

<Komatsu IR Day 2016 Meeting>

Mining Equipment and Aggregate & Cement Sector Businesses

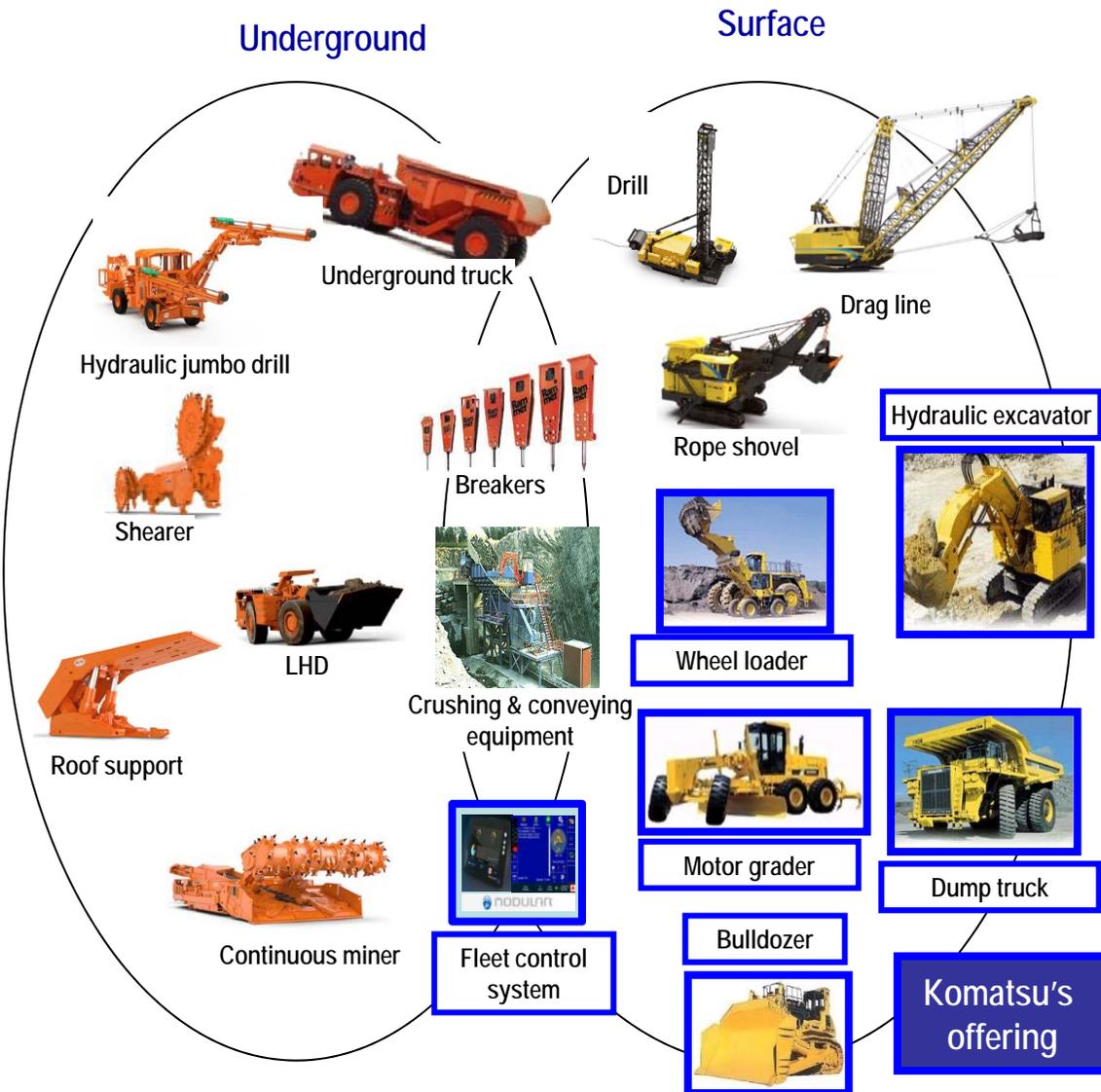
September 16, 2016

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Director and Senior Executive Officer
President of Construction and Mining Equipment Marketing Division
Komatsu Ltd.

Mining Equipment Business

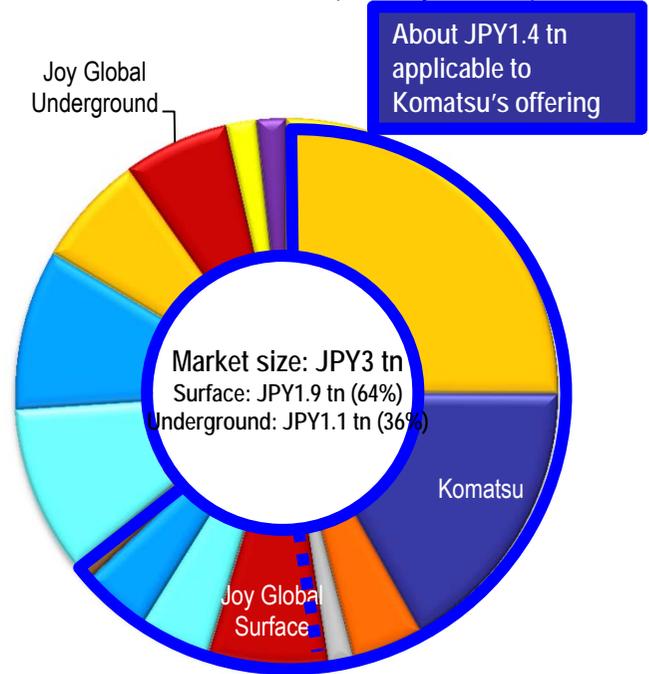
	Mining equipment	Construction equipment	Utility equipment
Customers' businesses	Limited to regions with resources Global operation	Global operation is rare. Country or region specific.	Mainly in smaller areas
Hours of machine operation	24/7 Over 5,000 hrs/year	8-16 hrs/day and 5-6 days/week 1,000--3,000 hrs/year	8 hrs/day (max) and 5 days/week Up to 1,500 hrs/year
Locations of machine use	Remote areas (in main) Almost no relocation of machines	Urban, suburbia and remote areas Relocation of machines for each project	Urban and suburbia Frequent relocation of machines
Customers' expectations	Safety Productivity/machine utilization, \$/ton, and lifecycle costs	Machine performance/reliability, Model range and ample attachments Initial costs	Versatility, Ample attachments Initial costs
Customer service	Maker/distributor	Distributor/maker	Distributors
Machine ownership	Customers (relatively high %)	Customers and rental companies	←
Competitors	A few	Many	Extensively many (esp. mini excavators)
			

■ Mining machines and our product offering

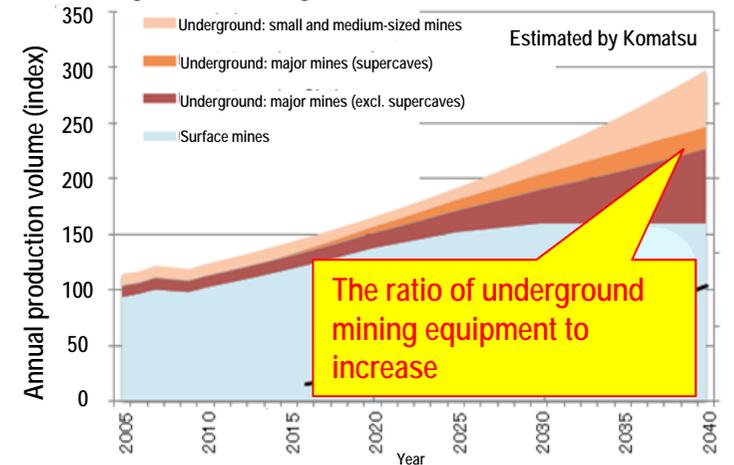


■ Market size in FY2014

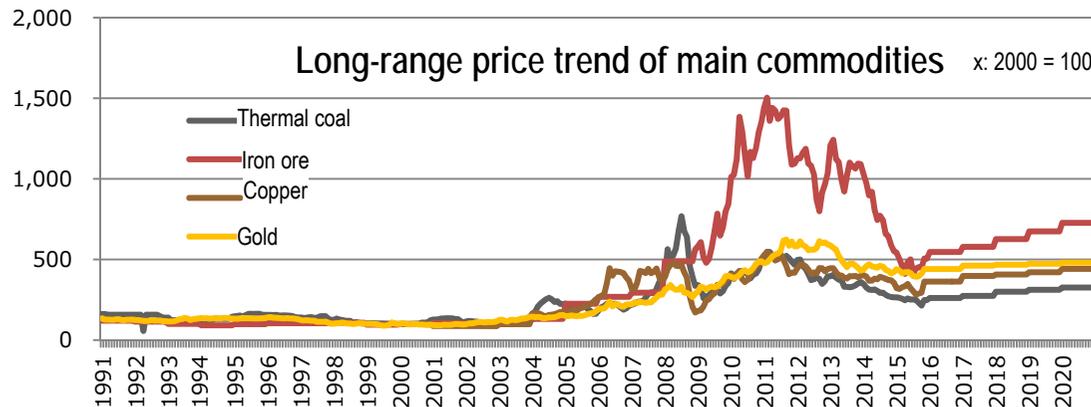
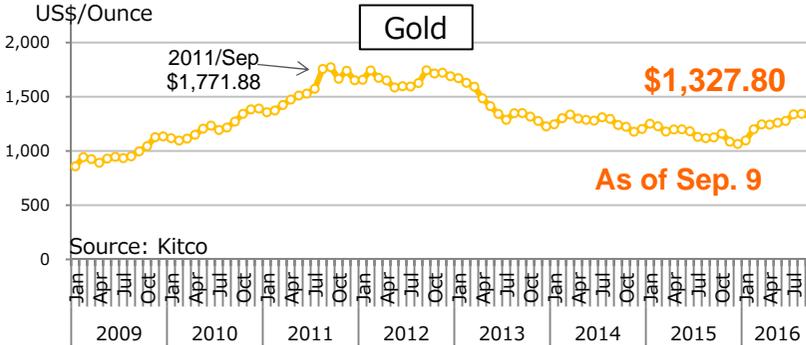
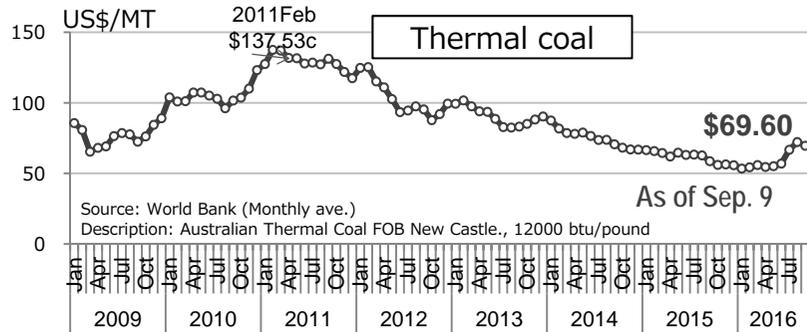
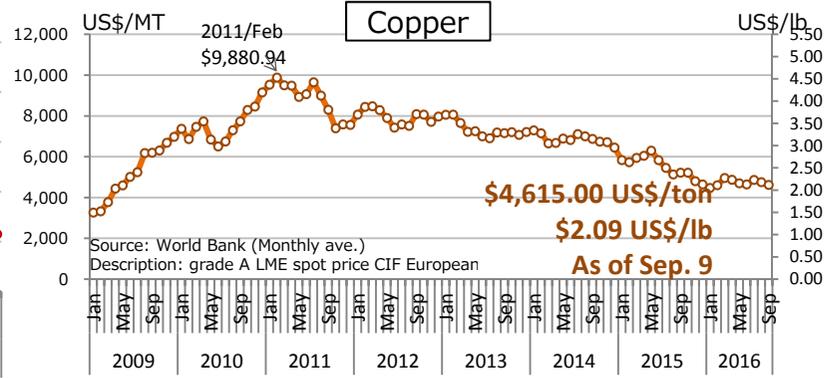
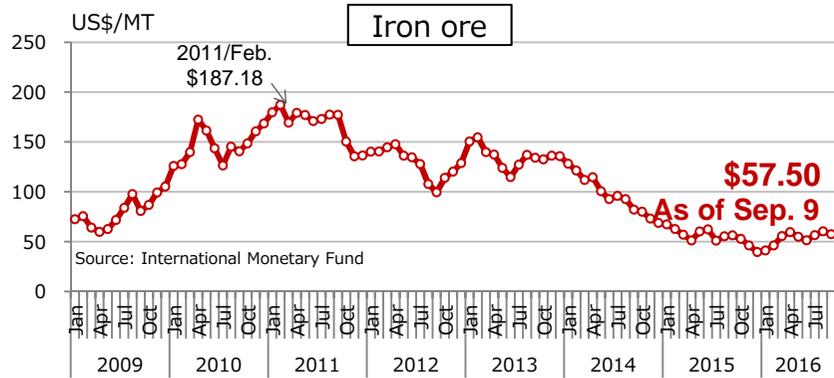
Source: Estimated by Komatsu from materials published by relevant companies



■ Production volume of minerals: surface and underground mining



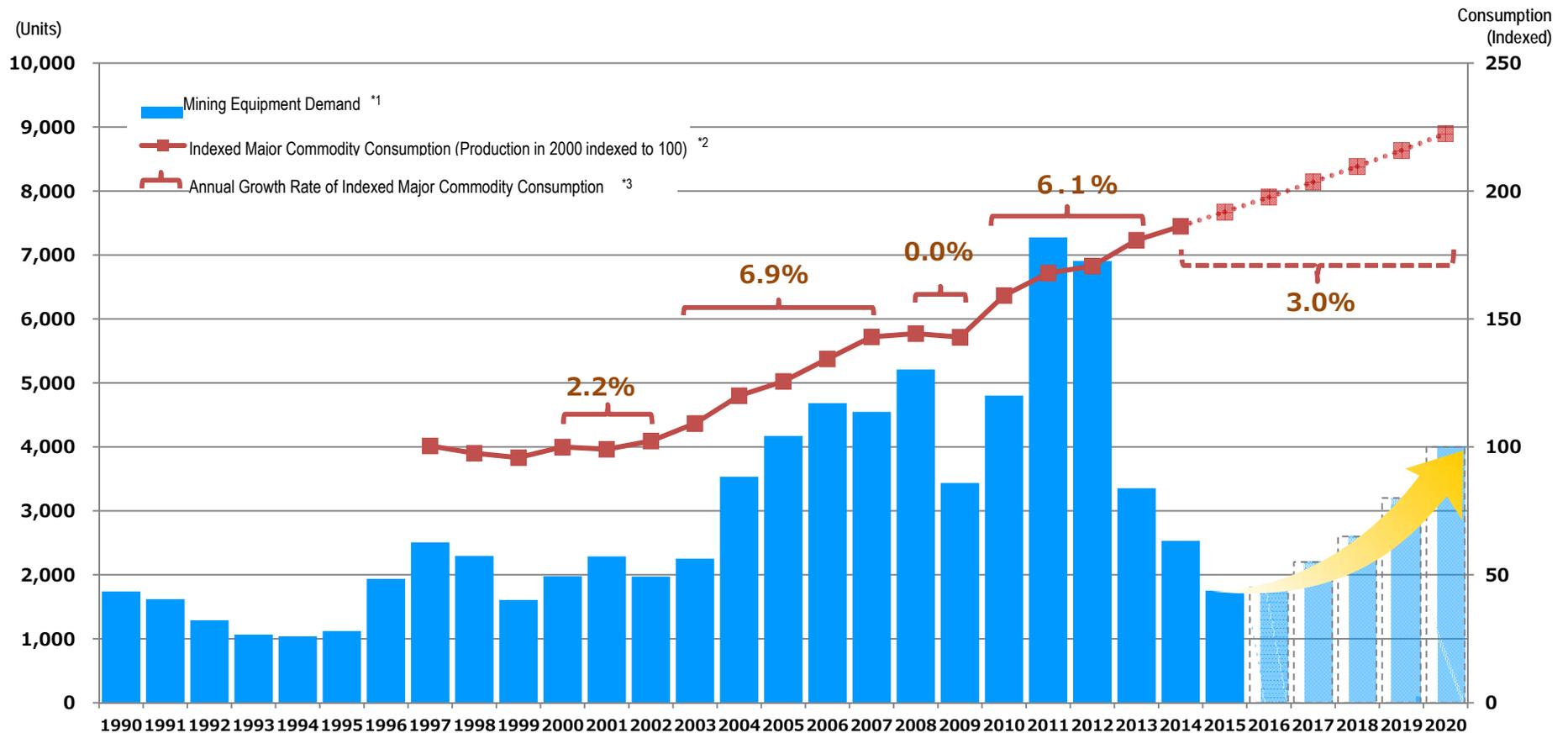
- All commodity prices peaked out in 2011. They appear to have bottomed out in 1Q, FY2016.
- We anticipate that commodity prices will head for slow recovery, although they won't recover to the peak level.



*data after 2016 is estimated by Komatsu

- While the business environment of the mining equipment industry remains challenging in the short range, we project that demand for mining equipment will gradually recover to a 4,000-unit level in the mid to long term, supported by an increase of consumption of major minerals and corresponding increase in their production volume.

Mining Equipment Demand and Index of Major Commodity Consumption



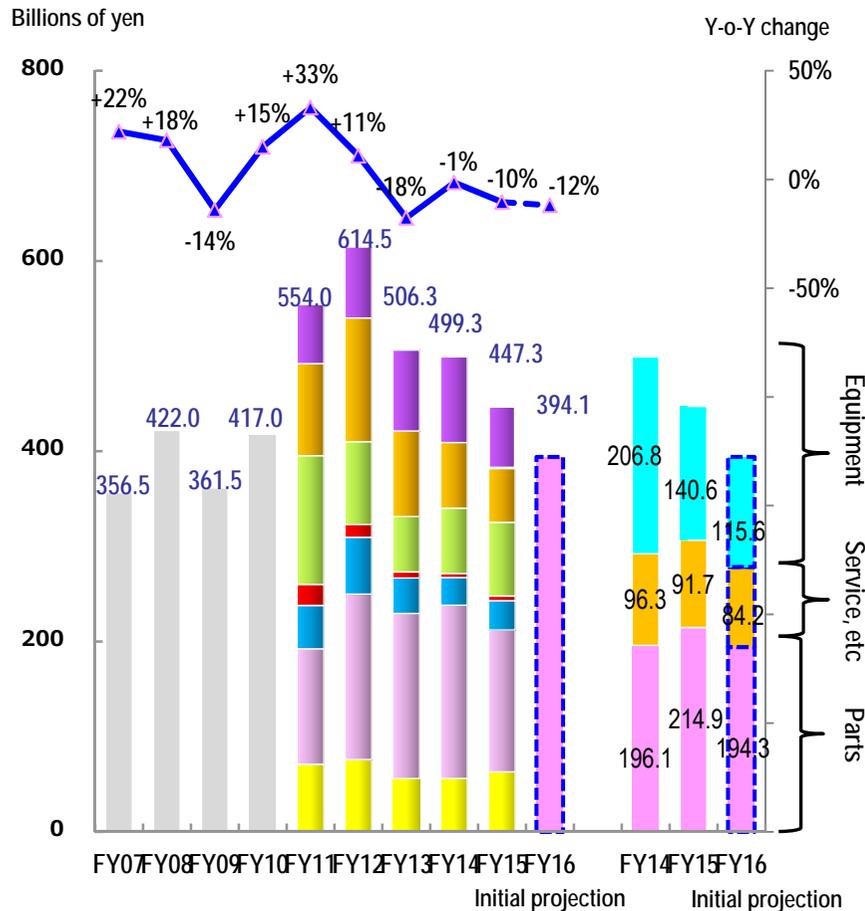
*1: For Komatsu's mining product lines only

*2: Major Commodity = Thermal coal, met coal, iron ore, copper

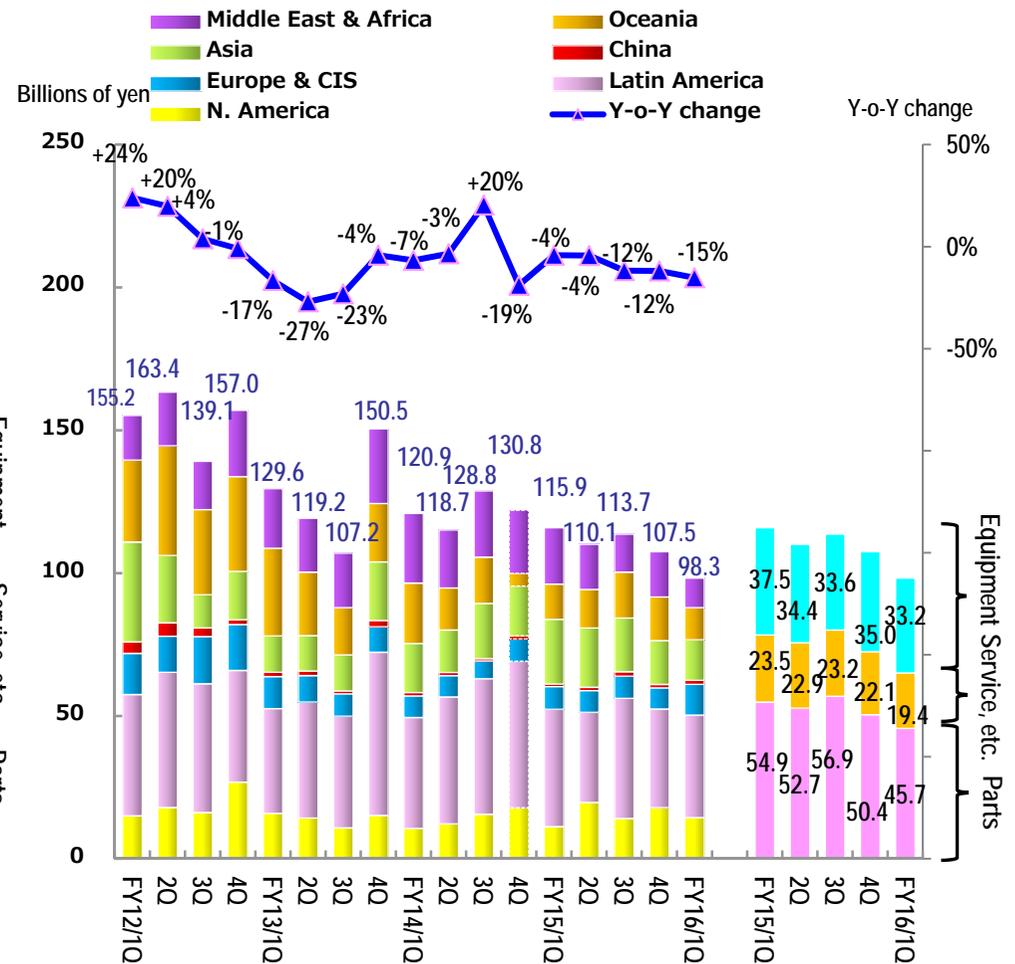
*3: Average of annual growth rate over the period

- 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.
- We project that full-year sales for FY2016 will decrease from FY2015, as affected by a decline in demand for new equipment and the Japanese yen's appreciation.

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

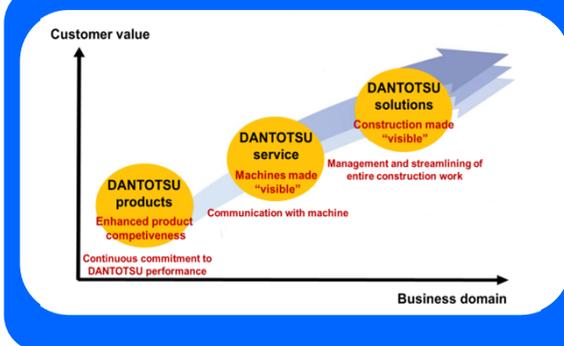


Quarterly sales of mining equipment (incl. parts and service)



Basic Strategies of Mid-range Management Plan (part for mining) ⁷

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 AHS^{*1} and reinforcement of platform for mining solutions**

*1: AHS stands for Autonomous Haulage System and means a system to operate unmanned dump trucks.



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**
- M&A

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

Production being connected

"Visualization" of information concerning processing
Real-time monitoring of production and factory equipment

Production optimization by using IoT
Increase per-hour space productivity
 Decrease management
 Shorten lead time

Lean plants

Plants being connected to market information

Forecast of overhauls, Forecast of demand for parts
Shorten supply lead time
 Minimize inventories
 Optimize logistics

Improvement of customers' productivity
Develop products by user category
 Optimize allocation of resources
 Optimize overhauling

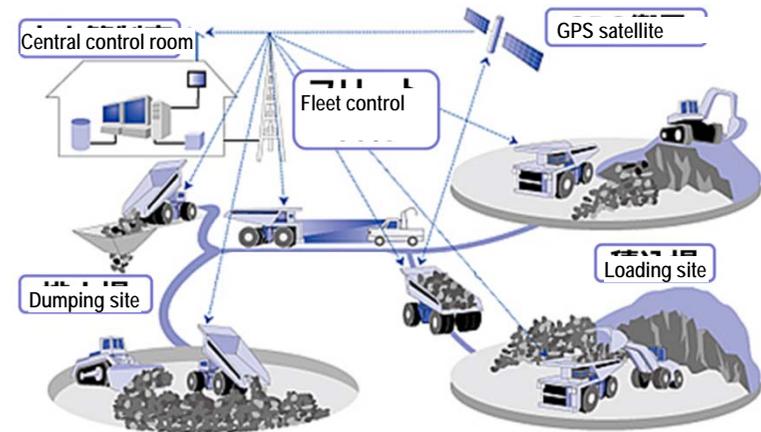
3. Structural Reforms Designed to Reinforce the Business Foundation

- 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 have delivered 100 AHS autonomous dump trucks (cumulative) to mines in Australia and Chile.
- We have been controlling an AHS autonomous dump truck fleet from urban area located over 1,500km away from the mine in Australia.
- AHS has proven a high degree of flexibility capable of operating 24/7 in different work conditions, such as iron, coal and other mines.
- We hauled 1,000,000,000 tons (cumulative) of earth as of September 2016.



Conceptual diagram of AHS



Western Australia: Riot Tinto's iron ore mines

- Began operation in 2008.
- Total of over 70 units in operation at Nummuldi, Yandicoogina and HopeDown4.



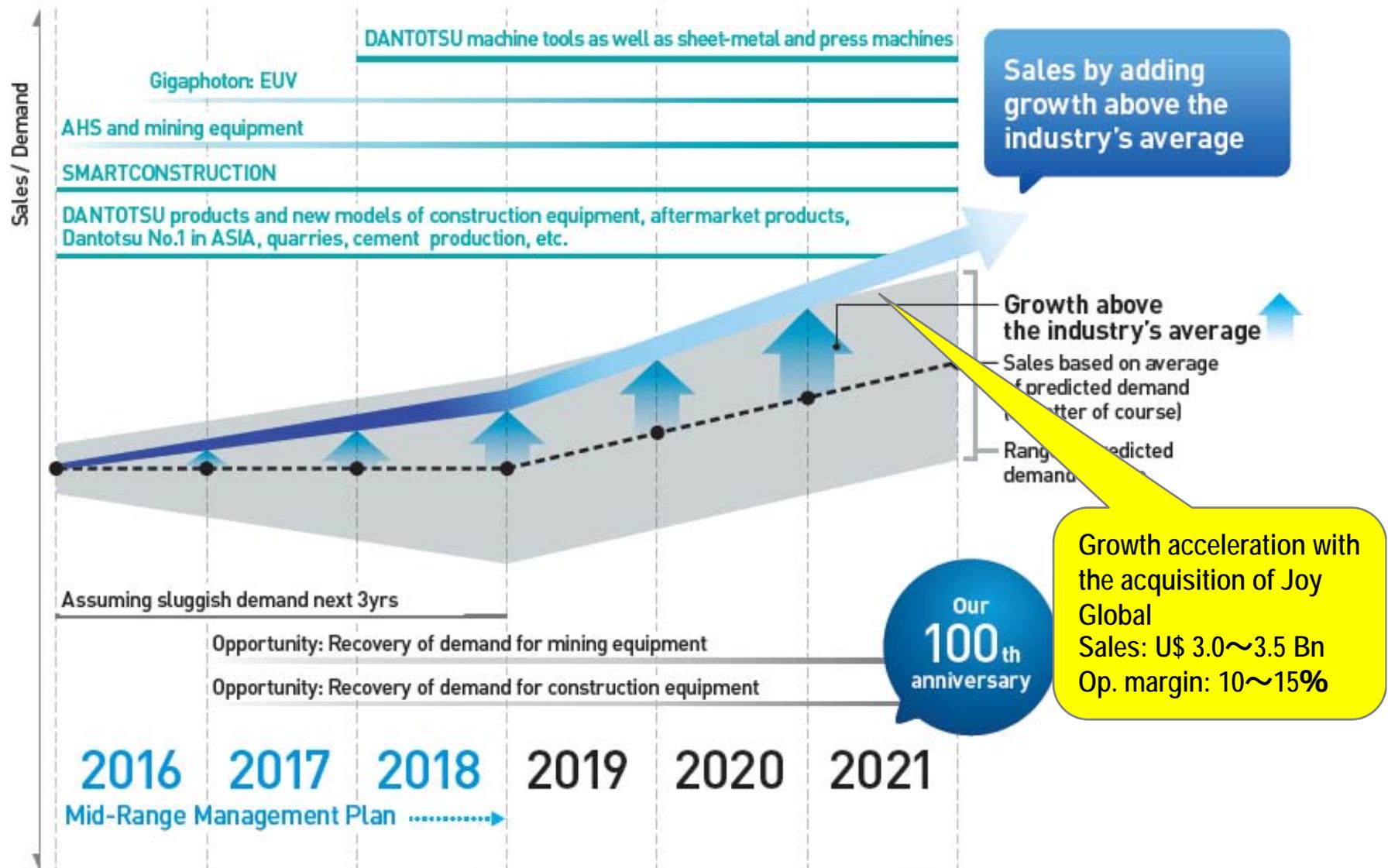
Chile: Codelco's copper mine

- Began operation in 2008.
- 18 units in operation at Gaby mine.



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.



Aggregate and Cement Sector

Characteristics of Aggregate and Cement Sector

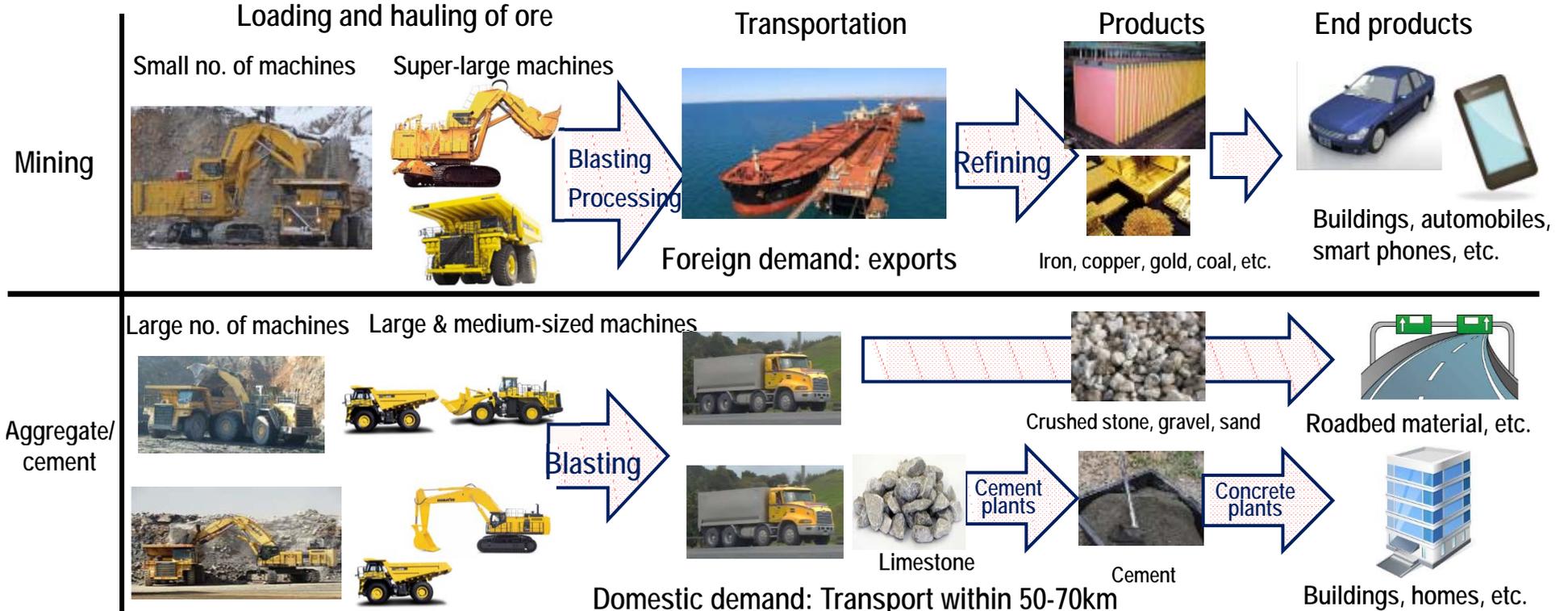
1. Market characteristics

[Customers: distributed worldwide] [Main machines: mostly made in Japan]

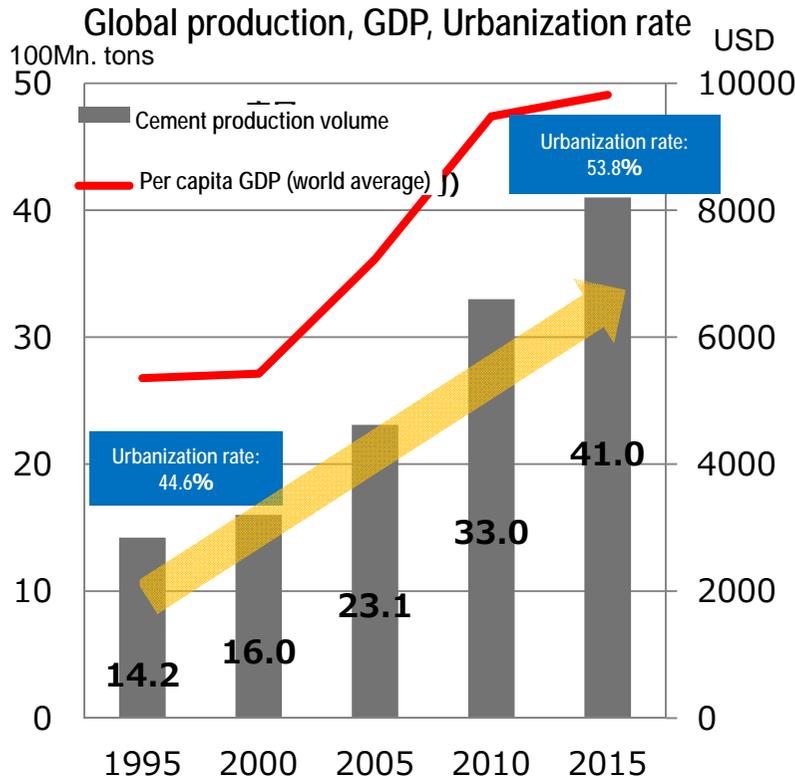
	Mining customers	Aggregate/cement customers	Construction customers
No. of customers	Few (global players)	Many	Extensively many
Hours of machine use	24/7 Over 5,000hrs/yr	10-16hrs/day, 6days/week	8-16hrs/day, 5-6days/week
Site location	Mainly remote areas	Cities & suburbs	Cities & suburbs
Product destination	Many	Few (locally produced & consumed)	N/A
Customer needs	Safety, \$/ton	Safety, environment, \$/ton	Initial cost, trade-in value, fuel cost

- Positioned in the middle of mining and construction sectors.
- Site operation resembles mining.
- Compared to mining, more sites, smaller scale and relatively smaller machines.
- Locally produced and consumed due to low unit price, and limited distance of transportation.

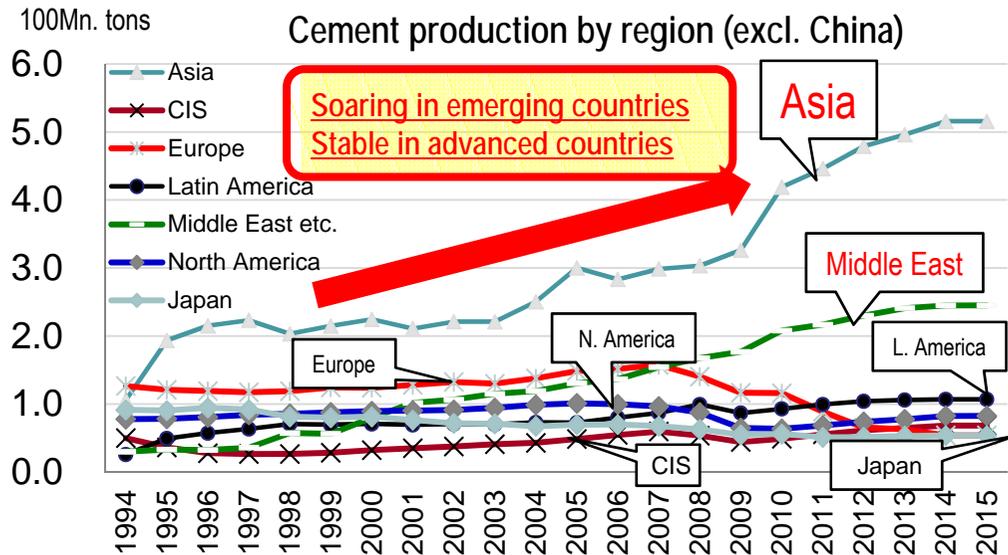
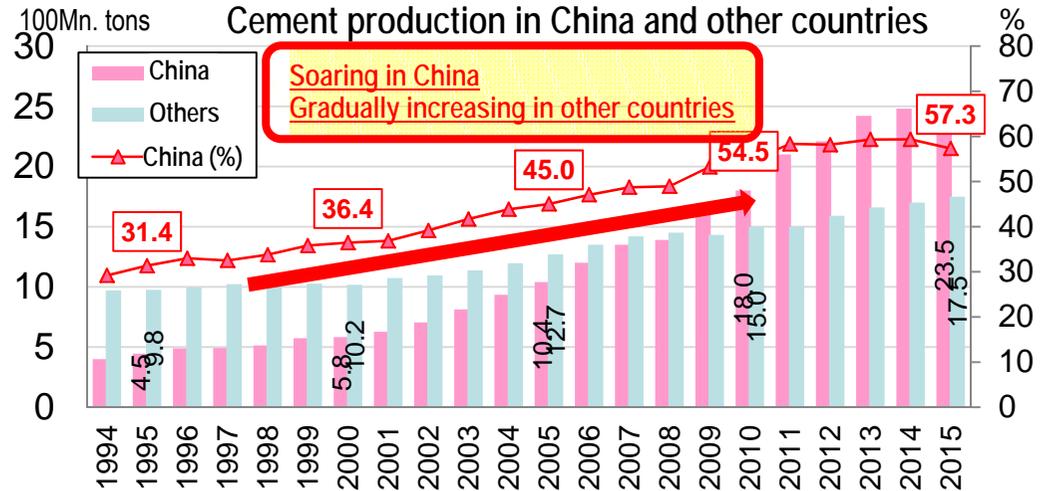
2. Machines for use and production process



1. Expanding cement production
Stable expansion supported by economic growth centering on emerging countries

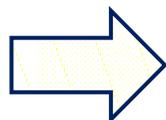


Reference: World Bank



2. Structural change of the industry (M&A and emerging global majors)

Large companies becoming larger and global, mainly reflecting low interest rates.



- Lafarge Holcim established (2015)
- Heidelberg Cement acquires Italcement (2016)

Reinforcing Global Presence in the Aggregate & Cement Sector

Basic policy We position the aggregate & cement sector as **the third important market segment**, following mining and construction.

1) By creating an exclusive unit in the head office in Tokyo we will make efforts as a company-wide project

2) To expand business, we will capitalize on our know-how in building customer relationships and global operations, accumulated in the mining equipment business.

3) We will take full advantage of our global network of distributors.



Thank you for your interest in Komatsu.