

Business Results for the First 3-Month (April-June, 2017) of FY 2017 【Telephone conference】

July 28, 2017

Komatsu Ltd. Participants

Mikio Fujitsuka Executive Vice President and CFO

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General Manager of Business Coordination Department**

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* KMC: Komatsu Mining Corp.

I. Business Results for the First 3-Month (April-June, 2017) of FY2017

Note

On April 5, 2017, we completed the acquisition of Joy Global Inc. On April 19, Joy Global Inc. changed its trade name to Komatsu Mining Corp. (hereafter “KMC”). From the first 3-month period of FY2017, our consolidated business results include those of KMC as a consolidated subsidiary.

- Consolidated net sales increased by 44.2% from the corresponding period a year ago, to JPY561.2 billion.
- Operating income advanced by 75.9% to JPY52.4 billion. Return on sales increased by 1.6 points to 9.3%.
- Net income attributable to Komatsu Ltd. improved by 133.5% to JPY36.3 billion.

Billions of yen	Apr.-Jun.,2016	Apr.-Jun.,2017		Changes		
	¥109.8/USD ¥124.3/EUR ¥16.9/RMB	¥111.2/USD ¥121.6/EUR ¥16.3/RMB	Komatsu conventional *1	KMC	Increase (decrease)	Change %
Net sales	389.2	561.2	487.2	73.9	+171.9	+44.2%
Segment profit (loss)	29.0	52.9	65.9	*2 (12.9)	+23.9	+82.8%
Other operating income (expenses)	0.7	(0.5)	(0.5)	-	(1.3)	-
Operating income (loss)	29.7	52.4	65.3	*2 (12.9)	+22.6	+75.9%
Profit ratio (loss ratio)	7.7%	9.3%	13.4%	(17.5)%	+1.6pts.	-
Other income (expenses)	(5.5)	(4.3)			+1.2	-
Income before income taxes	24.2	48.0			+23.8	+98.7%
Net income *3	15.5	36.3			+20.8	+133.5%

Notes 1) Figures represent those which KMC's business results are excluded

2) KMC's segment and operating losses include temporary expenses in the table on the right.

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

Depreciation after PPA *	(16.6)
Start-up expenses, etc.	(2.6)
Total	(19.3)

Note: PPA stands for Purchase Price Allocation.
It is an accounting process of valuating and allocating acquired assets and liabilities to fair prices.

Segment Sales and Profits for the First 3-Month (April-June,2017) of FY2017

- Construction, Mining & Utility Equipment: Sales advanced by 49.2% from the corresponding period a year ago, to JPY515.0 billion. Segment profit expanded by 81.8% to JPY47.9 billion. Segment profit ratio improved by 1.7 points to 9.3%.
- Retail Finance: Revenues advanced by 48.0% to JPY17.5 billion. Segment profit expanded by 76.4% to JPY3.3 billion.
- Industrial Machinery & Others: Sales increased by 11.2% to JPY38.6 billion. Segment profit improved by 38.9% to JPY2.3 billion.

% : Profit ratio

[] : Sales after elimination of inter-segment transactions

Billions of yen	Apr.-Jun.,2016		Apr.-Jun.,2017		Komatsu conventional		KMC		Changes	
									Increase (decrease)	% Change
Net sales	389.2		561.2		487.2		73.9		+171.9 +44.2%	
Construction, mining & utility equipment	[343.4]	345.1	[510.9]	515.0	[437.0]	441.0	[73.9]	73.9	[+167.5]	+169.8 [+48.8%] +49.2%
Retail finance	[11.3]	11.8	[11.9]	17.5	[11.9]	17.5	-	-	[+0.6]	+5.6 [+6.0%] +48.0%
Industrial machinery & others	[34.5]	34.7	[38.2]	38.6	[38.2]	38.6	-	-	[+3.7]	+3.8 [+10.8%] +11.2%
Elimination	7.5%	(2.5)	9.4%	(10.0)	13.5%	(10.0)	-	-	(7.5)	-
Segment profit	7.6%	29.0	9.3%	52.9	13.8%	65.9	(17.5)%	(12.9)	+23.9 +82.8%	
Construction, mining & utility equipment	15.9%	26.3	18.9%	47.9	18.9%	60.9	(17.5)%	(12.9)	+21.5 +81.8%	
Retail finance	4.9%	1.8	6.1%	3.3	6.1%	3.3	-	-	+1.4 +76.4%	
Industrial machinery & others		1.7		2.3		2.3	-	-	+0.6 +38.9%	
Corporate & elimination		(0.9)		(0.6)		(0.6)	-	-	+0.2 -	

Review of three business segments

■ Construction, Mining & Utility Equipment

Sales advanced, supported by expanded sales in China and Indonesia with recovering demand and effects of the new addition of KMC to consolidated accounting. While KMC recorded operating loss, impacted by its temporary expenses, Komatsu (excluding KMC) expanded profit. As a result, segment profit increased as a whole from the corresponding period a year ago

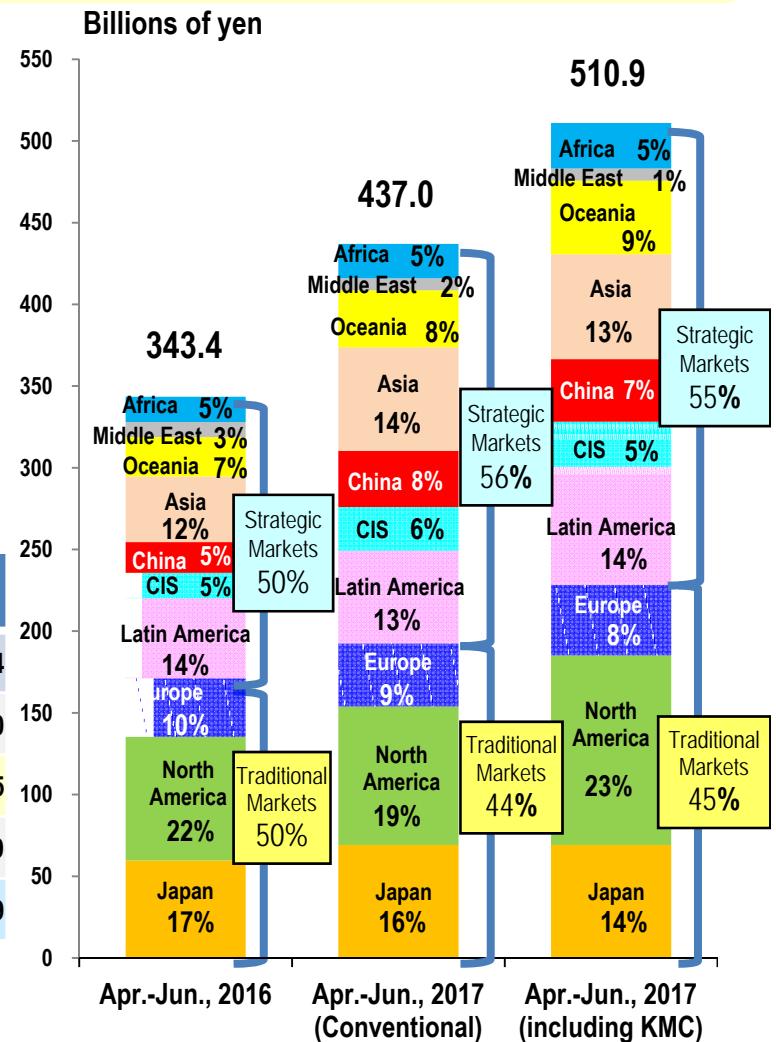
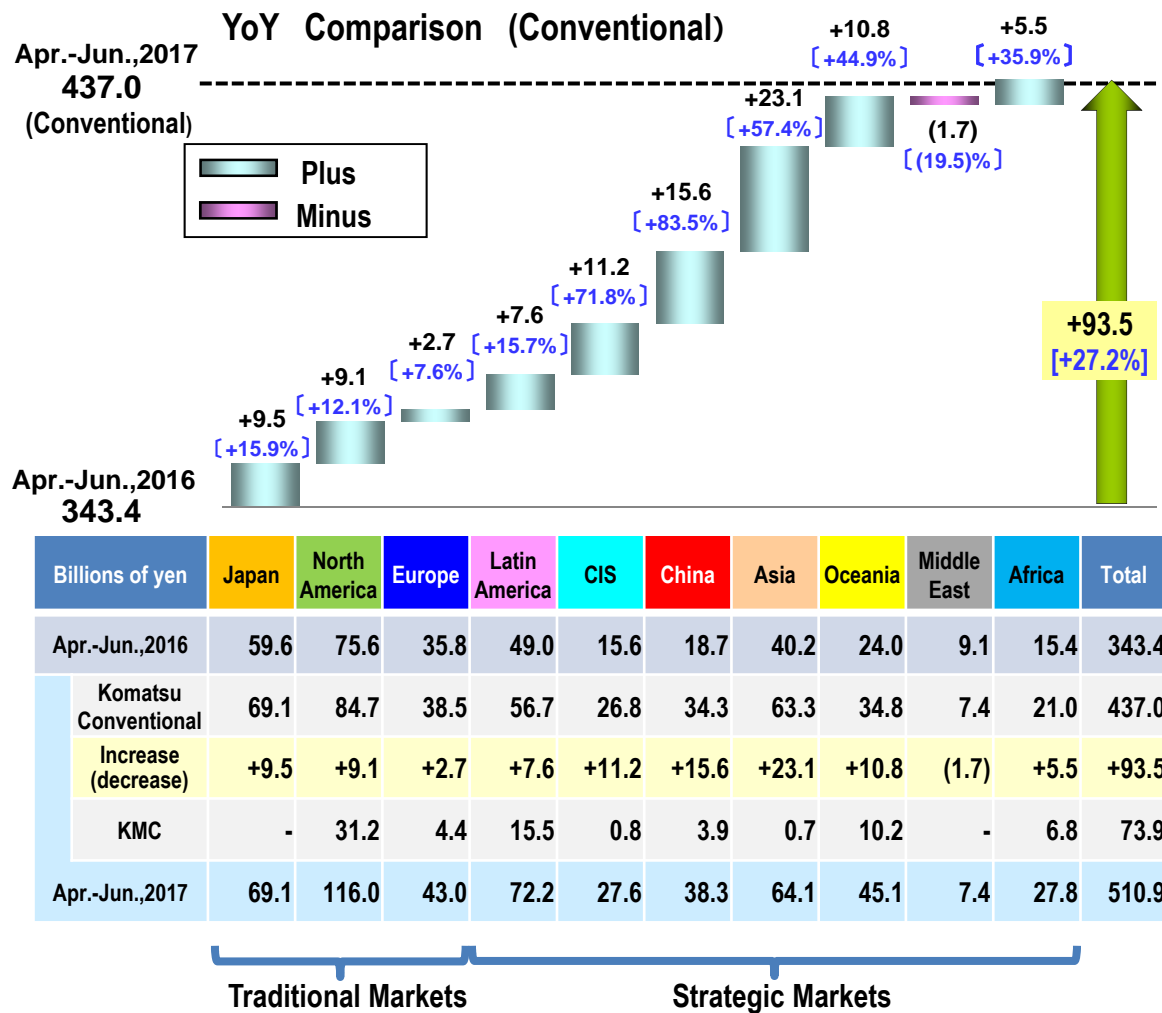
■ Retail Finance:

Revenues increased, mainly supported by expanded revenues in Chile. Segment profit also increased, reflecting no more allowance for doubtful accounts in China.

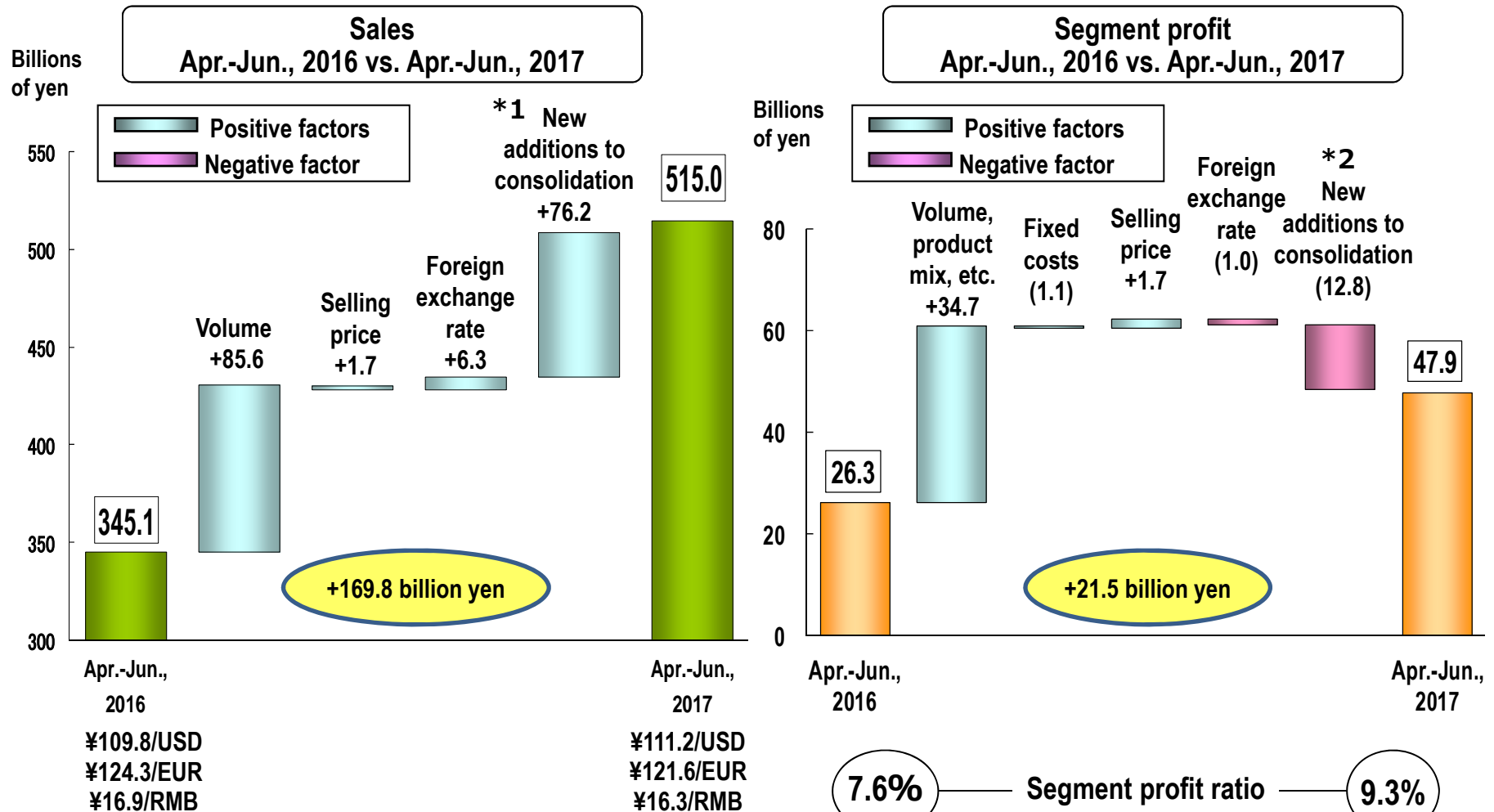
■ Industrial Machinery & Others

Both sales and segment profit increased, supported by expanded sales of Komatsu Industries Corporation and Komatsu NTC Ltd.

- Sales to outside customers advanced by 48.8% from the corresponding period a year ago, to JPY510.9 billion. When KMC's sales are excluded, sales increased by 27.2% to JPY437.0 billion.
- Excluding those of KMC, sales improved in all regions except for the Middle East. Sales expanded sharply, especially in China and CIS. The ratio of sales in Strategic Markets increased to 56% of total sales. (The ratio of Strategic Market was 55%, when KMC's sales were included.)



- Sales increased by JPY169.8 billion from the corresponding period a year ago, supported by increased volume of sales, the positive factor of foreign exchange rates and effects of the new addition of KMC to consolidated accounting. Although segment profit was adversely affected by temporary expenses of KMC, as a whole, it increased by JPY21.5 billion.
- Segment profit ratio improved by 1.7 points to 9.3%.

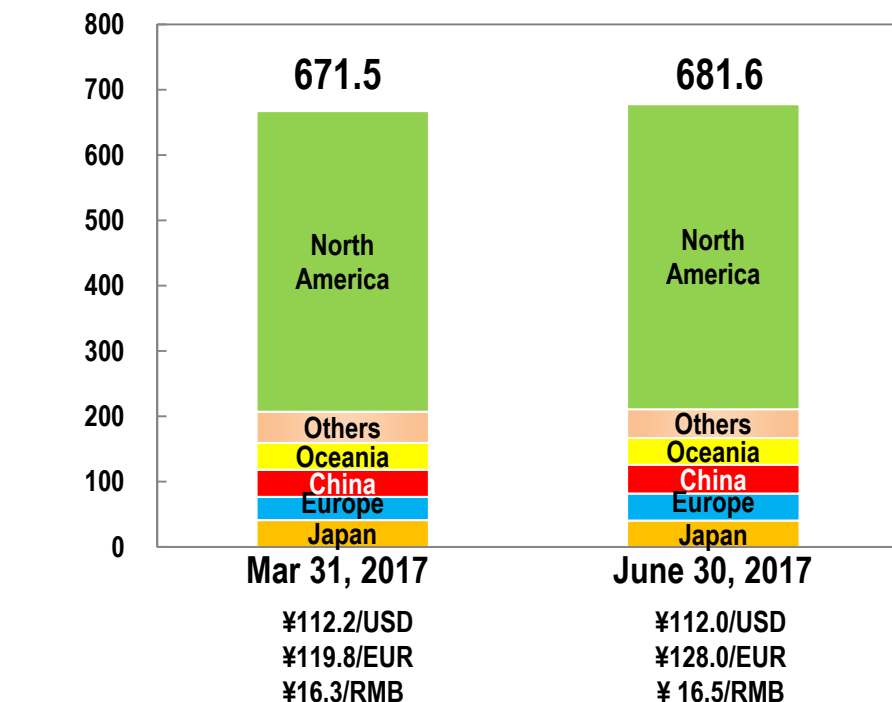


*1: Including JPY73.9 billion resulting from the new addition of KMC to consolidated accounting

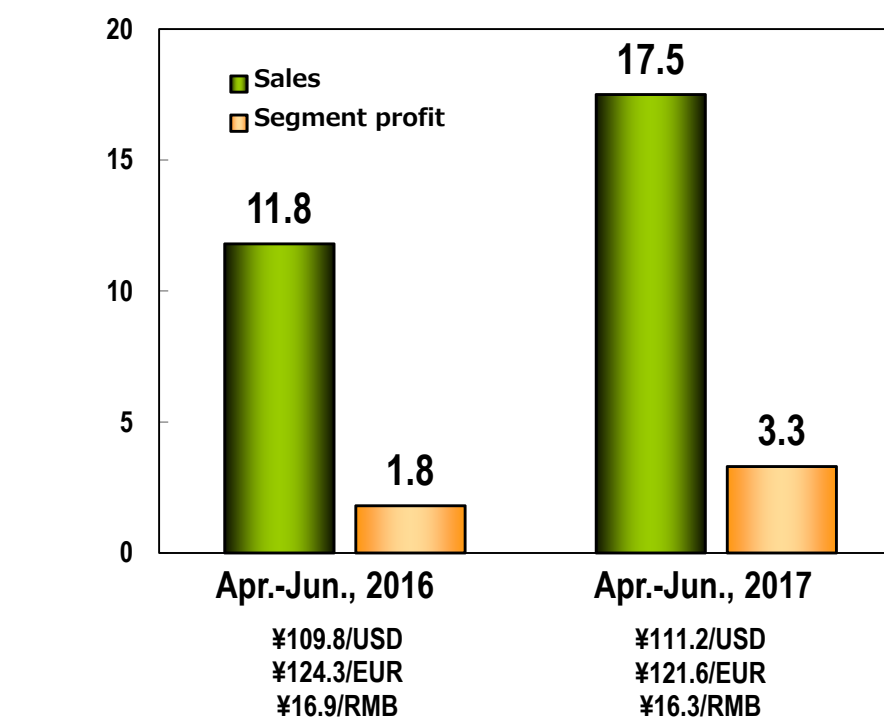
*2: Including JPY(12.9) billion resulting from the new addition of KMC to consolidated accounting.

- Assets in the retail finance business increased, mainly due to increased contracts centering on North America.
- Segment profit increased, mainly supported by no more adverse effects of additional allowance for doubtful accounts recorded in China for the corresponding period a year ago.

Assets
Mar 31, 2017 vs. June 30, 2017

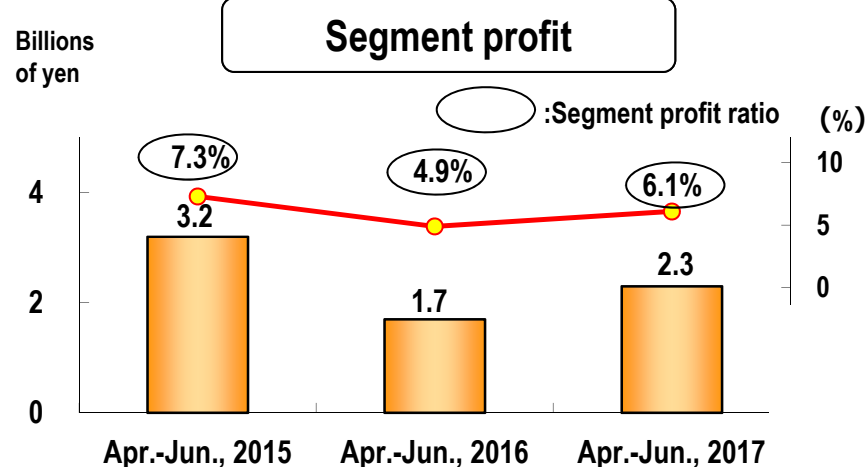
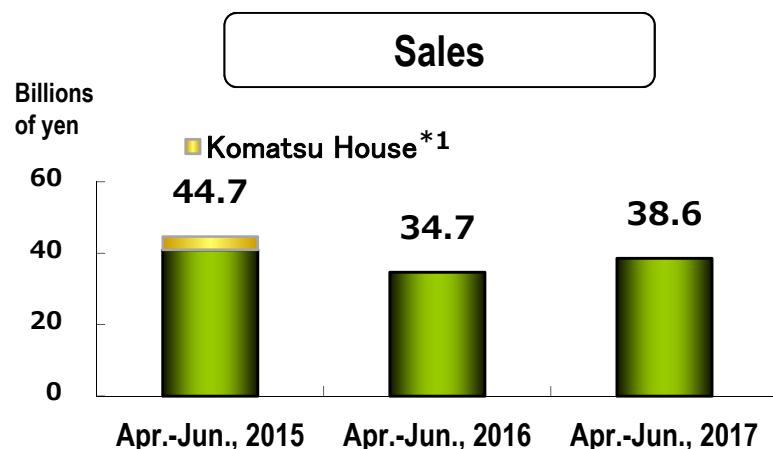


Revenues
Apr.-Jun., 2016 vs. Apr.-Jun., 2017



Billions of yen	2017/3E	2017/6E	Changes
Interest-bearing debt	506.0	515.7	+9.7
Interest-bearing debt, net	501.2	511.8	+10.5
Net D/E ratio	3.65	3.64	(0.01)pts.

- Sales increased by 11.2% from the corresponding period a year ago, to JPY38.6 billion, supported by expanded sales recorded by Komatsu Industries Corp. and Komatsu NTC Ltd. Segment profit ratio was 6.1%.



Breakdown of sales

Billions of yen	Apr.-Jun., 2015	Apr.-Jun., 2016	Apr.-Jun., 2017	Changes	
				Increase (decrease)	% change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	12.8	7.7	9.0	+1.3	+17.4%
Komatsu NTC Ltd. [represented by wire saws]	14.0 [1.1]	12.6 [5.5]	14.5 [0.7]	+1.8 [(4.7)]	+15.0% [(86.5)%]
Gigaphoton	8.3	8.5	8.3	(0.1)	(2.3)%
Komatsu House *1	3.7	-	-	-	-
Others	5.8	5.8	6.7	+0.8	+14.5%
Total	44.7	34.7	38.6	+3.8	+11.2%

*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.

Consolidated Balance Sheets

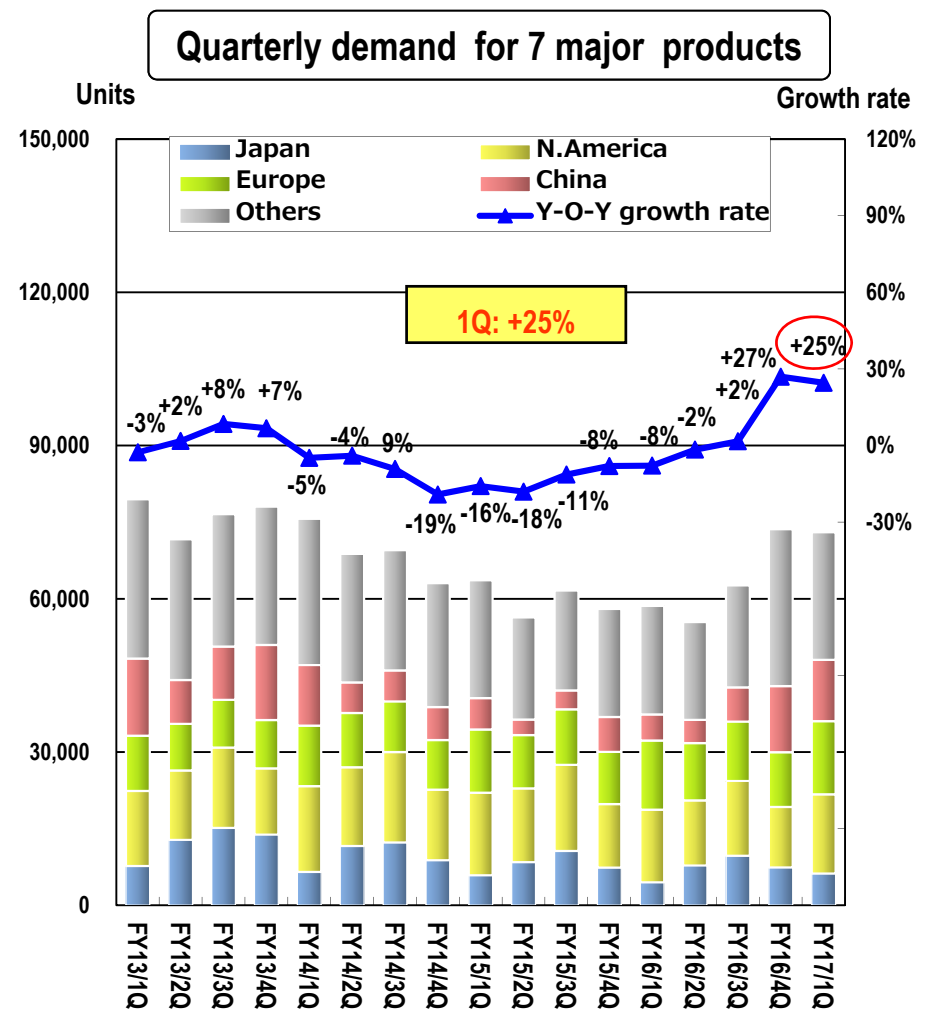
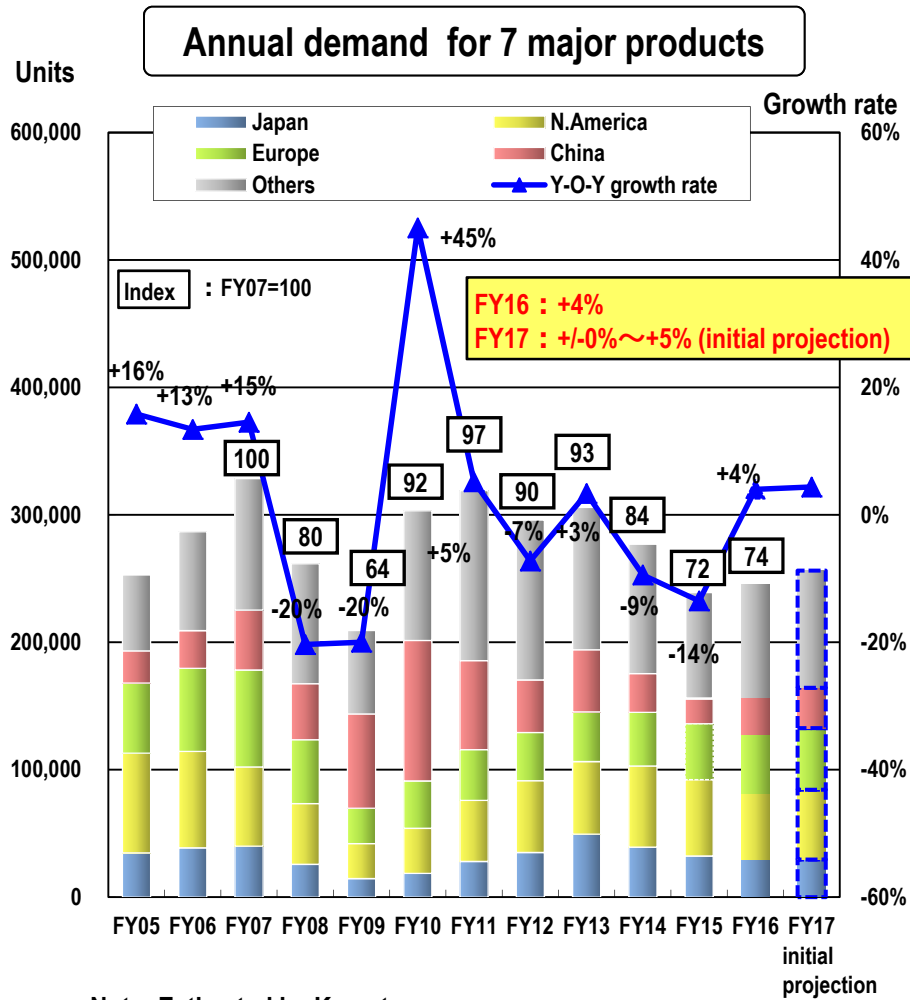
- Total assets grew by JPY599.0 billion from the previous fiscal year-end, affected by the new addition of KMC to consolidated accounting and increased inventories.
- Interest-bearing debt increased by JPY442.5 billion to JPY851.3 billion.
Komatsu shareholders' equity ratio declined by 10.3 points to 49.1%.

Billions of yen	Mar. 31, 2017 ¥112.2/USD ¥119.8/EUR ¥16.3/RMB	June 30, 2017 ¥112.0/USD ¥128.0/EUR ¥ 16.5/RMB	Increase (decrease)	June 30, 2017 Affect of new additions of KMC to consolidation
Cash & deposits (incl. time deposits) [a]	122.1	152.7	+30.6	16.2
Accounts receivable (incl. long-term trade receivables)	933.2	994.0	+60.8	77.1
Inventories	533.8	687.0	+153.1	110.1
Tangible fixed assets	679.0	760.4	+81.4	85.9
Other assets	388.1	661.1	+272.9	285.0
Total assets	2,656.4	3,255.5	+599.0	574.4
Accounts payable	240.1	279.4	+39.3	31.2
Interest-bearing debt [b]	408.7	851.3	+442.5	104.4
Other liabilities	359.1	450.9	+91.7	119.8
Total liabilities	1,007.9	1,581.6	+573.7	255.4
[Shareholders' equity ratio]	[59.4%]	[49.1%]	[(10.3)pts.]	
Komatsu Ltd. shareholders' equity	1,576.6	1,599.6	+23.0	
Non-controlling interests	71.8	74.1	+2.3	
Liabilities & Equity	2,656.4	3,255.5	+599.0	
Interest-bearing debt, net [b-a]	286.5	698.5	+411.9	
Net D/E ratio	0.18	0.44		

II. Outlook of FY2017 Business Results

Construction and Mining Equipment: Demand and Outlook for 7 Major Products

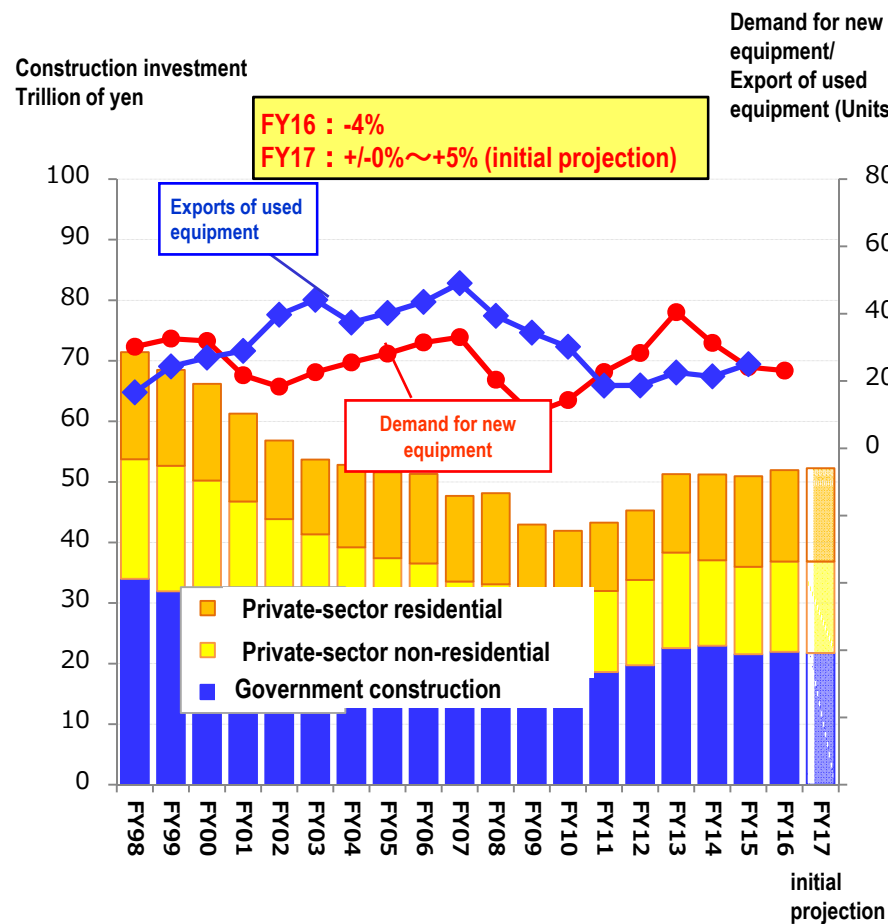
- Demand should have increased 25% in the first 3-month period of FY2017 from the corresponding period a year ago.
- Demand is strong in China and by Indonesia and for mining equipment.
- We are keeping our projection of full-year demand as a whole for FY2017 projected at the start of the current fiscal year.



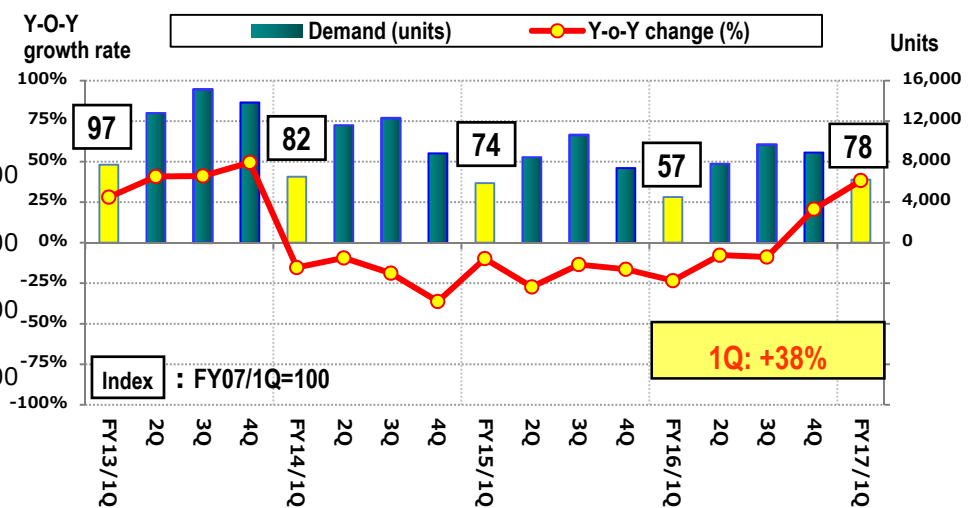
Construction and Mining Equipment: Demand in Major Markets (1) Japan

- Demand should have advanced by 38% in the first 3-month period of FY2017 from the corresponding period a year ago.
- Demand for new equipment increased, centering on the rental industry, driven by pre-buy demand triggered by Japanese emission controls (effective September 2017) which continued from the preceding 3-month period of FY2016.

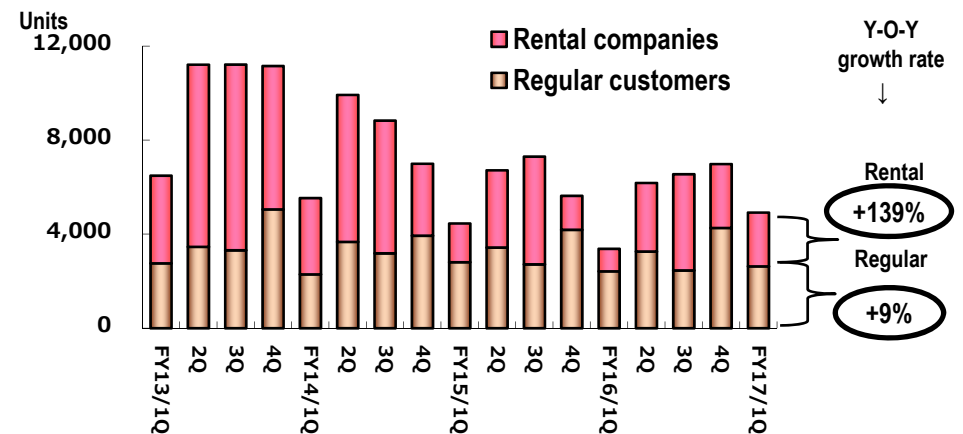
Demand for new equipment (7 major products) and construction investment



Quarterly demand for 7 major products



Quarterly demand for hydraulic excavators (Rental & regular uses)

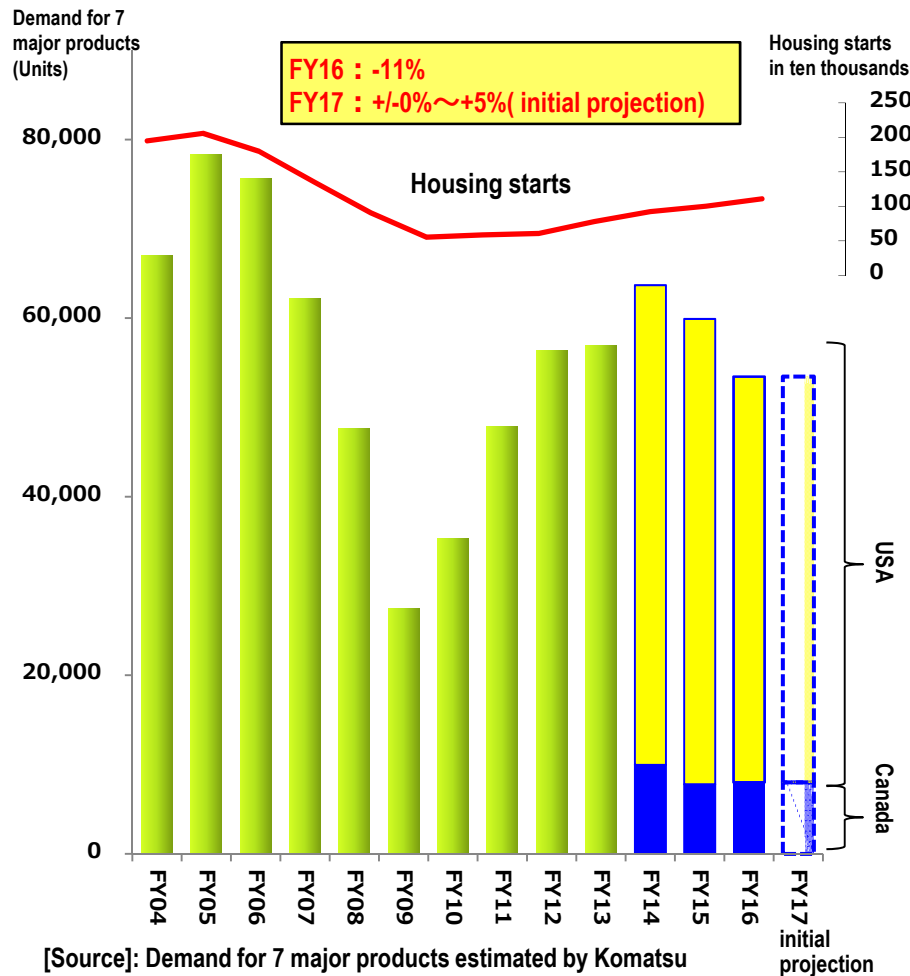


[Sources] Construction investment by the Ministry of Land, Infrastructure, Transport & Tourism, and Research Institute of Construction and Economy
 Demand for 7 major products and No. of exported used equipment estimated by Komatsu

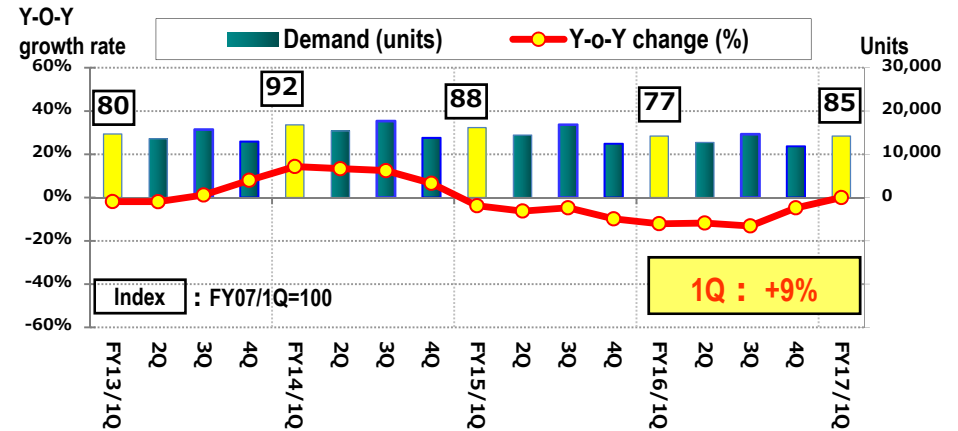
Construction and Mining Equipment: Demand in Major Markets (2) North America

- In the first 3-month period of FY2017, North American demand increased by 9% from the corresponding period a year ago. In the United States, demand for construction equipment continued to grow among general customers, and that in the rental industry, which had been sluggish, also grew. In Canada, demand remained slack, centering on the energy sector. However, demand is set for recovery.

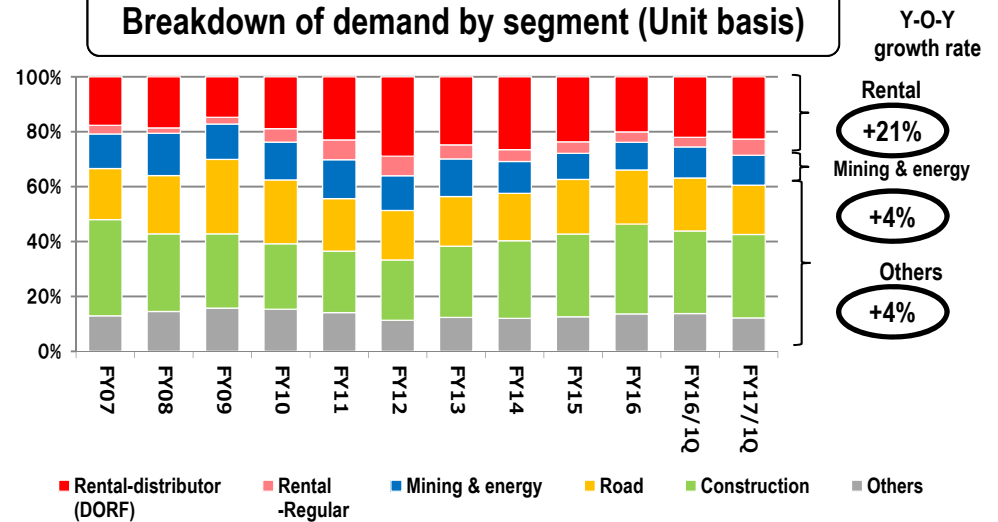
Demand for 7 major products and US housing starts



Quarterly demand for 7 major products



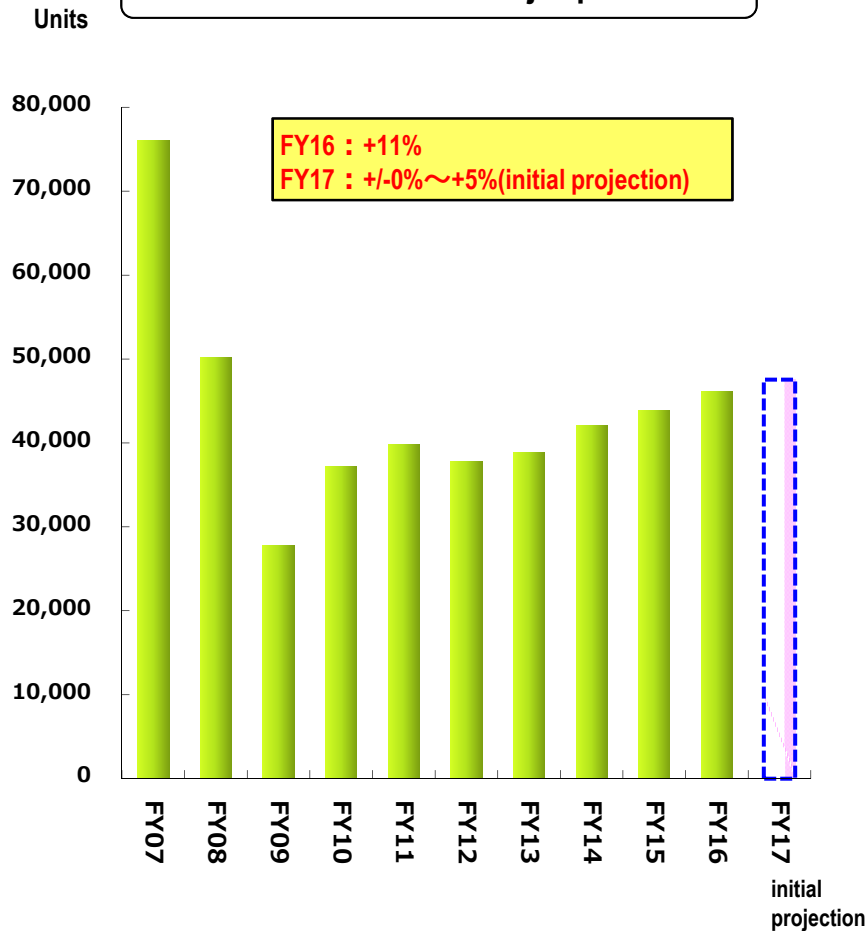
Breakdown of demand by segment (Unit basis)



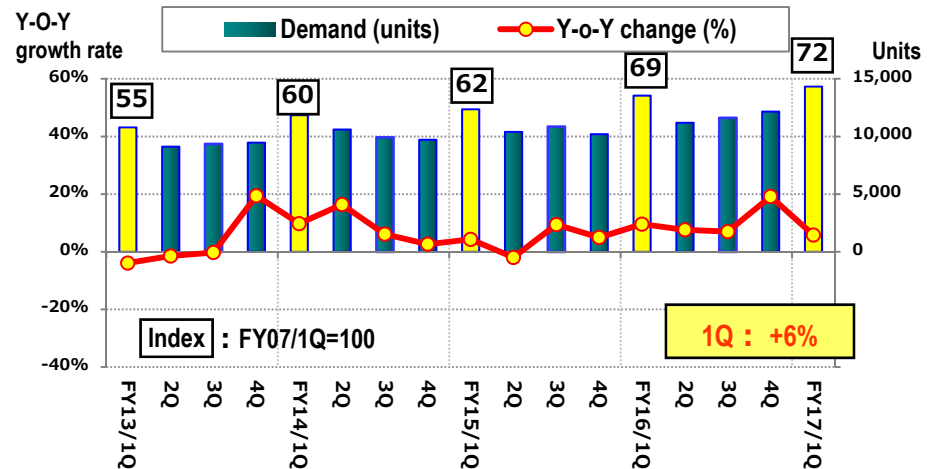
Construction and Mining Equipment: Demand in Major Markets (3) Europe

- In the first 3-month period of FY2017, European demand should have increased by 6% from the corresponding period a year ago.
- In addition to a major market of Germany, demand remained steady in northern Europe.

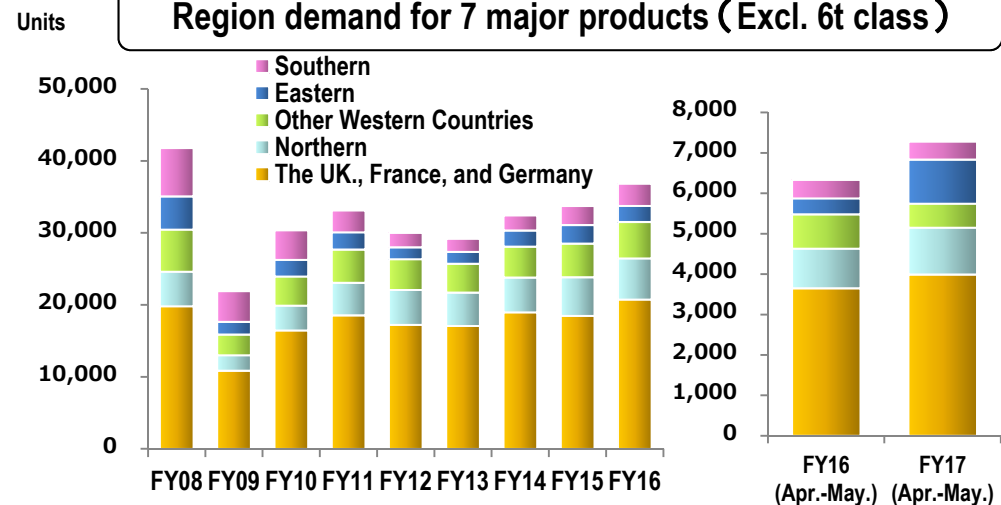
Annual demand for 7 major products



Quarterly demand for 7 major products



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

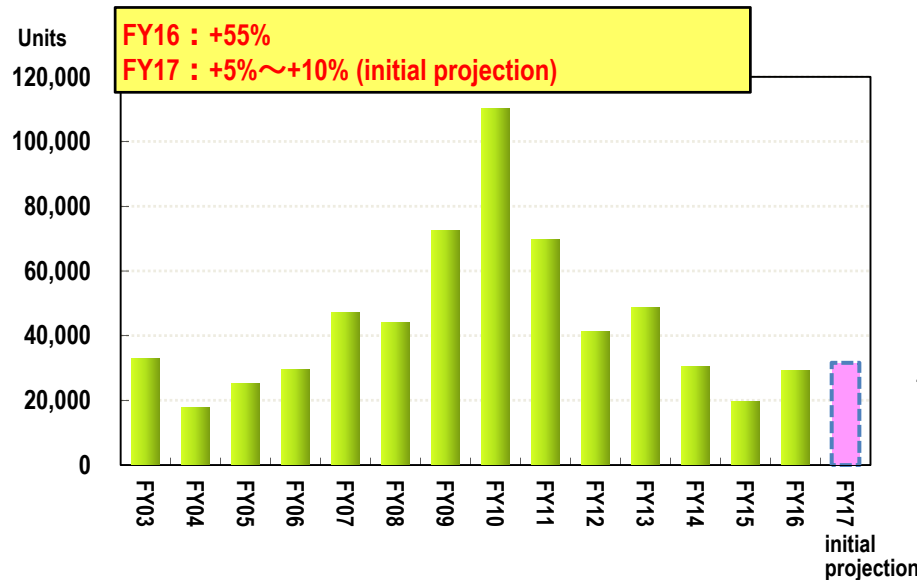


[Source]: Demand for 7 major products estimated by Komatsu

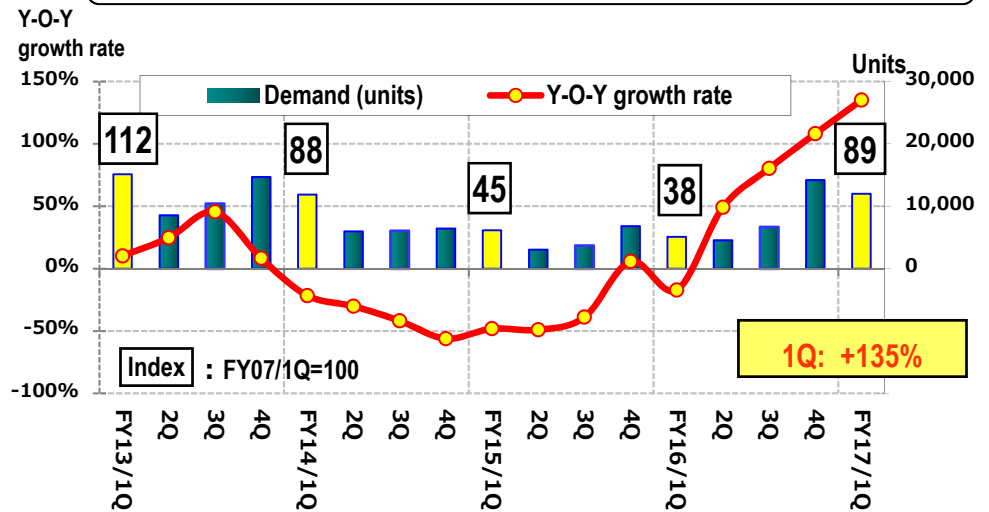
Construction and Mining Equipment: Demand in Major Markets (4) China

- In the first 3-month period of FY2017, Chinese demand expanded by 135% from the corresponding period a year ago.
- Demand for construction equipment expanded, driven by continuing progress of infrastructure development since FY2016.

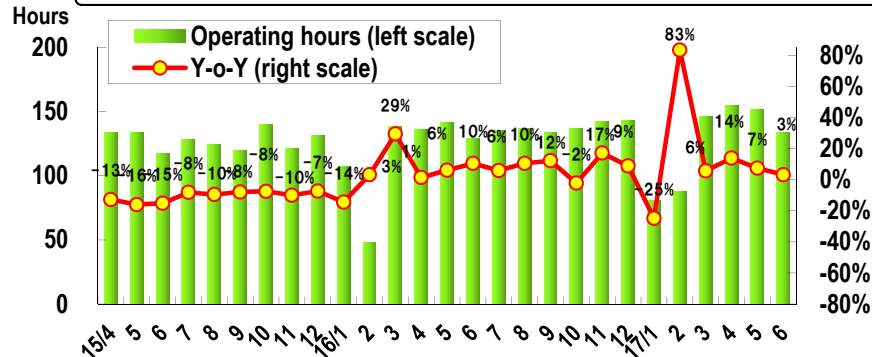
Annual demand for 7 major products (Foreign makers)



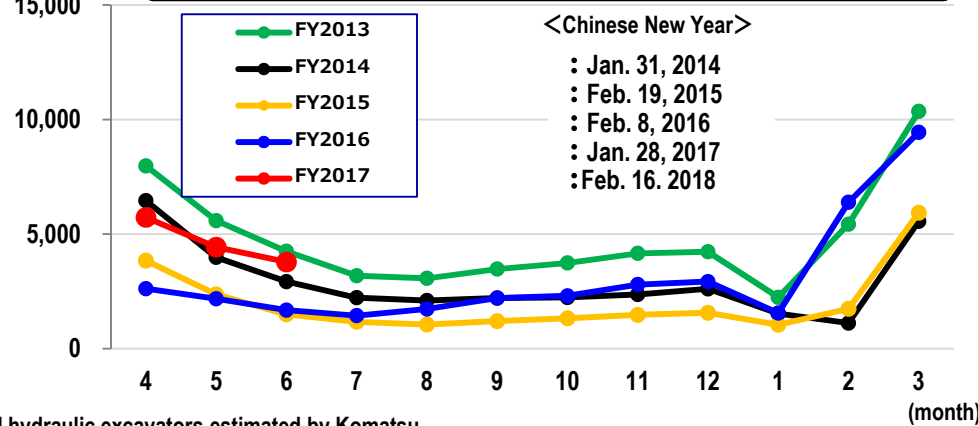
Quarterly demand for 7 major products (Foreign makers)



KOMTRAX in China : Average operating hours per month



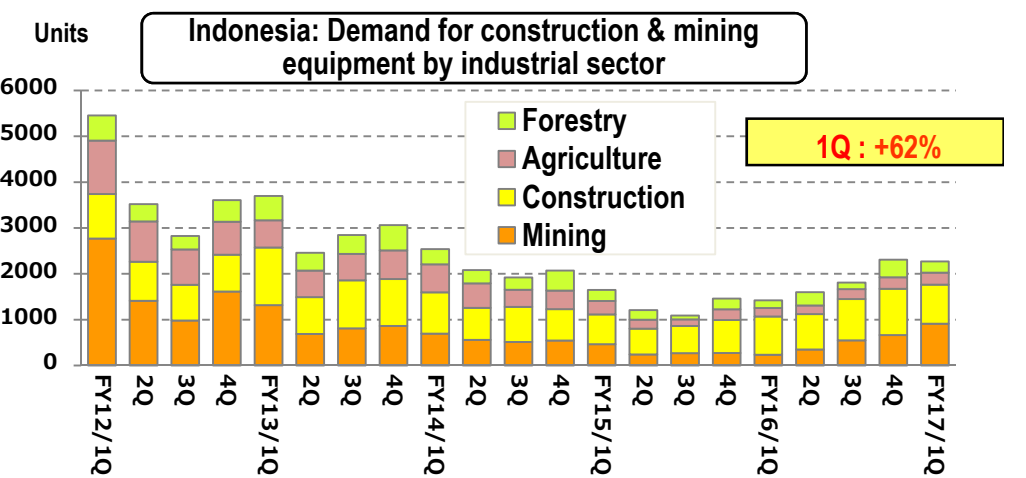
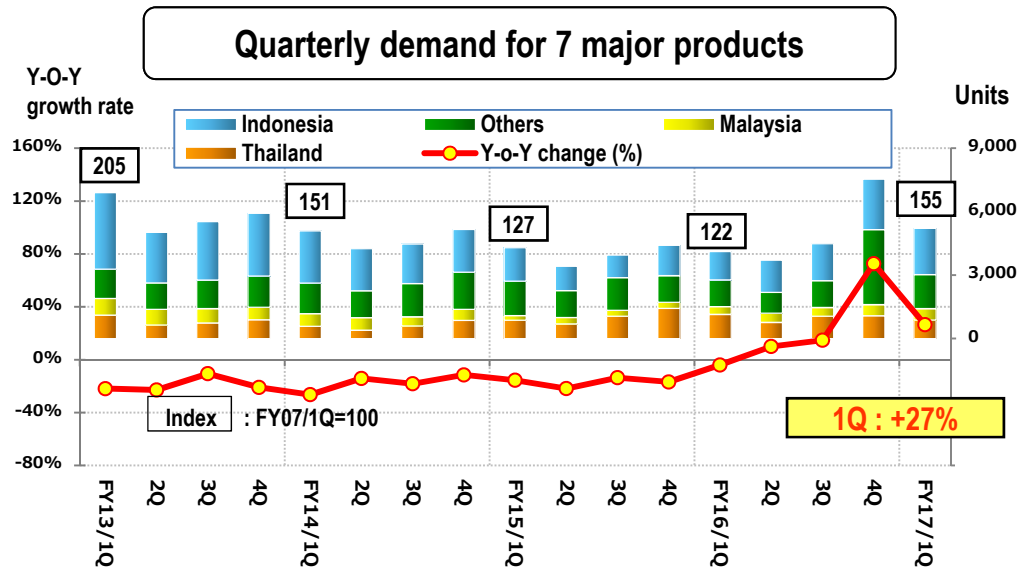
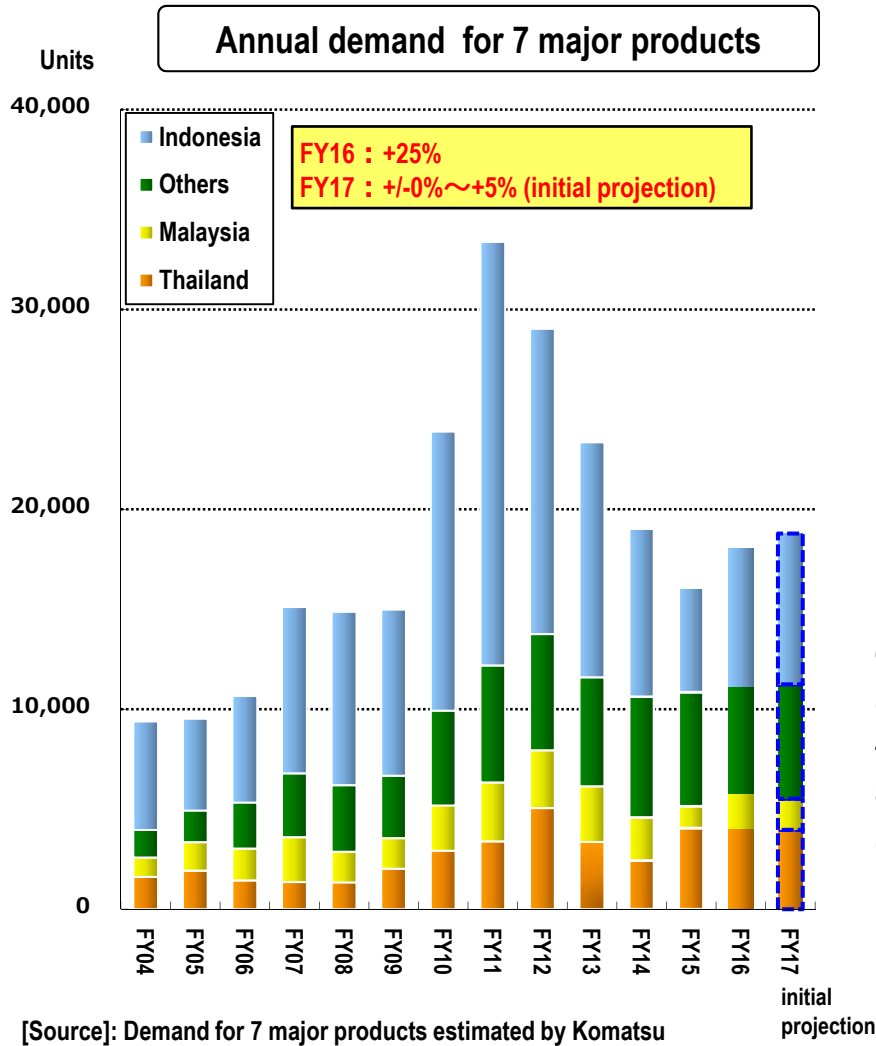
Monthly demand for hydraulic excavators : Total of 6-ton and larger models



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

Construction and Mining Equipment: Demand in Major Markets (5) Southeast Asia

- In the first 3-month period of FY2017, South Asian demand should have advanced by 27% from the corresponding period a year ago.
- In Indonesia, the largest market of the region, demand expanded, especially for mining equipment. Demand is slowing down in Thailand.

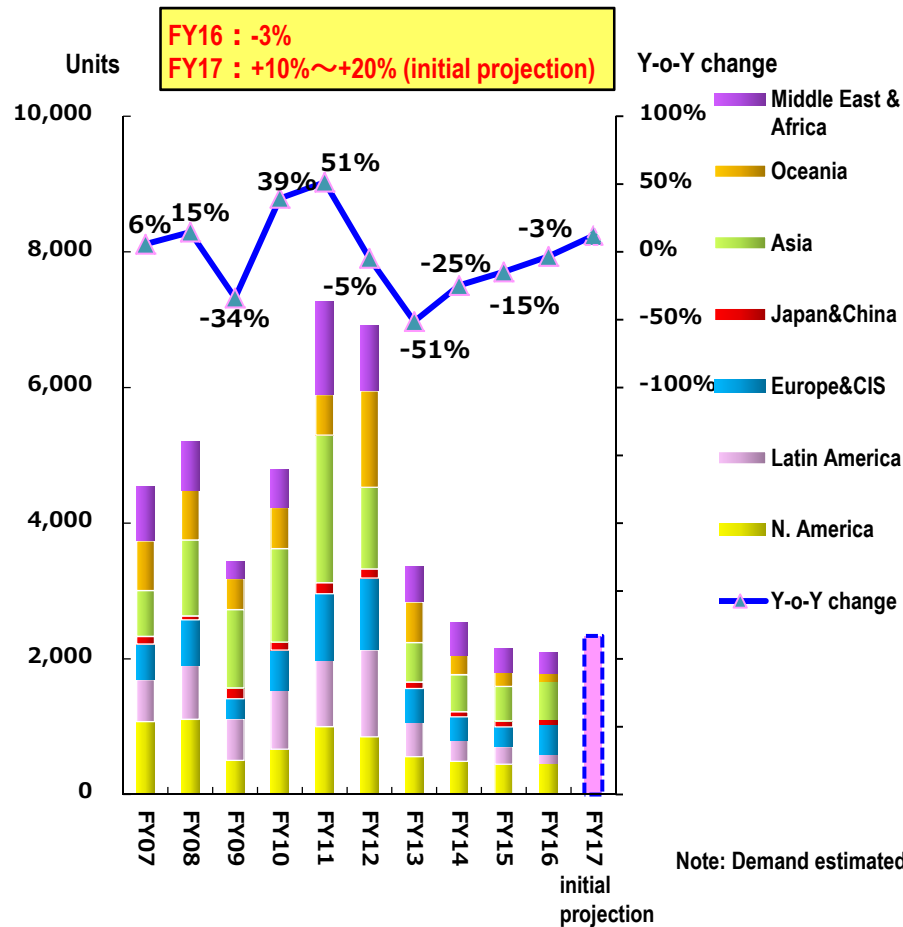


Construction and Mining Equipment: Actual and Projected Demand for Mining Equipment

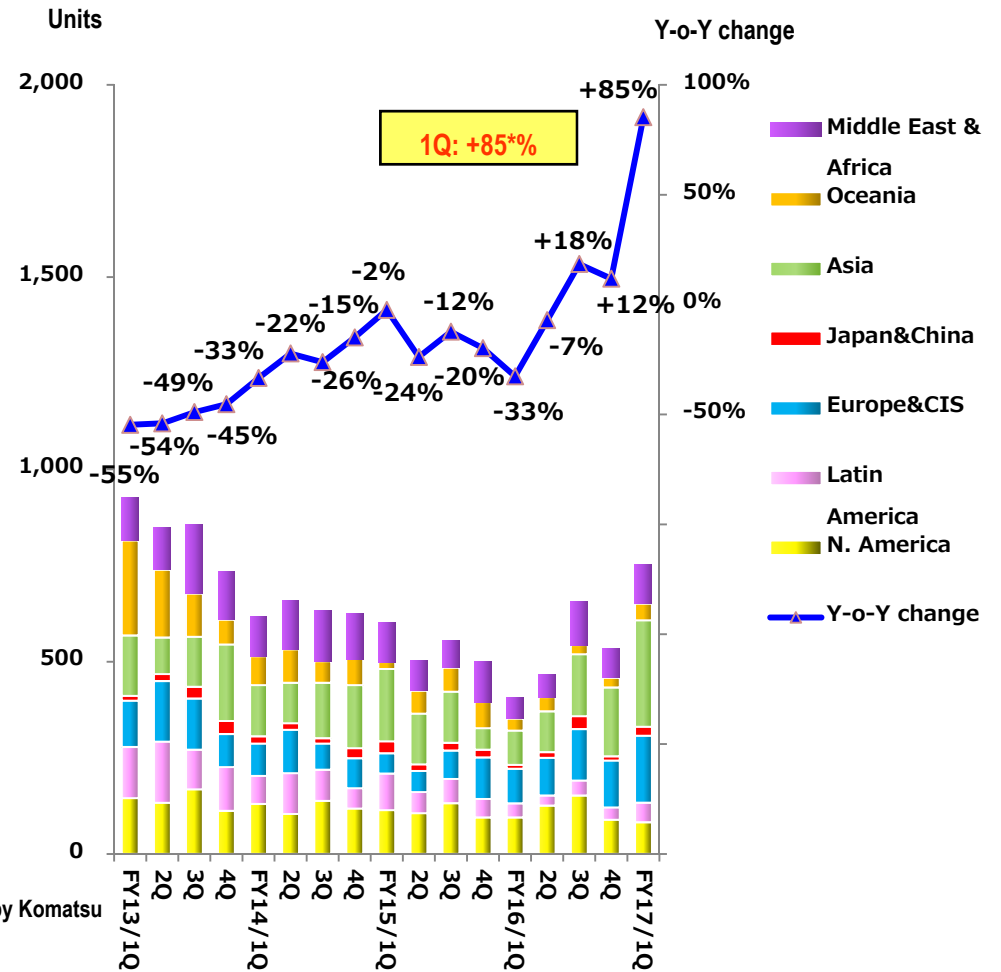
- In the first 3-month period of FY2017, global demand will have expanded by 85% from the corresponding period a year ago.
- Demand continued to advance, centering on Indonesia.
- We are keeping our projection of full-year demand as a whole for FY2017 projected at the start of the current fiscal year.

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

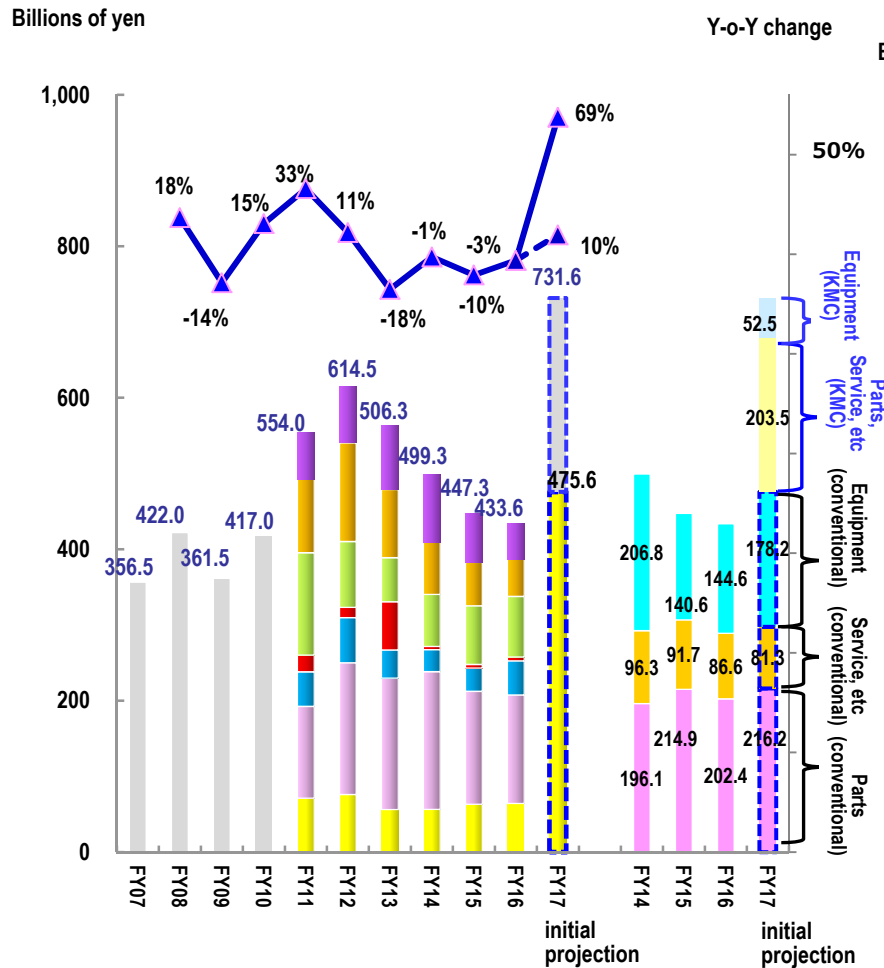


Quarterly demand for mining equipment

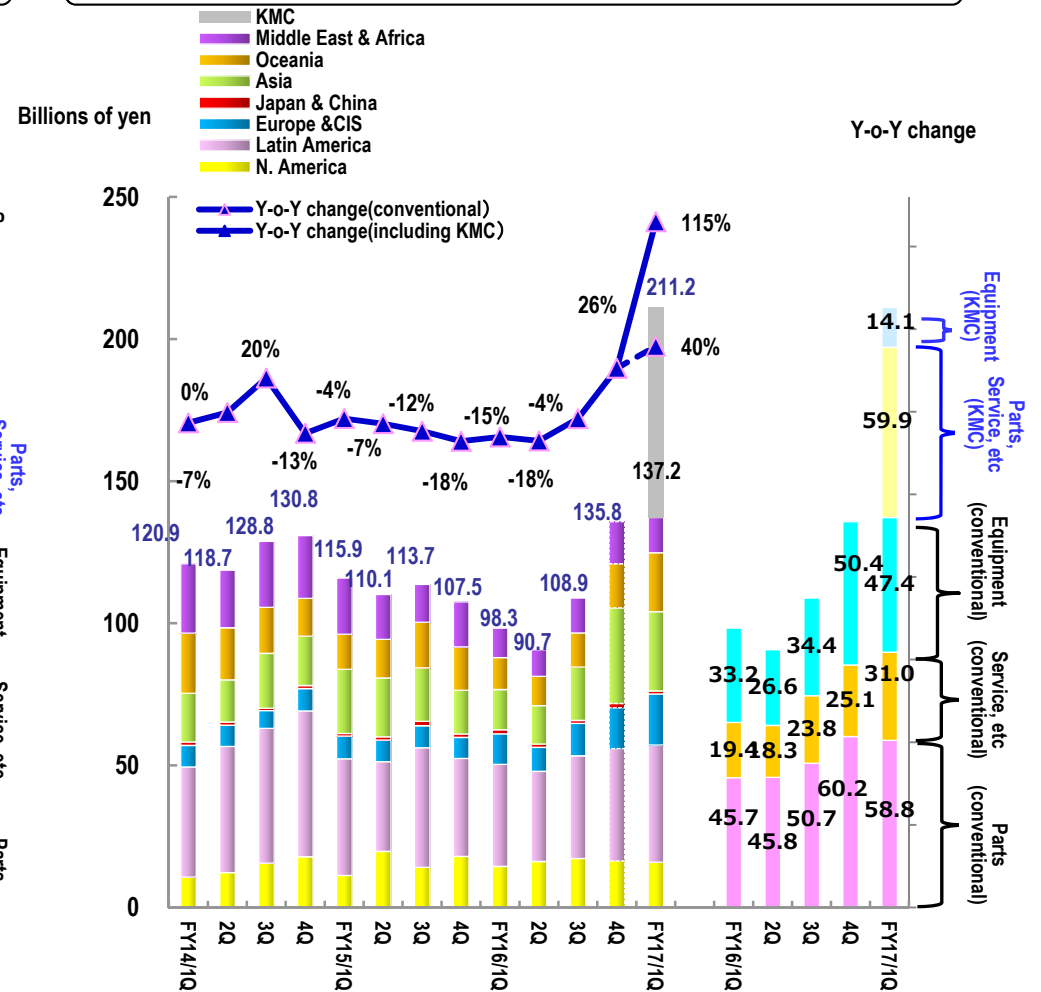


- For the first 3-month period of FY2017, sales of mining equipment advanced by 115% from the corresponding period a year ago, to JPY211.2 billion. When KMC's sales are excluded, sales increased by 40% to JPY137.2 billion.
- When KMC's sales are excluded, sales of equipment and parts as well as service revenues advanced against the backdrop of growing demand centering on Indonesia.

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



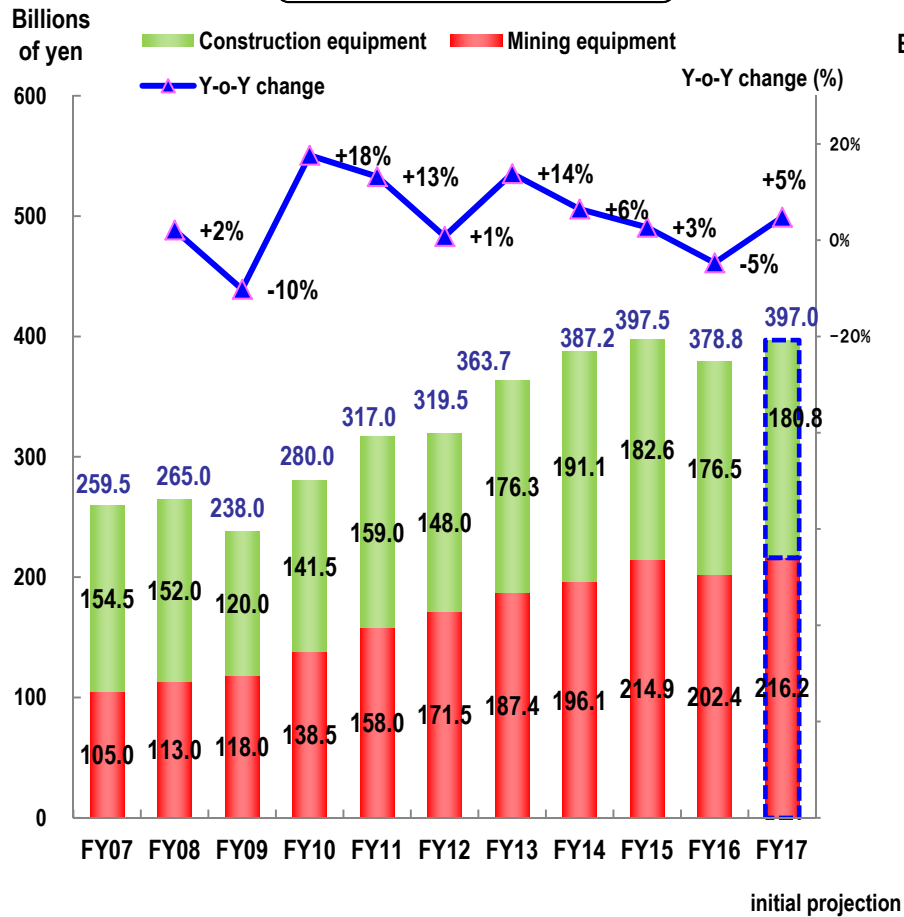
Quarterly sales of mining equipment (incl. parts and service)



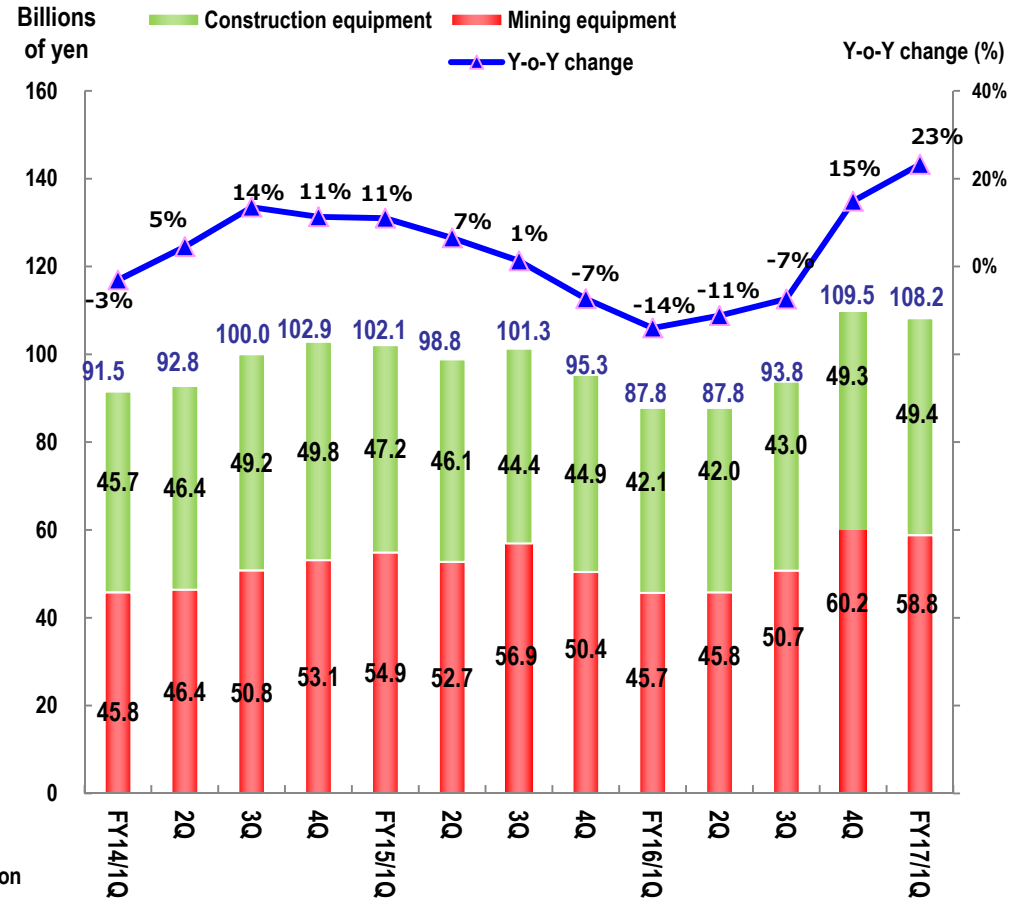
Construction and Mining Equipment: Sales of Parts

- When sales made by KMC are excluded, sales of parts advanced 23% to JPY108.2 billion for the first 3-month period of 2017 from the corresponding period a year ago.
- Sales advanced as a result of capturing demand for aftermarket products.

Annual sales of parts



Quarterly sales of parts



Business Results of KMC

- Sales increased by 12.9% from the corresponding period a year ago, to JPY73.9 billion.
- Excluding temporary expenses, operating income was JPY6.3 billion. When the temporary expenses of JPY19.3 billion are included, KMC recorded an operating loss of JPY12.9 billion.

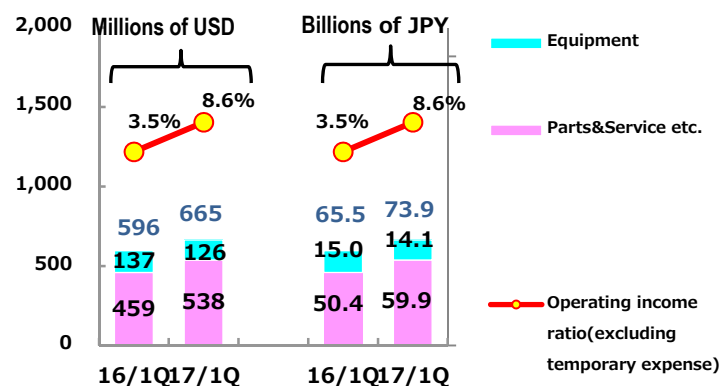
Billions of yen	Apr.-Jun.,2016 (Reference) *1 ¥109.8/USD		Apr.-Jun.,2017 ¥111.2/USD		Changes (Reference)	
					Increase (decrease)	% Change
Net sales		65.5		73.9	+8.4	+12.9%
Equipment		15.0		14.1	(0.9)	(6.4)%
Parts & Service etc.		50.4		59.9	+9.4	+18.8%
Operating income (loss) <excluding Temporary Expenses>		3.5% 2.3		8.6% 6.3	+4.0	+175.8%
Temporary Expenses (negative figure)		(4.1)		(19.3)	(15.2)	-
PPA depreciation *2		-		*3 (16.6)	(16.6)	-
Start up cost etc.		(4.1)		(2.6)	+1.4	-
Operating income (loss) <including Temporary Expenses>		(2.7)% (1.7)		(17.5)% (12.9)	(11.1)	-

* 1: Figures for the corresponding period a year ago (April - June 2016) are rearranged for Komatsu's fiscal year for your reference.

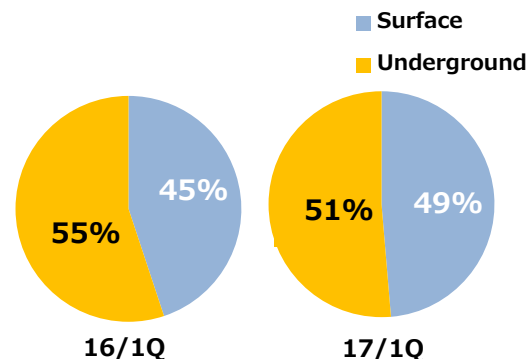
* 2: PPA stands for Purchase Price Allocation. It is an accounting process of valuating and allocating acquired assets and liabilities to fair prices.

* 3: Including JPY(12.9) billion for inventories after PPA.

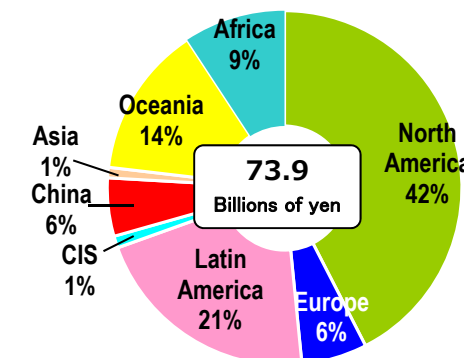
Annual Sales & Operating Income Ratio



Sales by segments



FY171Q Sales by regions *4



* 4: No sales in Japan and the Middle East

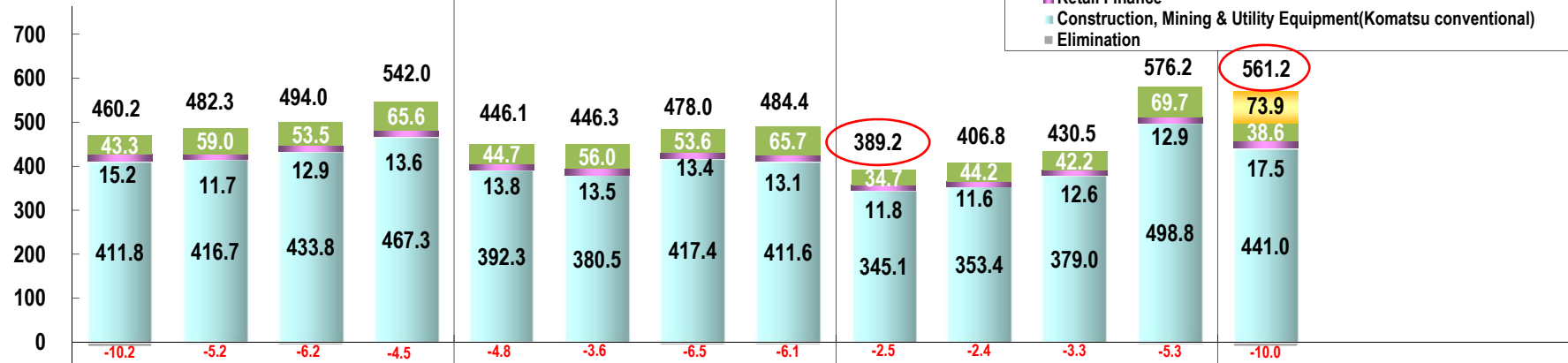
Appendix

Quarterly Sales and Operating Income

Billions of yen

Quarterly sales (since FY2014)

- KMC
- Industrial Machinery & Others
- Retail Finance
- Construction, Mining & Utility Equipment(Komatsu conventional)
- Elimination



Exchange rates

¥/USD				
¥/EUR				
¥/RMB				

	14/1Q	14/2Q	14/3Q	14/4Q
¥/USD	102.5	102.8	114.1	119.2
¥/EUR	140.9	137.7	142.8	136.9
¥/RMB	16.4	16.6	18.5	19.0

	15/1Q	15/2Q	15/3Q	15/4Q
¥/USD	121.3	122.6	121.2	118.0
¥/EUR	133.0	136.2	132.3	128.0
¥/RMB	19.6	19.5	19.0	17.9

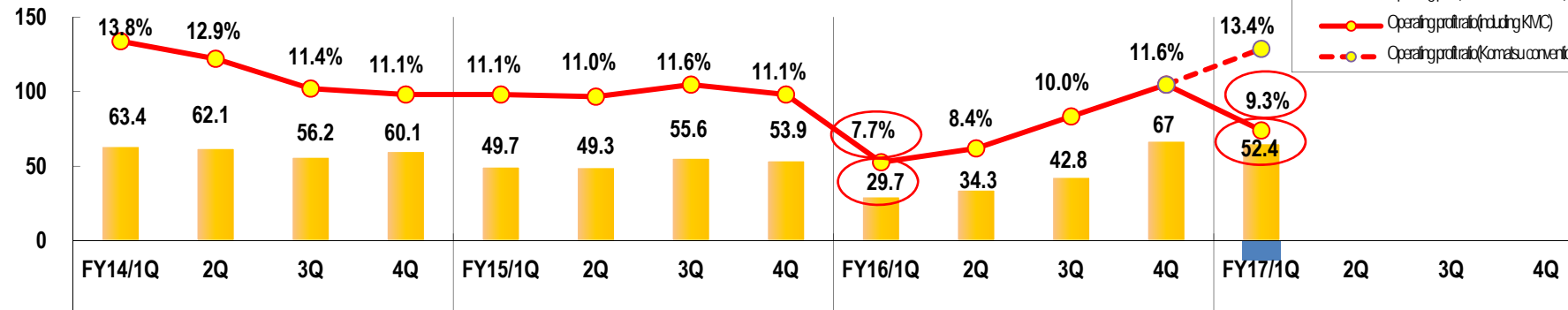
	16/1Q	16/2Q	16/3Q	16/4Q
¥/USD	109.8	102.9	106.9	114.7
¥/EUR	124.3	114.6	116.7	121.4
¥/RMB	16.9	15.4	15.7	16.7

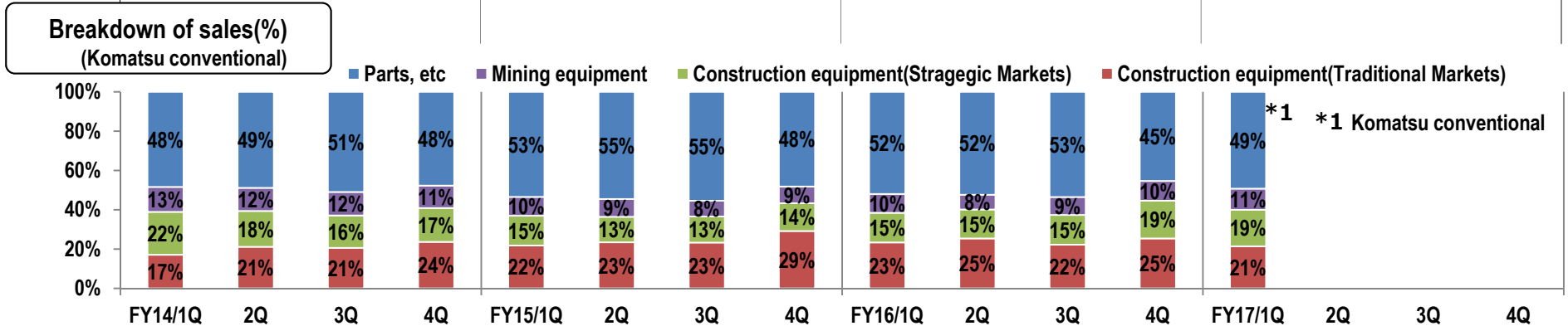
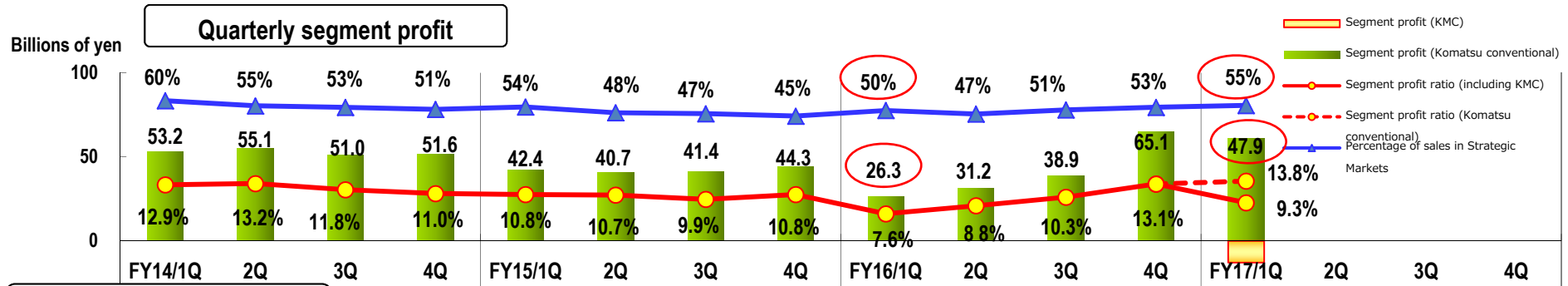
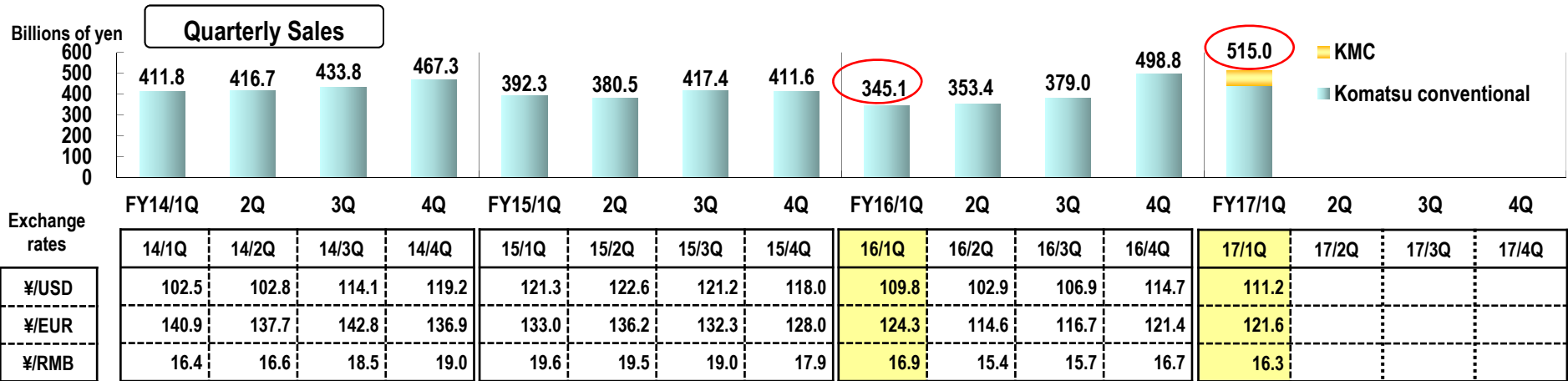
	17/1Q	17/2Q	17/3Q	17/4Q
¥/USD	111.2			
¥/EUR	121.6			
¥/RMB	16.3			

Quarterly operating income(Since FY2014)

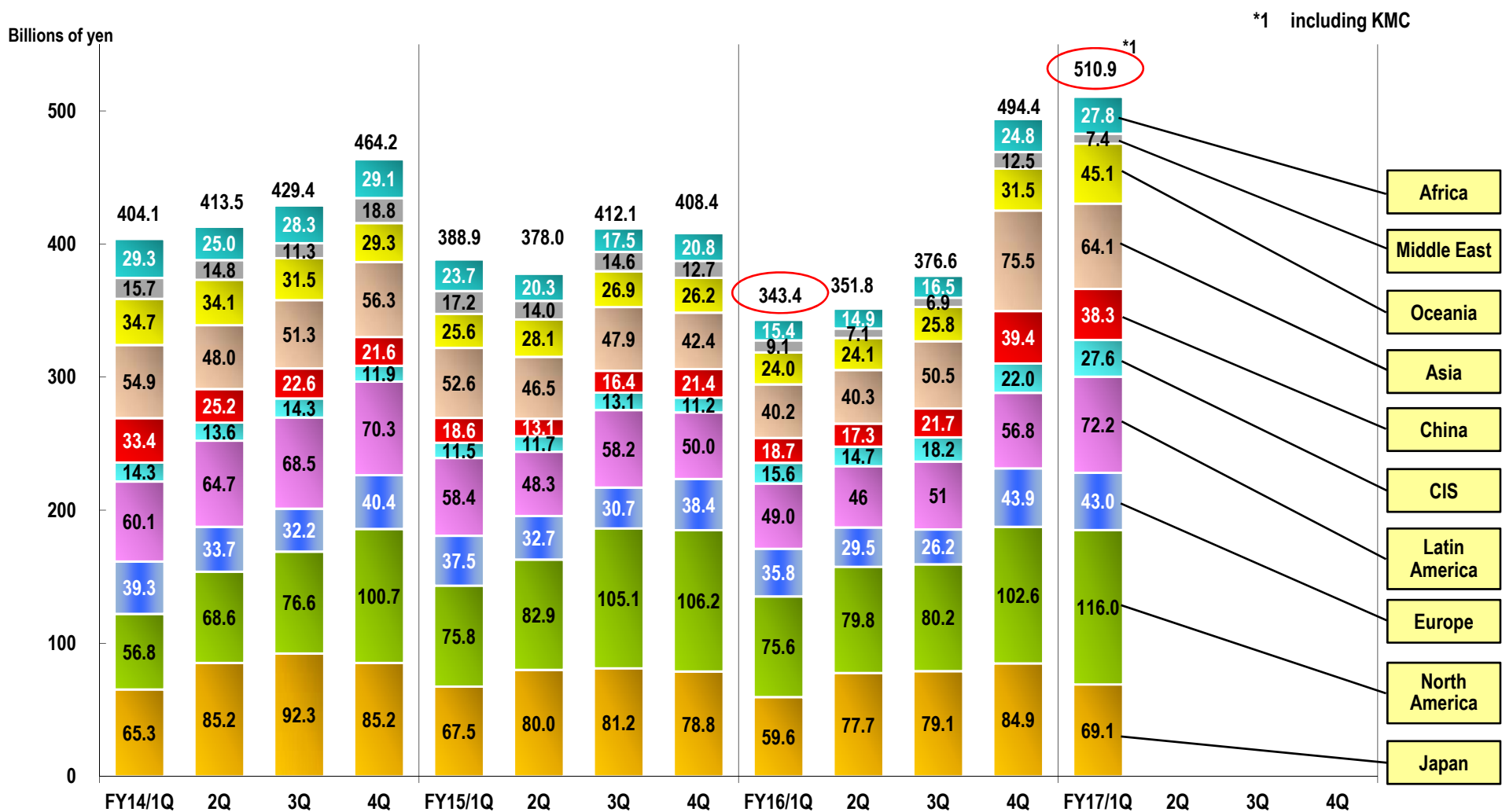
Billions of yen

- Operating profit(KMC)
- Operating profit(Komatsu conventional)
- Operating profit(rincluding KMC)
- Operating profit ratio(Komatsu conventional)





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



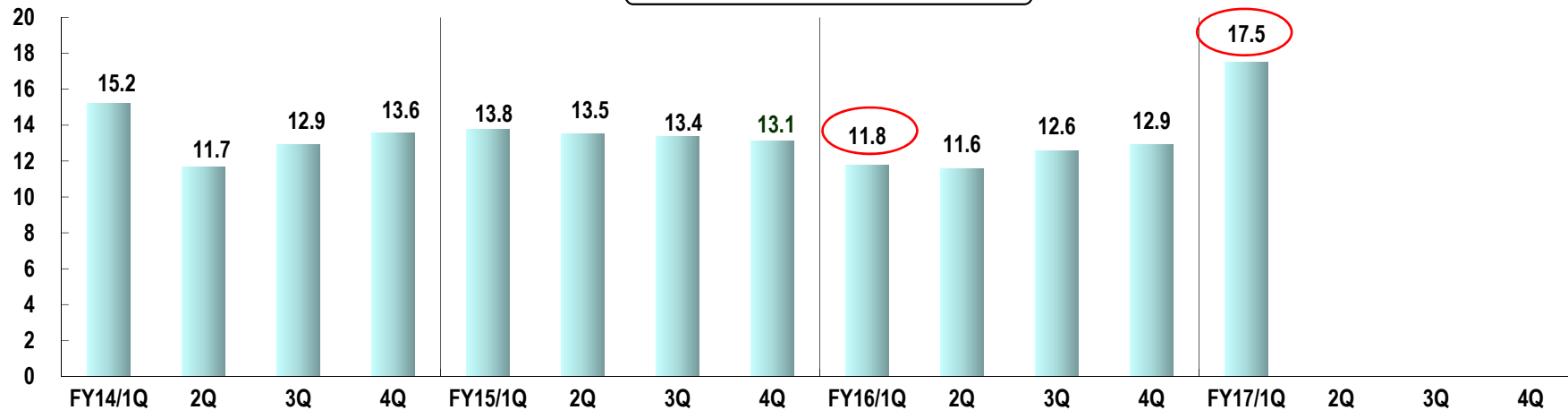
Exchange rates

	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q
¥/USD	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0	109.8	102.9	106.9	114.7	111.2			
¥/EUR	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0	124.3	114.6	116.7	121.4	121.6			
¥/RMB	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9	16.9	15.4	15.7	16.7	16.3			

Retail Finance: Quarterly Sales and Segment Profit

Billions of yen

Quarterly sales

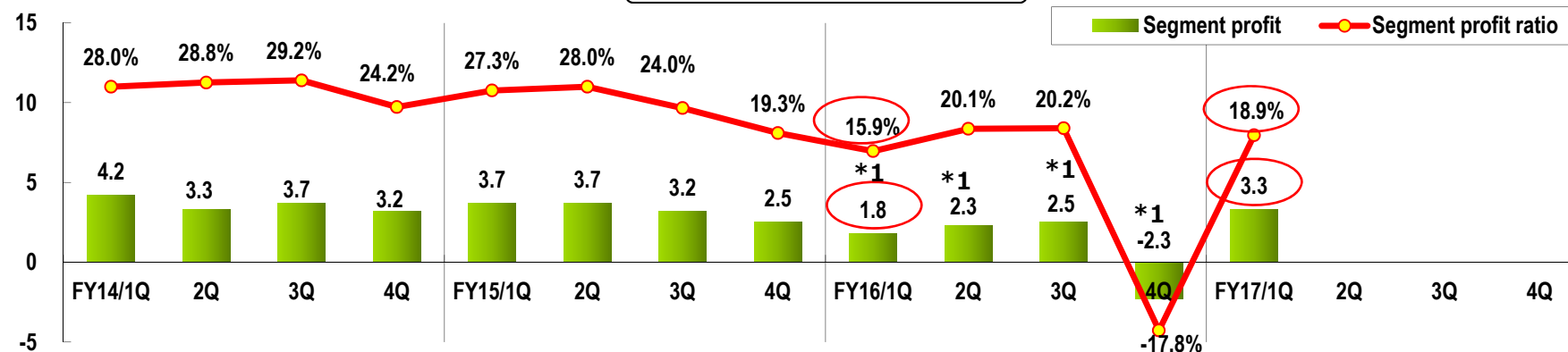


Exchange rates

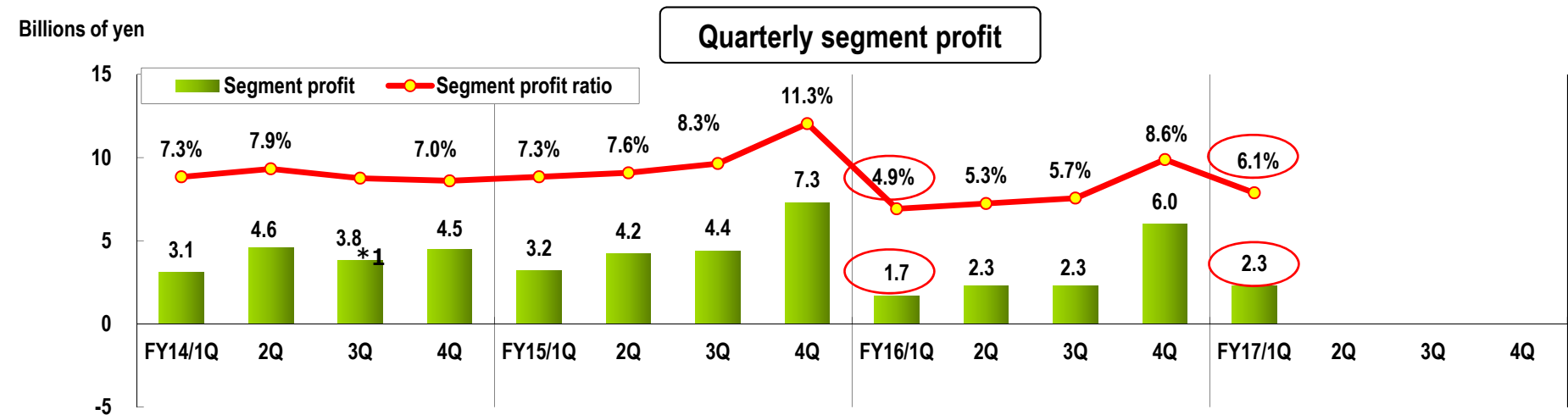
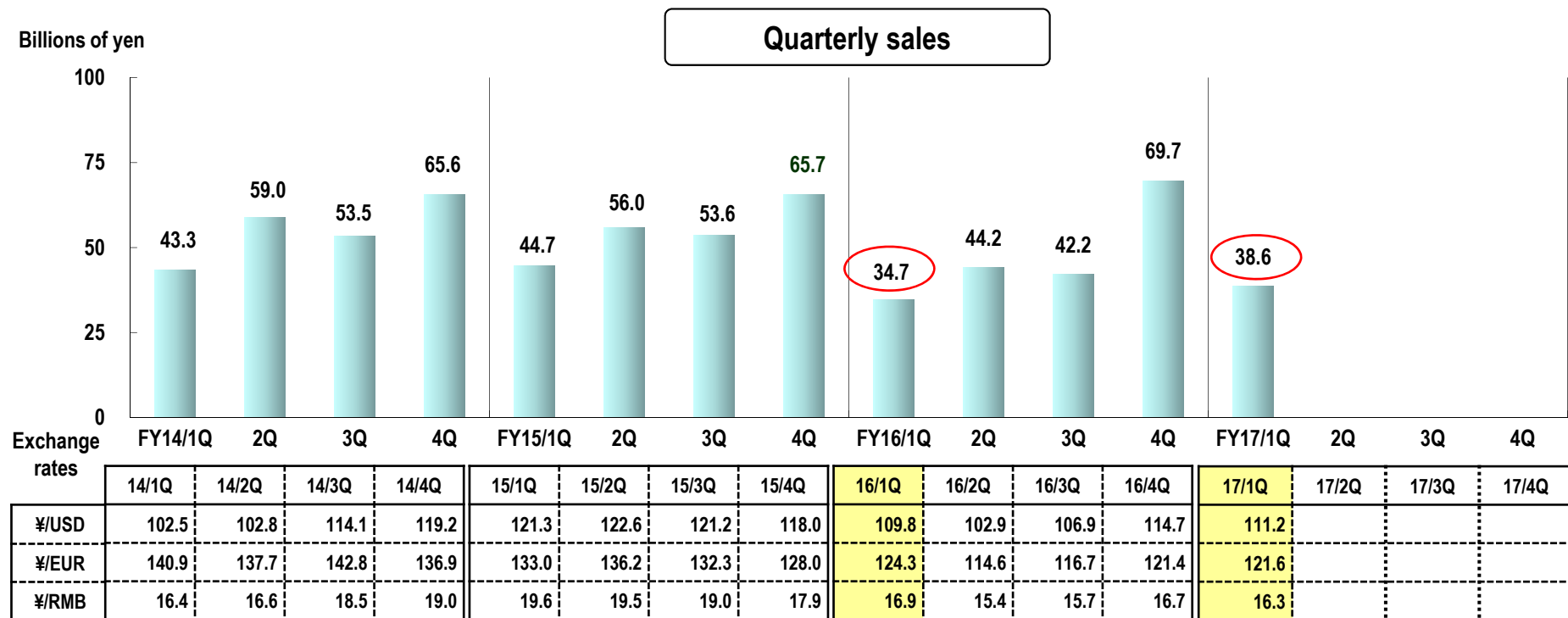
	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q
¥/USD	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0	109.8	102.9	106.9	114.7	111.2			
¥/EUR	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0	124.3	114.6	116.7	121.4	121.6			
¥/RMB	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9	16.9	15.4	15.7	16.7	16.3			

Billions of yen

Quarterly segment profit



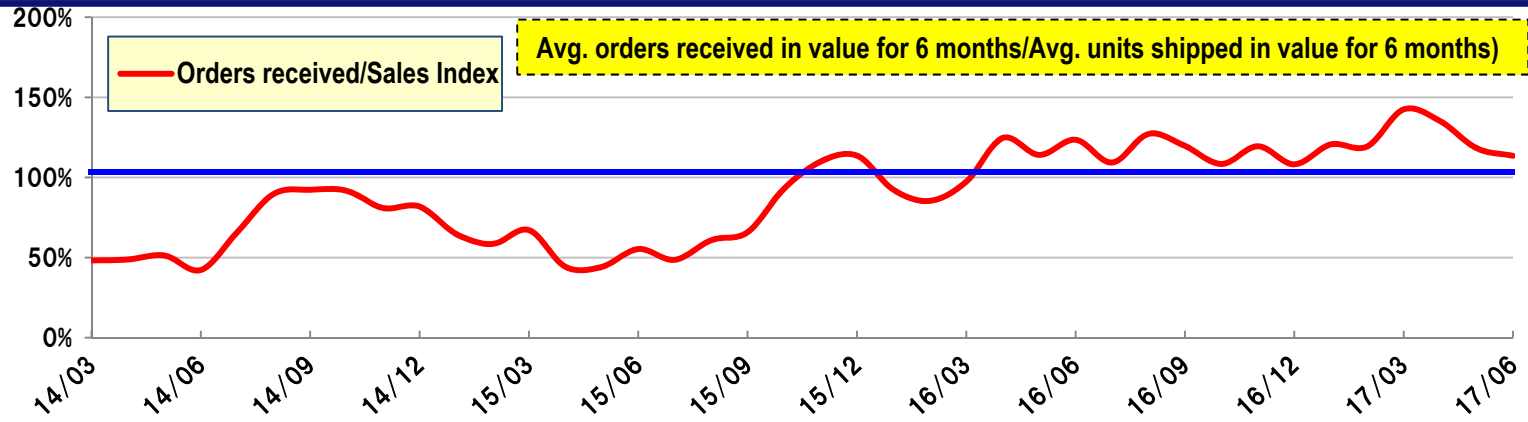
*1 | Including allowances for bad doubtful accounts in China (FY16/1Q: JPY-1.0 bn, 2Q: JPY -0.5bn, 3Q: JPY-0.2bn, 4Q: JPY-4.9bn)



Book-to-Bill Ratio for Mining Equipment (6 Months)

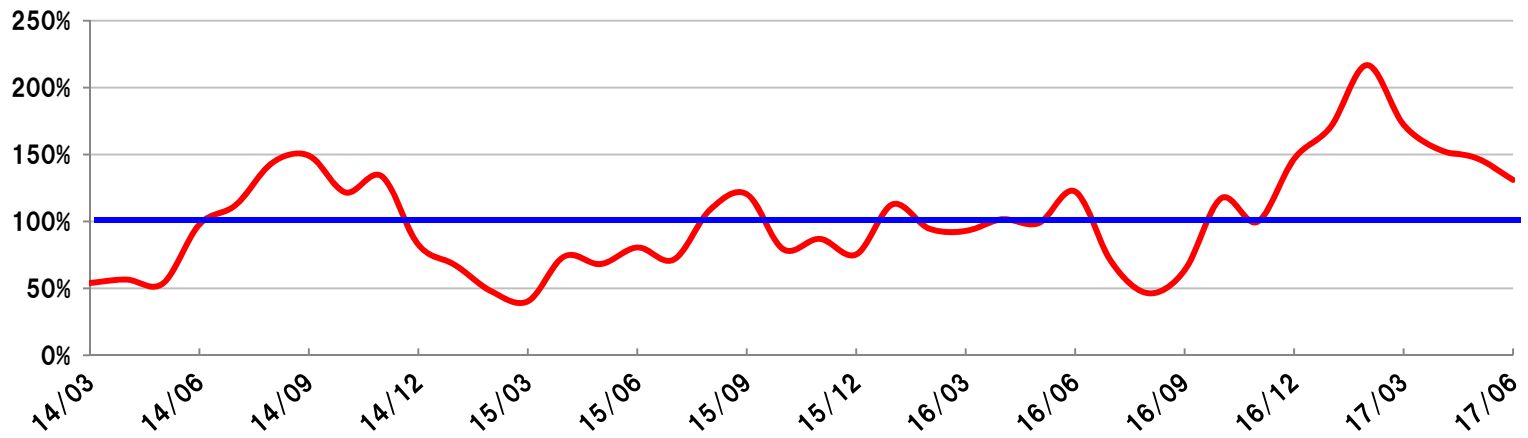
**Komatsu America
(Mining eqpt)**

730E, 830E, 860E,
930E, 960E, 980E



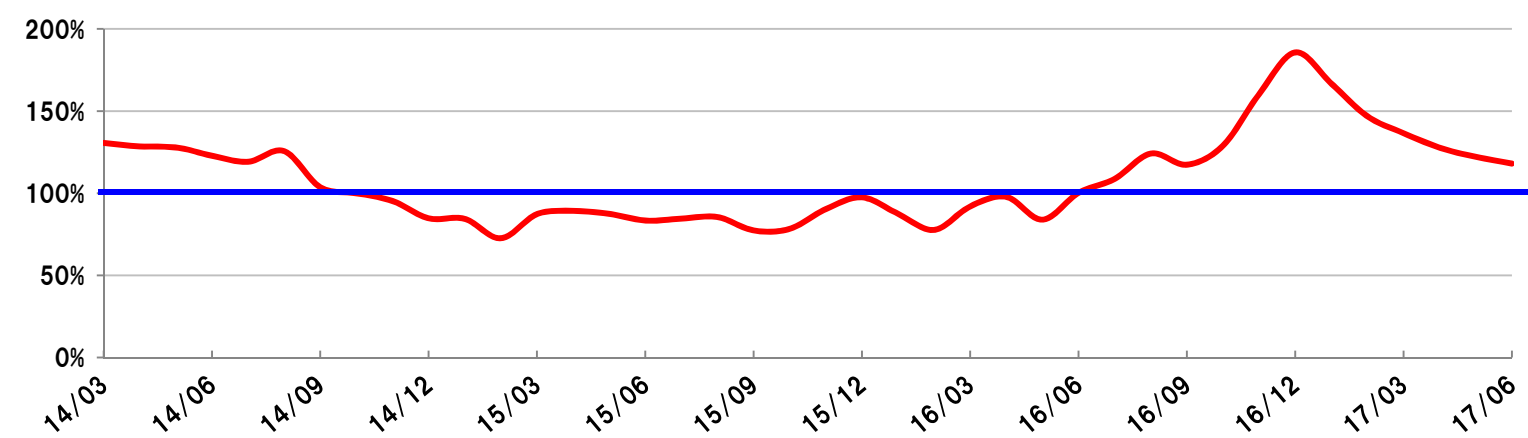
**Komatsu Germany
(Mining eqpt)**

PC3000, PC4000
PC5500, PC7000
PC8000



**Komatsu Ltd.
(Mining eqpt)**

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

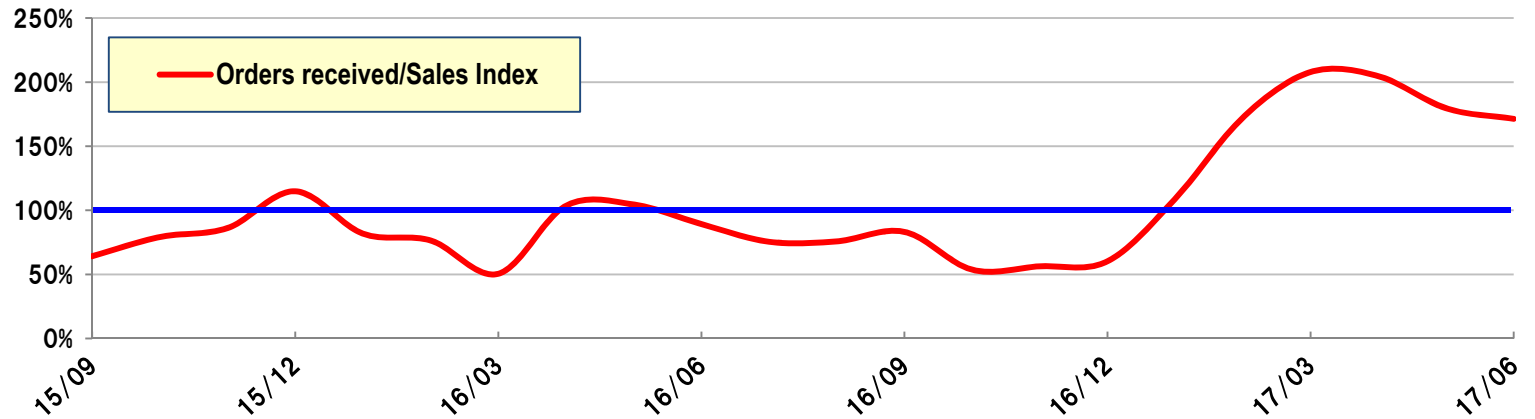


Book-to-Bill Ratio for KMC Mining Equipment (6 Months)

Avg. orders received in value for 6 months/Avg. units shipped in value for 6 months

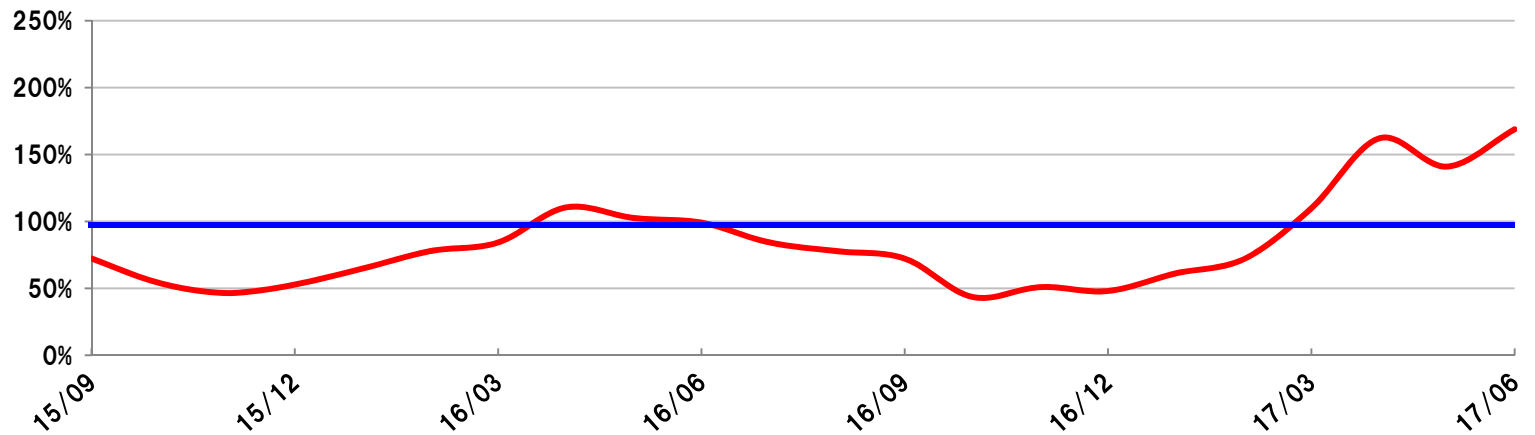
**KMC
(Surface)**

Rope Shovel,
Blasthole Drills,
Dragline ,etc



**KMC
(Underground)**

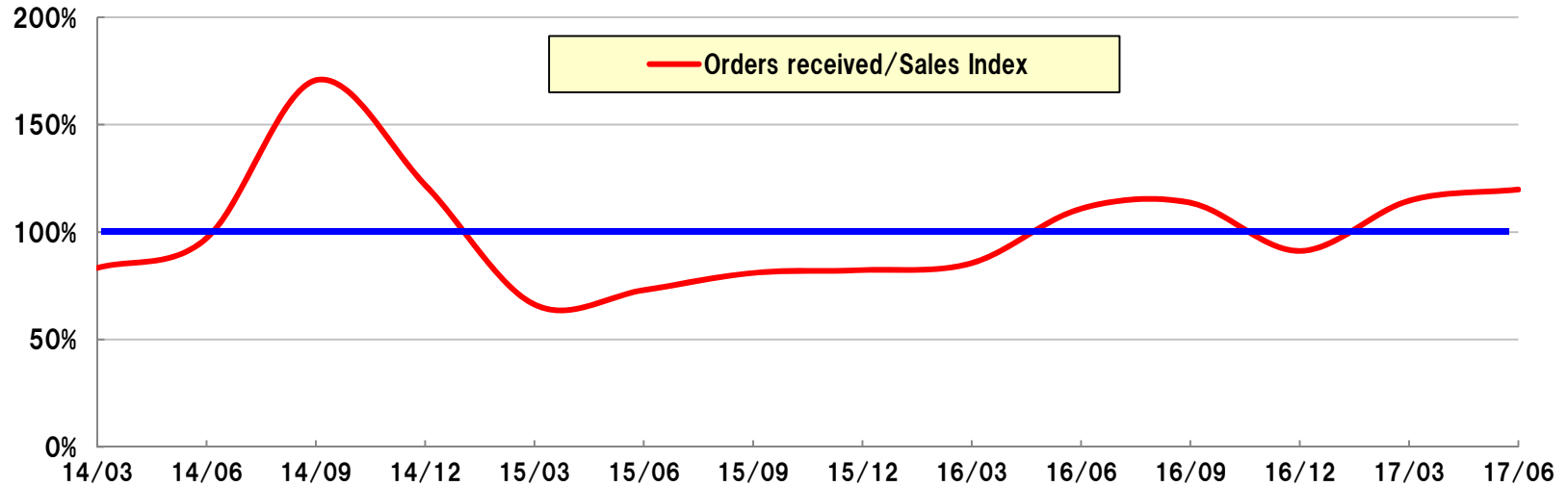
Continuous Miner,
Sheerer,
Load Haul Dump Machine,
Jumbo Drills,etc



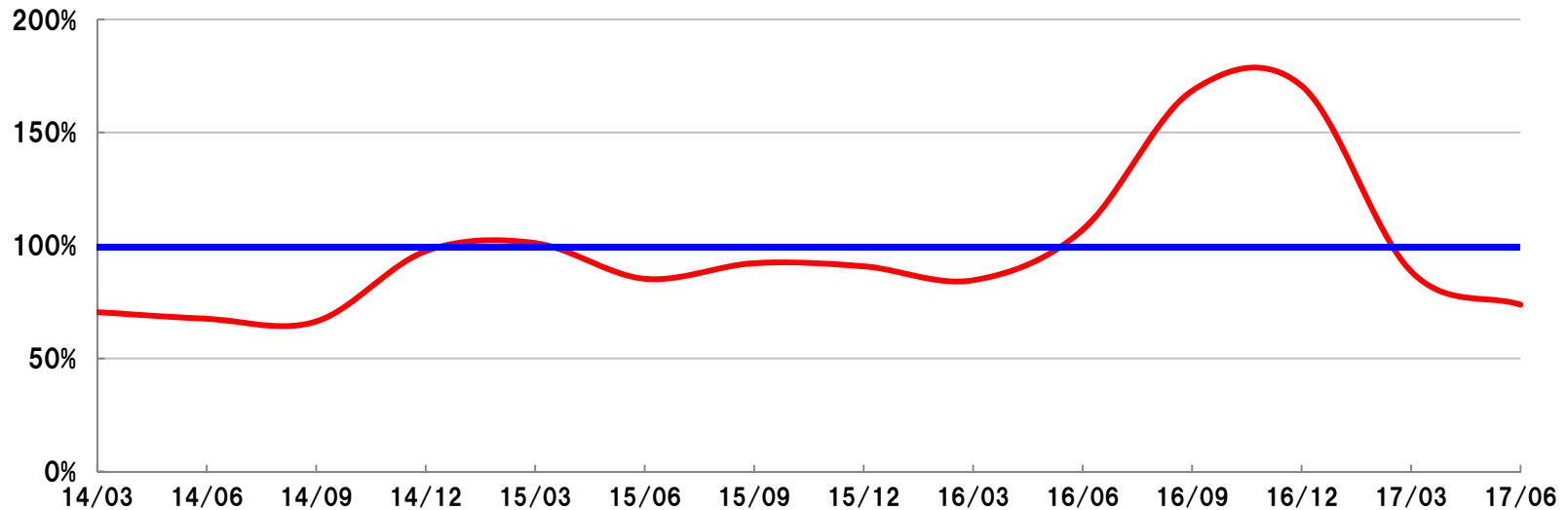
Book-to-Bill Ratio for Industrial Machinery (6 Months)

Komatsu Industries

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



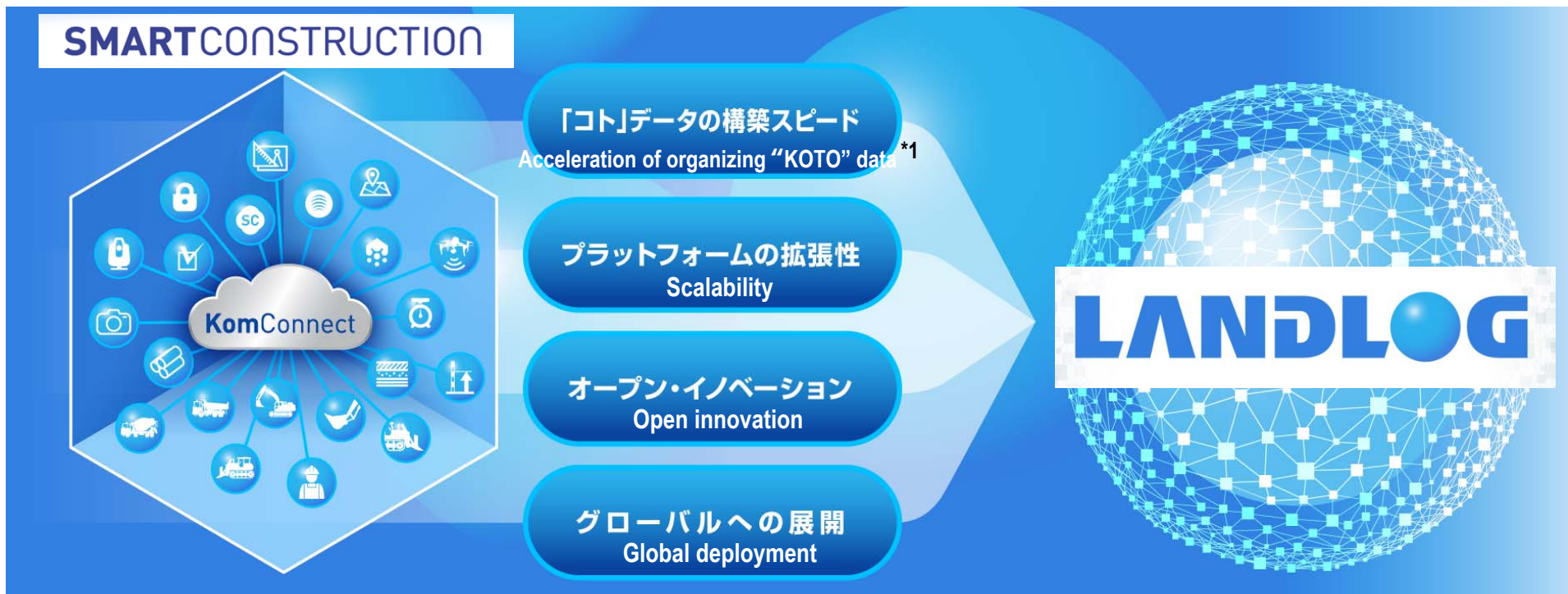
**Komatsu NTC
(Excl. wire saws)**



On July 19 in 2017, Komatsu, NTT DOCOMO, INC., SAP Japan Co., Ltd., and OPTiM Corp. have agreed to jointly develop and operate LANDLOG, a new platform to connect “everything”, such as ground, machines and materials, related to construction processes. Four partners are planning to launch this service in October 2017.

LANDLOG

Open platform designed to accelerate the innovation of construction processes



*1: “KOTO” data is versatile data created by the combination or processing of raw data.



“TLH508” 3D fiber laser cutting machine features an outstanding improvement in productivity thanks to a new controller.



“PVS1353-NET” hydraulic AC Servo-drive press brake offers both high productivity and high-precision machining.



“HiF150-2” AC Servo press achieves both high value-added machining and high productivity at the same time.

- Komatsu Industries Corp. exhibited leading-edge industrial machines at the MF-Tokyo 2017, the fifth trade fair for press, sheet-metal and forming machines, held at Tokyo Big Sight in July 2017.
- Upholding its theme of “Proposing GEMBA of the future: KOM-MICS for future plants”, Komatsu Industries also introduced “KOM-MICS” (KOMatsu Manufacturing Innovation Cloud System), a Komatsu-original IoT-driven production support platform, and attracted keen attention from many visitors.

Cautionary Statement

The announcement set forth herein contains forward-looking statements which reflect management's current views with respect to certain future events, including expected financial position, operating results, and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated cost or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new Information Technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; and, the impact of regulatory changes and accounting principles and practices.

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