

Business Results for FY2017

(April 1, 2017 – March 31, 2018)

April 26, 2018

Komatsu Ltd. Participants

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1. Business Results for FY2017

- Consolidated net sales increased by 38.7% from FY2016 to JPY2,501.1billion.
- Operating income advanced by 56.0% to JPY271.5billion. Operating income ratio increased by 1.2 points to 10.9%.
- Net income attributable to Komatsu Ltd. improved by 73.2% to JPY196.4 billion.

Billions of yen	FY2016 Results (A) ¥108.6/USD ¥119.3/EUR ¥16.2/RMB	FY2017 Projection (B) (As of Oct.,2017) ¥108.0/USD ¥124.4/EUR ¥16.0/RMB	FY2017 Results (C)		Changes (C-A)				
			Komatsu Conventional *1	KMC	increase (decrease)	Change %			
Net sales	1,802.9	2,328.0	2,037.0	291.0	2,501.1	2,183.2	317.8	+698.1	+38.7%
Segment profit (loss)	176.5	236.0	256.0	*2 (20.0)	302.9	315.4	*2 (12.4)	+126.3	+71.6%
Other operating income(expenses)	(2.4)	(20.0)	(20.0)	-	(31.3)	(31.3)	(0.0)	(28.9)	-
Operating income (loss)	174.0	216.0	236.0	*2 (20.0)	271.5	284.0	*2 (12.4)	+97.4	+56.0%
Profit ratio (loss ratio)	9.7%	9.3%	11.6%	(6.9)%	10.9%	13.0%	(3.9)%	+1.2pts.	-
Other income (expenses)	(7.6)	21.0			20.2			+27.8	-
Income before income taxes	166.4	237.0			291.8			+125.3	+75.3%
Net income *3	113.3	159.0			196.4			+83.0	+73.2%
ROE	7.3%	10.1%			12.1%			+4.8pts.	
Net D/E ratio	0.18	-			0.40			+0.22pts.	
Cash dividends per share	58yen	72yen			84yen			26yen	
Consolidated payout ratio	48.2%	42.7%			40.3%				

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."

Billions of yen	FY2017 Projection (As of Oct.,2017)	FY2017 Results
Depreciation after PPA *	(40.0)	(40.2)
Integration expenses etc.	(6.0)	(7.5)
Total	(46.0)	(47.8)

Note:

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

- Foreign exchange rates used for our business results are USD1 = JPY111.2, EUR1 = JPY129.6, and RMB1 = JPY16.8. The Japanese yen depreciated against the US dollar, renminbi, and euro. It also depreciated against some other major currencies.
- For FY2017, consolidated net sales increased by 38.7% from FY2016, to JPY2,501.1 billion. Operating income advanced by 56.0% to JPY271.5 billion. Operating income ratio was 10.9%, an improvement of 1.2 points from FY2016.
- Sales increased, reflecting the Japanese yen's depreciation, increased sales volume and the new addition of KMC to consolidated accounting.
- Net income attributable to Komatsu Ltd. expanded by 73.2% to JPY196.4 billion.
- In comparison with our projection for FY2017 business results, which we announced in October last year, we were able to outperform the projected amounts of sales, operating income and net income.

- **Construction, Mining & Utility Equipment:** Sales advanced by 44.7% from FY2016, to JPY2,280.9 billion. Segment profit expanded by 70.7% to JPY275.9 billion. Segment profit ratio improved by 1.8 points to 12.1%.
- **Retail Finance:** Revenues increased by 22.8% to JPY60.3 billion. Segment profit improved by 191.1% to JPY12.9 billion.
- **Industrial Machinery & Others:** Sales amounted to JPY185.4 billion, down 2.9% from FY2016. Segment profit advanced by 16.0% to JPY14.4 billion.

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

Billions of yen	FY2016 Results (A)	FY2017 Projection (B) (As of Oct.,2017)		FY2017 Results (C)			Changes (C-A)		
		Komatsu Conventional	KMC	Komatsu Conventional	KMC	increase (decrease)	% Change		
Net sales	1,802.9	2,328.0	2,037.0	291.0	2,501.1	2,183.2	317.8	+698.1	+38.7%
Construction, mining & utility equipment	1,576.5 [1,566.3]	2,106.0 [2,092.0]	1,815.0 [1,801.0]	291.0 [291.0]	2,280.9 [2,267.3]	1,963.1 [1,949.4]	317.8 [317.8]	+704.3 [+700.9]	+44.7% [+44.8%]
Retail finance	49.0 [46.7]	57.5 [49.0]	57.5 [49.0]	-	60.3 [49.6]	60.3 [49.6]	-	+11.2 [+2.9]	+22.8% [+6.3%]
Industrial machinery & others	191.0 [189.9]	188.0 [187.0]	188.0 [187.0]	-	185.4 [184.1]	185.4 [184.1]	-	(5.6) [5.8]	(2.9)% [(3.1)%]
Elimination	(13.7)	(23.5)	(23.5)	-	(25.5)	(25.5)	-	(11.8)	-
Segment profit	9.8% 176.5	10.1% 236.0	12.6% 256.0	(6.9)% (20.0)	12.1% 302.9	14.4% 315.4	(3.9)% (12.4)	+126.3	+71.6%
Construction, mining & utility equipment	10.3% 161.6	10.2% 215.0	12.9% 235.0	(6.9)% (20.0)	12.1% 275.9	14.7% 288.4	(3.9)% (12.4)	+114.2	+70.7%
Retail finance	9.1% 4.4	19.1% 11.0	19.1% 11.0	-	21.5% 12.9	21.5% 12.9	-	+8.5	+191.1%
Industrial machinery & others	6.5% 12.4	6.6% 12.5	6.6% 12.5	-	7.8% 14.4	7.8% 14.4	-	+1.9	+16.0%
Corporate & elimination	(2.0)	(2.5)	(2.5)	-	(0.4)	(0.4)	-	+1.6	-

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

Both sales and profit expanded, supported by advanced sales, especially in North America, China, Asia, as well as the benefits of the new addition of KMC to consolidated accounting.

■ Retail Finance:

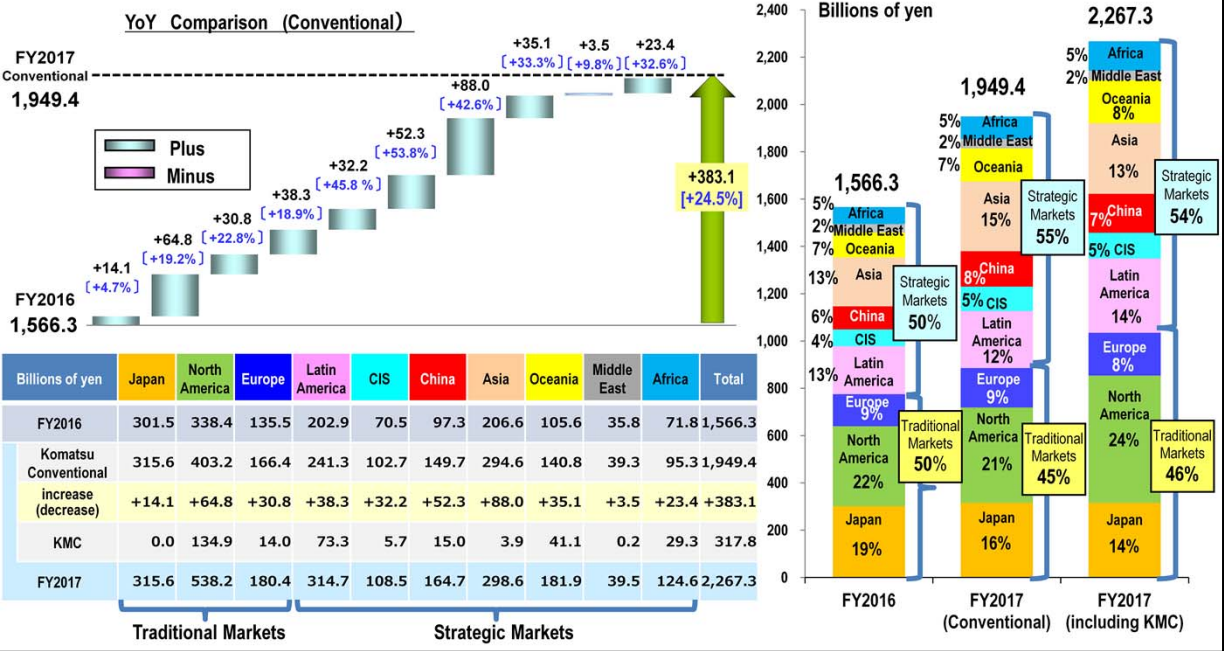
Both revenues and profit increased, mainly reflecting increased assets in North America.

■ Industrial Machinery & Others

Sales declined from FY2016. Profit expanded, mainly supported by increased sales of machine tools to the automobile manufacturing industry.

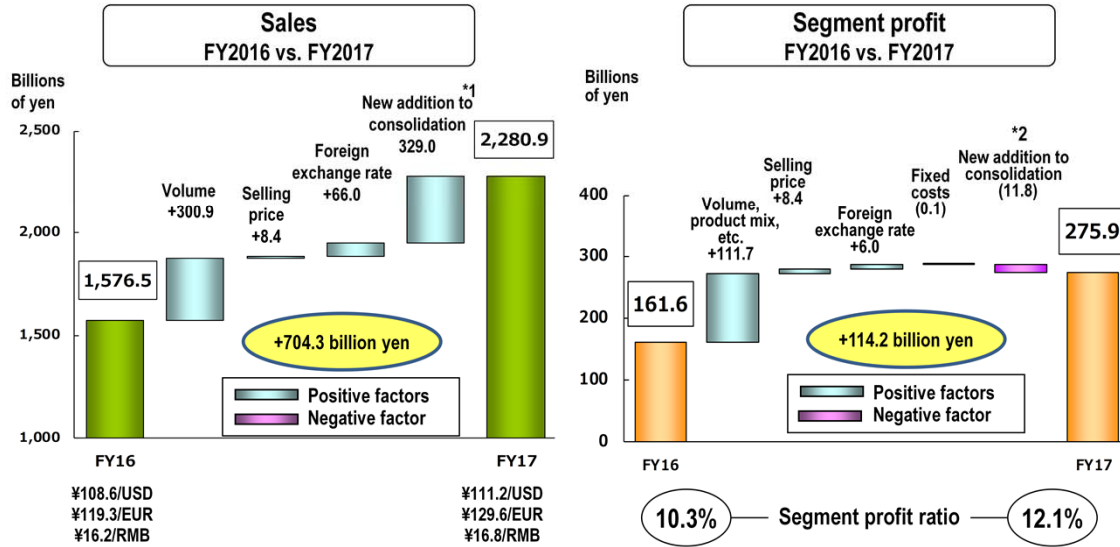
- **Construction, Mining & Utility Equipment:** Sales advanced by 44.7% from FY2016, to JPY2,280.9 billion. Segment profit expanded by 70.7% to JPY275.9 billion. Advanced sales reflects increased sales in North America, China, Asia and some other regions as well as the benefits of the new addition of KMC to consolidated accounting. With respect to segment profit, while KMC recorded an operating loss due to its temporary expenses, segment profit as a whole increased from FY2016, supported by expanded profits on the conventional Komatsu basis.
- **Retail Finance:** Revenues advanced by 22.8% from FY2016, to JPY60.3 billion. Segment profit surged by 191.1% to JPY12.9 billion. Advanced revenues are largely attributable to increased assets in North America. Improved segment profit resulted from no more adverse effects of allowances for doubtful accounts recorded in China for FY2016.
- **Industrial Machinery & Others:** Sales declined by 2.9% from FY2016, to JPY 185.4 billion. Segment profit improved by 16.0% to JPY14.4 billion. While sales of wire saws declined, those of machine tools to the automobile manufacturing industry advanced, increasing segment profit from FY2016.

- Sales to outside customers advanced by 44.8% from FY2016, to JPY2,267.3 billion. When KMC's sales are excluded, sales increased by 24.5% to JPY1,949.4 billion.
- Excluding those of KMC, sales improved in all regions. Sales expanded sharply, especially in North America, China and Asia.
- The ratio of sales in Strategic Markets increased to 55% of total sales. (The ratio of Strategic Market was also 54%, when KMC's sales were included.)



- FY2017 sales of construction, mining and utility equipment to outside customers advanced by 44.8% from FY2016, to JPY2,267.3 billion. Excluding those of KMC, sales increased by 24.5% to JPY1,949.4 billion.
- Excluding sales of KMC, sales increased in all regions. Sales expanded sharply, especially in North America, China and Asia.
- The ratio of sales in Strategic Market increased to 55% of total sales, when KMC's sales were excluded, and 54% when included.

- FY2017 sales increased by JPY704.3 billion from FY2016, supported by increased volume of sales, the positive factor of foreign exchange rates and the benefits of the new addition of KMC to consolidated accounting. Although segment profit was adversely affected by temporary expenses of KMC, it increased by JPY114.2 billion as a whole.
- Segment profit ratio improved by 1.8 points to 12.1%.

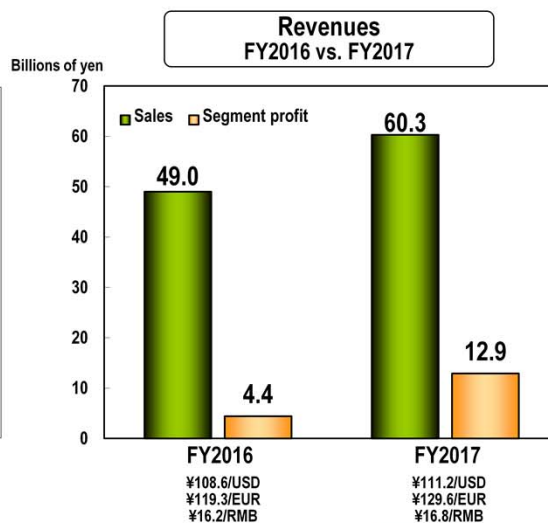
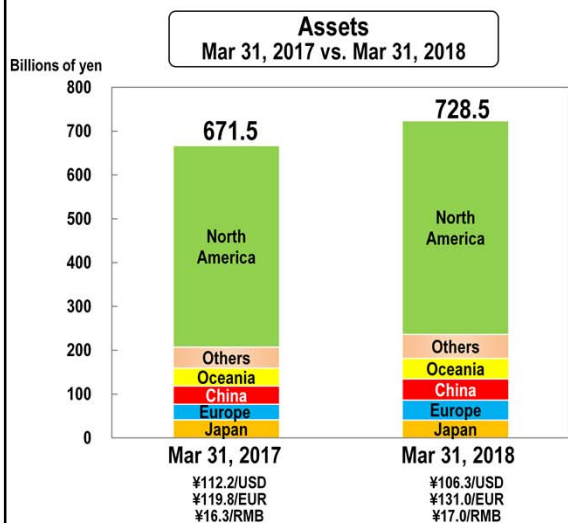


*1: Including JPY317.8 billion resulting from the new addition of KMC to consolidated accounting

*2: Including JPY(12.4) billion resulting from the new addition of KMC to consolidated accounting.

- Sales increased by JPY704.3 billion from FY2016. Sales were positively affected by sales volume and etc., foreign exchange rates and the new addition of KMC to consolidated accounting.
- Segment profit increased by JPY114.2 billion, while it was negatively impacted by KMC's temporary expenses. Segment profit ratio improved by 1.8 per cent to 12.1% while impacted by negative factors of new additions of KMC.

- Assets increased, mainly due to increased sales of equipment, especially in North America.
- Segment profit improved, mainly supported by no more adverse effects of allowance for doubtful accounts recorded in China for FY2016.

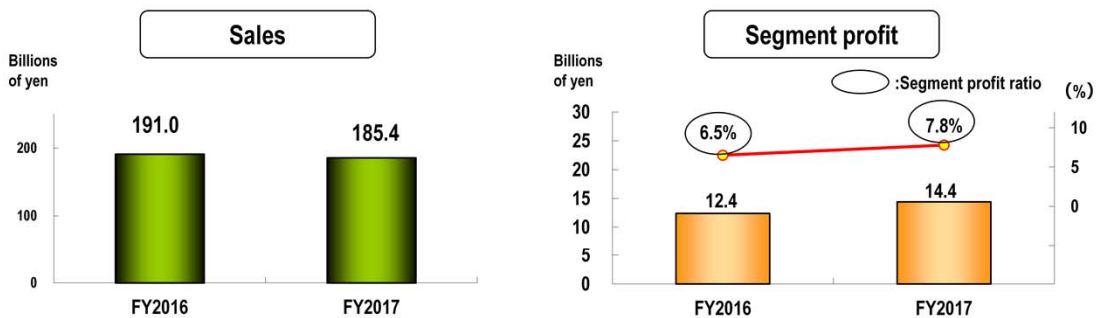


Billions of yen	2017/3E	2018/3E	Changes
Interest-bearing debt	506.0	546.0	+40.0
Interest-bearing debt, net	501.2	542.6	+41.4
Net D/E ratio	3.65	3.50	(0.15)pts.

	FY2016	FY2017	Changes
ROA	0.7%	1.9%	1.2%

- Total assets grew, mainly due to increased sales of equipment, especially in North America.
- Segment profit increased from FY2016, mainly supported by no more adverse effects of allowance for doubtful accounts recorded in China for FY2016.

- Sales declined by 2.9% to at JPY185.4.
- Segment profit increased, mainly due to increased sales of machine tools to the automobile manufacturing industry. Segment profit ratio was 7.8%.



Breakdown of sales

Billions of yen	FY2016	FY2017	Changes	
			increase (decrease)	Change %
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	56.6	51.4	(5.1)	(9.1)%
Komatsu NTC Ltd. [represented by wire saws]	55.2 [10.7]	62.9 [8.6]	+7.7 (1.9)	+14.0% [(18.6)%]
Gigaphoton	32.0	37.1	+5.1	+15.9%
Others	47.0	33.7	(13.2)	(28.2)%
Total	191.0	185.4	(5.6)	(2.9)%

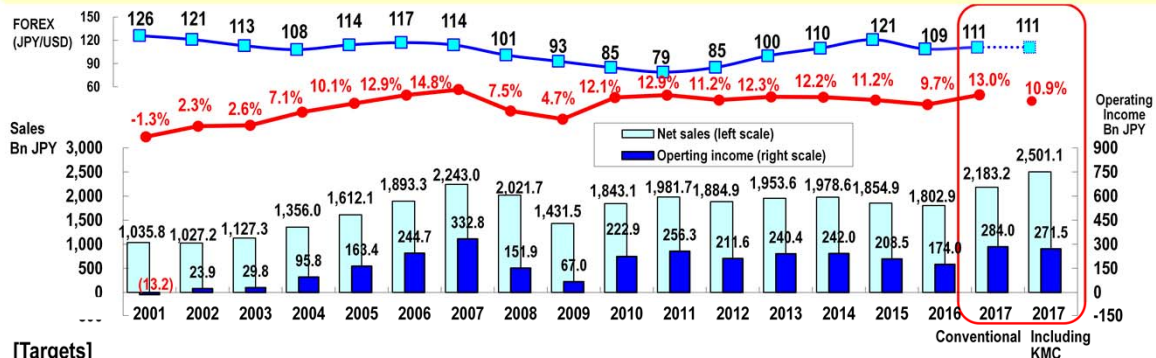
□ Sales decreased by 2.9% from FY2016, to JPY185.4 billion. While sales of machine tools increased to the automobile manufacturing industry, sales of presses, wire saws and products for Japan's Defense Agency declined. Segment profit increased by JPY2.0 billion from FY2016, to JPY14.4 billion. Segment profit ratio improved by 1.3 percentage points to 7.8%.

- Total assets grew by JPY716.0 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 JPY401.8 billion to JPY810.5 billion, mainly affected by the acquisition of KMC.
- Komatsu Ltd. shareholders' equity ratio declined by 10.0 points to 49.4%.

○ : Net D/E ratio Billions of yen	Mar. 31, 2017	Mar. 31, 2018	increase (decrease)	Mar. 31, 2018
	¥112.2/USD ¥119.8/EUR ¥16.3/RMB	¥106.3/USD ¥131.0/EUR ¥17.0/RMB		Affect of new addition of KMC to consolidation
Cash & deposits (incl. time deposits) [a]	122.1	146.8	+24.6	16.6
Accounts receivable (incl. long-term trade receivables)	933.2	1,155.0	+221.8	77.6
Inventories	533.8	730.2	+196.3	114.6
Tangible fixed assets	679.0	740.5	+61.5	77.9
Other assets	388.1	599.7	+211.6	251.3
Total assets	2,656.4	3,372.5	+716.0	538.2
Accounts payable	240.1	303.5	+63.4	31.0
Interest-bearing debt [b]	408.7	810.5	+401.8	101.5
Other liabilities	359.1	514.7	155.6	111.2
Total liabilities	1,007.9	1,628.9	620.9	243.7
[Shareholders' equity ratio]	[59.4%]	[49.4%]	[(10.0)pts.]	
Komatsu Ltd. shareholders' equity	1,576.6	1,664.5	+87.8	
Non-controlling interests	71.8	79.0	+7.2	
Liabilities & Equity	2,656.4	3,372.5	+716.0	
Interest-bearing debt, net [b-a]	○ 0.18 286.5	○ 0.40 663.7	+377.2	
Net D/E ratio (excl. the retail finance business)	○ (0.15)	○ 0.08		

- Total assets increased by JPY716.0 billion from the previous fiscal year-end, to JPY3,372.5 billion, as affected by the addition of KMC to consolidated accounting and increased receivables and inventories. When KMC and foreign exchange factors are removed, total assets increased by JPY220.8 billion.
- Inventories increased by JPY196.3 billion from the previous fiscal year-end. When KMC and foreign exchange factors are removed, actual differences on the Komatsu conventional basis between FY2017 and FY2016 was an increase of JPY92.8 billion. This increase is attributable to inventory buildup to meet growing market demand.
- Interest-bearing debt increased by JPY401.8 billion from the previous fiscal year-end, to JPY810.5 billion, mainly due to the acquisition of KMC. KMC's interest-bearing debt amounted to JPY101.5 billion.
- Komatsu Ltd. shareholders' equity ratio dropped by 10.0 percentage points from the previous fiscal year-end, to 49.4%.

We made good progress towards the targets in the second year of the mid-range management plan.



[Targets]

	Target	Index	FY2016	FY2017
			Results	Results
Growth	• Aim at a growth rate above the industry's average.	Growth rate of Sales [VS FY2015]	(2.8)%	38.7% [34.8%]
Profitability	• Aim at an Industry's top-level operating income ratio.	Operating Income Ratio	9.7%	10.9%
Efficiency	• Aim at 10%-level ROE.	ROE	7.3%	12.1%
Shareholder return	• 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%.	consolidated payout ratio	48.2%	40.3%
Financial position	• Aim at industry's top-level financial position.	net D/E ratio	0.18	0.40
Retail finance Business	• ROA: 2.0% or above	ROA	0.7%	1.9%
	• 5.0 or under for net debt-to-equity ratio	net D/E ratio	3.65	3.50

- Next, let us update progress we made towards the targets of the ongoing mid-range management plan.
- Graphs on the top show our business performance from the past. Table on the bottom summaries our progress made towards mid-range targets.
- We achieved the FY2017 sales growth rate of 38.7% from FY2016. It is 34.8% when compared to FY2015, the final year of the previous mid-range management plan. Operating income ratio was 10.9%, showing a further improvement from 9.7% for FY2016.
- With respect to ROE, we improved to 12.1% from 7.3% for FY2016, outperforming the target level of 10%.
- In the retail finance business, while we fell short of achieving the ROA target, we achieved a net debt-to-equity ratio of 3.50 under 5.

Three strategies	Progress	Specific efforts
1. Growth strategies based on innovation	Achieved	<ul style="list-style-type: none"> • Broadened the range of intelligent Machine Control models. • Introduced SMARTCONSTRUCTION to more jobsites (over 5,000 jobsites in Japan: cumulative) • Jointly with NTT DOCOMO INC., SAP Japan Co., Ltd. and OPTIM Corporation, Komatsu planned and managed the new platform "LANDLOG" which connects the entire production processes of construction. • Achieved over 100 units of the Autonomous Haulage System in operation. • Developed add-on kits which convert manned dump trucks to unmanned ones.
	Tasks ahead	<ul style="list-style-type: none"> • Further reinforced and expanded SMARTCONSTRUCTION. • EUV light source* and new products to be developed by Gigaphoton. • To develop next-generation KOMTRAX.
2. Growth strategies of existing businesses	Achieved	<ul style="list-style-type: none"> • Developed and introduced models compliant with the latest emission controls. • Increased sales of parts by means of M&A. • Expanded curriculum for the Asia Training & Demonstration Center. • Acquired the forest machine attachment business in Canada.
	Tasks ahead	<ul style="list-style-type: none"> • To promote integration with KMC. • To continue strengthening involvement in the aggregate and cement sector. • To further strengthen and expand the value chain, including rental, used equipment and retail finance businesses.
3. Reforms designed to reinforce the business foundation	Achieved	<ul style="list-style-type: none"> • Made steady efforts for cost improvement. • Reformed global spare parts operation. • Three domestic sales companies merged (i.e., Komatsu Construction Equipment Sales and Service Japan Ltd., Komatsu Rental Ltd. and Komatsu Forklift Japan Ltd.
	Tasks ahead	<ul style="list-style-type: none"> • ICT-driven work reforms (incl. work style reforms) • To further promote cost improvement efforts. • To promote human resource development and diversity on a global scale.

* : EUV stands for Extreme Ultraviolet, and EUV light source is one of the next-generation semiconductor manufacturing technologies.

This sheet explains main achievements and tasks ahead of three basic strategies in the ongoing mid-range management plan.

We have been working on the three basic strategies of growth based on innovation, growth of existing businesses and structural reforms. As a whole, we have made progress as planned.

2. Projection for FY2018 Business Results

- Consolidated net sales will remain about flat at JPY2,503.0 billion from FY2017.
- Operating income will increase by 24.8% to JPY339.0 billion. Operating income ratio will be 13.5%, an improvement of 2.7 points.
- Net income will increase by 15.1% to JPY226.0 billion.

Billions of yen	FY2017 Results(A)			FY2018 Projection(B)			Changes (B-A)	
	¥111.2/USD ¥129.6/EUR ¥16.8/RMB	Komatsu Conventional *1	KMC	¥100.0/USD ¥123.0/EUR ¥15.8/RMB	Komatsu Conventional *1	KMC	increase (decrease)	Change %
Net sales	2,501.1	2,183.2	317.8	2,503.0	2,188.0	315.0	+ 1.9	+ 0.1%
Segment profit (loss)	302.9	315.4	*2 (12.4)	345.0	319.5	*2 25.5	+42.1	+13.9%
Other operating income (expenses)	(31.3)	(31.3)	(0.0)	(6.0)	(6.0)	-	+25.3	-
Operating income (loss)	271.5	284.0	*2 (12.4)	339.0	313.5	*2 25.5	+67.5	+24.8%
Profit ratio (loss ratio)	10.9%	13.0%	(3.9)%	13.5%	14.3%	8.1%	+2.7pts.	-
Other income (expenses)	20.2			(19.0)			(39.2)	-
Income before income taxes	291.8			320.0			+28.2	+9.7%
Net income *3	196.4			226.0			+29.6	+15.1%
ROE	12.1%			13.4%			1.3pts.	
Cash dividends per share	84yen			96yen			+12yen	
Consolidated payout ratio	40.3%			40.1%			-	

Notes 1) Figures represent those which KMC's business Results are excluded
 2) KMC's segment and operating income (losse) 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.

Billions of yen	FY2017 Results	FY2018 Projection
Depreciation after PPA *	(40.2)	(8.0)
Integration expenses etc.	(7.5)	(2.5)
Total	(47.8)	(10.5)

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

- We assume the foreign exchange rates for FY2018 results as follow: USD1=JPY100, EUR1=JPY123 and RMB1=JPY15.8.
- We project that consolidated net sales for FY2018 will remain flat at JPY2,503.0 billion, as adversely affected by foreign exchange rates, while sales volume should increase.
- We project that operating income will advance by 24.8% from FY2017, to JPY339.0 billion, reflecting an increase of sales volume and a substantial drop in KMC's temporary expenses, which will more than offset the adverse effects of foreign exchange rates. As a result, operating income ratio should improve by 2.7 points to 13.5%, and net income should amount to JPY226.0 billion.
- We expect that ROE should improve by 1.3 points to 13.4% for FY2018.

Projection for Segment Sales and Profit of FY2018

- Construction, Mining & Utility Equipment: Sales will decline by 0.5% to JPY2,270.0 billion, while segment profit should advance by 15.2% to JPY318.0 billion. Segment profit ratio should improve by 1.9 points to 14.0%.
- Retail Finance: Revenues will decline by 12.1% to JPY53.0 billion. Segment profit will also decrease by 7.4% to JPY12.0 billion.
- Industrial Machinery & Others: Sales will increase by 12.2% to JPY208.0 billion.. Segment profit should advance by 24.5% to JPY18.0 billion.

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

Billions of yen	FY2017 Results		FY2018 Projection			Changes		
	¥111.2/USD ¥129.6/EUR ¥16.8/RMB	Komatsu Conventional	KMC	¥100.0/USD ¥123.0/EUR ¥15.8/RMB	Komatsu Conventional	KMC	increase (decrease)	% Change
Net sales	2,501.1	2,183.2	317.8	2,503.0	2,188.0	315.0	+1.9	+0.1%
Construction, mining & utility equipment	2,280.9 [2,267.3]	1,963.1 [1,949.4]	317.8 [317.8]	2,270.0 [2,249.0]	1,955.0 [1,934.0]	315.0 [315.0]	(10.9) [(18.3)]	(0.5)% [(0.8)%]
Retail finance	60.3 [49.6]	60.3 [49.6]	-	53.0 [48.0]	53.0 [48.0]	-	(7.3) [(1.6)]	(12.1)% [(3.3)%]
Industrial machinery & others	185.4 [184.1]	185.4 [184.1]	-	208.0 [206.0]	208.0 [206.0]	-	+22.6 [+21.9]	+12.2% [+11.9%]
Elimination	(25.5)	(25.5)	-	(28.0)	(28.0)	-	(2.5)	-
Segment profit	12.1% 302.9	14.4% 315.4	(3.9)% (12.4)	13.8% 345.0	14.6% 319.5	8.1% 25.5	+42.1	+13.9%
Construction, mining & utility equipment	12.1% 275.9	14.7% 288.4	(3.9)% (12.4)	14.0% 318.0	15.0% 292.5	8.1% 25.5	+42.1	+15.2%
Retail finance	21.5% 12.9	21.5% 12.9	-	22.7% 12.0	22.7% 12.0	-	(0.9)	(7.4)%
Industrial machinery & others	7.8% 14.4	7.8% 14.4	-	8.7% 18.0	8.7% 18.0	-	+3.6	+24.5%
Corporate & elimination	(0.4)	(0.4)	-	(3.0)	(3.0)	-	(2.6)	-

Conditions of three business segments:

■ Construction, Mining & Utility Equipment

- Although we anticipate increased sales and price hikes especially in Strategic Markets, sales should remain flat from FY2017 as adversely affected by foreign exchange rates. Segment profit should improve, supported by a sharp drop of adverse effects related to temporary expenses of KMC as well as an increase of volume of sales and price hikes by conventional Komatsu.

■ Retail Finance

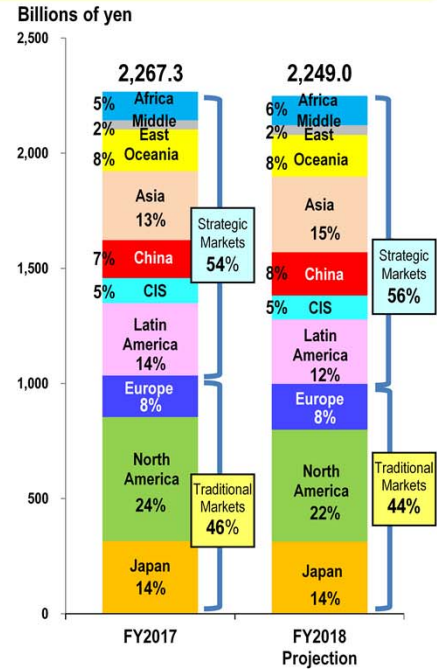
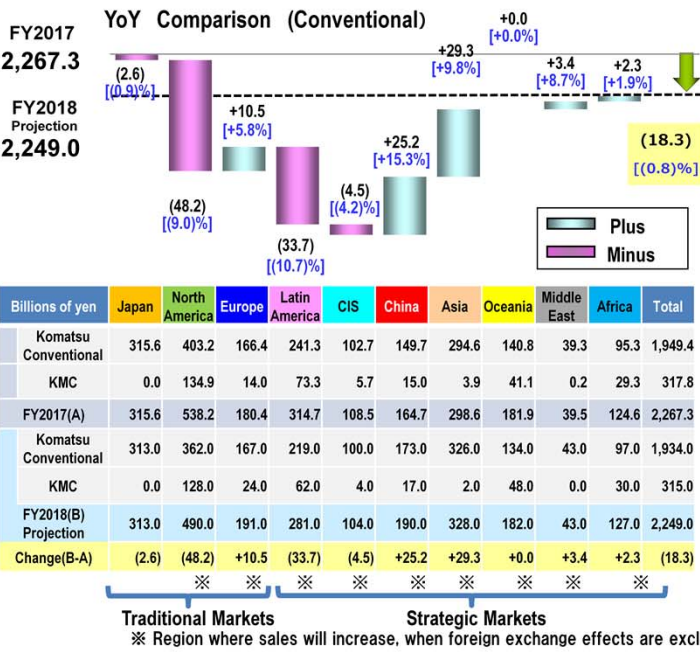
- While assets should increase in North America, both revenues and segment profit will decline, as adversely affected by foreign exchange rates.

■ Industrial Machinery & Others

- We project both sales and segment profit will improve, supported by increased sales of machine tools and market introduction of new Servo presses.

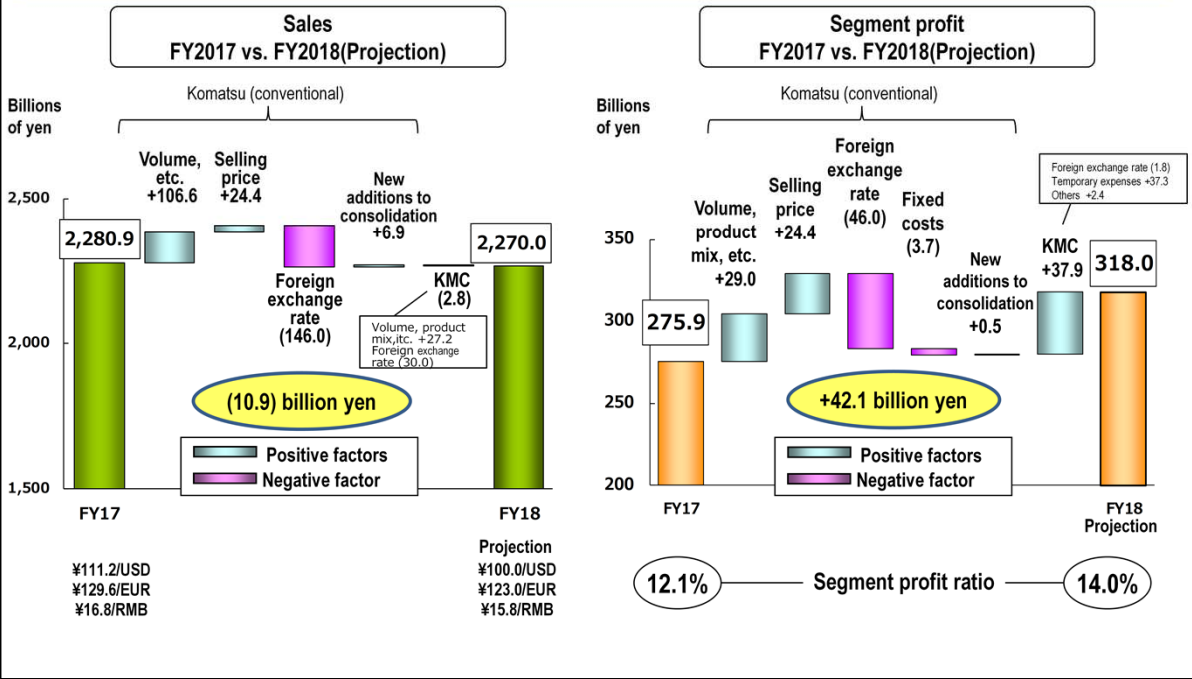
- In the construction, mining and utility equipment business, we project that segment sales will decline by 0.5% from FY2017, to JPY2,270.0 billion. Segment profit should advance by 15.2% to JPY318.0 billion.
- In the retail finance business, segment revenues will decline by 12.1% to JPY53.0 billion. Segment profit will also decline by 7.4% to JPY12.0 billion.
- In the industrial machines and others business, segment sales should increase by 12.2% to JPY208.0 billion. Segment profit should advance by 24.5% to JPY18.0 billion.

- Overall sales, including those of KMC, to outside customers will decline by 0.8% from FY2017, to JPY2,249.0billion. When KMC's sales are excluded, sales will amount to JPY1,934.0 billion.
- While sales should increase, centering on Strategic Markets, such as China and Asia, overall sales should remain about flat from FY2017, as adversely affected by foreign exchange rates. When the foreign exchange effects are excluded, sales should increase in all regions except for Japan.
- The ratio of sales in Strategic Markets should increase to 56% of total sales.



- While we expect an increase in sales centering on Strategic Markets, such as China and Asia, as well as higher selling prices, in FY2018, overall sales will remain about flat from FY2017, as adversely affected by foreign exchange rates. When the foreign exchange effects are excluded, sales should increase in all regions except for Japan.
- We project that the ratio of sales in Strategic Markets will increase from 54% of total sales in FY2017 to 56% in FY2018.

- While sales should merit from increased volume of sales and price hikes, we project that sales will decline by JPY10.9 billion from FY2017, as adversely affected by foreign exchange rates. Segment profit should advance by JPY42.1 billion, as increased volume of sales and price hikes will more than offset the adverse effects of foreign exchange rates.
- Segment profit ratio should improve by 1.9 points to 14.0%.



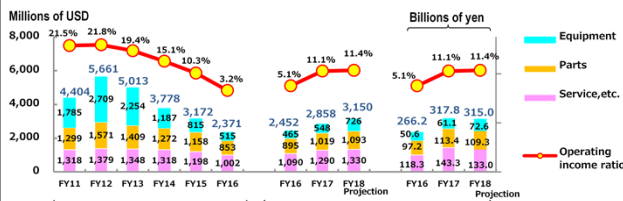
- While sales should improve, supported by increased volume of sales and price hikes centering on Strategic Markets, such as China and Asia, we project that overall sales will decrease by JPY10.9 billion from FY2017, as adversely affected by foreign exchange rates. decline by as adversely affected by foreign exchange rates.
- We project that segment profit will increase from FY2017, supported by substantially reduced adverse effects of KMC's temporary expenses and positive effects of expanded volume of sales by conventional Komatsu, i.e., without KMC, and price hikes, which should more than offset the adverse effects of the Japanese yen's appreciation.

Construction, Mining & Utility Equipment: Projection for KMC's Business Result & Sales

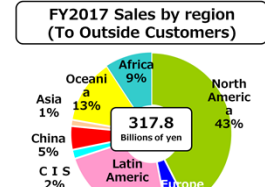
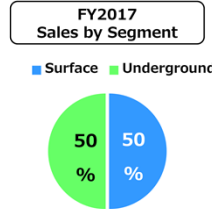
- For FY2017, sales increased by 19.4% from FY2016, to JPY317.8 billion. Operating loss totaled JPY12.4 billion, including temporary expenses.
- For FY2018, we project sales will decline by 0.9% from FY2017, to JPY315.0 billion. Operating income should amount to JPY25.5 billion, reflecting substantially reduced temporary expenses.

Billions of yen	FY2016 Results (A) (Reference) ※1 ¥108.6/USD	FY2017 Results (B) ¥111.2/USD	FY2018 Projection (C) ¥100.0/USD	Changes(B-A) (Reference)		Changes(C-B)	
				increase (decrease)	% Change	increase (decrease)	% Change
Net sales	266.2	317.8	315.0	+51.6	+19.4%	(2.8)	(0.9)%
Equipment	50.6	61.1	72.6	+10.5	+20.8%	+11.5	+18.8%
Parts	97.2	113.4	109.3	+16.2	+16.7%	(4.1)	(3.6)%
Service etc.	118.3	143.3	133.0	+25.0	+21.1%	(10.3)	(7.2)%
Operating income (loss) <excluding Temporary Expenses>	5.1% 13.4	11.1% 35.3	11.4% 36.0	+21.9	+163.4%	+0.7	+2.0%
Temporary Expenses (negative figure)	(10.2)	(47.8)	(10.5)	(37.6)	-	+37.3	-
Depreciation after PPA ※2	-	※3 (40.2)	(8.0)	(40.2)	-	+32.2	-
Integration expenses etc.	(10.2)	(7.5)	(2.5)	+2.7	-	+5.0	-
Operating income (loss) <including Temporary Expenses>	1.2% 3.3	(3.9)% (12.4)	8.1% 25.5	(15.7)	-	+37.9	-

Annual Sales & Operating Income Ratio


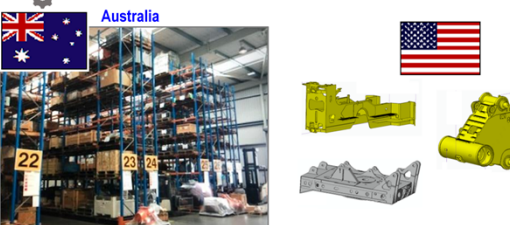

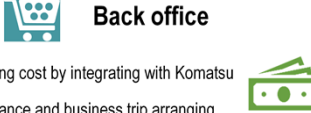


※1: Stated figures in "FY2016 results" is created based on Komatsu fiscal year.
 ※2: PPA stands for Purchase Price Allocation. It is an accounting process of valuating and allocating acquired assets and liabilities to fair prices.
 ※3: Depreciation after PPA related to inventories, JPY(25.8) billion.



- FY2016 results of KMC (the former Joy Global) were reclassified for Komatsu's fiscal year. Therefore, KMC's results were not included in Komatsu's consolidated financial statements.
- KMC's sales for FY2017 increased by 19.4% from FY2016, to JPY317.8 billion. Specifically, sales of equipment advanced by 20.8% to JPY61.1 billion, sales of parts increased by 16.7% to JPY113.4 billion, and service revenues, etc. advanced by 21.1% to JPY143.3 billion.
- With respect to sales by segment, both surface and underground mining segments became 50%.
- Operating income, excluding temporary expenses, totaled JPY35.3 billion. When temporary expenses of JPY47.8 billion are included, operating loss was JPY12.4 billion.
- Depreciation after PPA totaled JPY40.2 billion, including JPY25.8 billion related to inventories.
- We project that KMC's sales for FY2018 will decrease by 0.9% from FY2017, to JPY315.0 billion. Although sales volume will increase, foreign exchange rates will adversely effect.
- We project that operating income for FY2018 will slightly increase, which excludes temporary expenses. Compared to FY2017, temporary expenses will substantially drop. As a result, we project that operating income will total JPY25.5 billion, and operating income ratio, 8.1%.

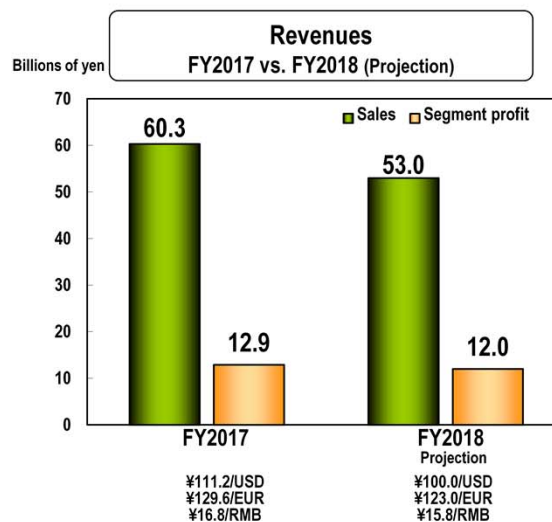
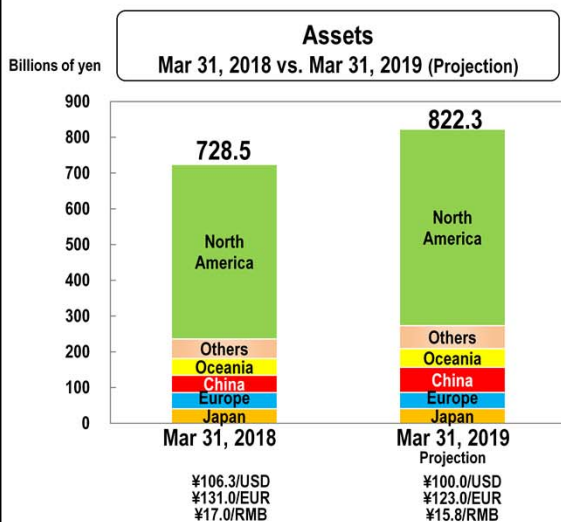
- Confirmed more-than-anticipated synergy effects worth about JPY2.5 billion in FY2017, the first year of integration (incl. benefits after FY2017)
- Achieved cost reduction by winning new orders for equipment, parts, service and Reman/rebuilt* parts, by engaging in joint purchase and by integrating funding.

<p>Sales of equipment and parts</p>  <p>USA</p> <ul style="list-style-type: none"> • Increased sales of parts by using them in KMC's products. • Won an order for KMC-made rope shovel in Latin America by capitalizing on the relationship of trust with a customer.. 	<p>Supply chain</p>  <p>Australia</p> <ul style="list-style-type: none"> • Reduced procurement expenses through joint purchase of steel and other materials.
<p>Synergy effects confirmed in FY2017 About JPY2.5 billion on a pre-tax income basis incl. benefits after FY2017</p>	
<p>Service, Reman/Rebuild*</p>  <p>Peru</p> <ul style="list-style-type: none"> • Increased sales of service and rebuild by effectively using the facilities of the two. * Reman/Rebuild: Remanufacturing and rebuilding of parts and components. 	<p>Back office</p>  <ul style="list-style-type: none"> • Reduced funding cost by integrating with Komatsu America Corp. • Reduced insurance and business trip arranging fees. • Improved cash management of KMC's subsidiary in China in Komatsu's cash management system. • Curtailed costs by consolidating back-office operations.

Estimated synergy effects (FY2021 target): About 10% of KMC's total sales

- In FY2017, the first year of integration with KMC, we confirmed more-than-anticipated synergy effects. The amount is about JPY2.5 billion on a pre-tax income basis. This amount includes benefits after FY2017.
- Against the backdrop of market recovery, we are winning new orders for equipment and parts.
- By mutually using Komatsu and KMC's bases, we are increasing service revenues and sales from Reman and rebuild operations where parts and components are remanufactured or rebuilt.
- We have steadfastly reduced costs by engaging in joint purchase and integrating funding.
- We are expecting more synergy effects in FY2018.

- Assets should increase, mainly due to increased sales of equipment, especially in North America.
- Both revenues and segment profit will decline, mainly affected by foreign exchange rates.

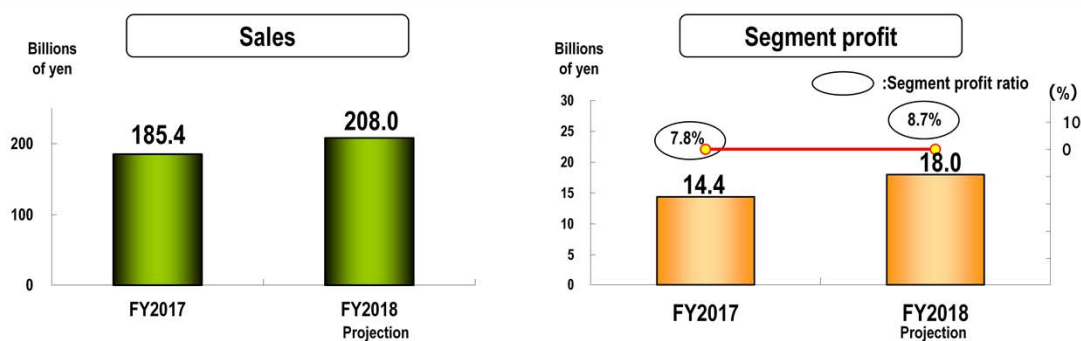


Billions of yen	2018/3E	2019/3E Projection	Changes
Interest-bearing debt	546.0	657.5	+111.5
Interest-bearing debt, net	542.6	651.7	+109.0
Net D/E ratio	3.50	4.70	+1.20pts.

	FY2017	FY2018 Projection	Changes
ROA	1.9%	1.6%	(0.3)%

- While total assets should increase, mainly due to increased sales of equipment, especially in North America, China and Oceania, we project that both revenues and segment profit will decline from FY2017, mainly affected by foreign exchange rates.

• We project that sales will increase by 12.2% from FY2017, to JPY208.0 billion, and segment profit by JPY3.5 billion to JPY18.0 billion.

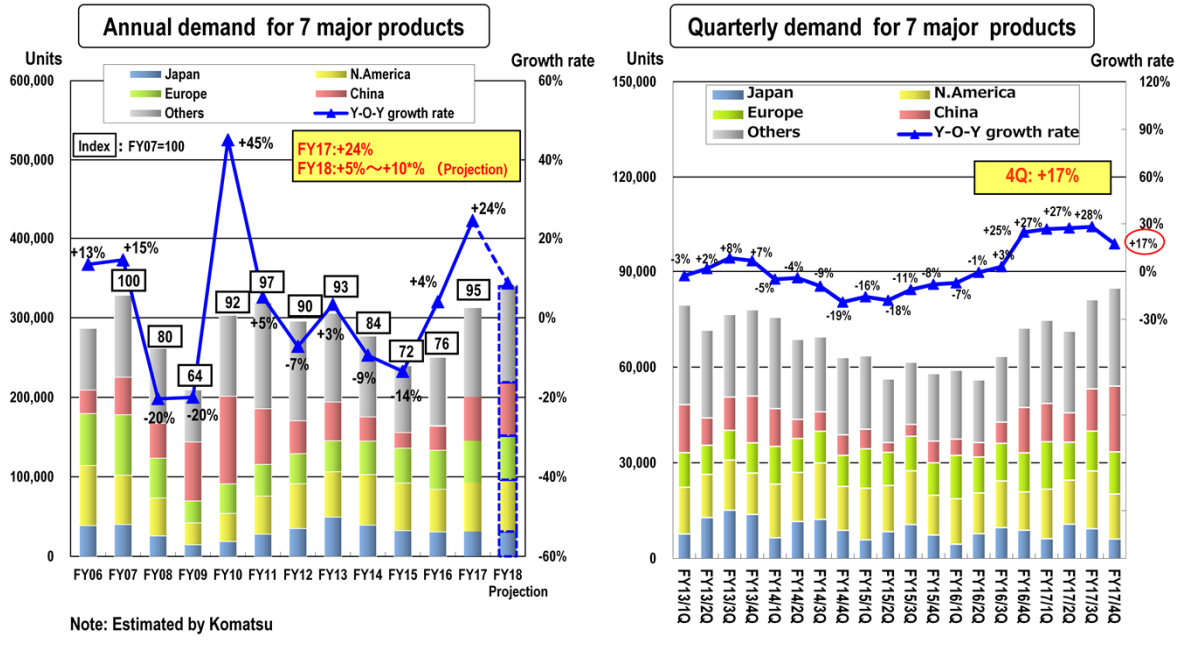


Breakdown of sales Billions of yen	FY2017	FY2018 Projection	Changes	
			increase (decrease)	Change %
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	51.4	61.5	+10.0	+19.5%
Komatsu NTC Ltd. [represented by wire saws]	62.9 [8.6]	67.9 [7.8]	+4.9 [(0.8)]	+7.9% [(9.8)%]
Gigaphoton	37.1	40.5	+3.3	+9.1%
Others	33.7	38.0	+4.2	+12.5%
Total	185.4	208.0	+22.5	+12.2%

□ We expect that sales should increase by 12.2% from FY2017, to JPY208.0 billion for FY2018, supported by expanded sales of machine tools to the automobile manufacturing industry and by launching sales of new Servo presses. Segment profit should also increase by JPY3.5 billion to JPY18.0 billion.

Construction and Mining Equipment: Actual and Projected Demand for 7 Major Products

- In FY2017, global demand increased by 24%.
- In FY2018, we expect global demand should grow by 5% to 10% from FY2017.

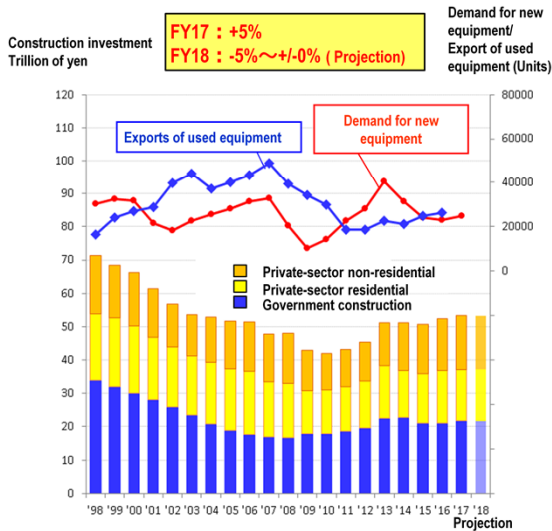


- Demand for 7 major products and mining equipment is based on Komatsu’s conventional product mix. The figures are preliminary, estimated by Komatsu and, which apply to those on pages 22 to 28.
- We assume that demand should have grown by 24% in FY2017 from FY2016.
- Demand increased in not only Strategic Markets, such as China and Southeast Asia, but also Traditional Markets, centering on North America.
- We can expect that demand will continue to advance especially in China and Indonesia in FY2018. Global demand should grow by 5 to 10% from FY2017.

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

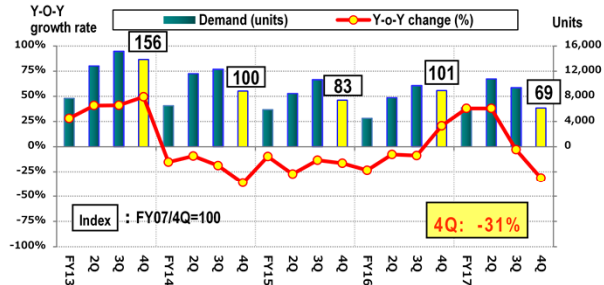
- In FY2017, demand increased by 5% from FY2016. In the second half period of FY2017, demand for new equipment declined mainly due to the reactionary drop from pre-buy demand before new emission controls (effective September 2017) in Japan in the first half period.
- We project demand will decline by 5% to +/-0% in FY2018.

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

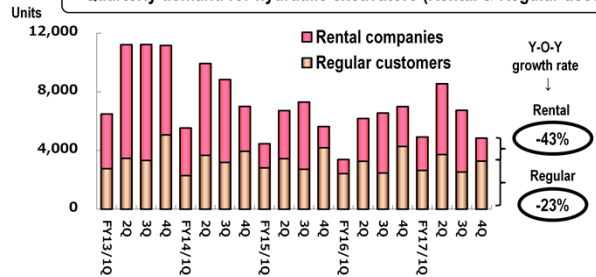


[Sources] Construction investment by the Ministry of Land, Infrastructure, Transport & Tourism, and Research Institute of Construction and Economy
Demand for 7 major products and No. of exported used equipment estimated by Komatsu

Quarterly demand for 7 major products



Quarterly demand for hydraulic excavators (Rental & Regular uses)

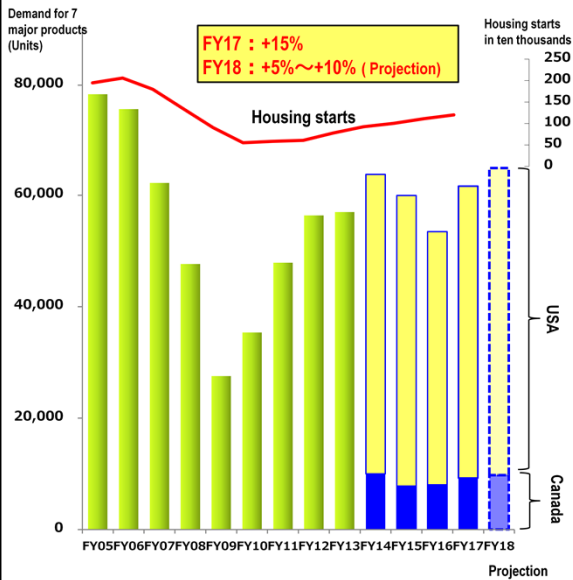


- It appears that unit-based demand in Japan should have increased by 5% in FY2017.
- In the first half period of Y2017, demand increased with pre-buys before new emission controls in Japan, but that for new equipment declined in the second half period due to the reactionary drop of pre-buy demand. Full-year demand increased.
- With respect to demand in FY2018, we project it will decline by 5% to +/-0% from FY2017, as adversely affected by the reactionary drop of demand continuing from the second half period of FY2017.

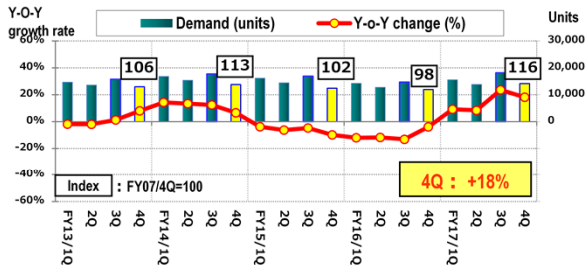
Construction and Mining Equipment: Demand in Major Markets (2) North America

- In FY2017, North American demand should have increased by 15% from FY2016.
- In the United States, demand continued to grow steadily, centering on the infrastructure development and energy-related sectors. Demand also increased in the rental industry, where demand had been sluggish.
- We project demand will increase by 5% to 10% in FY2018 from FY2017.

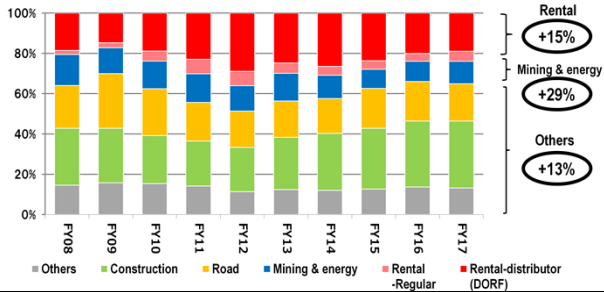
Demand for 7 major products and US housing starts



Quarterly demand for 7 major products



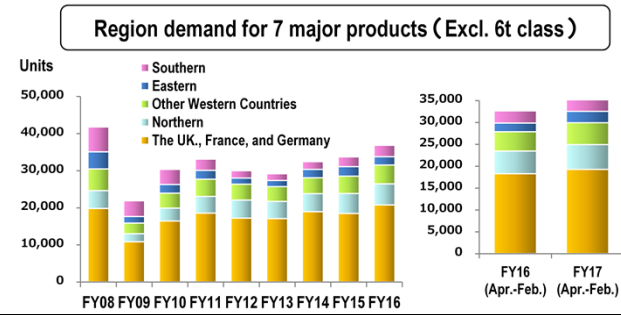
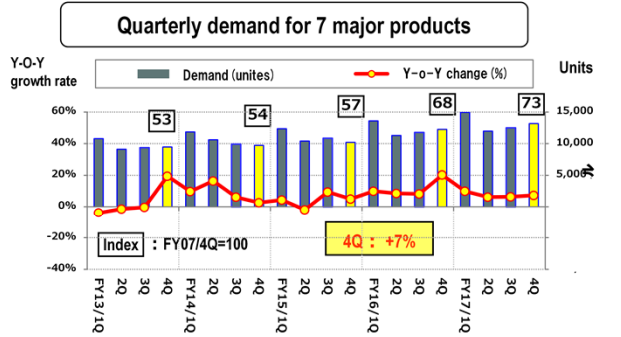
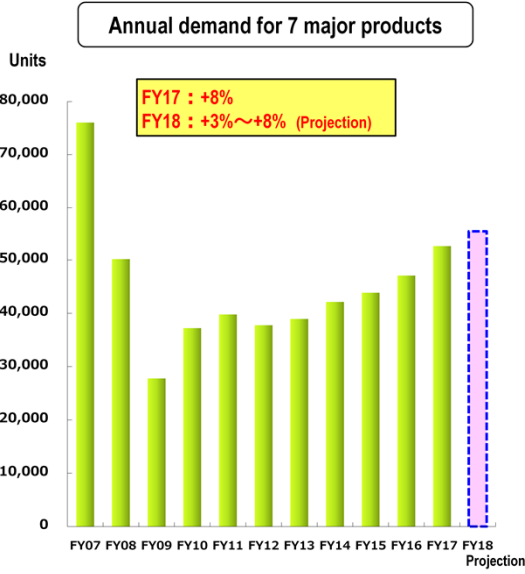
Breakdown of demand by segment (Unit basis)



- It appears that North American demand should have grown by 15% in FY2017 from FY2016.
- In Canada, demand for construction equipment recovered among general customers and in the rental industry. In the United States, demand increased steadily, centering on the infrastructure development and energy-related sectors. Demand also increased in the rental industry, where it had been sluggish.
- In FY2018, we project North American demand will continue to grow. We estimate a growth rate of 5% to 10% from FY2017.

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

- We believe that European demand will have increased by 8% in FY2017 from FY2016.
- Demand remained firm in a major market of Germany as well as in northern Europe.
- In FY2018, demand should remain steady and grow by 3% to 8% from FY2017.

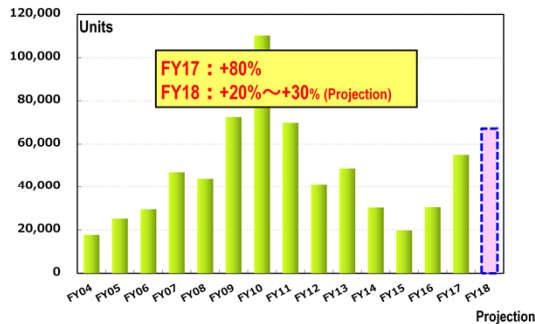


- We believe that European demand will have increased by 8% in FY2017 from FY2016.
- Demand was firm in a major market of Germany as well as in northern Europe.
- While there are some concerns over uncertainty, such as adverse effects of Brexit in FY2018, we project that European demand will grow by 3% to 8% from FY2017.

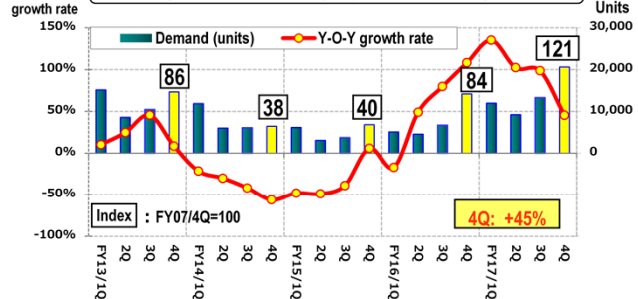
Construction and Mining Equipment: Demand in Major Markets (4) China

- In FY2017, demand expanded by 80% from FY2016.
- Demand for construction equipment continued to grow, supported by good progress of infrastructure development.
- With respect to full-year demand in FY2018, we anticipate it will increase by 20% to 30% from FY2017.

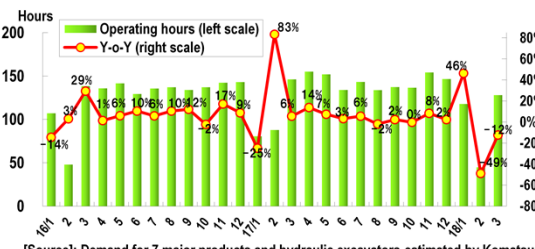
Annual demand for 7 major products (Foreign makers)



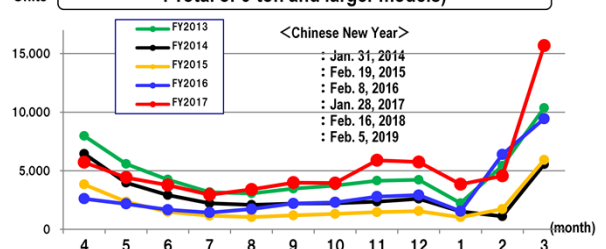
Quarterly demand for 7 major products (Foreign makers)



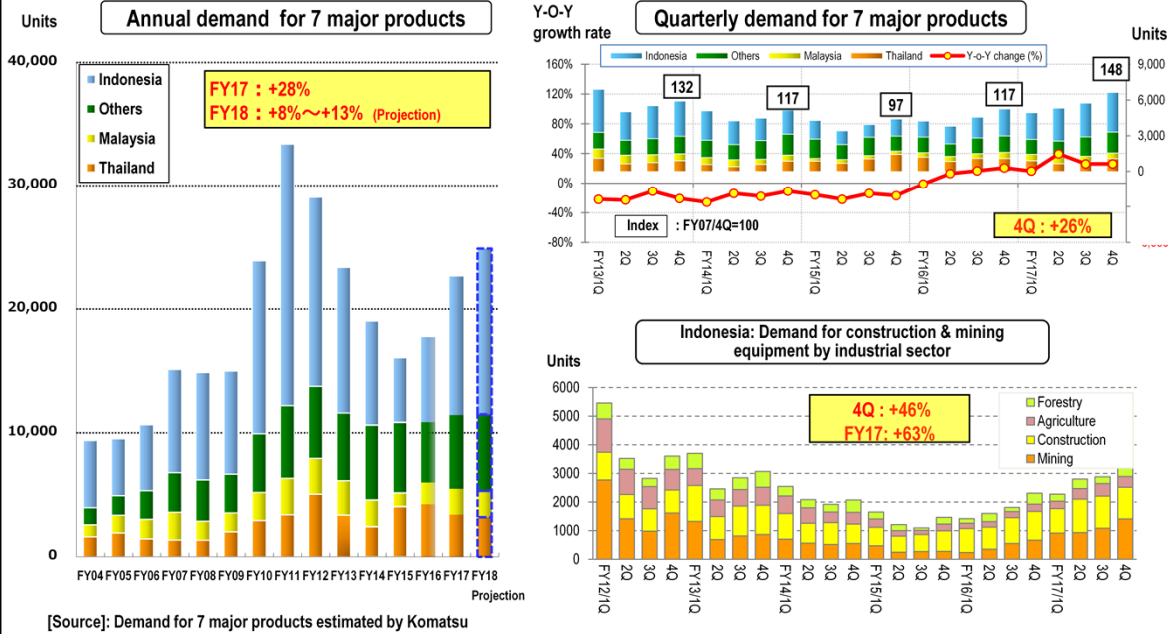
KOMTRAX in China : Average operating hours per month



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



- In FY2017, Southeast Asian demand advanced by 28% from FY2016.
- In Indonesia, the largest market of the region, demand for mining equipment increased sharply.
- We believe demand should remain steady in FY2018, increasing by 8% to 13% from FY2017

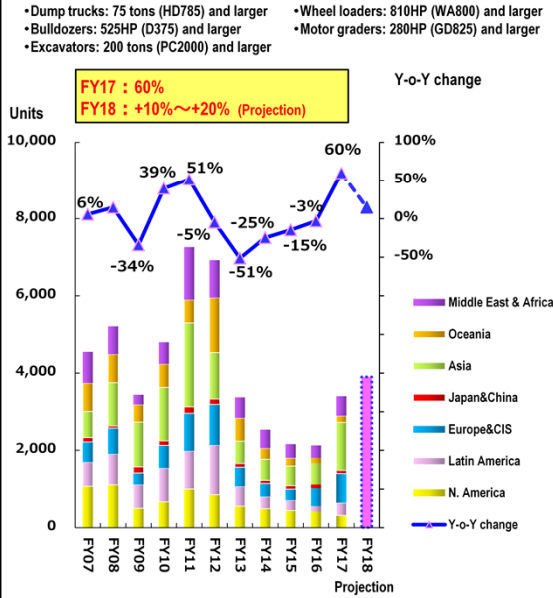


- It appears that Southeast Asian demand advanced by 28% in FY2017 from FY2016.
- In Indonesia, the largest market of the region, demand for mining equipment increased substantially.
- In FY2018, we project that Indonesia will continue to drive Southeast Asian demand. Overall demand will increase by 8% to 13% from FY2017.

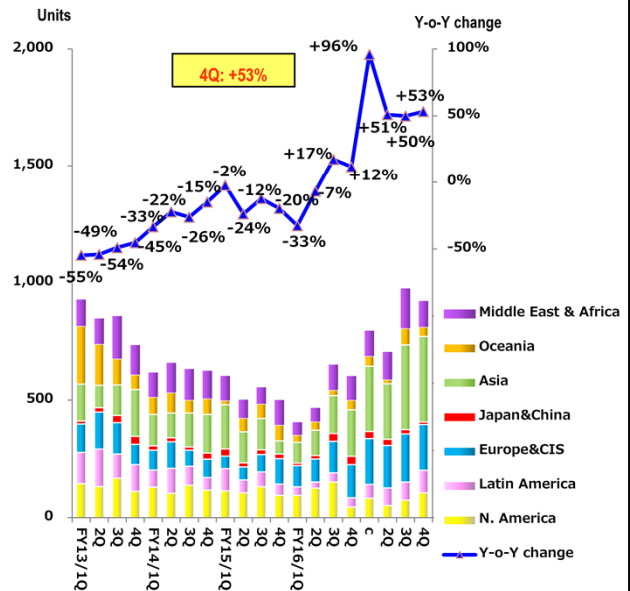
Construction and Mining Equipment: Actual and Projected Demand for Mining Equipment

- In FY2017, we estimate that global demand will have expanded by 60% from FY2016.
- Demand continues to grow in Indonesia, Oceania, Africa and some other regions.
- We project that demand will advance by 10% to 20% in FY2018 from FY2017.

Annual demand for mining equipment

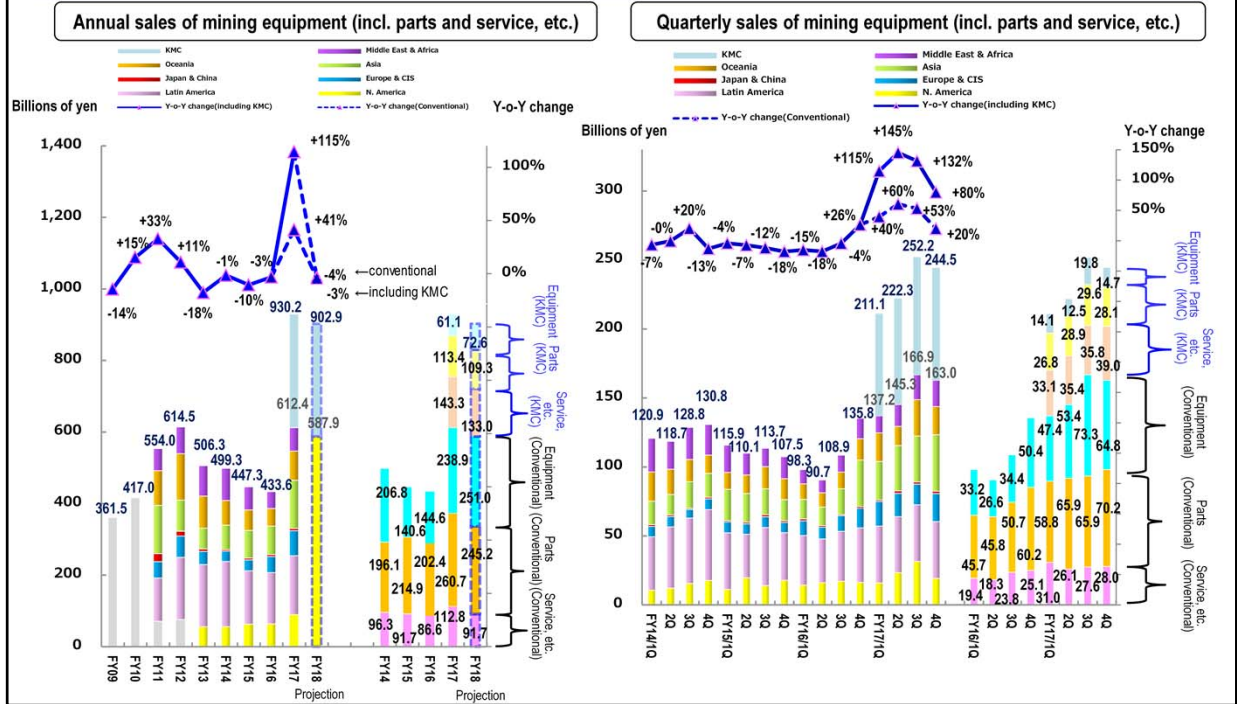


Quarterly demand for mining equipment



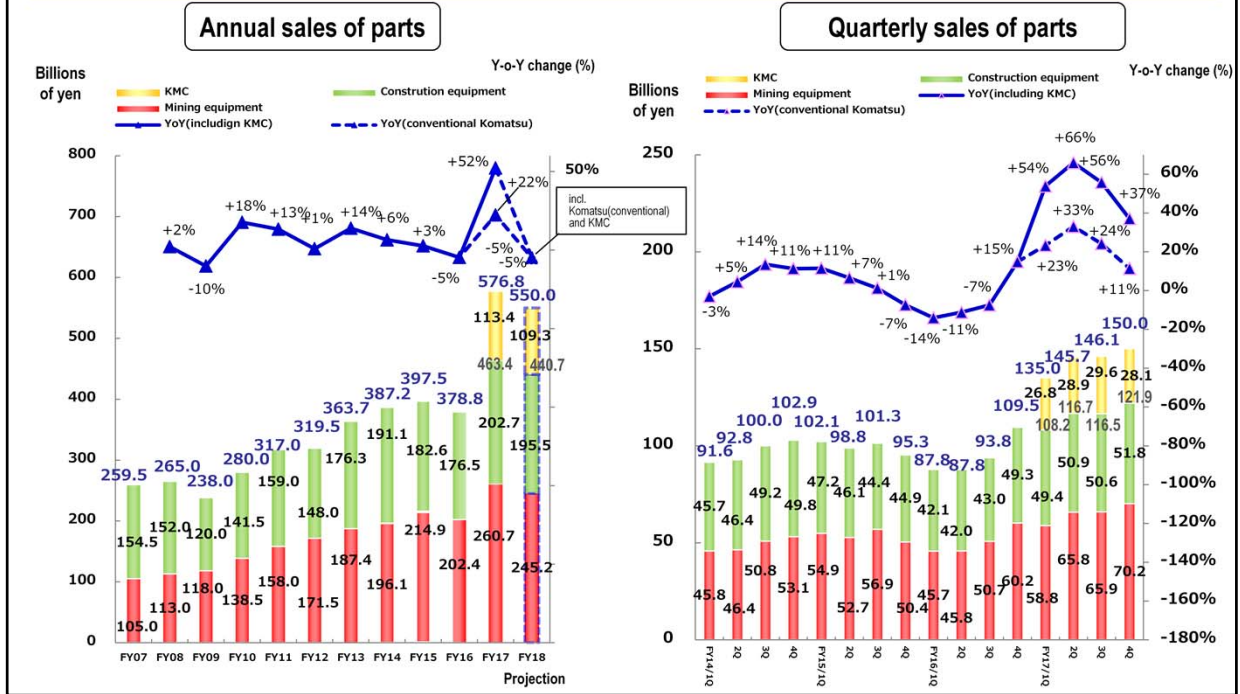
- It appears that global demand for mining equipment will have expanded by 60% in FY2017 from FY2016.
- We project that demand will continue to increase in FY2018, centering on Indonesia, Oceania and Africa. Global demand should increase by 10% to 20% from FY2017.

- For FY2017, sales expanded by 115% from FY2016, to JPY930.2 billion. When KMC's sales are excluded, sales advanced by 41% to JPY612.4 billion.
- For FY2018, we anticipate sales of JPY902.9 billion, down 3% from FY2017. When KMC's sales are excluded, sales should decrease by 4% to JPY587.9 billion.



- For FY2017, sales of mining equipment expanded by 115% from FY2016, to JPY930.2 billion. When KMC's sales are excluded, Komatsu conventional sales advanced by 41% to JPY612.4 billion. Sales of equipment and parts as well as service revenues increased from FY2016.
- For FY2018, we project that sales will decline by 3% from FY2016, to JPY902.9 billion, as adversely affected by foreign exchange rates, even when volume of sales should increase. When the effects of foreign exchange rates are excluded, sales will increase by 7% from FY2017.

- For FY2017, sales of parts expanded by 52% from FY2016, to JPY576.8 billion. When KMC's sales are excluded, Komatsu conventional sales increased by 22% to JPY463.4 billion.
- For FY2018, we anticipate sales will decline by 5% to JPY550.0 billion, as adversely affected by foreign exchange rates, while we should be able to capitalize on aftermarket demand.

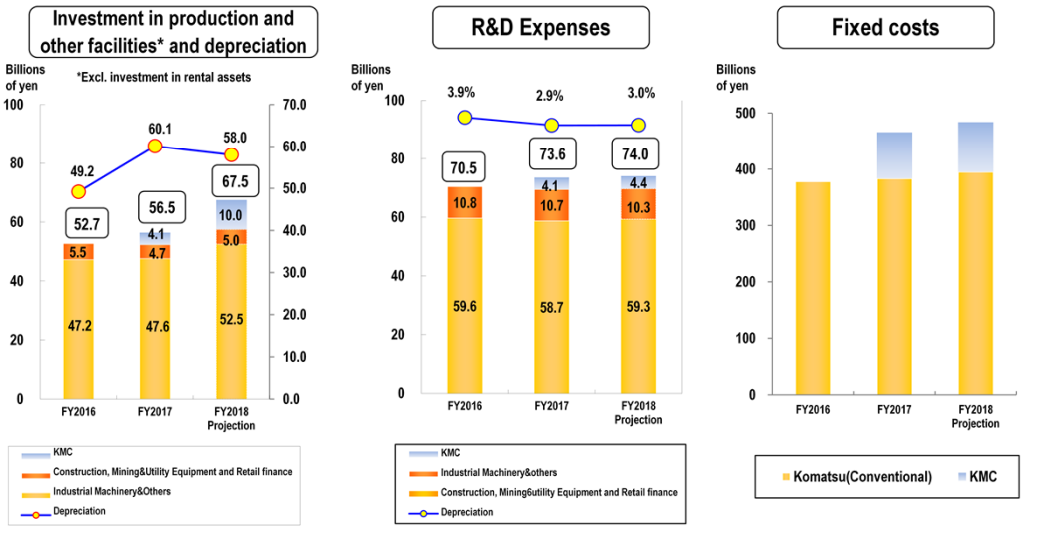


□ For FY2017 sales of parts advanced by 52% from FY2016, to JPY576.8 billion. When KMC's sales are excluded, Komatsu conventional sales increased by 22%. By breakdown, sales of parts for construction equipment increased by 15% and for mining equipment, by 29%.

□ With respect to FY2018, while we should be able to unfailingly capitalize on aftermarket demand and increase sales volume, we project that sales will decline by 5% to JPY550.0 billion, as adversely affected by foreign exchange rates. When the foreign exchange effects are excluded, sales should increase by 4% from FY2017.

Actual and Projected Capital Expenditures, Depreciation, R&D Expenses and Fixed Costs

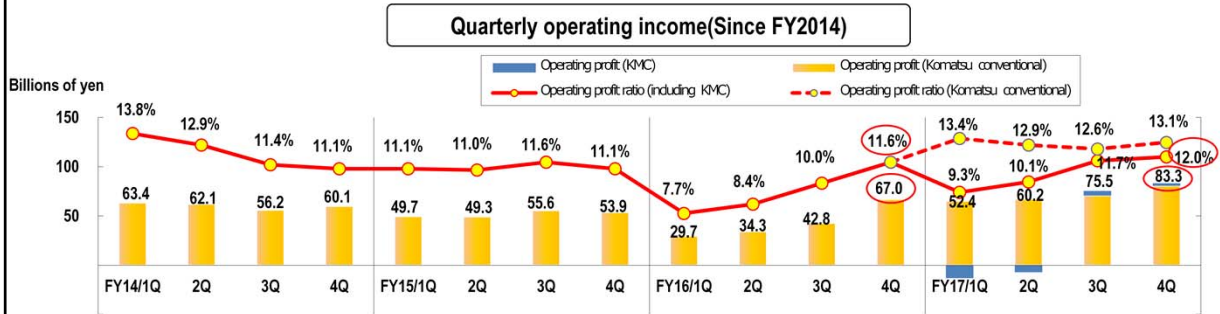
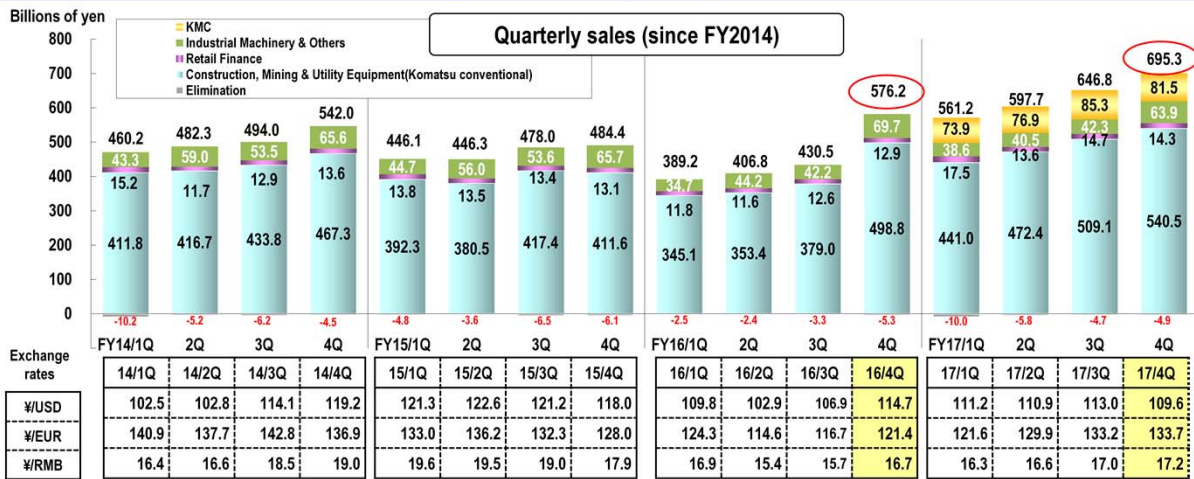
- Capital investment : We plan to promote restructuring of KMC’s production and respond to labor shortage at Japanese plants.
- R&D expenses: We will continue to focus investment in the development of key components, application- and region-specific models as well as next-generation models based on innovation, such as unmanned models.
- Fixed costs: Fixed costs will increase, as affected by the addition of KMC and other companies to consolidated accounting as well as up-front investment in ICT-driven work reforms.



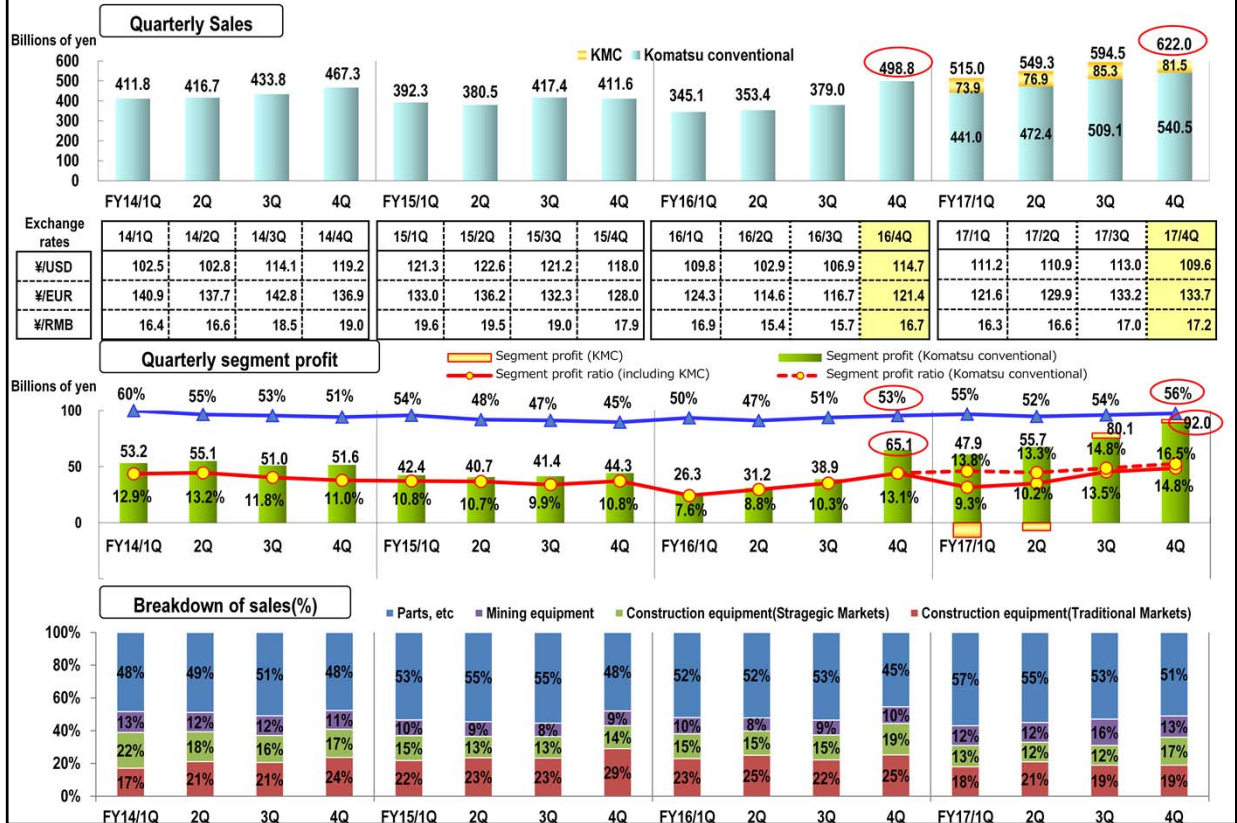
- Concerning capital investment in production and other operations, except for rental assets, we plan to promote restructuring of KMC’s plants and respond to labor shortage at Japanese plants.
- With respect to R&D expenses, we will continue to focus investment in the development of key components, application- and region-specific models as well as next-generation models based on innovation, such as unmanned models.
- Concerning fixed costs, we plan to increase them, as affected by the addition of KMC and other companies to consolidated accounting as well as up-front investment in ICT-driven work reforms.

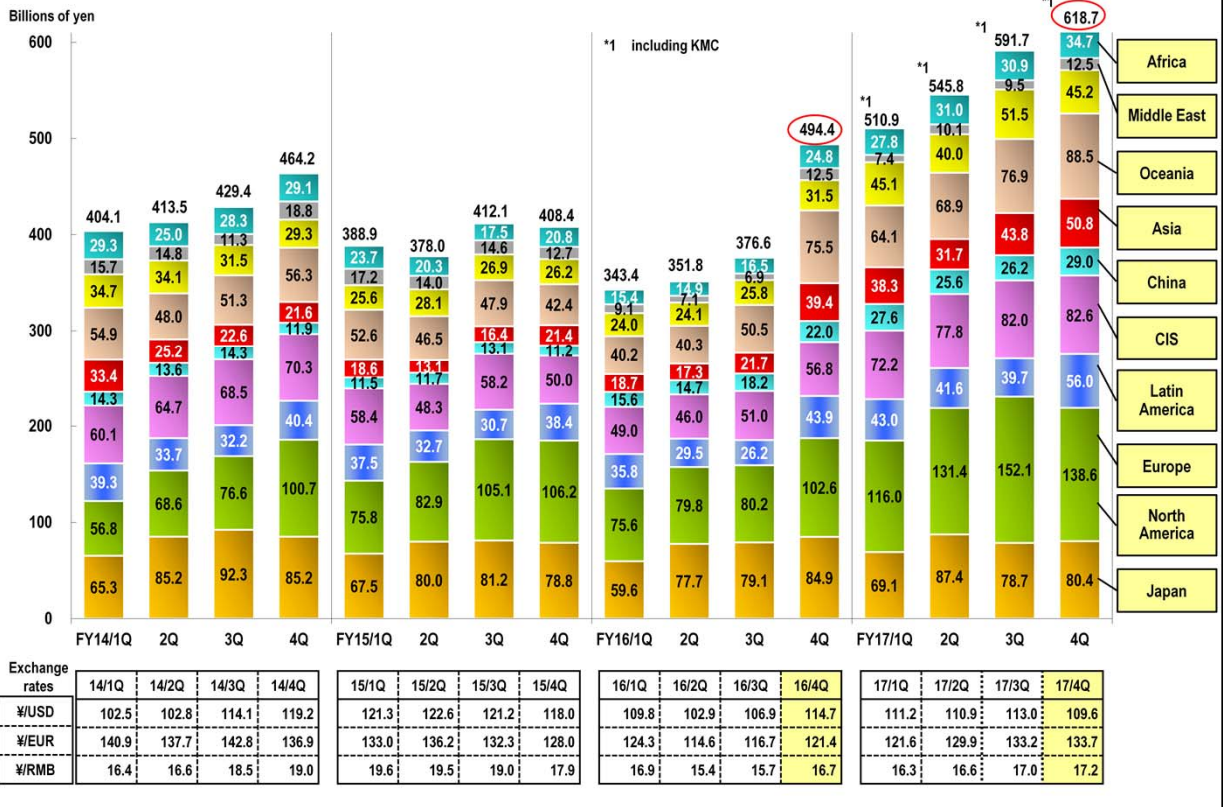
Appendix

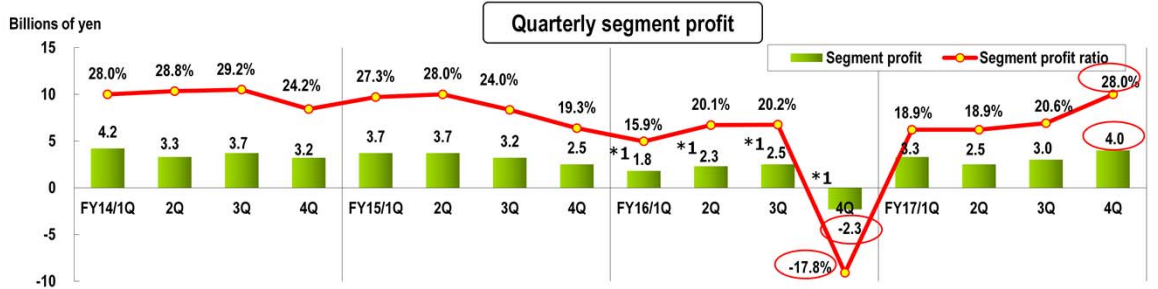
<Appendix>
Quarterly Sales and Operating Income



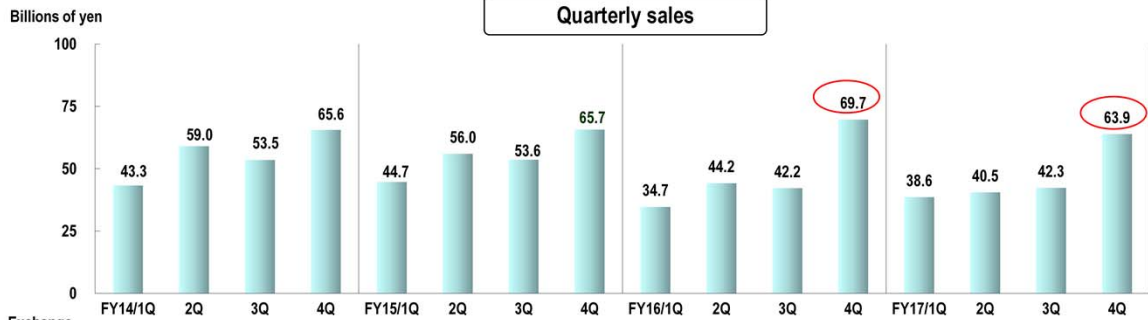
Construction, Mining & Utility Equipment: Quarterly Sales and Segment Profit





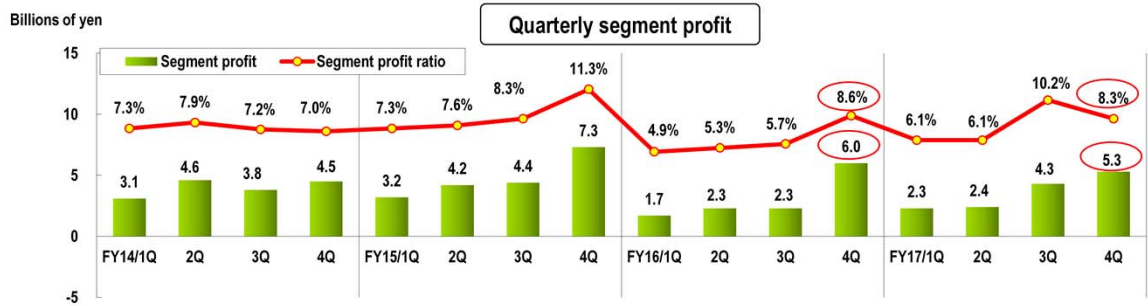


*1 Including a loss on allowance recorded for bad debt in China (FY16/1Q: JPY-1.0 bn, 2Q: JPY -0.5bn bn, 3Q: JPY-0.2:bn,4Q: JPY-4.9bn)

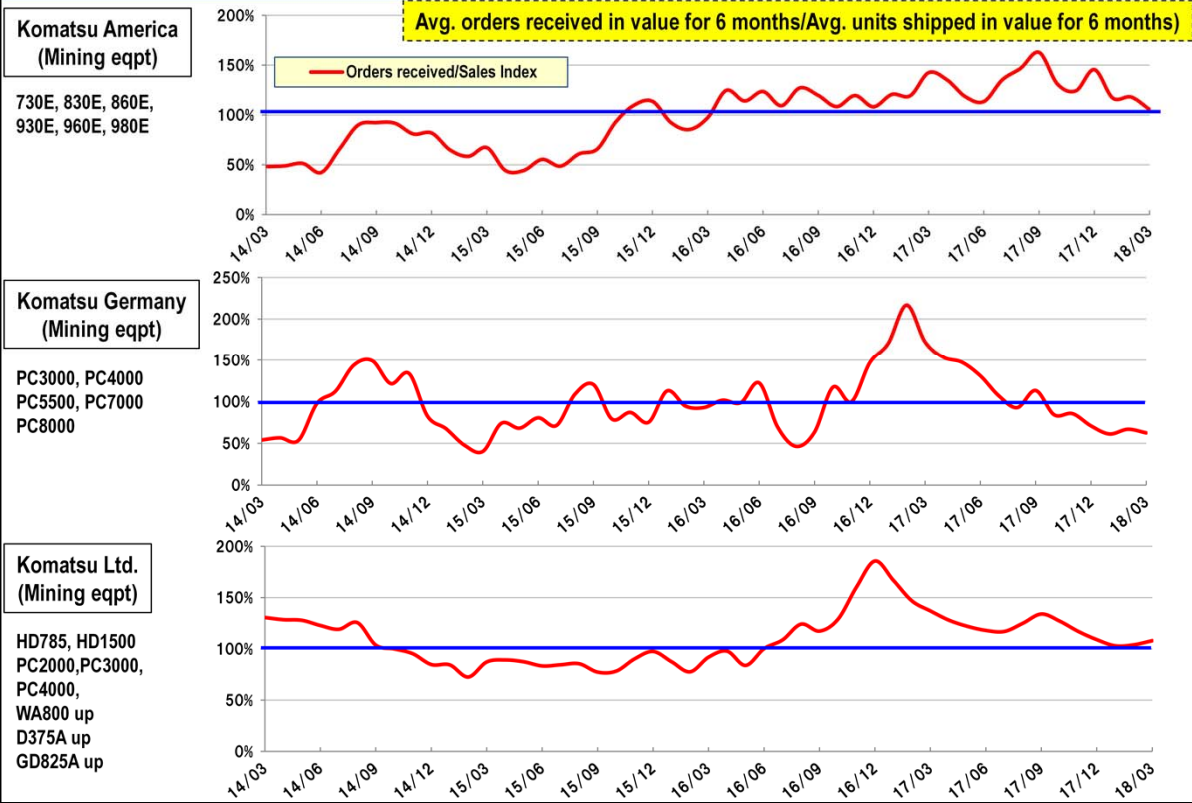


Exchange rates

	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	110.9	113.0	109.6
¥/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	129.9	133.2	133.7
¥/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	16.6	17.0	17.2



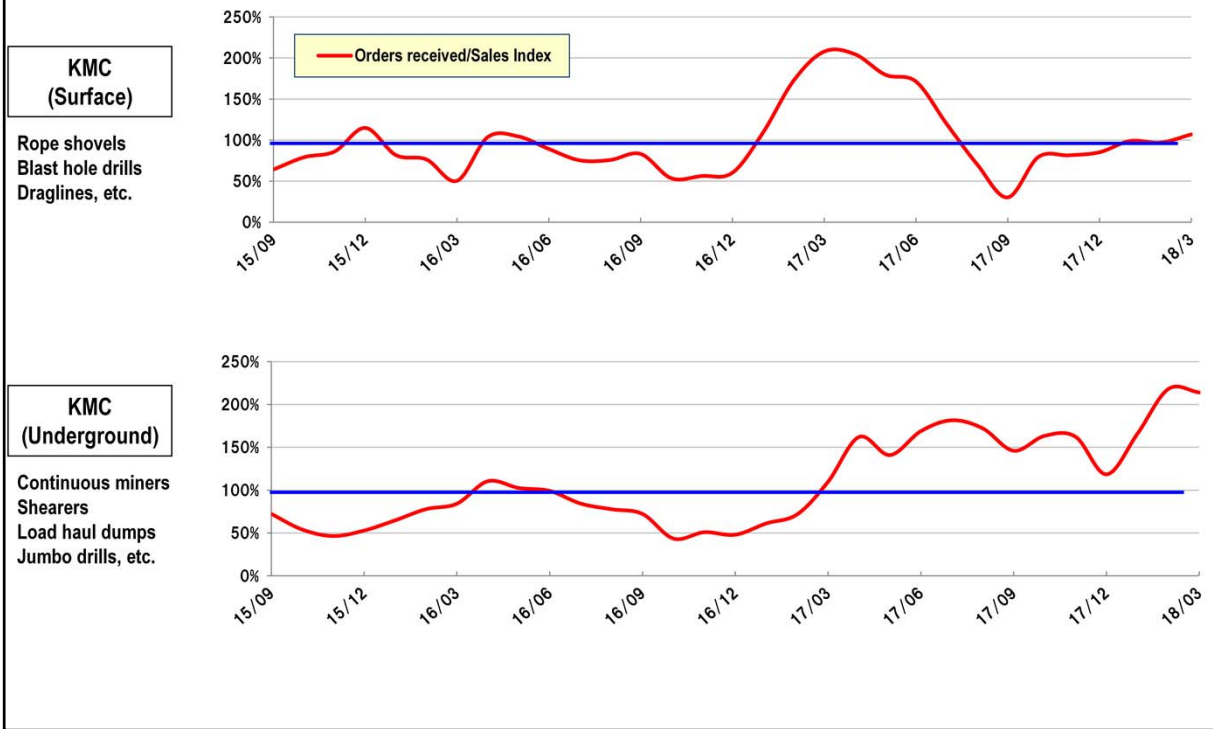
Book-to-Bill Ratio for Mining Equipment (6 Months)



- These graphs show the book-to-bill ratios of mining equipment.
- Specifically, they show the ratio of orders received for new equipment for the last six-month period divided by sales of new equipment for the same six-month period.

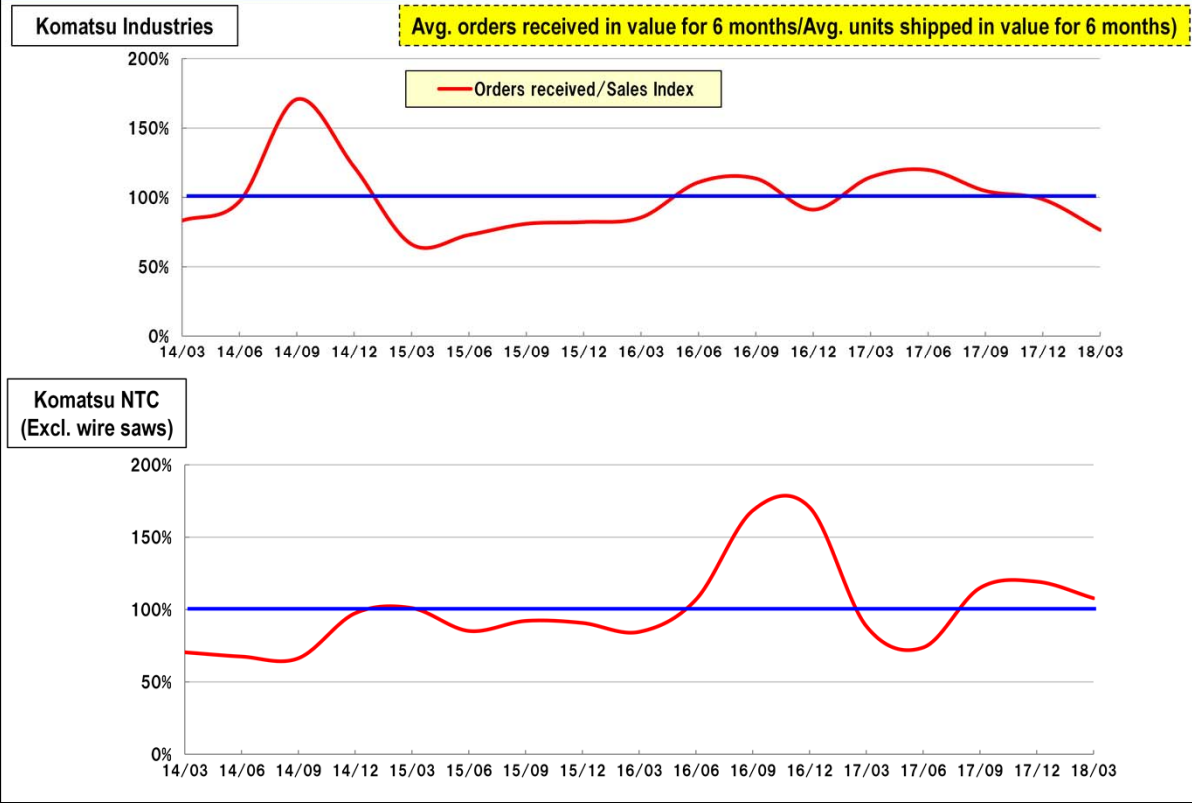
<Appendix>
Book-to-Bill Ratio of KMC Mining Equipment (6 Months)

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



- These graphs show the book-to-bill ratios of KMC-made mining equipment since September 2015.
- Top graph shows the book-to-bill ratio of surface mining equipment, such as rope shovels and blast hole drills, while the bottom graph that of underground mining equipment, such as continuous miners and shearers.

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



- These graphs show the book-to-bill ratios of industrial machinery. Specifically, they show the ratio of orders received for new machines for the last six-month period divided by sales of new machines for the same six-month period.

Highlights of Results for Fourth Quarter (January – March 2018) of FY2017

- Consolidated net sales increased by 20.7% from the corresponding period a year ago, to JPY695.3 billion.
- Operating income advanced by 24.3% to JPY83.3 billion. Operating income ratio improved to 12.0%, up 0.4 percentage points.
- Net income decreased by 8.2% to JPY41.3 billion.

Billions of yen	Jan.-Mar. 2017	Jan.-Mar. 2018		Y-O-Y		
	¥114.7/USD ¥121.4/EUR ¥16.7/RMB	¥109.6/USD ¥133.7/EUR ¥17.2/RMB	Komatsu Conventional * 1	KMC	increase (decrease)	Change %
Net sales	576.2	695.3	613.7	81.5	+119.0	+20.7%
Segment profit (loss)	68.7	102.1	99.3	* 2 2.7	+33.3	+48.5%
Other operating income (expenses)	(1.6)	(18.7)	(18.6)	(0.1)	(17.0)	-
Operating income (loss)	67.0	83.3	80.7	* 2 2.6	+16.3	+24.3%
Profit ratio (loss ratio)	11.6%	12.0%	13.1%	3.3%	+0.4pts.	-
Other income (expenses)	(3.8)	(6.9)			(3.0)	-
Income before income taxes	63.2	76.4			+13.2	+21.0%
Net income * 3	45.0	41.3			(3.7)	(8.2)%

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

2) KMC's segment and operating income (losse) 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."

Billions of yen	
Depreciation after PPA	(3.5)
Integration expenses etc.	(3.4)
Total	(7.0)

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

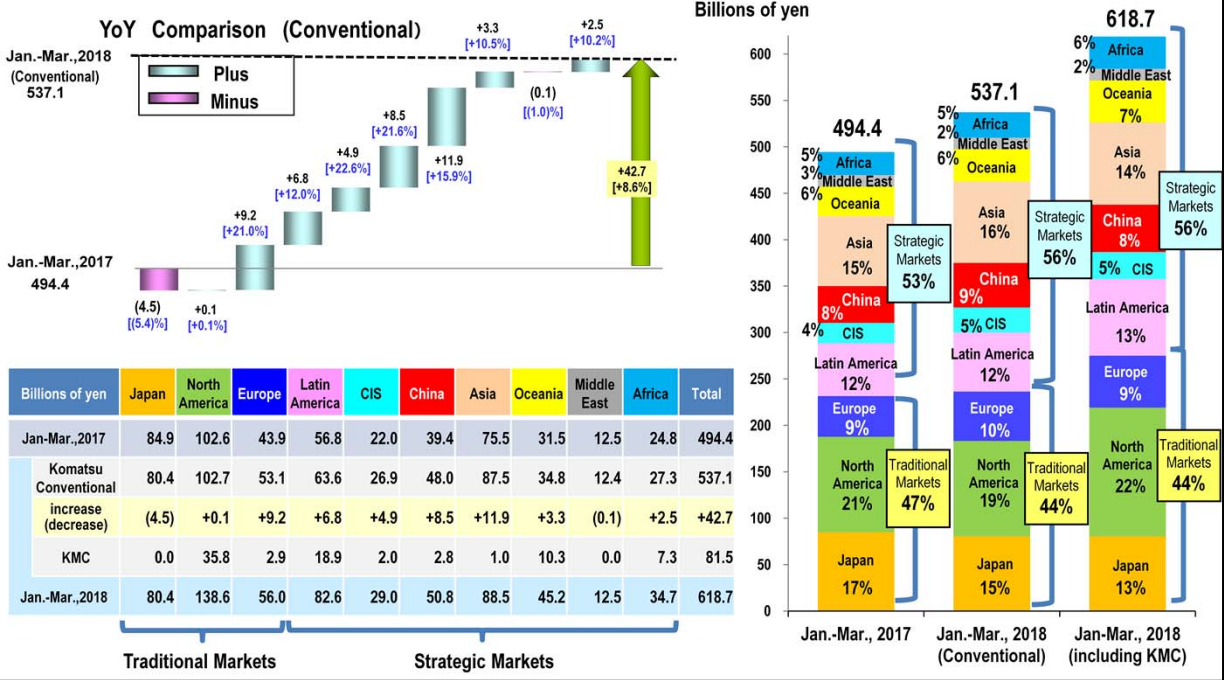
Segment Sales and Profit for Fourth Quarter (January – March 2018) of FY2017

- Construction, Mining & Utility Equipment: Sales increased by 24.7% from the corresponding period a year ago, to JPY622.0 billion. Segment profit increased by 41.3% to JPY92.0 billion. Segment profit ratio was 14.8%, an increase of 1.7 percentage points.
- Retail Finance: Sales increased by 10.4% to JPY14.3 billion. Segment profit increased to JPY4.0 billion.
- Industrial Machinery & Others: Sales decreased by 8.4% to JPY63.9 billion. Segment profit declined by 11.6% to JPY5.3 billion

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

Billions of yen	Jan.-Mar., 2017	Jan.-Mar., 2018		Changes		
		Komatsu Conventional	KMC	increase (decrease)	% Change	
Net sales	576.2	695.3	613.7	81.5	+119.0	+20.7%
Construction, mining & utility equipment	[494.4] 498.8	[618.7] 622.0	[537.1] 540.5	[81.5] 81.5	[+124.2]+123.1	[+25.1%]+24.7%
Retail finance	[12.3] 12.9	[12.8] 14.3	[12.8] 14.3	-	[+0.4] +1.3	[+3.8%]+10.4%
Industrial machinery & others	[69.4] 69.7	[63.7] 63.9	[63.7] 63.9	-	[(5.7)] (5.8)	[(8.2)%] (8.4)%
Elimination	(5.3)	(4.9)	(4.9)	-	+0.3	-
Segment profit	11.9% 68.7	14.7% 102.1	16.2% 99.3	3.4% 2.7	+33.3	+48.5%
Construction, mining & utility equipment	13.1% 65.1	14.8% 92.0	16.5% 89.2	3.4% 2.7	+26.8	+41.3%
Retail finance	(17.8)% (2.3)	28.0% 4.0	28.0% 4.0	-	+6.3	-
Industrial machinery & others	8.6% 6.0	8.3% 5.3	8.3% 5.3	-	(0.6)	(11.6)%
Corporate & elimination	0.0	0.7	0.7	-	+0.8	-

- Sales to outside customers by region increased by 25.1% from the corresponding period a year ago, to JPY618.7 billion.
- Sales increased especially in Europe, China and Asia. Sharply affected by an increase in Asian sales, the ratio of Strategic Market increased to 56%.



4月1日、
コマツ建機販売、
コマツレンタル、
コマツリフトは、ひとつになりました。

コマツカスタマーサポート株式会社、
始動。

日本の現場に、
ダントツのサポートを。



• Three domestic sales companies, namely, Komatsu Construction Equipment Sales and Service Japan Ltd., Komatsu Rental Ltd. and Komatsu Forklift Japan Ltd., merged and became Komatsu Customer Support Japan Ltd. on April 1, 2018.

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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