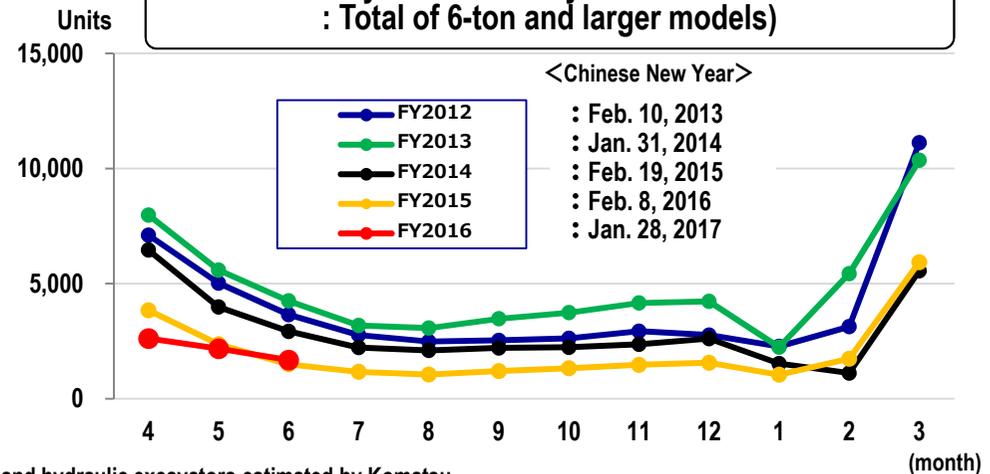
Quarterly demand for 7 major products (Foreign makers)



KOMTRAX in China : Average operating hours per month

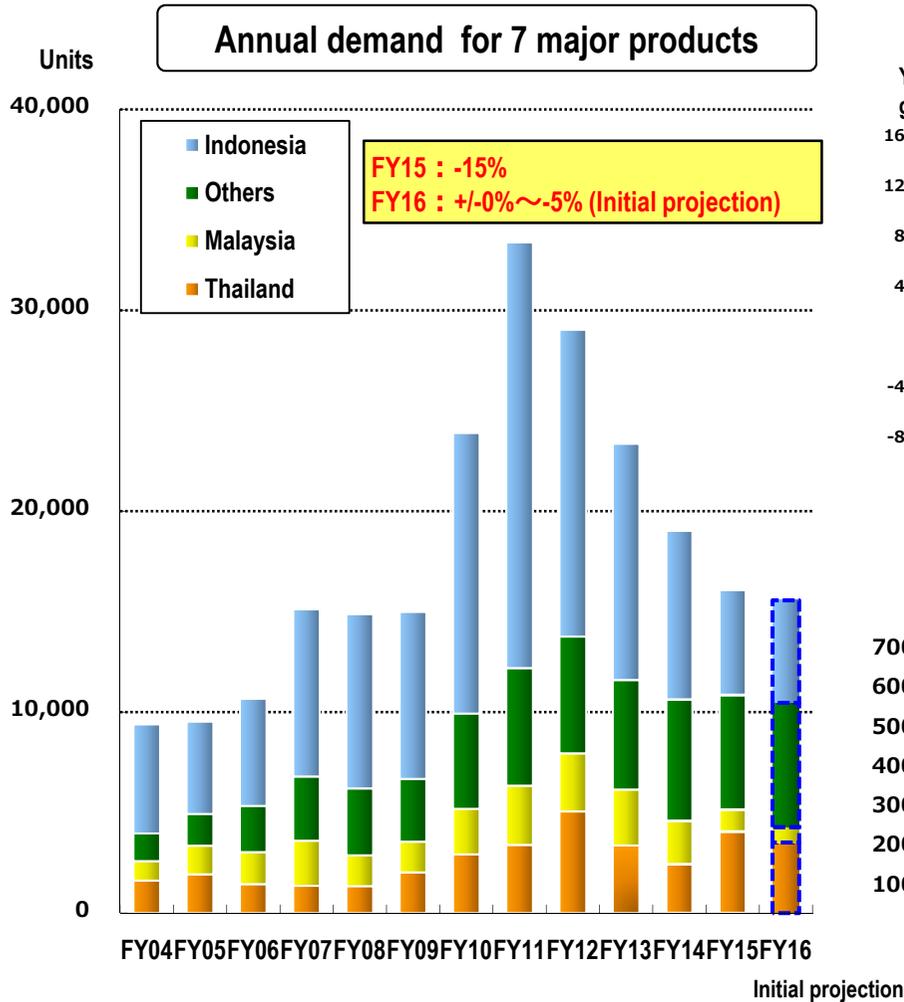


Monthly demand for hydraulic excavators : Total of 6-ton and larger models

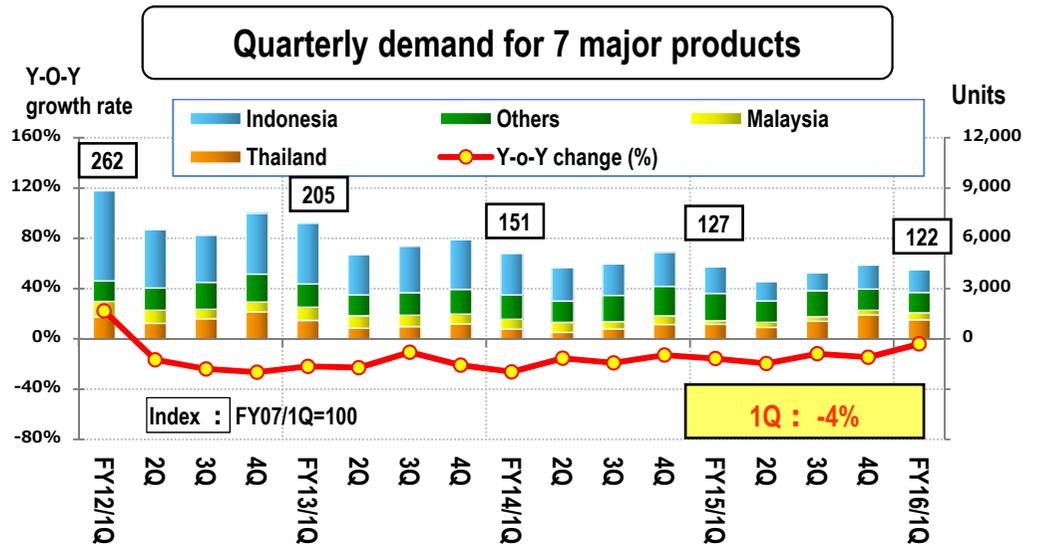


[Source]: Demand for 7 major products and hydraulic excavators estimated by Komatsu

- In the first 3-Month period of FY2016, demand decreased by 4% from the corresponding period a year ago.
- While demand has remained sluggish in Indonesia, the largest market of the region, it is steady in Thailand and Malaysia.



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

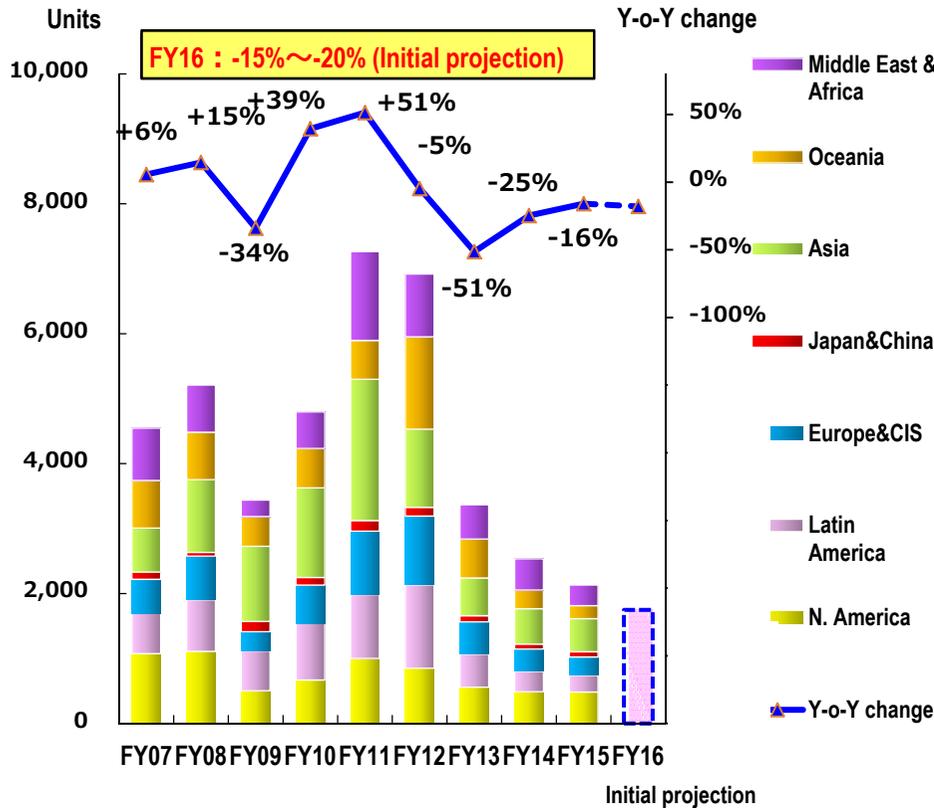


III. Construction and Mining Equipment: Mining Equipment and Parts

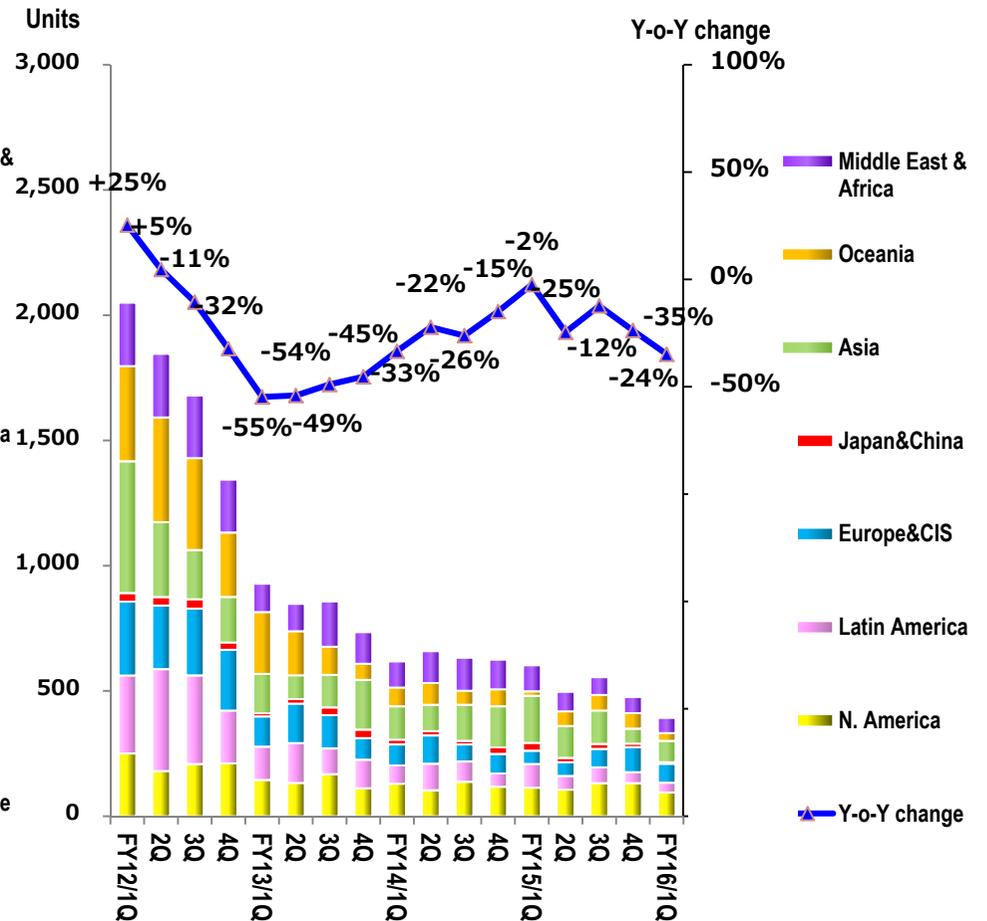
- In the first 3-Month period of FY2016, global demand for mining equipment dropped 35% from the corresponding period a year ago.
- With respect to full-year demand, we are not changing our projection made at the start of the fiscal year.

Annual demand for mining equipment

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



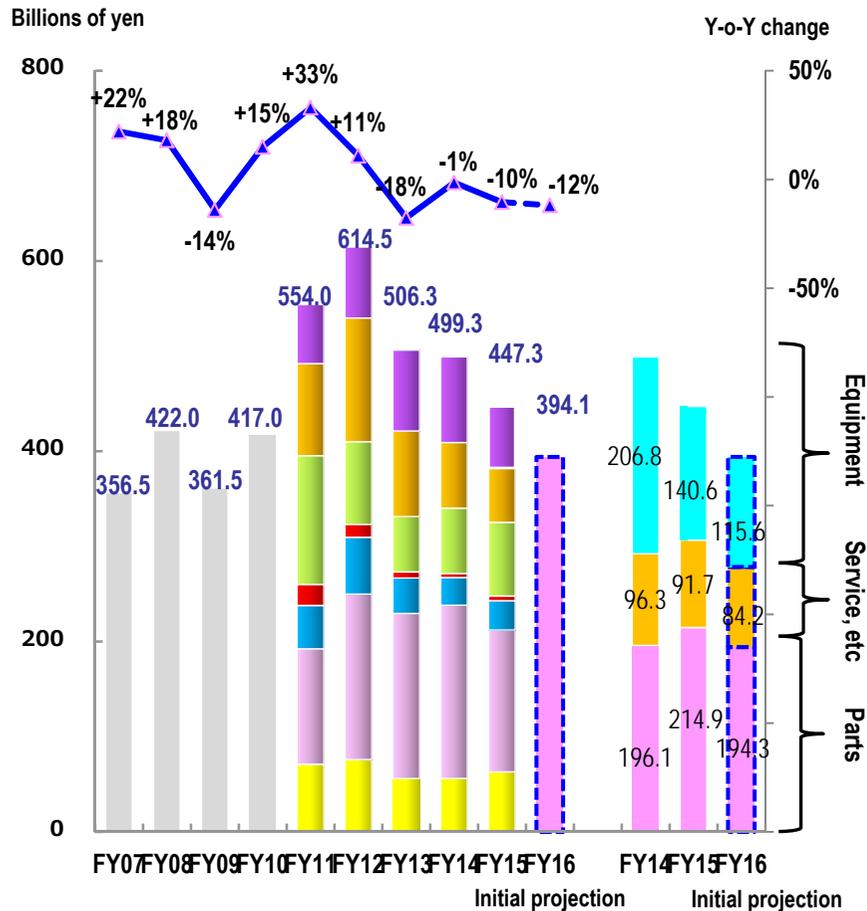
Quarterly demand for mining equipment



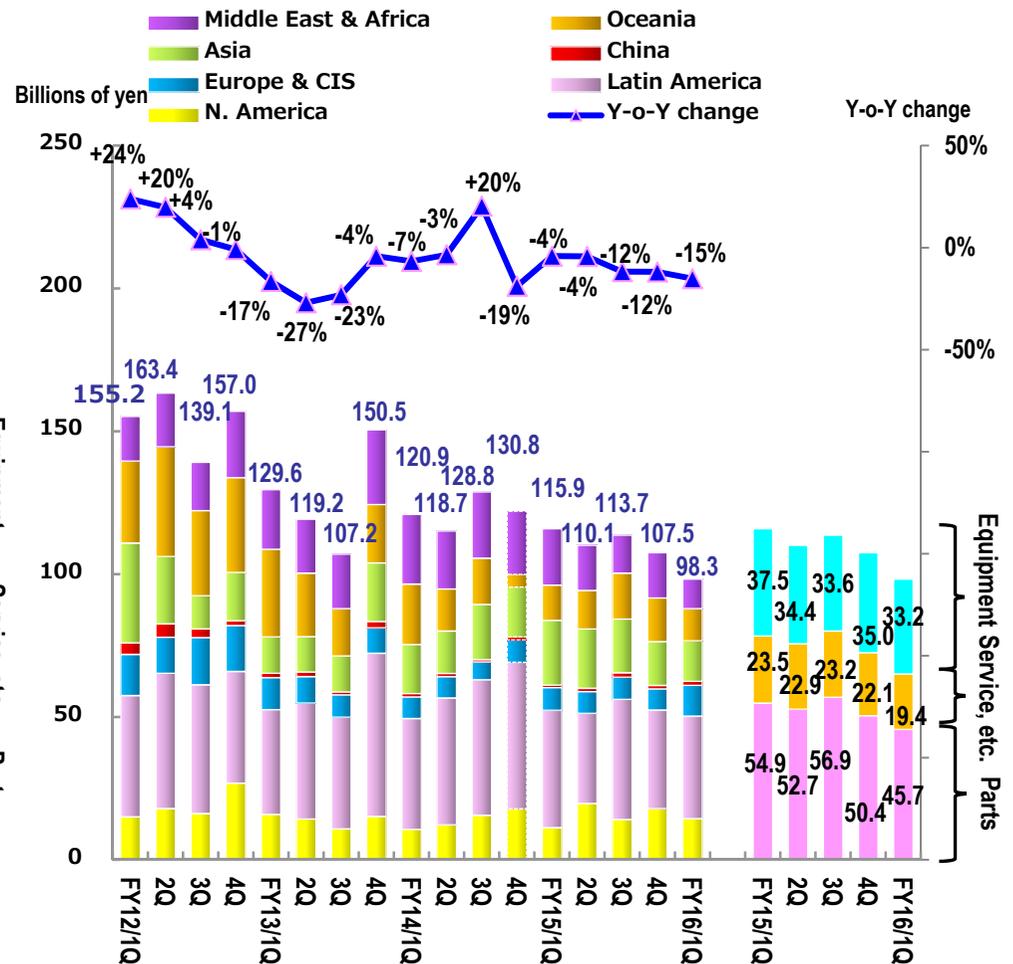
Note: Demand estimated by Komatsu

• For the first 3-Month period of FY2016, sales declined by 15% from the corresponding period a year ago, to JPY98.3 billion, as affected by the Japanese yen's appreciation and reduced sales of parts.

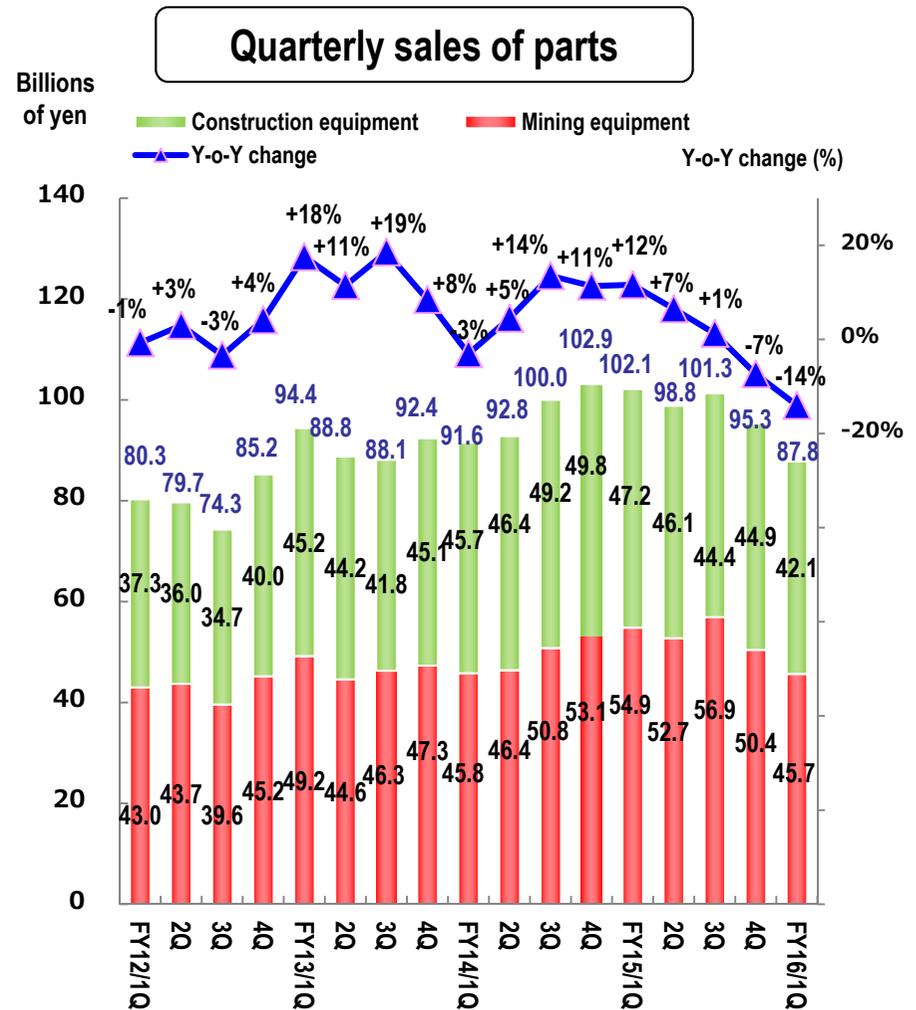
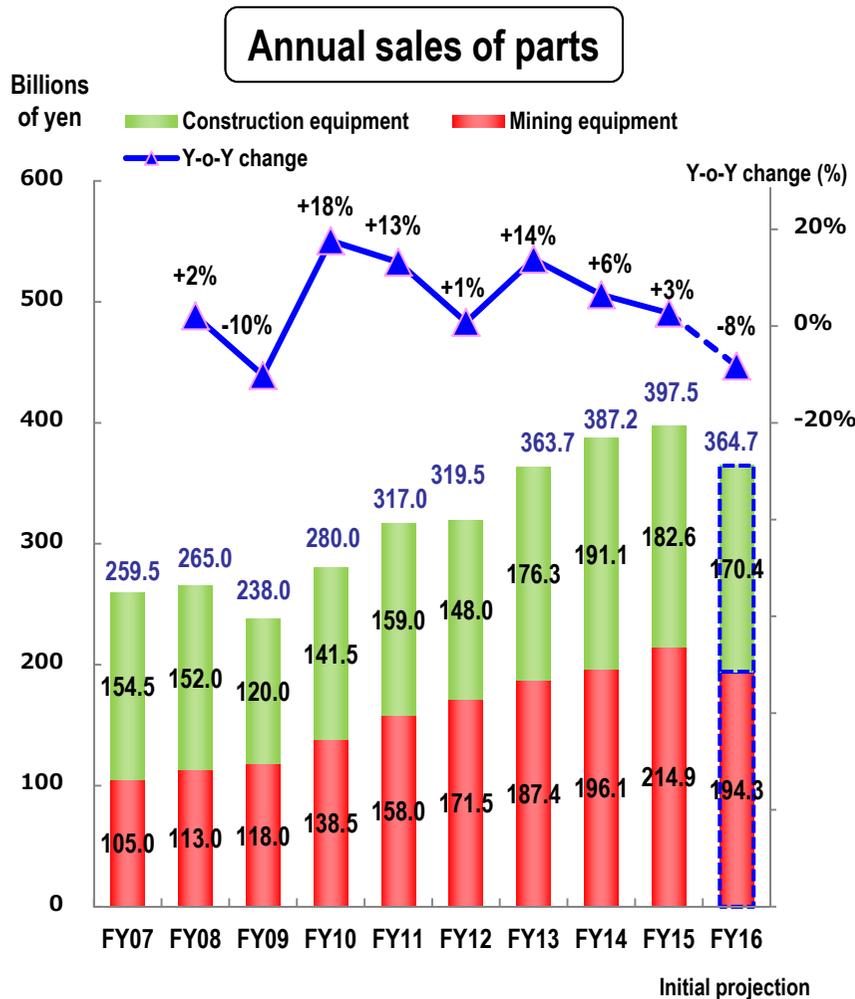
Annual sales of mining equipment (incl. parts and service)



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



- For the first 3-Month period of FY2016, sales of parts declined by 14% from the corresponding period a year ago.
- Sales declined mainly due to the Japanese yen's appreciation and the rate of increase in hours of machine operation becoming smaller.





**Miku Tashiro, representing Japan
in the 63kg- category**

**Chen-Ling Lien, representing Taiwan in the
57kg- category**

These two members of Komatsu Women's Judo Team will compete in the 2016 Rio Olympic Games. It will be their first time to compete in Olympics. Komatsu would like to ask you to give them a cheer.

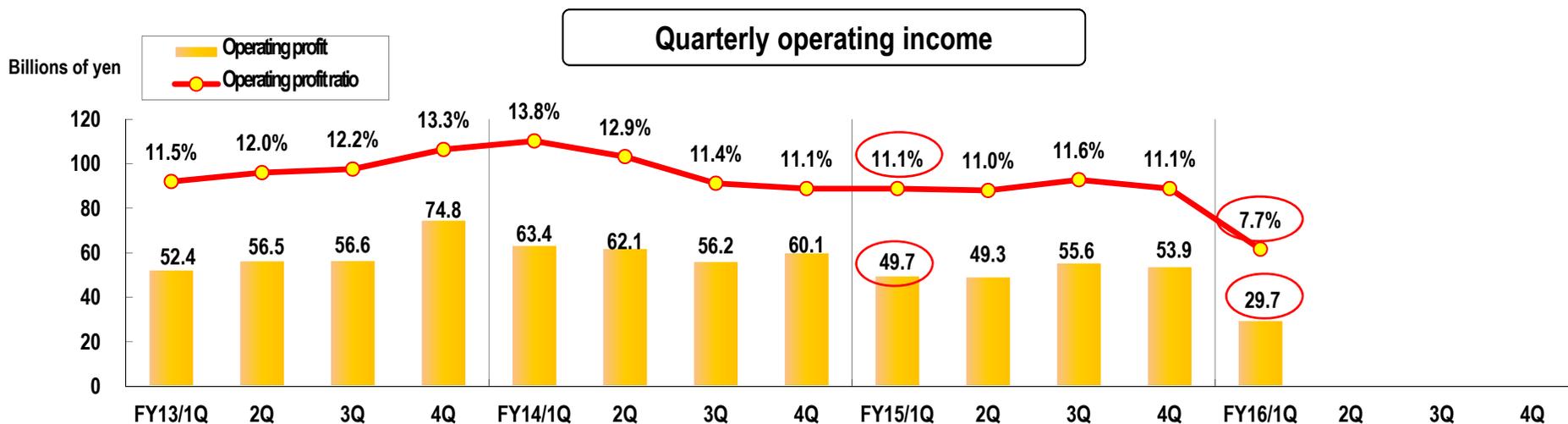
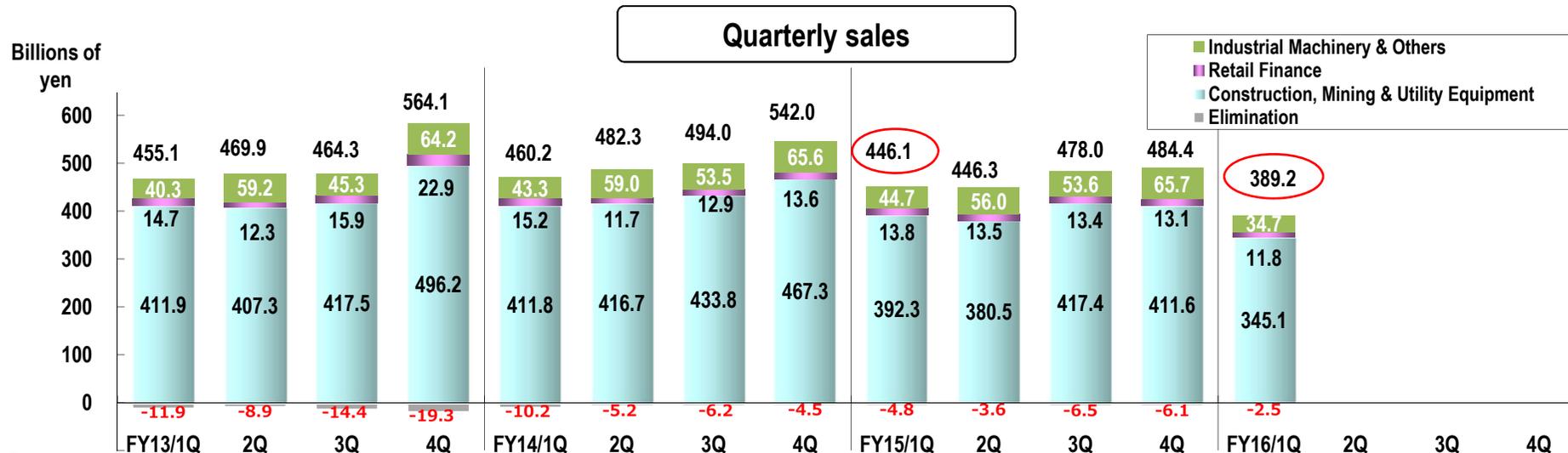
Cautionary Statement

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.

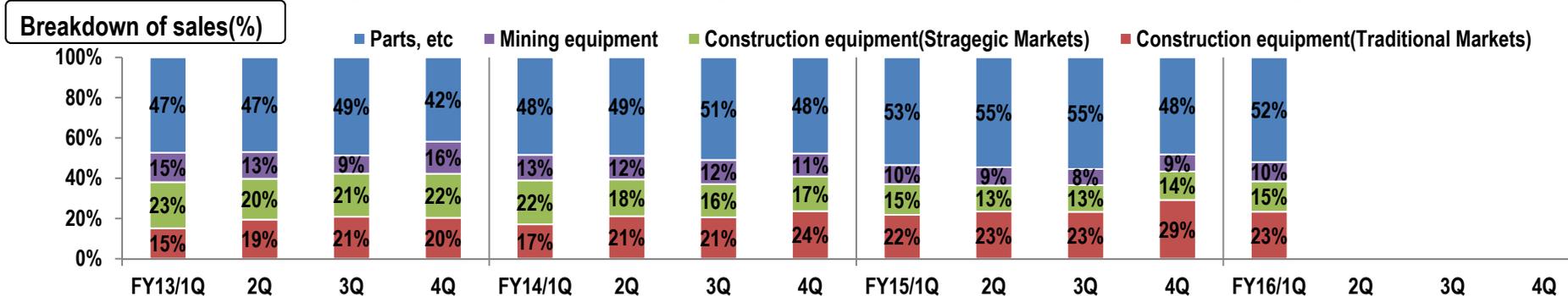
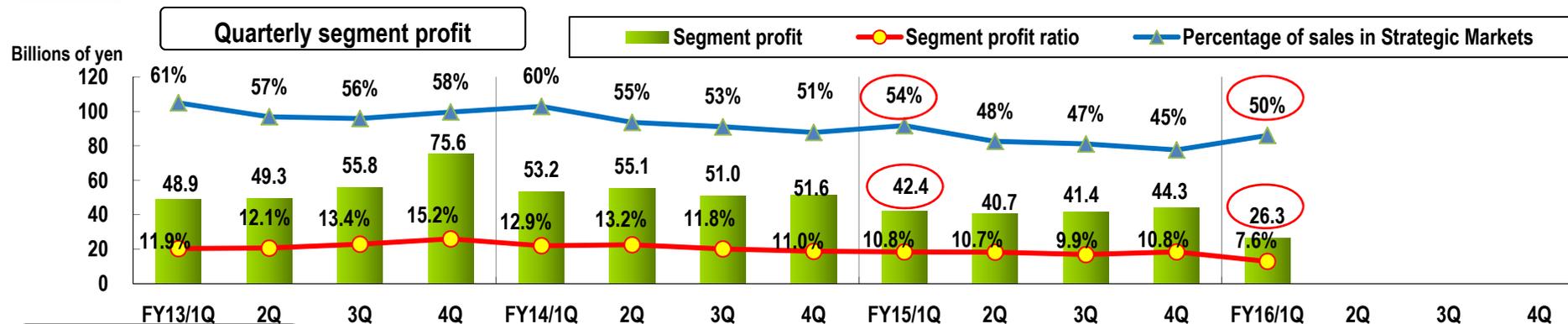
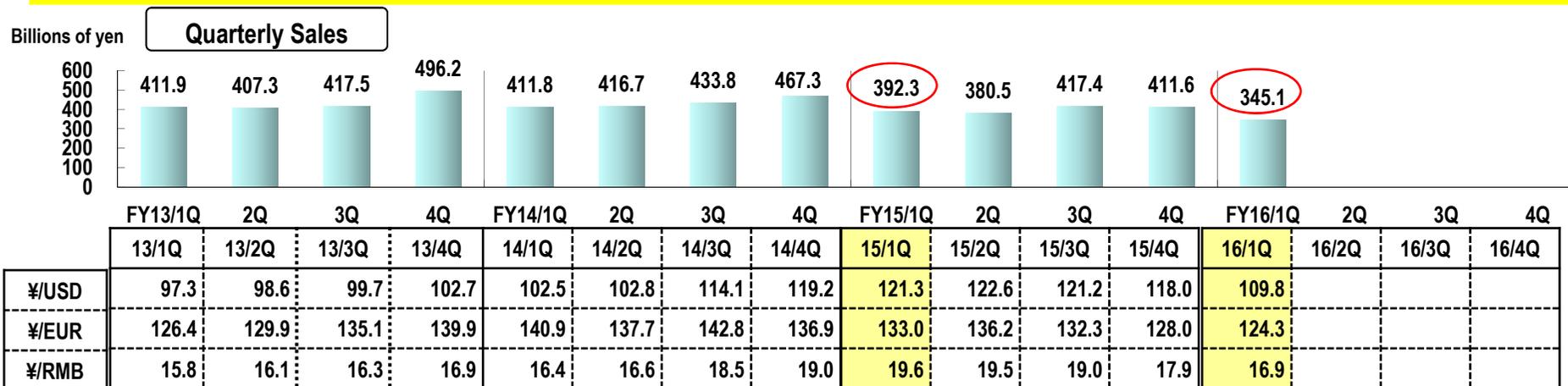
Appendix

Quarterly Sales and Operating Income



Construction, Mining & Utility Equipment (excl. Retail Finance Business): Quarterly Sales and Segment Profit

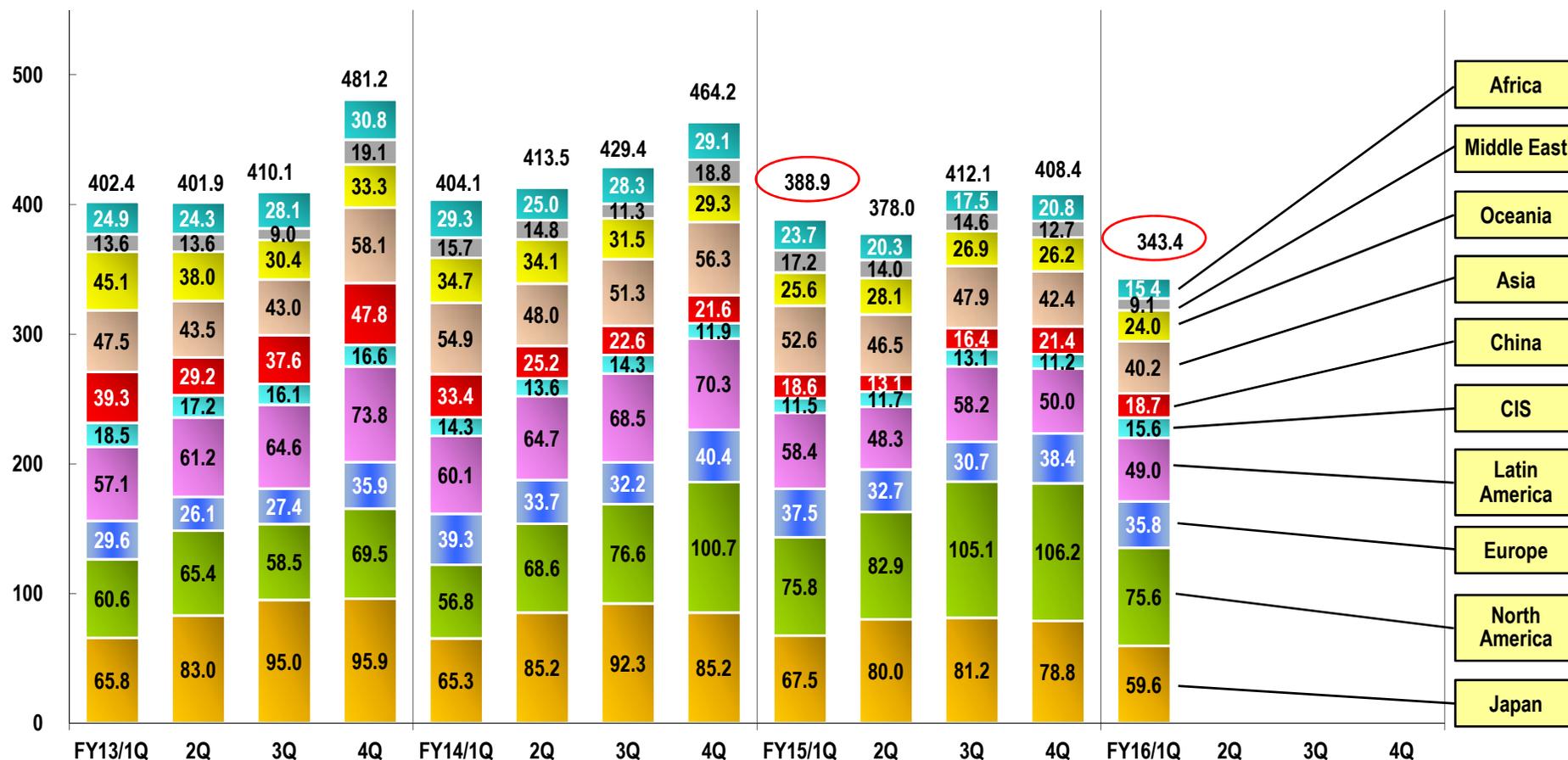
Starting in FY2016, we separate the retail finance business as an independent operating segment, whereas it was included in the construction, mining and utility equipment business up through FY2015. Accordingly, the quarterly figures below were reclassified and restated in agreement with the figure for the first quarter of FY2016.



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

Starting in FY2016, we separate the retail finance business as an independent operating segment, whereas it was included in the construction, mining and utility equipment business up through FY2015. Accordingly, the quarterly figures below were reclassified and restated in agreement with the figure for the first quarter of FY2016.

Billions of yen



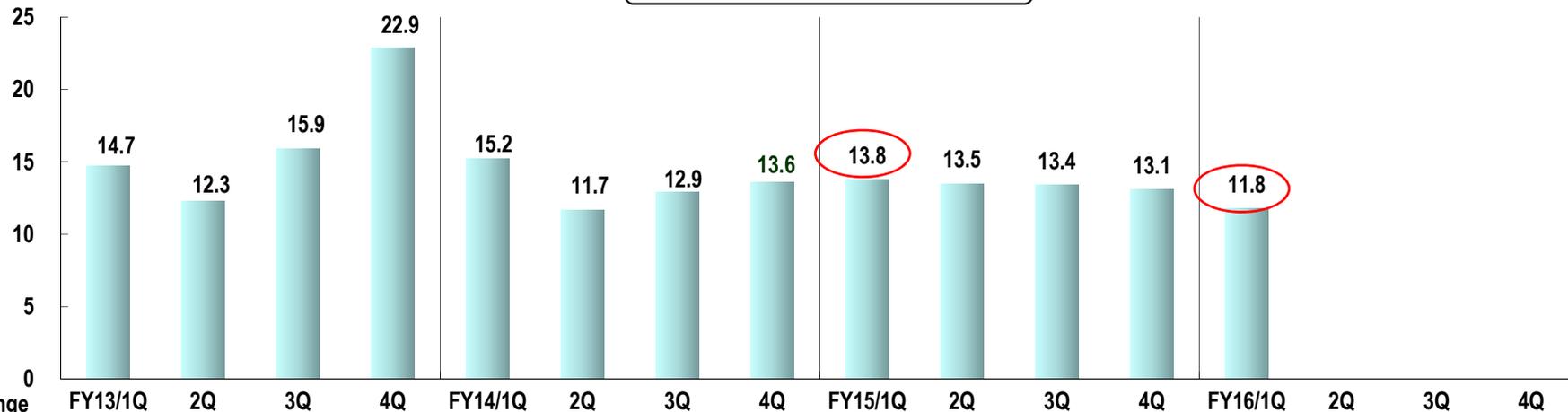
Exchange rates

	13/1Q	13/2Q	13/3Q	13/4Q	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q	16/4Q
¥/USD	97.3	98.6	99.7	102.7	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0	109.8			
¥/EUR	126.4	129.9	135.1	139.9	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0	124.3			
¥/RMB	15.8	16.1	16.3	16.9	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9	16.9			

Retail Finance : Quarterly Sales and Segment Profit

Billions of yen

Quarterly sales

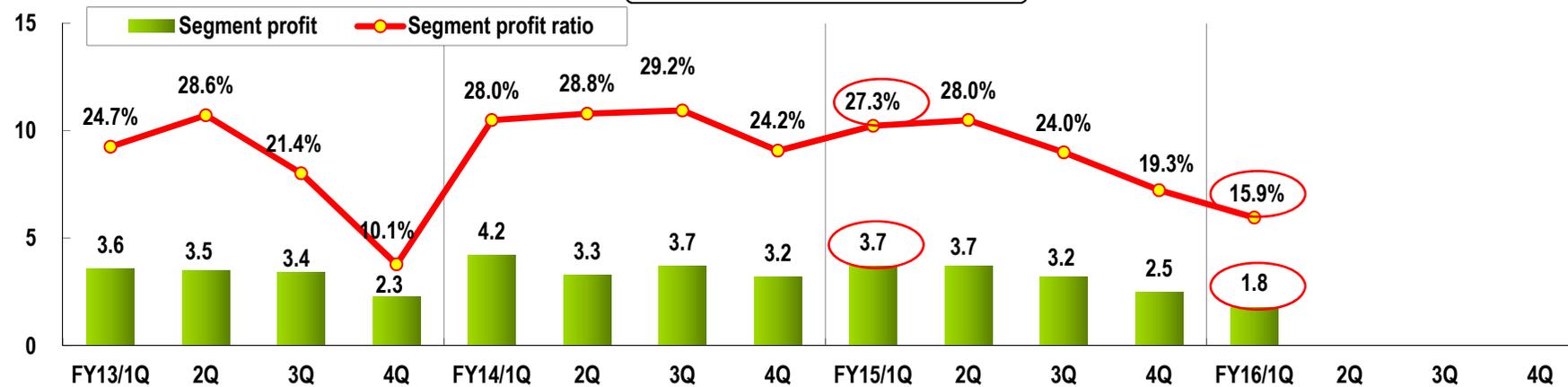


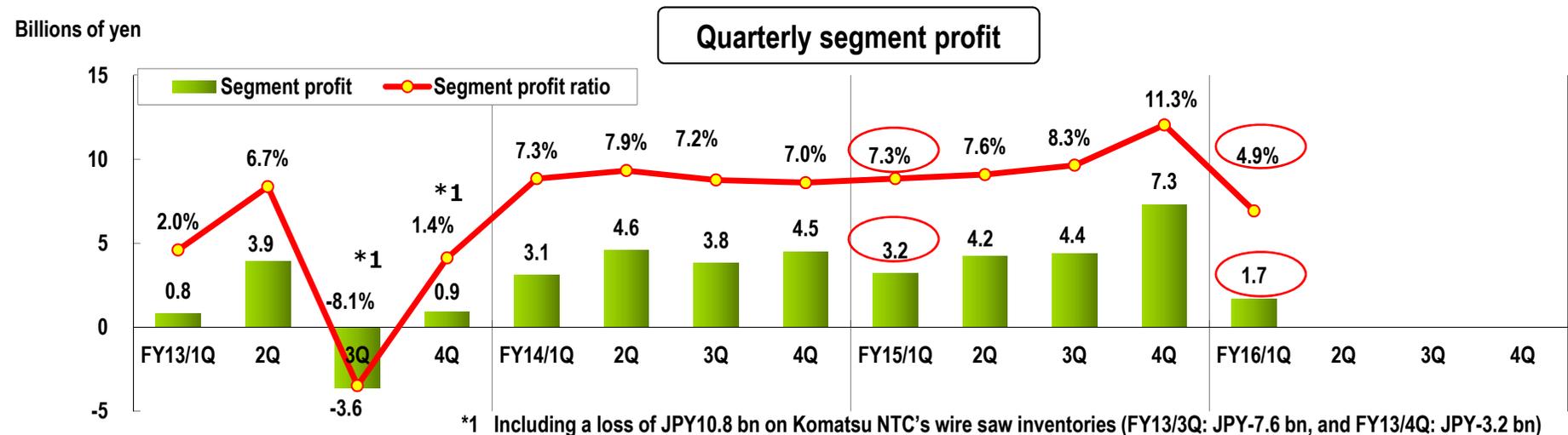
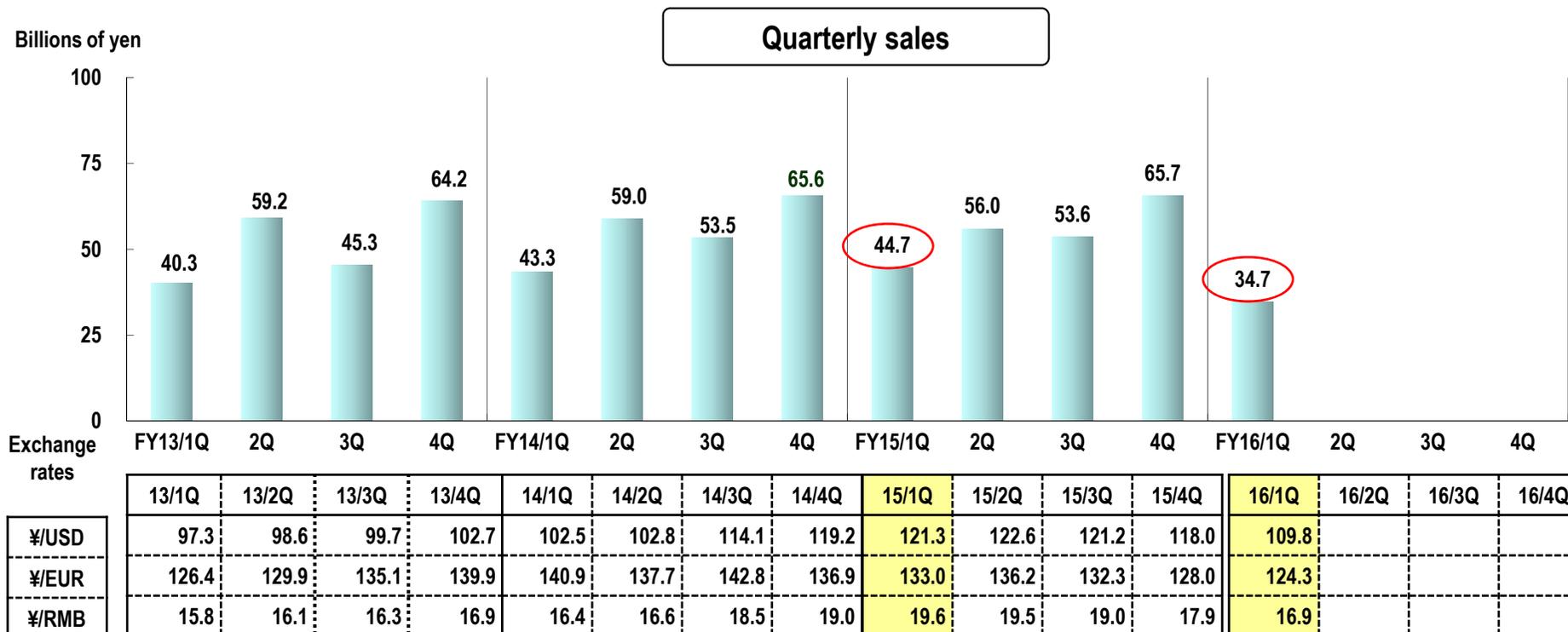
Exchange rates

	13/1Q	13/2Q	13/3Q	13/4Q	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q	16/4Q
¥/USD	97.3	98.6	99.7	102.7	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0	109.8			
¥/EUR	126.4	129.9	135.1	139.9	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0	124.3			
¥/RMB	15.8	16.1	16.3	16.9	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9	16.9			

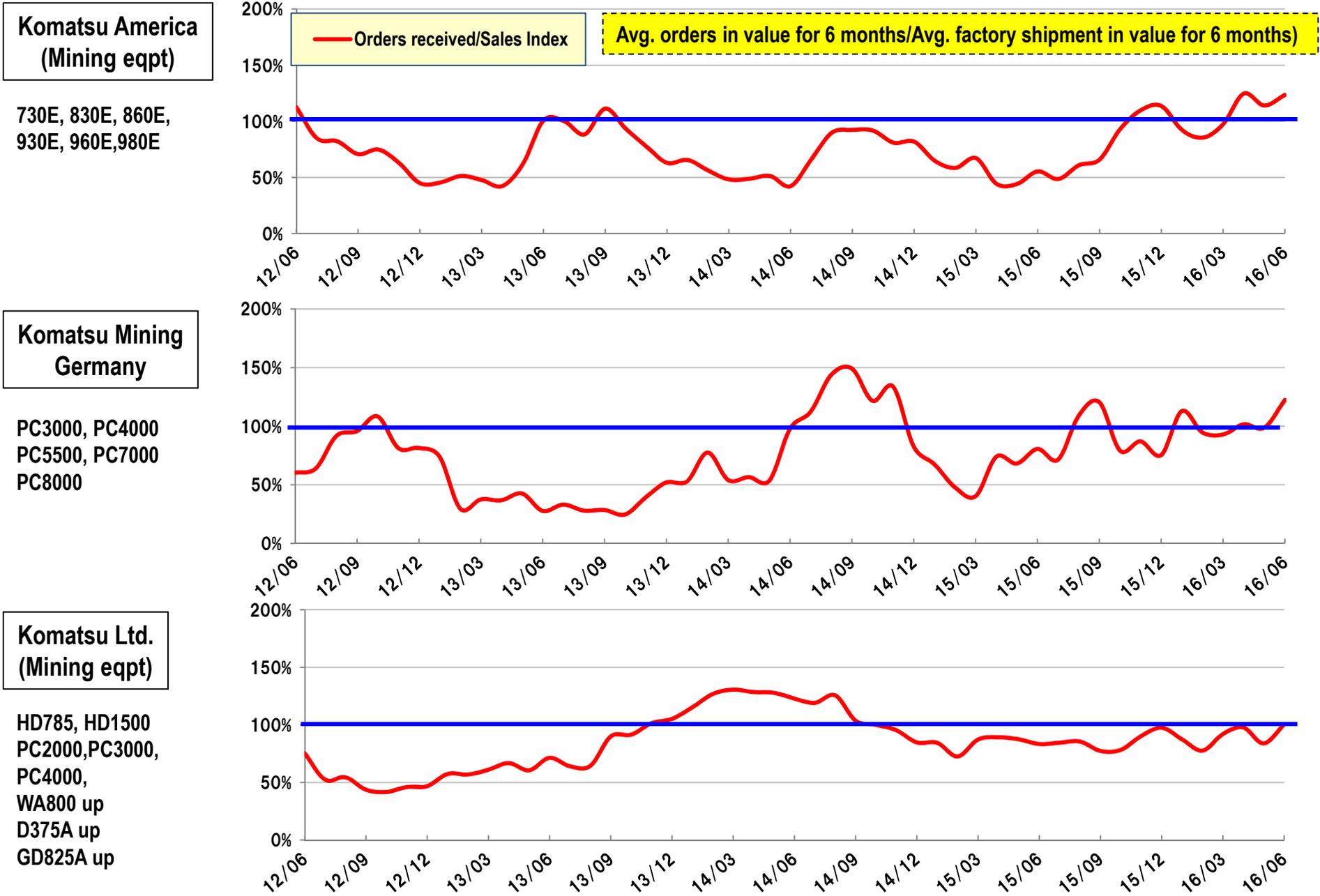
Billions of yen

Quarterly segment profit





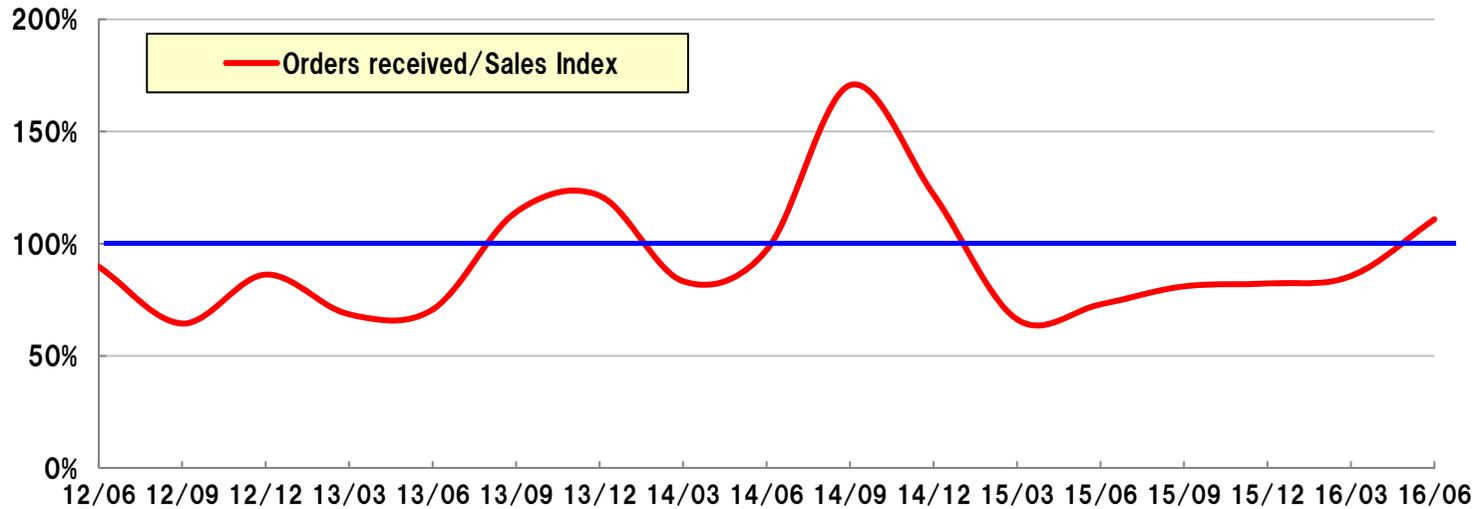
Orders Received / Sales Index for Mining Equipment (6 Months)



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)**

