KOMATSU

Business Results for Three and Six Months ended September 30, 2017

October 27, 2017

Presented by

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*KMC stands for Komatsu Mining Corp

Ⅰ. Business Results for Three and Six Months ended September 30, 2017

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.

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Highlights of Business Results for the Second 3-Month. (Jul- Sep, 2017) of FY2017 ending March 31, 2018 (4)

- Consolidated net sales increased by 46.9% from the corresponding period a year ago, to JPY597.7 billion.
- Operating income advanced by 75.4% to JPY60.2 billion. Operating income ratio increased by 1.7 points to 10.1%.
- Net income attributable to Komatsu Ltd. improved by 198.0% to JPY65.3 billion.

Billions of yen	Jul.-Sep.,2016 ¥102.9/USD ¥114.6/EUR ¥15.4/RMB	Jul.-Sep.,2017 ¥110.9/USD ¥129.9/EUR ¥16.6/RMB	Komatsu conventional *1	KMC	Changes: Increase (decrease)	Changes: Change %
Net sales	406.8	597.7	520.8	76.9	+190.8	+46.9%
Segment profit (loss)	35.2	60.7	67.6	*2 (6.9)	+25.4	+72.3%
Other operating income (expenses)	(0.8)	(0.5)	(0.4)	(0.0)	+0.3	-
Operating income (loss)	34.3	60.2	67.2	*2 (7.0)	+25.8	+75.4%
Profit ratio (loss ratio)	8.4%	10.1%	12.9%	(9.1)%	+1.7pts.	-
Other income (expenses)	(0.4)	35.8			+36.2	-
Income before income taxes	33.8	96.0			+62.1	+183.3%
Net income *3	21.9	65.3			+43.4	+198.0%

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 *	(16.3)
Start-up expenses, etc.	(0.9)
Total	(17.3)

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

- Exchange rates were JPY110.9 per USD, JPY129.9 per EUR, and JPY16.6 per RMB. JPY depreciated against USD, EUR and RMB, compared to the corresponding period a year ago. JPY also depreciated against other currencies. .

- For the second 3-month period of FY2017, consolidated net sales increased by 46.9% from the corresponding period a year ago, to JPY597.7 billion. Operating income advanced by 75.4% to JPY60.2 billion. Operating income ratio improved by 1.7 points to 10.1%.

- Net income expanded by 198.0% to JPY65.3 billion.

- Consolidated net sales increased, supported by not only increased sales (excluding KMC) but also the new addition of Komatsu Mining Corp. (KMC) to consolidated accounting.

- While KMC recorded an operating loss, as impacted by temporary expenses, Komatsu (excluding KMC) expanded operating income. As a result, operating income improved as a whole from the corresponding period a year ago.

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Segment Sales and Profits for the Second 3-Month. (Jul- Sep, 2017) of FY2017

- Construction, Mining & Utility Equipment: Sales advanced by 55.4% from the corresponding period a year ago, to JPY549.3 billion. Segment profit expanded by 78.6% to JPY55.7 billion. Segment profit ratio improved by 1.4 points to 10.2%.
- Retail Finance: Revenues increased by 17.9% to JPY13.6 billion. Segment profit advanced by 10.9% to JPY2.5 billion.
- Industrial Machinery & Others: Sales declined by 8.4% to JPY40.5 billion. Segment profit improved by 4.9% to JPY2.4 billion.

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

Billions of yen	Jul.-Sep.,2016	Jul.-Sep.,2017	Komatsu conventional	KMC	Changes: Increase (decrease)	Changes: % Change
Net sales	406.8	597.7	520.8	76.9	+190.8	+46.9%
Construction, mining & utility equipment	[351.8] 353.4	[545.8] 549.3	[468.8] 472.4	[76.9] 76.9	[+193.9] +195.8	[+55.1%] +55.4%
Retail finance	[10.9] 11.6	[11.6] 13.6	[11.6] 13.6	-	[+0.7] +2.0	[+6.5%] +17.9%
Industrial machinery & others	[44.0] 44.2	[40.2] 40.5	[40.2] 40.5	-	[(3.7)] (3.7)	[(8.6)%] (8.4)%
Elimination	(2.4)	(5.8)	(5.8)	-	(3.3)	-
Segment profit	8.7% 35.2	10.2% 60.7	13.0% 67.6	(9.0)% (6.9)	+25.4	+72.3%
Construction, mining & utility equipment	8.8% 31.2	10.2% 55.7	13.3% 62.7	(9.0)% (6.9)	+24.5	+78.6%
Retail finance	20.1% 2.3	18.9% 2.5	18.9% 2.5	-	+0.2	+10.9%
Industrial machinery & others	5.3% 2.3	6.1% 2.4	6.1% 2.4	-	+0.1	+4.9%
Corporate & elimination	(0.6)	(0.1)	(0.1)	-	+0.5	-

Review of three business segments

- **Construction, Mining & Utility Equipment:**
  Sales expanded, supported by advanced sales of construction equipment in China and Indonesia, increased sales of mining equipment and benefits from the new addition of KMC to consolidated accounting. With respect to profits, while KMC recorded an operating loss, impacted by its temporary expenses, Komatsu (excluding KMC) expanded profit. As a result, segment profit increased sharply as a whole from the corresponding period a year ago
- **Retail Finance:**
  Revenues increased, mainly supported by expanded revenues in increased assets in North America. Segment profit also increased, reflecting no more allowance for doubtful accounts in China.
- **Industrial Machinery & Others**
  While sales declined, as affected by reduced sales of Komatsu Industries, segment profit improved, as supported by good business results of Gigaphoton.

☐ In the construction, mining and utility equipment business, segment sales advanced by 55.4% for the second 3-month period from the corresponding period a year ago, to JPY549.3 billion. Segment profit expanded by 78.6% to JPY55.7 billion. Sales increased, supported by not only expanded sales of construction equipment, mainly in China and Indonesia and increased sales of mining equipment, but also the effects of the new addition of KMC to consolidated accounting. Segment profit expanded as a whole, while KMC recorded an operating loss, impacted by temporary expenses, Komatsu (excluding KMC) expanded segment profit.

☐ In the retail finance business, segment revenues increased by 17.9% to JPY13.6 billion. Segment profit grew by 10.9% to JPY2.5 billion. Revenues improved, mainly supported by increased assets in North America. Segment profit increased, reflecting no more adverse effects of additional allowance for doubtful accounts recorded in China for the corresponding period a year ago.

☐ In the industrial machines and others business, segment sales decreased by 8.4% to JPY40.5 billion. Segment profit advanced by 4.9 % to JPY2.4 billion. Sales declined, due to reduced sales of presses and machine tools of Komatsu Industries. Meanwhile, segment profit increased, mainly supported by good business results of Gigaphoton.

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Construction, Mining & Utility Equipment : Sales by Region (To Outside Customers) for the Second 3-Month. (Jul- Sep, 2017) of FY2017

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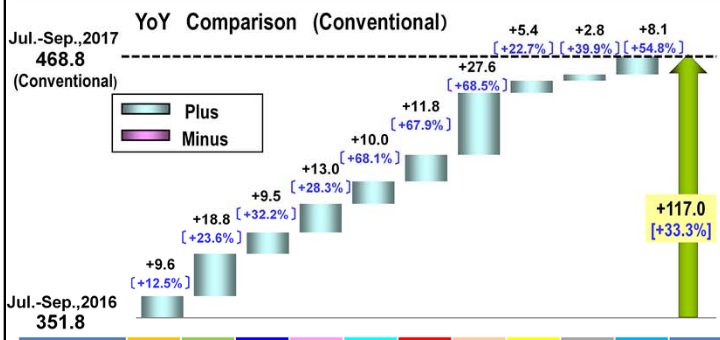
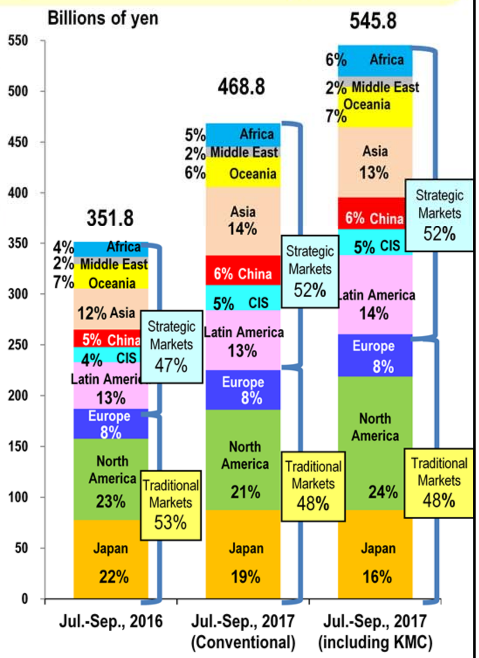
- Sales to outside customers advanced by 55.1% from the corresponding period a year ago, to JPY545.8 billion. When KMC's sales are excluded, sales increased by 33.3% to JPY468.8 billion.
- Excluding those of KMC, sales improved in all regions. Sales expanded sharply, especially in Asia and China and CIS. The ratio of sales in Strategic Markets increased to 52% of total sales. (The ratio of Strategic Market was 52%, when KMC's sales were included.)



Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
Jul.-Sep.,2016	77.7	79.8	29.5	46.0	14.7	17.3	40.3	24.1	7.1	14.9	351.8
Komatsu Conventional	87.4	98.7	39.0	59.0	24.7	29.1	67.9	29.6	10.0	23.1	468.8
Increase (decrease)	+9.6	+18.8	+9.5	+13.0	+10.0	+11.8	+27.6	+5.4	+2.8	+8.1	+117.0
KMC	0.0	32.7	2.5	18.7	0.8	2.5	1.0	10.3	0.0	7.9	76.9
Jul.-Sep.,2017	87.4	131.4	41.6	77.8	25.6	31.7	68.9	40.0	10.1	31.0	545.8

Traditional Markets (Japan, North America, Europe) Strategic Markets (Latin America, CIS, China, Asia, Oceania, Middle East, Africa)



- For the second 3-month period, sales to outside customers expanded by 55.1% from the corresponding period a year ago, to JPY545.8 billion. Excluding those of KMC, sales advanced by 33.3% to JPY468.8 billion.
- Excluding those of KMC, sales improved in all regions. Sales expanded sharply, especially in Asia, China and CIS. The ratio of sales in Strategic Markets increased to 52% of total sales. The ratio of Strategic Market was also 52%, when KMC's sales were included.

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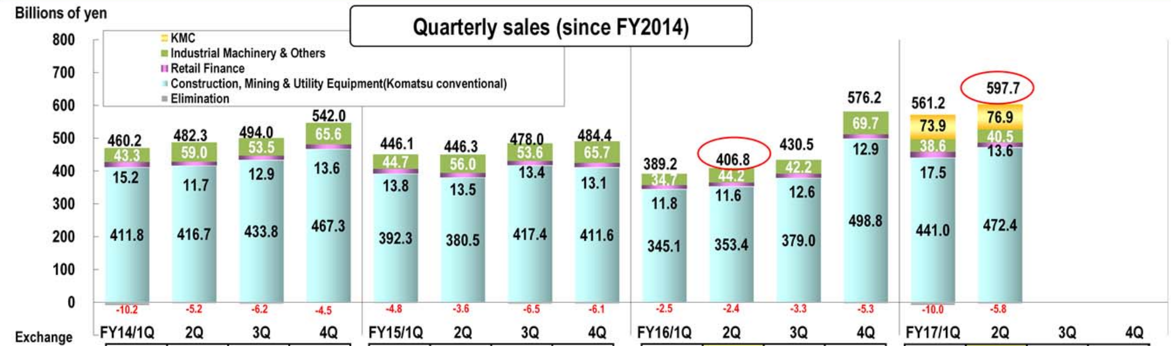
<Appendix>
Quarterly Sales and Operating Income

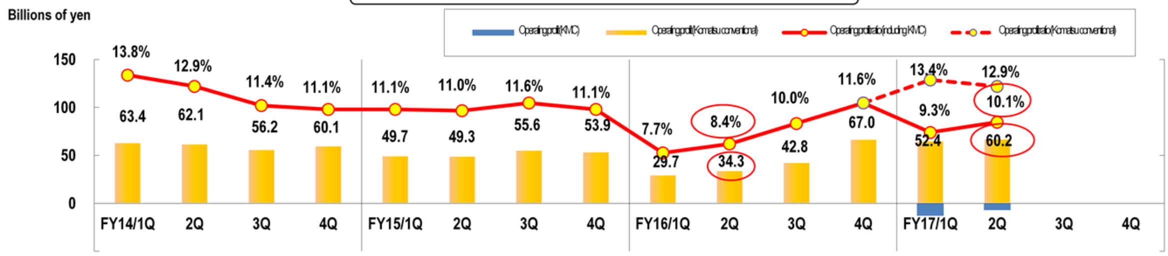
Quarterly sales (since FY2014)



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		
¥/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		
¥/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		

Quarterly operating income(Since FY2014)



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Highlights of the First Six-Month Period ended September 30, 2017

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- Consolidated net sales increased by 45.6% from the corresponding period a year ago, to JPY1,158.9 billion.
- Operating income advanced by 75.6% to JPY112.6 billion. Operating income ratio was 9.7%, up 1.6 percentage points.
- Net income attributable to Komatsu Ltd. improved by 171.2% to JPY101.7 billion.

Billions of yen	Apr.-Sep.,2016 (1H FY2016) ¥106.63USD ¥119.5/EUR ¥16.1/RMB	Apr.-Sep.,2017 (1H FY2017) ¥111.1/USD ¥125.8/EUR ¥16.4/RMB	*1 Komatsu conventional	KMC	Y-O-Y Increase (decrease)	Y-O-Y Change %
Net sales	796.1	1,158.9	1,008.0	150.9	+362.8	+45.6 %
Segment profit (loss)	64.2	113.7	133.6	*2 (19.8)	+49.4	+77.0 %
Other operating income (expenses)	(0.1)	(1.0)	(1.0)	(0.0)	(0.9)	-
Operating income (loss)	64.1	112.6	132.6	*2 (19.9)	+48.4	+75.6%
Profit ratio (loss ratio)	8.1%	9.7%	13.2%	(13.2)%	+1.6pts.	-
Other income (expenses)	(6.0)	31.4			+37.5	-
Income before income taxes	58.0	144.1			+86.0	+148.1%
Net income *3	37.5	101.7			+64.2	+171.2%
Cash dividends per share	29yen	36yen			+7yen	

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

*2 KMC's segment loss and operating loss include the effects of temporary expenses shown on the right.

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

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

Billions of yen

Depreciation after PPA	(33.0)
Start-up cost etc.	(3.6)
Total	(36.6)

☐ For the first six-month period, foreign exchange rates were JPY111.1 per USD, JPY125.8 per EUR, and JPY16.4 per RMB. JPY depreciated against USD, ERU and RMB.

☐ For the first six-month period, consolidated sales advanced by 45.6% to JPY1,158.9 billion. Operating income expanded by 75.6% to JPY112.6 billion. Operating income ratio improved by 1.6 points to 9.7%.

☐ Net income attributable to Komatsu Ltd. expanded by 171.2% to JPY101.7 billion..

☐ Consolidated sales advanced, mainly due to increased sales of Komatsu (without KMC) and the benefits of the new addition of KMC to consolidated accounting.

☐ With respect to operating income, KMC recorded an operating loss, as drastically affected by temporary expenses. However, operating income, as a whole, expanded, supported by advanced operating income of Komatsu (without KMC).

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Segment Sales and Profits for Six Months (April-September, 2017)

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- Construction, Mining & Utility Equipment: Sales advanced by 52.4% from the corresponding period a year ago, to JPY1,064.4 billion. Segment profit expanded by 80.1% to JPY103.7 billion. Segment profit ratio improved by 1.5 points to 9.7%.
- Retail Finance: Revenues advanced by 33.1% to JPY31.2 billion. Segment profit expanded by 40.2% to JPY5.9 billion.
- Industrial Machinery & Others: Sales remained flat at JPY79.1 billion from FY2016. Segment profit improved by 19.2% to JPY4.8 billion.

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

Billions of yen	Apr.-Sep.,2016 (1H FY2016)	Apr.-Sep.,2017 (1H FY2017)	Komatsu conventional	KMC	Changes: Increase (decrease)	Changes: % Change
Net sales	796.1	1,158.9	1,008.0	150.9	+362.8	+45.6%
Construction, mining & utility equipment	[695.2] 698.6	[1,056.8]1,064.4	[905.9] 913.4	[150.9]150.9	[+361.5] +365.7	[+52.0%] +52.4%
Retail finance	[22.2] 23.4	[23.6] 31.2	[23.6] 31.2	-	[+1.3] +7.7	[+6.2%] +33.1%
Industrial machinery & others	[78.5] 79.0	[78.4] 79.1	[78.4] 79.1	-	[(0.0)] +0.1	[(0.1)%] +0.2%
Elimination	(5.0)	(15.8)	(15.8)	-	(10.8)	-
Segment profit	8.1% 64.2	9.8% 113.7	13.3% 133.6	(13.2)% (19.8)	+49.4	+77.0%
Construction, mining & utility equipment	8.2% 57.6	9.7% 103.7	13.5% 123.6	(13.2)% (19.8)	+46.1	+80.1%
Retail finance	18.0% 4.2	18.9% 5.9	18.9% 5.9	-	+1.6	+40.2%
Industrial machinery & others	5.1% 4.0	6.1% 4.8	6.1% 4.8	-	+0.7	+19.2%
Corporate & elimination	(1.6)	(0.7)	(0.7)	-	+0.8	-

Review of three business segments

- Construction, Mining & Utility Equipment:
  Sales expanded, supported by advanced sales of construction equipment in China and Indonesia, where demand was recovering, increased sales of mining equipment and benefits from the new addition of KMC to consolidated accounting. With respect to profits, while KMC recorded an operating loss, impacted by its temporary expenses, Komatsu (excluding KMC) expanded profit. As a result, segment profit increased sharply as a whole from the corresponding period a year ago.
- Retail Finance:
  Revenues increased, mainly supported by expanded revenues in Chile and increased assets in North America. Segment profit also increased, reflecting no more allowance for doubtful accounts in China.
- Industrial Machinery & Others:
  Sales showed remain flat from corresponding period a year ago.

☐ In the construction, mining and utility equipment business, segment sales advanced by 52.4% from the corresponding period a year ago, to JPY1.064.4 billion. Segment profit expanded by 80.1% to JPY103.7 billion. Sales advanced, supported by not only expanded sales of construction equipment in China and Indonesia, where demand was recovering, and increased sales of mining equipment, but also benefits of the new addition of KMC to consolidated accounting. Segment profit expanded as a whole, while KMC recorded an operating loss, impacted by temporary expenses, Komatsu (excluding KMC) expanded segment profit.

☐ In the retail finance business, segment revenues increased by 33.1% to JPY31.2 billion. Segment profit advanced by 40.2% to JPY5.9 billion. Revenues increased, mainly supported by increased assets in North America. Segment profit increased, reflecting no more adverse effects of additional allowance for doubtful accounts recorded in China for the corresponding period a year ago.

☐ In the industrial machines and others business, segment sales remained about flat from the corresponding period a year ago at JPY79.1 billion. Segment profit increased by 19.2% to JPY4.8 billion.

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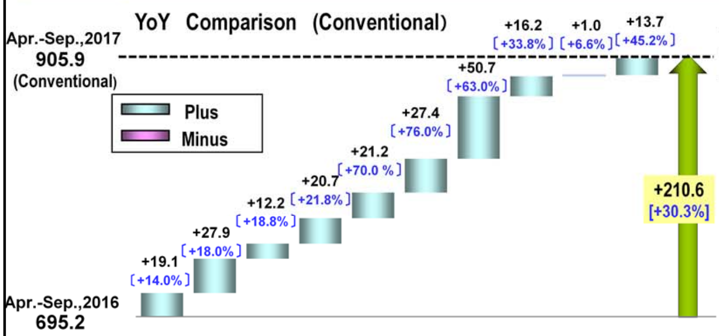
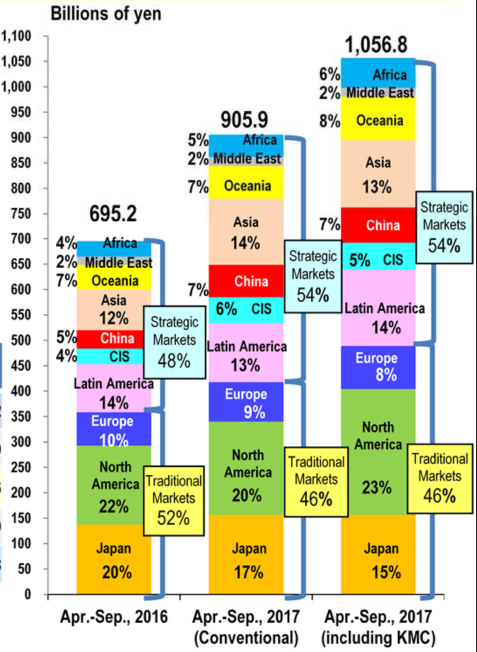
Construction, Mining & Utility Equipment : Sales by Region (To Outside Customers) for Six Months (April-September, 2017)

- Sales to outside customers advanced by 52.0% from the corresponding period a year ago, to JPY1,056.8 billion. When KMC's sales are excluded, sales increased by 30.3% to JPY905.9 billion.
- Excluding those of KMC, sales improved in all regions. Sales expanded sharply, especially in China, CIS and Asia. The ratio of sales in Strategic Markets increased to 54% of total sales. (The ratio of Strategic Market was also 54%, when KMC's sales were included.)



Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
Apr.-Sep.,2016	137.3	155.5	65.3	95.0	30.3	36.1	80.5	48.2	16.3	30.4	695.2
Komatsu Conventional	156.5	183.4	77.5	115.7	51.5	63.5	131.3	64.5	17.4	44.1	905.9
Increase (decrease)	+19.1	+27.9	+12.2	+20.7	+21.2	+27.4	+50.7	+16.2	+1.0	+13.7	+210.6
KMC	0.0	64.0	7.0	34.3	1.7	6.4	1.7	20.6	0.0	14.7	150.9
Apr.-Sep.,2017	156.5	247.5	84.6	150.0	53.2	70.0	133.0	85.1	17.5	58.9	1,056.8

Traditional Markets (Japan, North America, Europe) / Strategic Markets (Latin America – Africa)

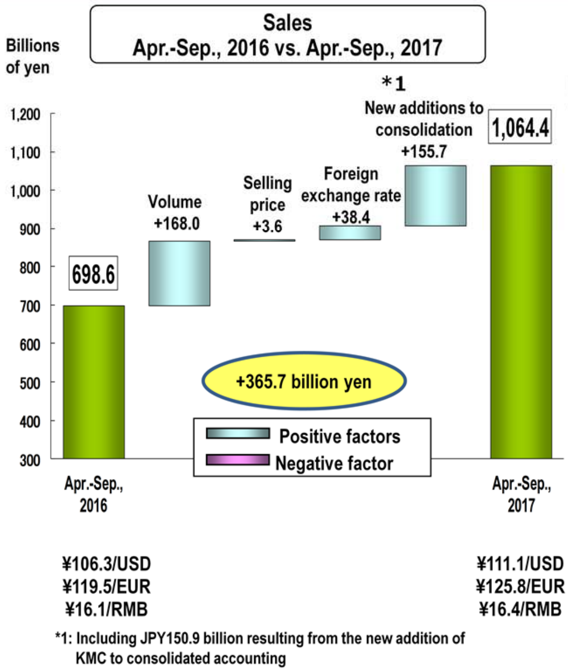


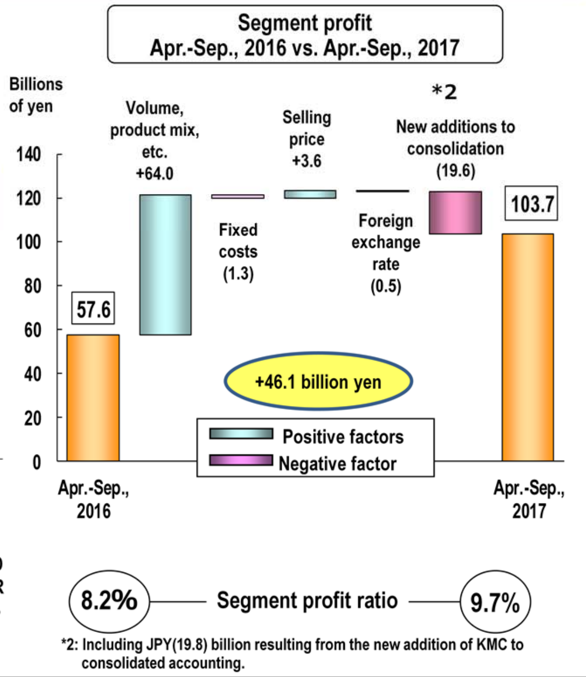
- For the first six-month period of FY2017, sales of construction, mining and utility equipment to outside customers advanced by 52.0% from the corresponding period a year ago, to JPY1,056.8 billion. Excluding those of KMC, sales increased by 30.3% to JPY905.9 billion.

- Excluding those of KMC, sales increased in all regions. Sales sharply expanded, especially in China, CIS and Asia, pushing the ratio of sales in Strategic Markets to 54%. When KMC's sales are included, the ratio of sales in Strategic Markets is also 54%.

Construction, Mining & Utility Equipment : Causes of Difference in Sales and Segment Profit for Six Months (April-September,2017)

- Sales increased by JPY365.7 billion from the corresponding period a year ago, supported by increased volume of sales, the positive factor of foreign exchange rates and the effects of the new addition of KMC to consolidated accounting. Although segment profit was adversely affected by temporary expenses of KMC, it increased by JPY46.1 billion, as a whole.
- Segment profit ratio improved by 1.5 points to 9.7%.





☐ For the first six-month period, sales increased by JPY365.7 billion from the corresponding period a year ago, as supported by expanded 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 JPY46.1 billion , as a whole. Segment profit ratio improved by 1.5 points to 9.7%.

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KMC

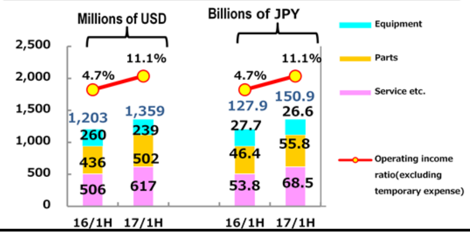
KMC's Business Results for Six Months (April-September,2017)

- Sales increased by 17.9% from the corresponding period a year ago, to JPY150.9 billion.
- Excluding temporary expenses, operating income was JPY16.7 billion. When the temporary expenses of JPY36.6 billion are included, KMC recorded an operating loss of JPY19.9 billion.

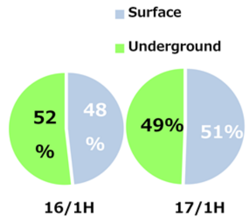
Billions of yen	Apr.-Sep.,2016 (1H FY2016) *1 (Reference) ¥106.3/USD		Apr.-Sep.,2017 (1H FY2017) ¥111.1/USD		Changes (Reference) Increase (decrease)	% Change
Net sales		127.9		150.9	+22.9	+17.9%
Equipment		27.7		26.6	(1.1)	(4.0)%
Parts		46.4		55.8	+9.3	+20.2%
Service etc.		53.8		68.5	+14.7	+27.4%
Operating income (loss) <excluding Temporary Expenses>	4.7%	6.0	11.1%	16.7	+10.7	+178.4%
Temporary Expenses (negative figure)		(6.3)		(36.6)	(30.3)	-
Depreciation after PPA *2		-	*3	(33.0)	(33.0)	-
Start-up expenses etc.		(6.3)		(3.6)	+2.7	-
Operating income (loss) <including Temporary Expenses>	(0.2)%	(0.3)	(13.2)%	(19.9)	(19.6)	-

* 1: Figures for the corresponding period a year ago (April - Sep 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(25.8) billion for inventories after PPA.

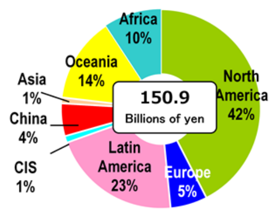
Sales & Operating Income Ratio



Sales by segments



FY17/1H Sales by regions (To Outside Customers)



- This pages shows the figures for April through September 2016, the corresponding period a year ago, after they were reclassified for Komatsu's fiscal year. They were not included in our consolidated business results at that time.
- Starting with this presentation, we are going to disclose three separate segments of mining equipment, parts and service.
- For the first six-month period, KMC recorded sales of JPY150.9 billion, up 17.9% from the corresponding period a year ago. This sales figure consisted of JPY26.6 billion in sales of mining equipment, down 4.0% from the corresponding period a year ago, JPY55.8 billion in sales of parts, up 20.2%, and JPY68.5 billion in service, etc., up 27.4%.
- When temporary expenses are excluded, operating income totaled JPY16.7 billion. When the temporary expenses of JPY36.6 billion are included, KMC recorded an operating loss of JPY19.9 billion.
- Depreciation after PPA amounted to JPY33.0 billion, including JPY25.8 billion related to inventories.
- In terms of segment sales, surface mining accounted for 51%, and underground, 49%.
- By region, North American sales accounted for 42% of total sales.

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Retail Finance: Assets, Revenues and Segment Profit for the First Six-Month. (Apr-Sep,2017) of FY2017

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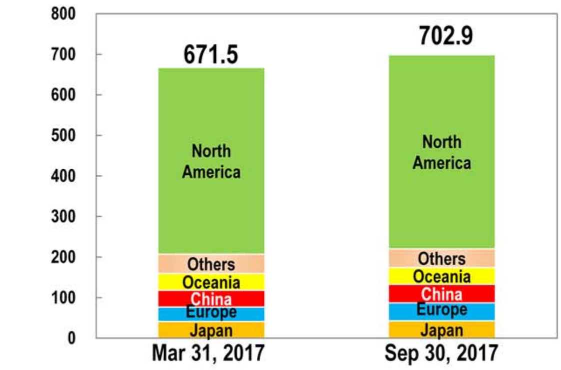
- Assets in the retail finance business increased, mainly due to increased contracts centering on North America.
- Segment profit improved, mainly supported by no more adverse effects of allowance for doubtful accounts recorded in China for the corresponding period a year ago.

Assets
Mar 31, 2017 vs. Sep 30, 2017

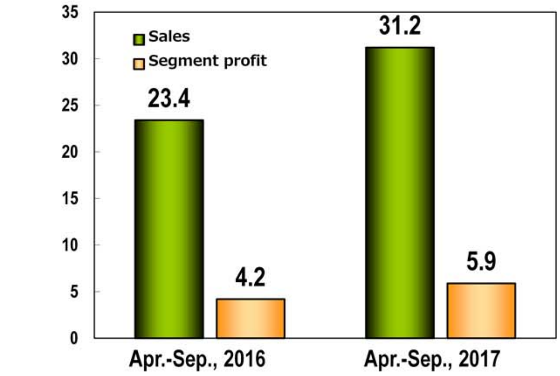


¥112.2/USD ¥119.8/EUR ¥16.3/RMB (Mar 31, 2017)

¥112.7/USD ¥132.9/EUR ¥17.0/RMB (Sep 30, 2017)

Billions of yen	2017/3E	2017/9E	Changes
Interest-bearing debt	506.0	530.4	+24.3
Interest-bearing debt, net	501.2	527.1	+25.8
Net D/E ratio	3.65	3.66	+0.01pts.

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



¥106.3/USD ¥119.5/EUR ¥16.1/RMB (Apr.-Sep., 2016)

¥111.1/USD ¥125.8/EUR ¥16.4/RMB (Apr.-Sep., 2017)

☐ Assets in the retail finance business increased, mainly due to increased new contracts, centering on North America.

☐ Segment profit increased, reflecting no more adverse effects of additional allowance for doubtful accounts recorded in China for the corresponding period a year ago.

Industrial Machinery & Others: Sales and Segment Profit for Six Months (April-September, 2017)

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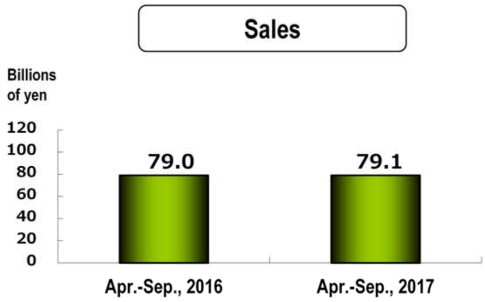
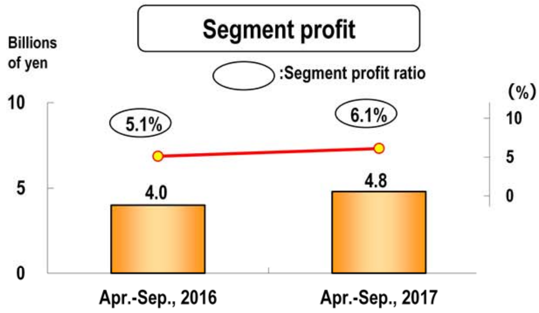
- Sales remained flat at JPY79.1 billion from the corresponding period a year ago and Segment profit ratio was 6.1%.





Breakdown of sales

Billions of yen	Apr.-Sep., 2016	Apr.-Sep., 2017	Changes: Increase (decrease)	Changes: % change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	22.7	21.8	(0.9)	(4.2)%
Komatsu NTC Ltd. [represented by wire saws]	24.6 [7.8]	27.1 [2.1]	+2.4 [(5.7)]	+10.1% [(72.8)%]
Gigaphoton	15.9	17.1	+1.2	+7.9%
Others	15.6	13.0	(2.6)	(16.7)%
Total	79.0	79.1	+0.1	+0.2%

- For the first six-month period of FY2017, sales of the industrial machinery and others segment remained about flat at JPY79.1 billion from the corresponding period a year ago.

- Segment profit increased by JPY0.7 billion to JPY4.8 billion. Segment profit ratio improved by 1.0 points to 6.1%.

KOMATSU

Consolidated Balance Sheets

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- Total assets grew by JPY673.7 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 JPY408.6 billion to JPY817.3 billion, mainly affected by the acquisition of KMC. Komatsu Ltd. shareholders' equity ratio declined by 9.6 points to 49.8%.

Billions of yen	Mar. 31, 2017 ¥112.2/USD ¥119.8/EUR ¥16.3/RMB	Sep. 30, 2017 ¥112.7/USD ¥132.9/EUR ¥ 17.0/RMB	Increase (decrease)	Sep 30, 2017 Affect of new additions of KMC to consolidation
Cash & deposits (incl. time deposits) [a]	122.1	163.9	+41.7	21.5
Accounts receivable (incl. long-term trade receivables)	933.2	1,059.3	+126.1	80.5
Inventories	533.8	712.5	+178.6	107.5
Tangible fixed assets	679.0	763.6	+84.6	84.9
Other assets	388.1	630.7	+242.5	280.5
Total assets	2,656.4	3,330.2	+673.7	574.8
Accounts payable	240.1	287.0	+46.8	31.7
Interest-bearing debt [b]	408.7	817.3	+408.6	105.7
Other liabilities	359.1	490.4	+131.3	120.1
Total liabilities	1,007.9	1,594.8	+586.8	257.5
[Shareholders' equity ratio]	[59.4%]	[49.8%]	[(9.6)pts.]	
Komatsu Ltd. shareholders' equity	1,576.6	1,658.8	+82.1	
Non-controlling interests	71.8	76.6	+4.7	
Liabilities & Equity	2,656.4	3,330.2	+673.7	
Interest-bearing debt, net [b-a]	286.5	653.3	+366.8	
Net D/E ratio	0.18	0.39		

☐ Total assets grew by JPY673.7 billion from the previous fiscal year-end. This increase resulted from effects of the new addition of KMC to consolidated accounting and increased inventories. When the effects of the new addition of KMC to consolidated accounting as well as foreign exchange effects are excluded, total assets increased by JPY40.8 billion.

☐ Inventories increased by JPY178.6 billion. When the effects of the new addition of KMC to consolidated accounting as well as foreign exchange effects are excluded, inventories increased by JPY58.6 billion. Inventories are growing centering on mining equipment.

☐ Interest-bearing debt increased by JPY408.6 billion to JPY817.3 billion, mainly due to the acquisition of KMC. Interest-bearing debt of KMC was JPY105.7 billion.

☐ Komatsu Ltd. shareholders' equity ratio declined by 9.6 points to 49.8%.

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Ⅱ. Outlook of FY2017 Business Results

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Outline of Projection for FY2017

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・We have revised our projection of full-year results upward, because sales of construction equipment in Strategic Markets, such as China and Indonesia, and those of mining equipment mainly outperformed our projections, and we have reassessed the preconditions of foreign exchange rates in the second six-month period of FY2017 to EUR1=JPY123 and RMB1=JPY15.5, while keeping USD1=JPY105 from the first six-month period.

・We project that consolidated sales will increase by 29.1% from FY2016, to JPY2,328.0 billion for FY2017. (+JPY193.0 billion from initial projection) Operating income should increase by 24.1% to JPY216.0 billion. (+JPY60.0 billion from initial projection)

Billions of yen	FY2016 Results(A) ¥108.6/USD ¥119.3/EUR ¥16.2/RMB	FY2017 Projection (B) (Current) ¥108.0/USD ¥124.4/EUR ¥16.0/RMB	Komatsu conventional *1	KMC	FY2017 Projection (C) (Initial) ¥105.0/USD ¥115.0/EUR ¥15.0/RMB	Komatsu conventional *1	KMC	Changes (B-A) Increase (decrease)	Changes (B-A) Change %
Net sales	1,802.9	2,328.0	2,037.0	291.0	2,135.0	1,880.0	256.0	+525.0	+29.1%
Segment profit (loss)	176.5	236.0	256.0	*2 (20.0)	164.0	203.0	*2 (39.0)	+59.4	+33.7%
Other operating income (expenses)	(2.4)	(20.0)	(20.0)	-	(8.0)	(8.0)	-	(17.5)	-
Operating income (loss)	174.0	216.0	236.0	*2 (20.0)	156.0	195.0	*2 (39.0)	+41.9	+24.1%
Profit ratio (loss ratio)	9.7%	9.3%	11.6%	(6.9)%	7.3%	10.4%	(15.2)%	(0.4)pts.	-
Other income (expenses)	(7.6)	21.0			(15.0)			+28.6	-
Income before income taxes	166.4	237.0			141.0			+70.5	+42.4%
Net income *3	113.3	159.0			92.0			+45.6	+40.2%
ROE	7.3%	10.1%			5.9%			+2.8pts.	
Cash dividends per share	58yen	72yen			58yen			+14yen	
Consolidated payout ratio	48.2%	42.7%			59.5%				

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."

Billions of yen	FY2017 Projection(Current)	FY2017 Projection(Initial)
Depreciation after PPA *	(40.0)	(39.0)
Start-up expenses, etc.	(6.0)	(9.0)
Total	(46.0)	(48.0)

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

☐ Business results for the first six-month period of FY2017 outperformed our initial projections, because sales of construction equipment in Strategic Markets, such as China and Indonesia, and sales of mining equipment and parts were strong, the Japanese yen depreciated more than anticipated against major currencies, and we had a gain from the sale of investment securities. In the second six-month period, we also anticipate demand for construction and mining equipment as well as parts will remain steady. Therefore, we have revised our initial projections for the full year. Concerning foreign exchange rates, we have considered on-going rates and thus reassessed EUR and RMB only towards the Japanese yen's depreciation to JPY123 and JPY15.5, respectively.

☐ We have revised our initial projection of consolidated sales upward by JPY193.0 billion, and project consolidated sales of JPY2,328.0 billion for FY2017. We are also revising our initial projection of operating income upward by JPY60.0 billion, and project operating income of JPY216.0 billion for FY2017.

☐ Operating income ratio should be 11.6% without KMC.

☐ Concerning other operating income (loss) for the second six-month period, we have decided to record a loss of JPY15.0 billion, including a goodwill loss in the industrial machinery and others business.

☐ ROE should improve by 2.8 points from FY2016 to 10.1%.

KOMATSU

Projection for Segment Sales and Profit for FY2017

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・Construction, Mining & Utility Equipment: Sales outperformed our projections, centering on sales of construction equipment in Strategic Markets, such as China and Indonesia. We have also reassessed the preconditions of foreign exchange rates in the second six-month period of FY2017. As a result, we have revised consolidated sales upward by JPY205.0 billion from initial projection, to JPY2,106.0 billion. Similarly, segment profit should amount to JPY215.0 billion, an increase of JPY76.0 billion from initial projection.
・Retail Finance: We have revised revenues upward by JPY9.5 billion from initial projection, and segment profit by JPY0.5 billion from initial projection.
・Industrial Machinery & Others: We have revised sales downward by JPY12.0 billion from initial projection, and segment profit by JPY4.0 billion from initial projection.

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

Billions of yen	FY2016 Results(A)	FY2017 Projection (B)(Current)			FY2017 Projection (C) (Initial)			Changes (B-A)	
			Komatsu Conventional	KMC		Komatsu Conventional	KMC	Increase (decrease)	% Change
Net sales	1,802.9	2,328.0	2,037.0	291.0	2,135.0	1,880.0	256.0	+525.0	+29.1%
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]	1,901.0 [1,891.0]	1,646.0 [1,636.0]	256.0 [256.0]	+529.4 [+525.6]	+33.6% [+33.6%]
Retail finance	49.0 [46.7]	57.5 [49.0]	57.5 [49.0]	-	48.0 [45.0]	48.0 [45.0]	-	+8.4 [+2.2]	+17.1% [+4.9%]
Industrial machinery & others	191.0 [189.9]	188.0 [187.0]	188.0 [187.0]	-	200.0 [199.0]	200.0 [199.0]	-	(3.0) [(2.9)]	(1.6)% [(1.5)%]
Elimination	(13.7)	(23.5)	(23.5)	-	(14.0)	(14.0)	-	(9.7)	-
Segment profit	9.8% 176.5	10.1% 236.0	12.6% 256.0	(6.9)% (20.0)	7.7% 164.0	10.8% 203.0	(15.2)% (39.0)	+59.4	+33.7%
Construction, mining & utility equipment	10.3% 161.6	10.2% 215.0	12.9% 235.0	(6.9)% (20.0)	7.3% 139.0	10.8% 178.0	(15.2)% (39.0)	+53.3	+33.0%
Retail finance	9.1% 4.4	19.1% 11.0	19.1% 11.0	-	21.9% 10.5	21.9% 10.5	-	+6.5	+147.0%
Industrial machinery & others	6.5% 12.4	6.6% 12.5	6.6% 12.5	-	8.3% 16.5	8.3% 16.5	-	+0.0	+0.3%
Corporate & elimination	(2.0)	(2.5)	(2.5)	-	(2.0)	(2.0)	-	(0.4)	-

Review of three business segments (Latest projection vs. FY2016)

■ Construction, Mining & Utility Equipment

・Sales should increase from FY2016, supported by increasing sales of construction equipment mainly in China and Indonesia, where demand is recovering, increasing sales of mining equipment and the effects of the new addition of KMC to consolidated accounting. With respect to segment profit, while KMC will record an operating loss due to adverse effects of recording temporary expenses, overall segment profit should increase due to expanding segment profit on the conventional Komatsu basis (excl. KMC).

■ Retail Finance ・Revenues should increase, mainly due to increasing inventories in North America. Segment profit should also improve because of no more adverse effects of allowance for bad debt in China.

■ Industrial Machinery & Others ・About flat from FY2016.

☐Construction, Mining & Utility Equipment: Sales of mining equipment outperformed our initial projection, sales have been strong in China and Indonesia, and we have reassessed the preconditions of foreign exchange rates in the second six-month period of FY2017. As a result, we have revised sales upward by JPY205.0 billion from initial our projection, to JPY2,106.0 billion. Similarly, we are also revising segment profit upward by JPY76.0 billion, to JPY215.0 billion.

☐Retail Finance: We have revised revenues upward by JPY9.5 billion from initial projection. Similarly, we have revised segment profit upward by JPY0.5 billion from our projection.

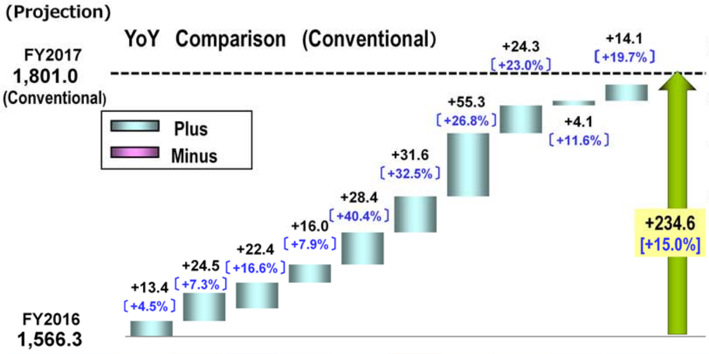
☐Industrial Machinery & Others: We have revised sales downward by JPY12.0 billion from our initial projection after conservatively reassessing sales projection of presses and other products to the automobile manufacturing industry. Similarly, we are also revising segment profit downward by JPY4.0 billion.

KOMATSU

Construction, Mining & Utility Equipment : Projection for Sales by Region (To Outside Customers) for FY2017

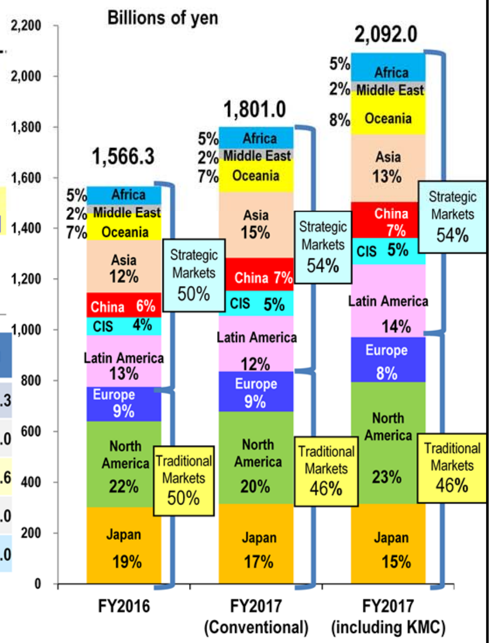
- We are upward revising sales of construction equipment mainly in China and Indonesia, where demand is growing, as well as mining equipment.
- Ratio of sales in Strategic Markets will increase to 54% without sales of KMC. (Overall ratio of sales, including those of KMC, in Strategic Markets will also represent 54% of total sales.)

(Projection)

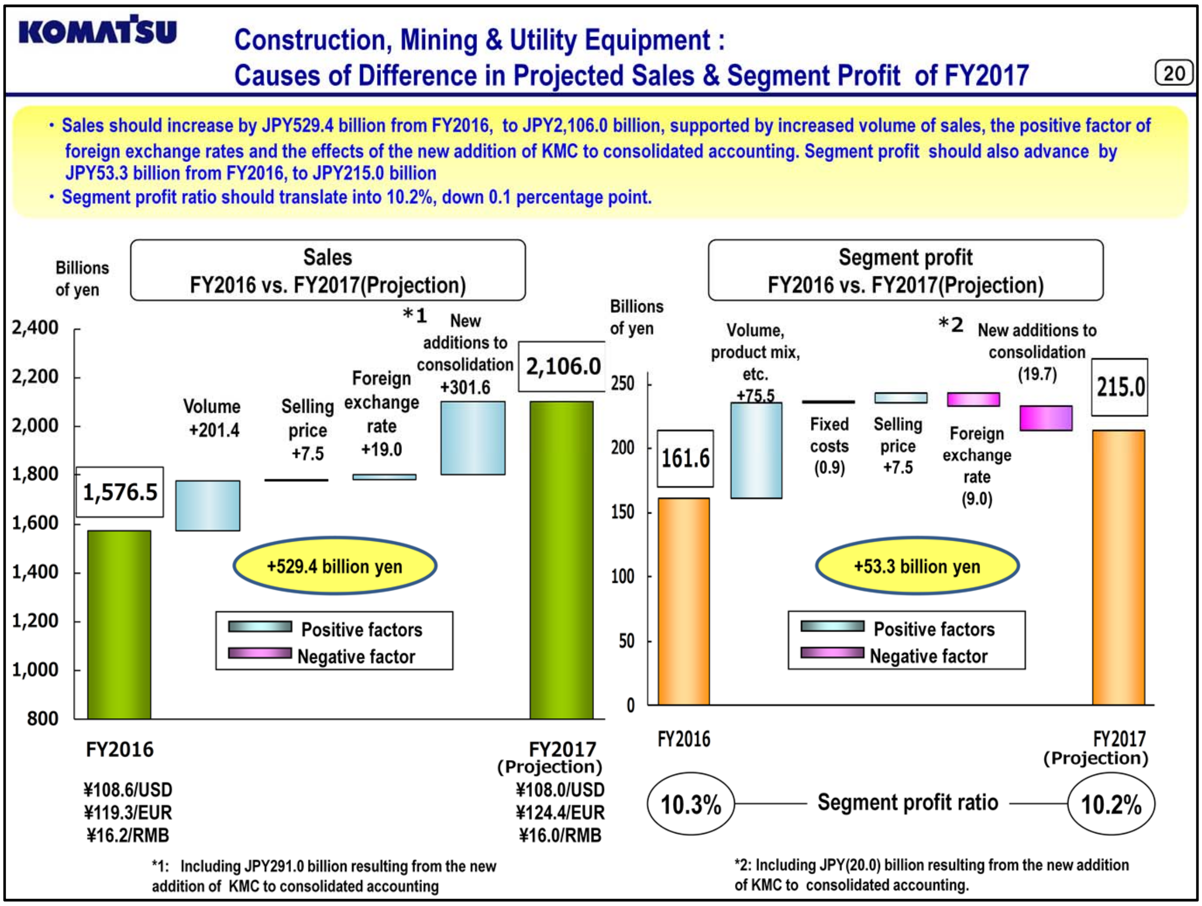


Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
FY2016	301.5	338.4	135.5	202.9	70.5	97.3	206.6	105.6	35.8	71.8	1,566.3
Komatsu Conventional	315.0	363.0	158.0	219.0	99.0	129.0	262.0	130.0	40.0	86.0	1,801.0
Increase (decrease)	+13.4	+24.5	+22.4	+16.0	+28.4	+31.6	+55.3	+24.3	+4.1	+14.1	+234.6
KMC	0.0	116.0	19.0	67.0	5.0	15.0	4.0	39.0	0.0	26.0	291.0
FY2017	315.0	479.0	177.0	286.0	104.0	144.0	266.0	169.0	40.0	112.0	2,092.0

Traditional Markets: Japan, North America, Europe; Strategic Markets: Latin America, CIS, China, Asia, Oceania, Middle East, Africa



- ☐ We have increased our projection of sales of mining equipment, which are stronger than projected, as well as that of sales in China and Asia, where demand continues to grow.
- ☐ Ratio of sales in Strategic Markets has increased to 54%. Overall ratio of sales, including those of KMC, in Strategic Markets also represents 54% of total sales.



☐ We anticipate that sales should increase by JPY529.4 billion from FY2016, supported by increased volume of sales, the positive factor of foreign exchange rates and the effects of the new addition of KMC to consolidated accounting. We also project that Segment profit will also advance by JPY53.3 billion from FY2016.

☐Segment profit ratio will translate into 10.2%, down 0.1 percentage point.

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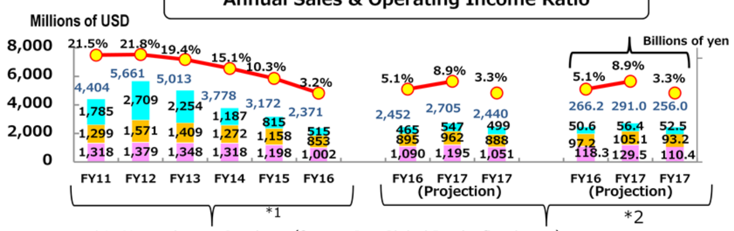
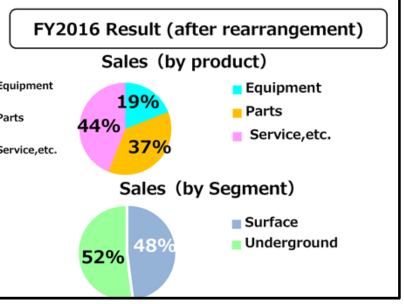
Projection for KMC's Business Results of FY 2017

- In FY2017, net sales should increase by 9.3% from FY2016, to JPY291.0 billion.
- Operating income should be JPY26.0 billion, excluding temporary expenses.
  When the temporary expenses of JPY46.0 billion are included, an operating loss should be JPY20.0 billion.

Billions of yen		FY2016 Results (Reference)(A) ¥108.6/USD		FY2017 Projection (Current)(B) ¥108.0/USD		FY2017 Projection (Initial)(C) ¥105.0/USD		Changes(B-A) (Reference) Increase (decrease)	% Change
Net sales			266.2		291.0		256.0	+24.8	+9.3%
	Equipment		50.6		56.4		52.5	+5.8	+11.5%
	Parts		97.2		105.1		93.2	+7.9	+8.1%
	Service etc.		118.3		129.5		110.4	+11.2	+9.5%
Operating income (loss) <excluding Temporary Expenses>		5.1%	13.4	8.9%	26.0	3.3%	9.0	+12.6	+94.0%
Temporary Expenses (negative figure)			(10.2)		(46.0)		(48.0)	(35.8)	-
	Depreciation after PPA		-		(40.0)		(39.0)	(40.0)	-
	Start-up expenses etc.		(10.2)		(6.0)		(9.0)	+4.2	-
Operating income (loss) <excluding Temporary Expenses>		1.2%	3.3	(6.9)%	(20.0)	(15.2)%	(39.0)	(23.3)	-



*1: November to October (former Joy Global Inc.'s fiscal year)
*2: April to March (The figures are rearranged for Komatsu's fiscal year)

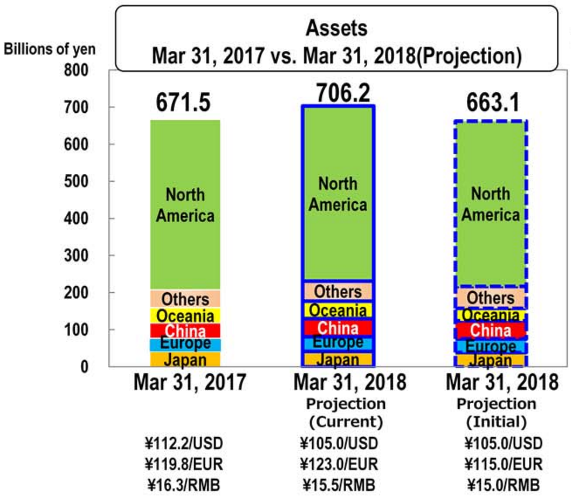


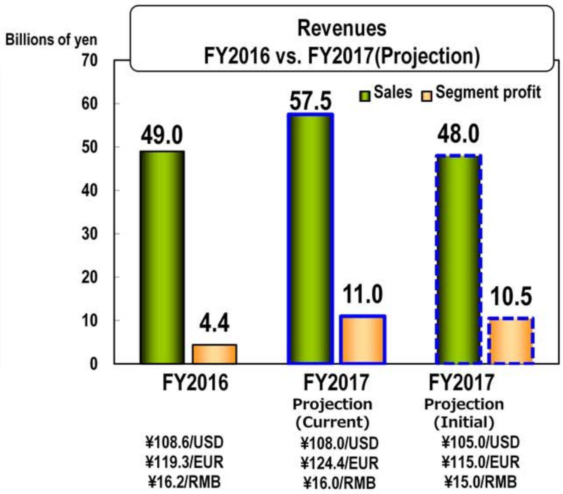
- For FY2017, net sales should increase by 9.3% from FY2016, to JPY291.0 billion.
- Operating income should amount to be JPY26.0 billion, excluding temporary expenses. When the temporary expenses of JPY46.0 billion are included, operating loss should be JPY20.0 billion.

KOMATSU

Retail Finance: Assets, Revenues and Segment Profit for FY2017

- Total assets should grow from the previous fiscal year-end, supported by an increase in new contracts mainly in North America.
- With respect to revenues, we expect an increase, because there will be no more effects of additional allowance for bad debt in China for FY2016.





Billions of yen	2017/3E (A)	2018/3E Projection (Current)(B)	2018/3E Projection (Initial)	Changes (B-A)
Interest-bearing debt	506.0	545.2	506.8	+39.2
Interest-bearing debt, net	501.2	539.8	503.4	+38.6
Net D/E ratio	3.65	3.88	3.69	+0.23pts.

	FY2016 (A)	FY2017 Projection (Current)(B)	FY2017 Projection (Initial)	Changes (B-A)
ROA	0.7%	1.6%	1.6%	+0.9%

☐ Total assets should grow from the previous fiscal year-end, supported by an increase in new contracts mainly in North America.

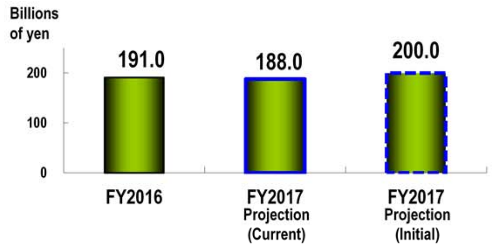
☐ With respect to revenues, we expect an increase, because there will be no more effects of additional allowance for bad debt in China for FY2016.

KOMATSU

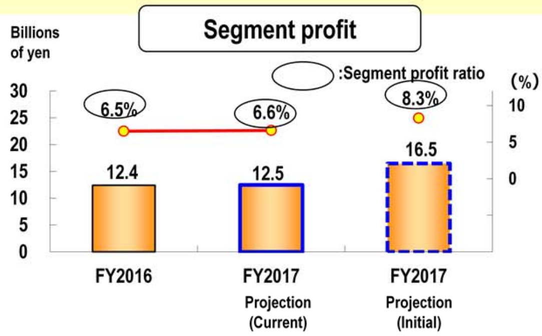
Industrial Machinery & Others: Sales and Segment for FY2017

- We have revised our initial projection downward by JPY12.0 billion, to JPY188.0 billion, a decrease of 1.6% from FY2016.
- Segment profit should remain flat at JPY12.5 billion.

Sales



Segment profit



Breakdown of sales

Billions of yen	FY2016 (A)	FY2017 Projection (Current)(B)	FY2017 Projection (Initial)	Changes(B-A) Increase (decrease)	Changes(B-A) % change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	56.6	52.1	59.0	(4.4)	(7.9)%
Komatsu NTC Ltd. [represented by wire saws]	55.2 [10.7]	67.2 [8.2]	72.1 [10.6]	+12.0 [(2.4)]	+21.8% [(22.8)%]
Gigaphoton	32.0	36.1	36.1	+4.1	+12.8%
Others	47.0	32.4	32.8	(14.6)	(31.1)%
Total	191.0	188.0	200.0	(2.9)	(1.6)%

☐After conservatively reassessing our projection of sales of presses and machine tools to the automobile manufacturing industry, we have revised our initial projection downward by JPY12.0 billion, to JPY188.0 billion, a decrease of 1.6% from FY2016.

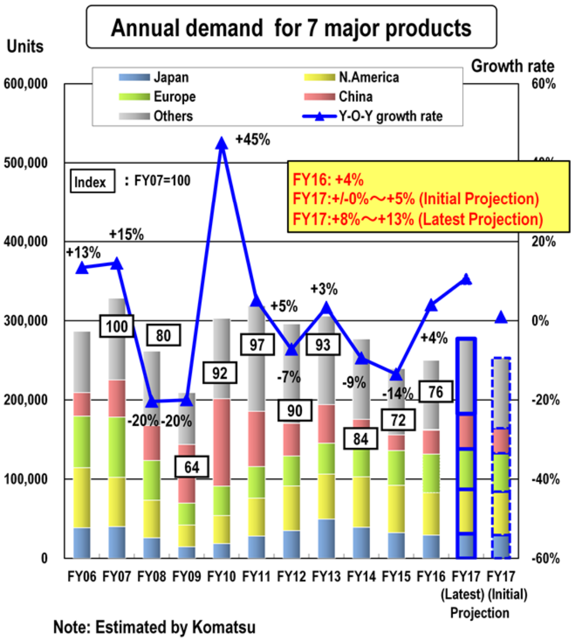
☐ Segment profit should remain flat at JPY12.5 billion.

KOMATSU

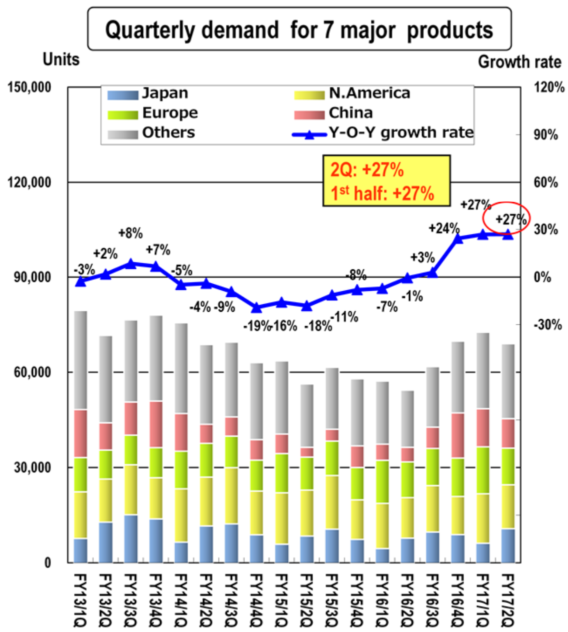
Komatsu (Conventional)

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

- In the first six-month period, demand increased by 27% from the corresponding period a year ago.
- Demand for construction equipment remains steady in China and Indonesia. Demand for mining equipment also remains steady.
- We have revised the annual growth of demand upward to +8% to +13%.



Note: Estimated by Komatsu



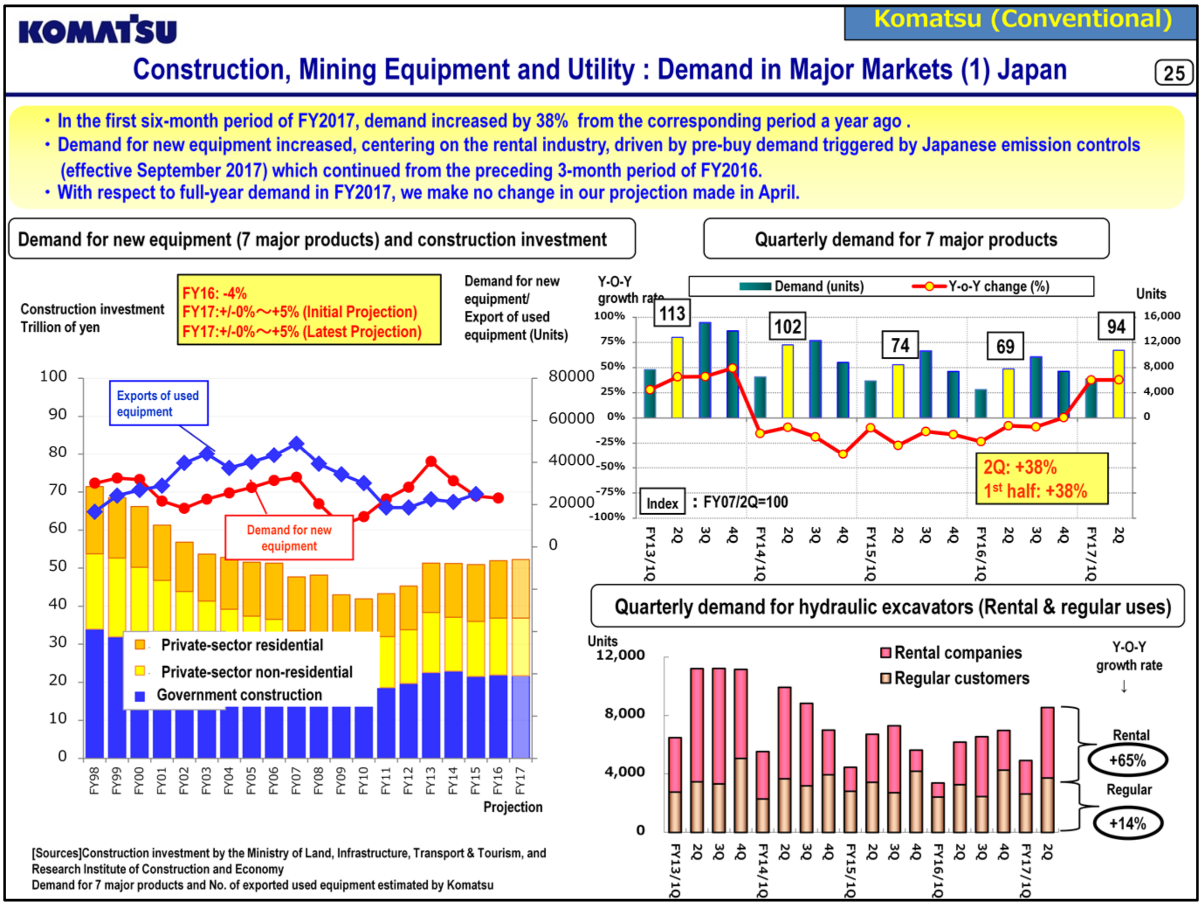
☐ Demand for 7 major products and mining equipment shows that based on Komatsu's conventional product range. This applies to pages 24 through 29.

☐ In the first six-month period of FY2017, global demand have seemingly advanced by 27% from the corresponding period a year ago.

☐In addition to increased demand for construction equipment in China and Indonesia, as well as mining equipment, demand increased in Japan with prebuys for the new emission controls. In North America and Europe, demand also remained steady.

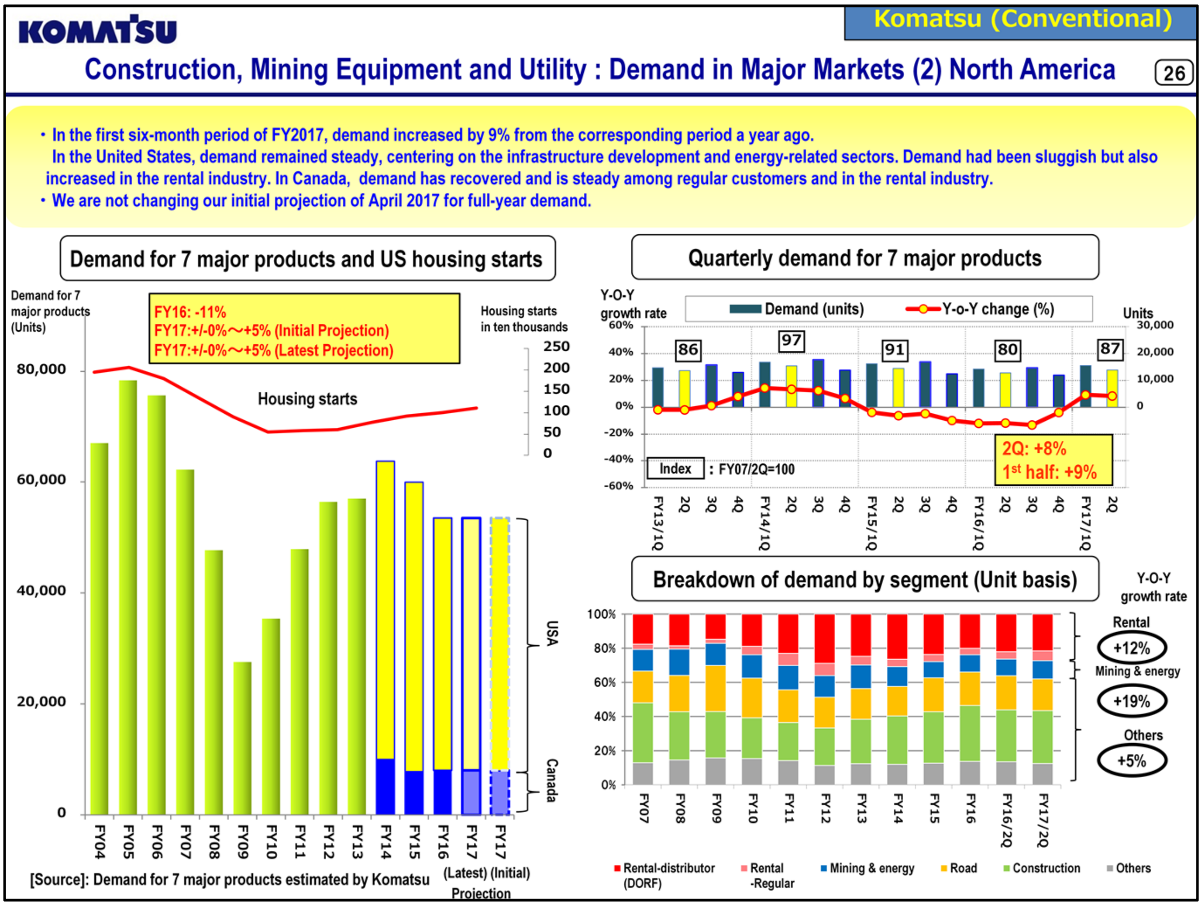
☐Concerning the second six-month period, we anticipate an increase in demand for construction equipment in Strategic Markets and for mining equipment, comparable to the first six-month period. In view of the fact that demand has been on a recovery track since the second half of last year (calendar year), we assume that the rate of growth will slow down in the second six-month period of FY2017.

☐ Concerning our projection of full-year demand, we have revised it upward from +/-0% to +5% to +8% to +13% as our latest projection.



☐ In the first six-month period of FY2017, demand increased by 38% 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.



- In the first six-month period of FY2017, North American demand seemingly increased by 9% from the corresponding period a year ago.

- In the United States, demand remained steady, centering on the infrastructure development and energy-related sectors. In the rental industry, demand had been sluggish but has recovered and increased steadily.

- In Canada, demand has recovered and increased steadily among regular customers and in the rental industry.

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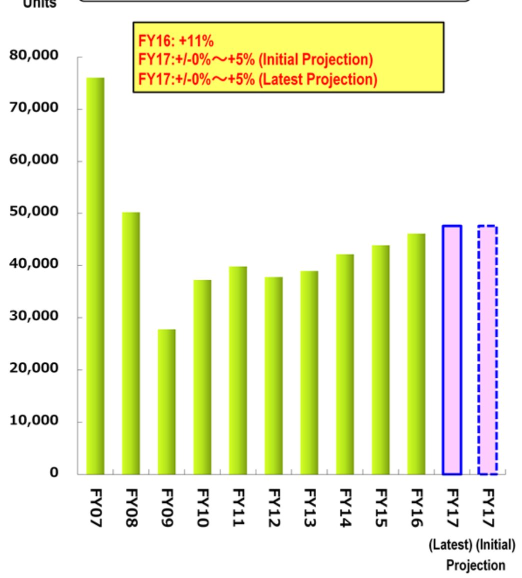
Komatsu (Conventional)

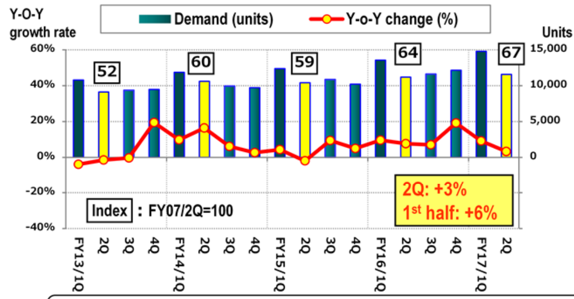
Construction, Mining Equipment and Utility : Demand in Major Markets (3) Europe

- In the first six-month period of In 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.
- With respect to full-year demand in FY2017, we make no change in our projection made in April.

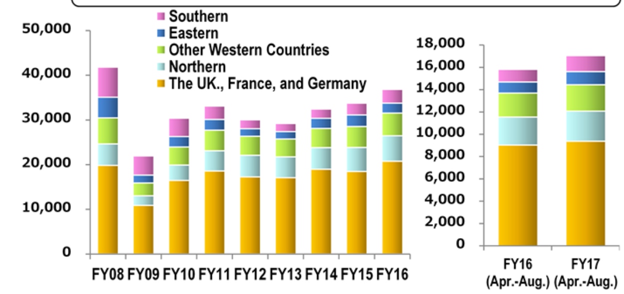
Annual demand for 7 major products



Quarterly demand for 7 major products

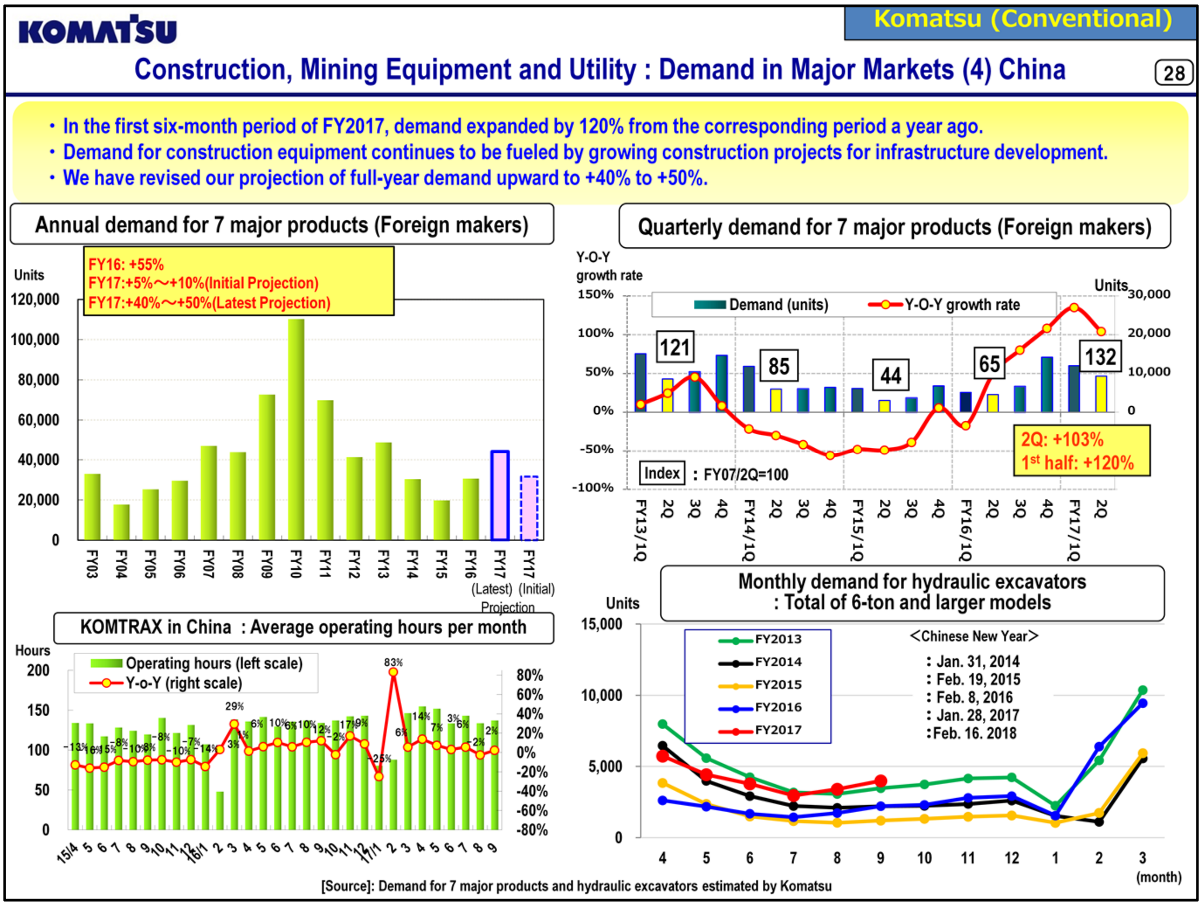


Region demand for 7 major products (Excl. 6t class)



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

- ☐ It appears that demand will have increased 6% in the first six-month period of In FY2017 from the corresponding period a year ago.
- ☐ In addition to a major market of Germany, demand remained steady in northern Europe.



☐In the first six-month period of FY2017, Chinese demand surged by 120% from the corresponding period a year ago, fueled by ongoing infrastructure development projects nationwide. In terms of quarters, demand has increased year on year since the second quarter (July – September) of FY2016. As of today, this growth momentum has not slowed down but is continuing.

☐Based on the conditions in the first six-month period of FY2017 and current conditions, we have revised our initial projection of +5% to +10% for FY2017 upward to +40% to +50% from FY2016.

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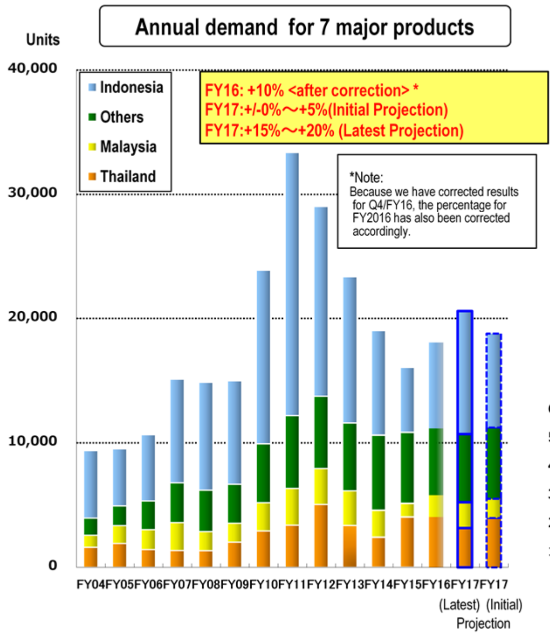
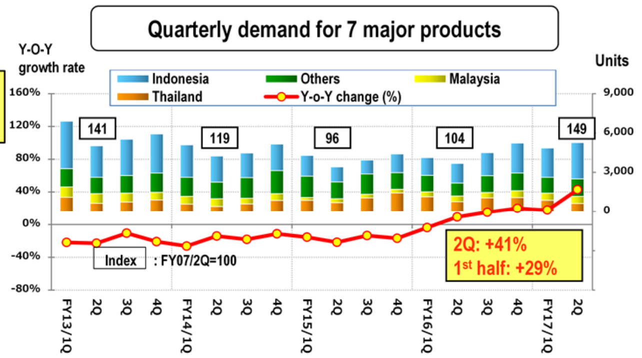
Komatsu (Conventional)

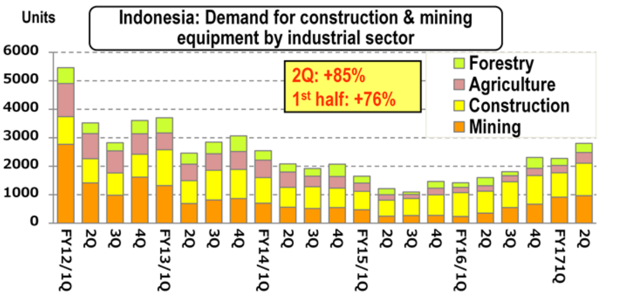
Construction, Mining Equipment and Utility : Demand in Major Markets (5) Southeast Asia

29

- In the first six-month period of FY2017, demand advanced by 29% from the corresponding period a year ago.
- Especially, demand for mining equipment is growing in Indonesia, the largest market of Southeast Asia. Demand for construction equipment is decreasing in Thailand.
- We have revised the full-year projection upward to a growth rate of 15% to 20%.







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

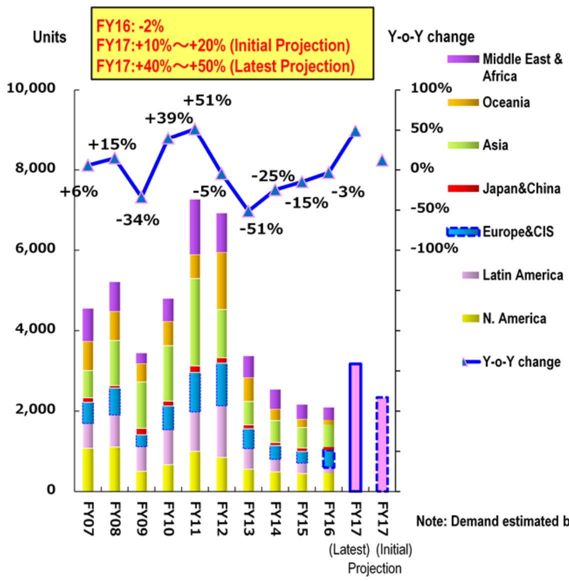
- ☐ In the first six-month period of FY2017, Southeast Asian demand seemingly advanced by 29% from the corresponding period a year ago.
- ☐ Especially, demand for mining equipment increased in Indonesia, the largest market of Southeast Asia. Thai demand is decreasing.
- ☐ We have revised our initial projection of +/-0% to +5% for full-year demand growth upward to +15% to +20% as our latest projection. The latest projection reflects slowing demand in Indonesia in the second six-month period of FY2017, because demand was extraordinarily high in the second half of FY2016. It also reflects declining demand in Thailand.

Construction, Mining Equipment and Utility : Actual and Projected Demand for Mining Equipment (30)

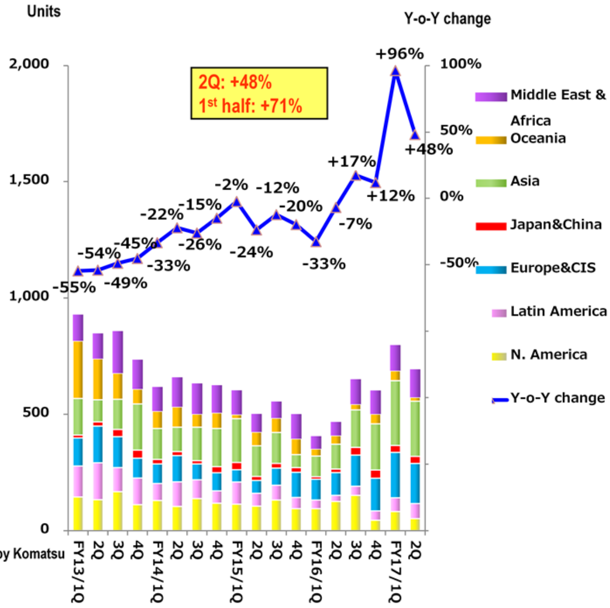
- In the first six-month period of FY2017, global demand increased by 71% from the corresponding period a year ago.
- Demand continued to advance, centering on Indonesia and we project that it should remain steady.
- We have revised our projection upward to a increase of 40% to 50% for FY2017.

Annual demand for mining equipment

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



Quarterly demand for mining equipment



Note: Demand estimated by Komatsu

- ☐ In the first six-month period of FY2017, global demand seemingly increased by 71% from the corresponding period a year ago
- ☐ Demand is continuing to grow, centering on Indonesia.
- ☐ Therefore, we have revised our projection upward to a increase of 40% to 50% in FY2017.

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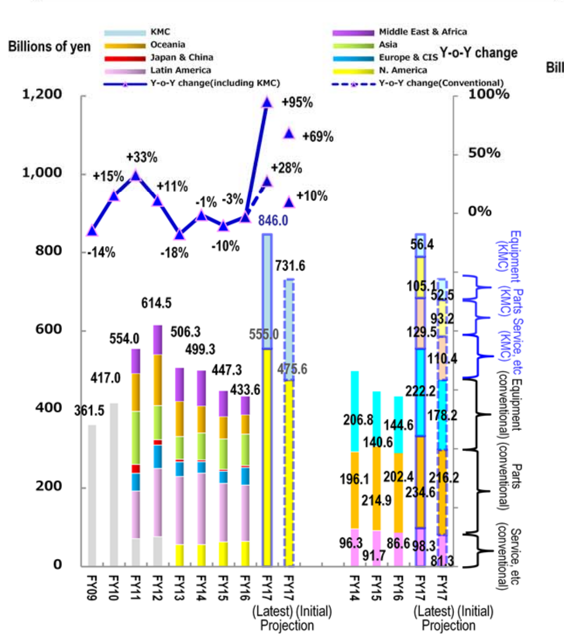
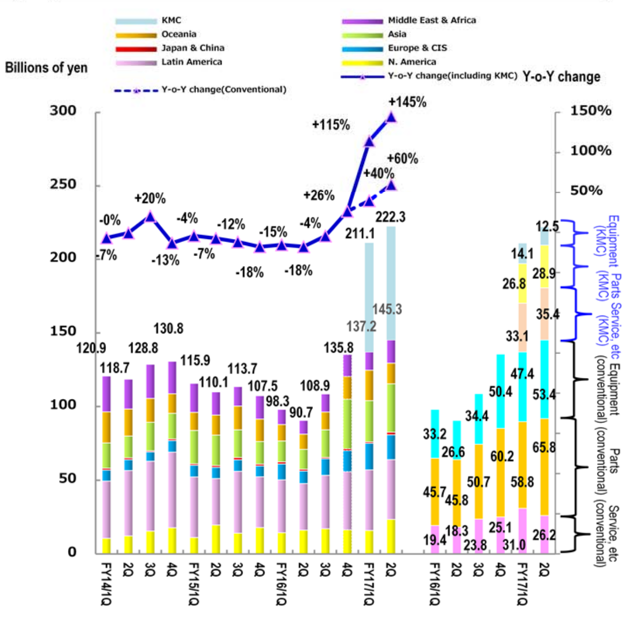
Construction, Mining Equipment and Utility : Sales of Mining Equipment

- For the second 3-month period, sales expanded by 145% from the corresponding period a year ago, to JPY222.3 billion. When KMC's sales are excluded, sales advanced by 60% to JPY145.3 billion.
- When the effects of KMC are excluded, sales of equipment, parts and service are advancing, supported by growing demand in Indonesia and some other countries.
- We have revised our full-year projection by an increase of 95% from FY2016, to JPY846.0 billion.

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



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



☐This page shows sales of mining equipment which include those made by KMC, starting in FY2017.

☐Concerning the bar graphs here, FY2017 figures include KMC's sales on both the left side for annual sales and the right side for quarterly sales. With respect to line graphs, the solid line for FY2017 shows the growth rate which includes KMC's sales, while the dotted line for FY2017 for the growth rate without KMC' sales.

☐ Sales for the second 3-month period of FY2017 expanded by 145% from the corresponding period a year ago, to JPY222.3 billion as a whole. When KMC's sales are excluded, sales advanced by 60% to JPY145.3 billion.

☐ When the effects of KMC are excluded, sales of equipment, parts and service advanced, supported by increasing demand in Indonesia and some other countries.

KOMATSU

Construction, Mining Equipment and Utility : Sales of Parts

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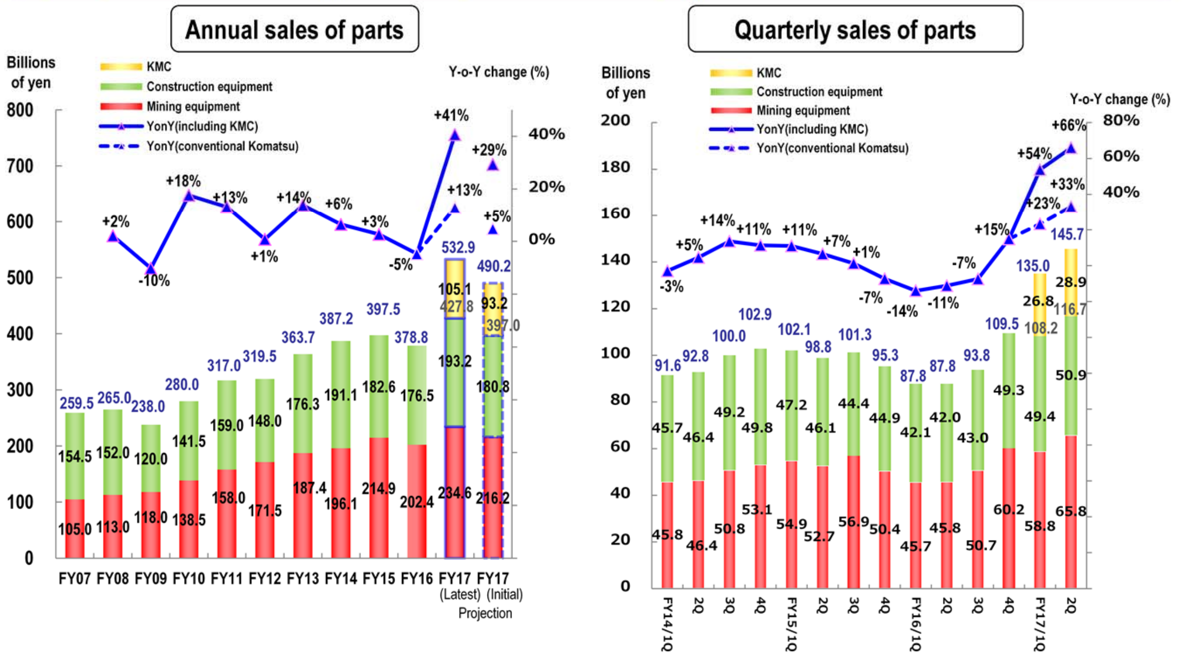
- For the second 3 -month period of 2017, sales of parts increased by 66% to JPY145.7 billion from the corresponding period a year ago. When sales made by KMC are excluded, sales of parts advanced by 33% to JPY116.7 billion.
- Sales advanced as a result of capturing demand for aftermarket products.
- We have revised our initial projection of full-year sales upward to JPY532.9 billion, up 41% from FY2016, because we can look forward to growing demand for construction equipment in Strategic Markets and for mining equipment.



- Starting in the current second 3-month period of FY2017, we are disclosing the sales figure by including KMC's sales of parts.

- For the second 3-month period of 2017, sales of parts increased by 66% to JPY145.7 billion from the corresponding period a year ago.

  When sales made by KMC are excluded, sales of parts advanced by 33% to JPY116.7.bilion

- As a result of effectively capturing demand for aftermarket products, sales of parts advanced for the first 3-month period of FY2017.

- We have revised our initial projection of full-year sales upward to JPY532.9 billion, up 41% from FY2016, because we can look forward to growing demand for parts for construction equipment in Strategic Markets and for mining equipment.

Ⅲ. KMC Integration Plan for KMC

1. Basic Stance and Preconditions Concerning the Integration of KMC

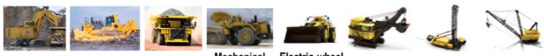
- The most important precondition is **"Never lower the level of service support to customers"** during the integration process.
- As the product lineups of the two don't overlap, we won't experience any negative effects even without integration. We can expect sufficient returns, as the mining equipment market recovers into the future.
- Our assumptions (full line of mining equipment and reinforcement of service capability, etc.), when we acquired KMC, have been proven correct.
- To alleviate volatility of the mining equipment business, we will not separate it from the construction equipment business. We will build integrated regional operations.

1) Product lineups of Komatsu and KMC

・No overlapping

Surface mining

Komatsu | KMC



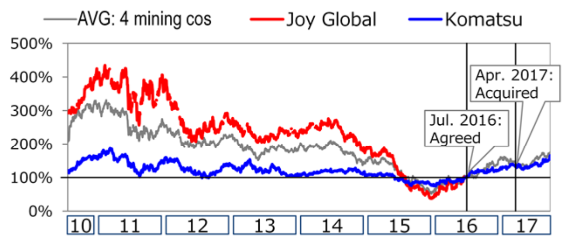
Excavator, Bulldozer, Dump truck, Mechanical wheel loader, Electric wheel loader, Rope shovel, Drill, Dragline

Underground mining

KMC

Continuous miner, Hauling system, Roof support, Road header, Shearer, LHD

2) Stock prices of mining companies, Joy Global and Komatsu[1]



*Note 1: Graphs show increases/decreases from Joy Global's stock price on July 21 2016 as 100%.

3) Review of 6 months after acquisition

・As expected

	Assumptions	Review of 6 months
1	Solid relationship with customers	• The business model of direct sales and service has been sustained and is possible to strengthen, especially in the areas covered by Komatsu-owned distributors, • Service bases of the two have already been used mutually in some areas.
2	Complementary products and market segments	• Full lineup of surface mining equipment and entry into the underground mining equipment market.
3	Compatibility of corporate culture of the two	• Corporate culture of safety first and customer-centered principles are highly compatible with Komatsu. • Secured professional people with mining expertise.
4	Gaining growth potential and synergy	• Created the taskforce teams to capitalize on management resources of the two and create synergy.

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KMC

2. Integration Plan and Synergy

・Create synergy in three standpoints of Sales Expansion, Cost Reduction, and Investment Curtailment.

・By completing integration in the areas covered by Komatsu-owned distributors by the end of FY2018 and other areas by the end of FY2019, we shall work to maximize of synergy.

Synergy	Approach	Specific Efforts
1. Sales expansion	1) Sales expansion of new products	• Maintain and reinforce direct sales and service operations, as we incorporate KMC's strengths. • Expand sales of new products by capitalizing on stronghold customer bases and sales channels of the two. • Expand sales of rebuild and Reman products by effectively utilizing facilities of the two. • Capture sales of parts, which have taken by others, by aggressively using parts made by Group suppliers.
	2) Sales expansion of parts and service	
	3) Expansion of solution business	• Expand sales by aggressively engaging in packaged deals by offering ICT-combined solutions in addition to emphasizing full-lineup of equipment.
	4) Development of new products	• Expand sales by launching new products which combine KLTD and KMC's technologies.
2. Cost reduction	1) Operational integration of manufacturing bases	• Promote cross sourcing between KMC and conventional Komatsu Group companies. • Mother plants shall promote rationalization of production of equipment. • Promote joint purchasing.
	2) Operational integration at mine sites	• Cut costs by integrating parts warehouses and supply-chain operations at mines.
	3) Operational integration of back-office	• Cut costs by integrating back-office operations, such as human resources, accounting, finance and legal, while strengthening governance and compliance.
3. Investment curtailment	Curtailment of investment in all areas where we operate	• Thoroughly review overlapping investments (e.g., establishment of manufacturing and service bases) in all regions.

＜Estimated Synergy (FY2021 target)＞

・About 10% of KMC's total sales

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3. Examples of Integration Benefits

・Will continue structural reforms which were planed before acquisition. Have already completed reforms in the area of surface mining equipment.
・Implementing quick wins (gaining immediate benefits) now. Have already gained some visible benefits.

1) Status of structural reforms planed before acquisition

	Country	Business	Progress	Completion
1	U.S.A.	Surface mining	• Closed fabrication and welding shops. • Consolidated production of motors • Sold the steel mill facility.	Done in July 2016
2		Underground mining	• Closed some plants. (Done) • Sold machine tools and other assets. (Done) • Sale of land and buildings (in progress)	Planned for FY2017
3	China	Underground mining	• Closed some plants. (Done) • Sale of machine tools and other assets (in progress) • Sale of land and buildings (in progress)	Planned for FY2018

2) Synergy examples (quick wins) in progress

Integrating back office operations, repairing components by using production plants of the two, winning trust of customers by jointly visiting them, and engaging in joint procurement, etc.

U.S.A.

KAC — Shared Service Dept. — KMC

Shared Service Dept.: Personnel | Accounting & Finance | Legal

• Have already established the shared service department for Komatsu America Corp. (HQs: Chicago) and KMC (HQs: Milwaukee).

Brazil

• KMC has already repaired cylinders, buckets and dump bodies of Komatsu products.

Chile

• Komatsu has already repaired cylinders of KMC-made rope shovels at its base.

• KMC has already repaired blades of Komatsu-made large bulldozers at its base.

Appendix

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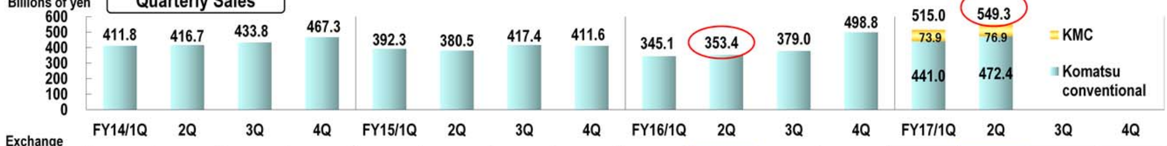
<Appendix>

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

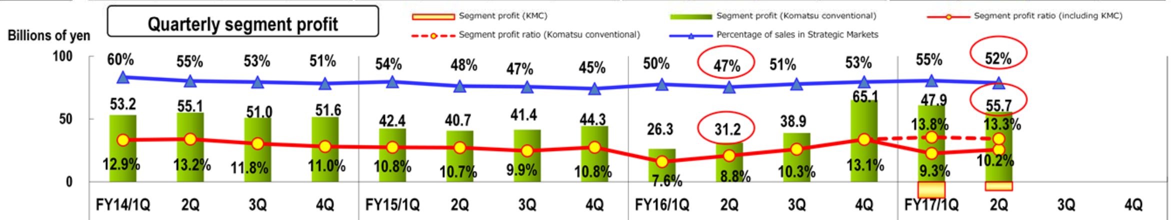
Quarterly Sales



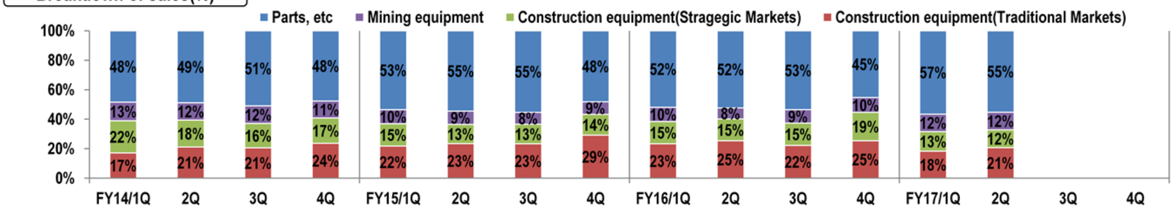
Exchange rates

	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	110.9		
¥/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		
¥/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		

Quarterly segment profit



Breakdown of sales(%)



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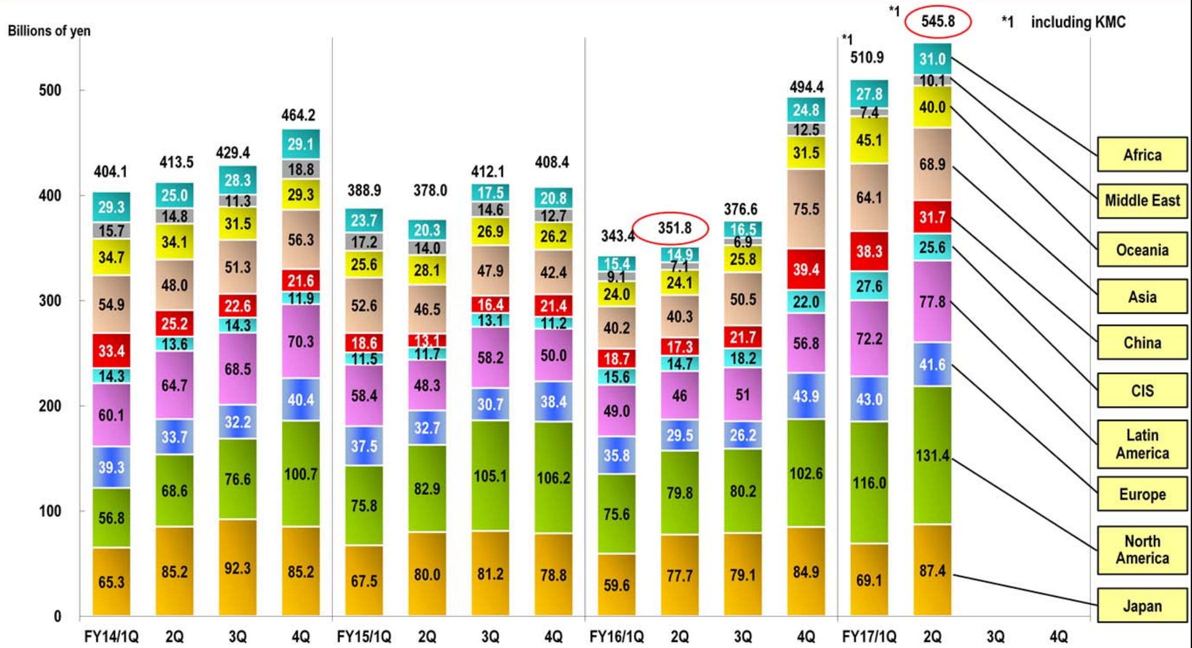
<Appendix>

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	110.9		
¥/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		
¥/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		

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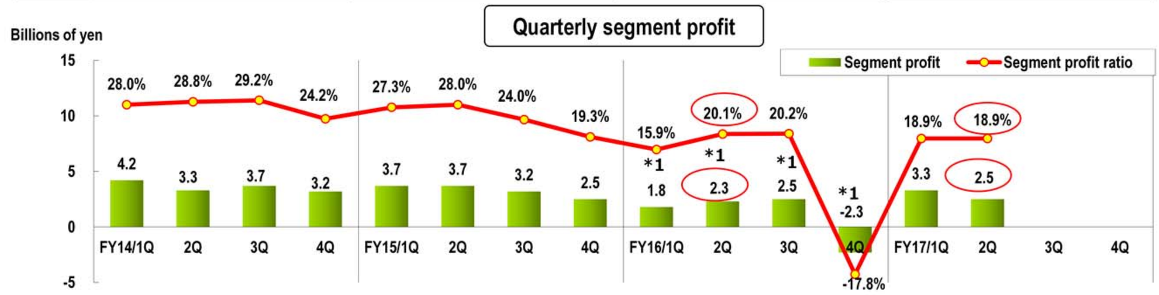
<Appendix>
Retail Finance: Quarterly Sales and Segment Profit

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		
¥/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		
¥/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		



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

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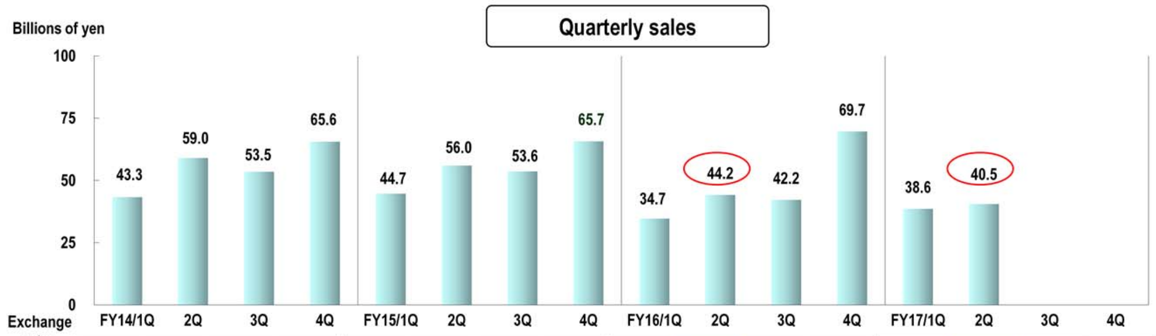
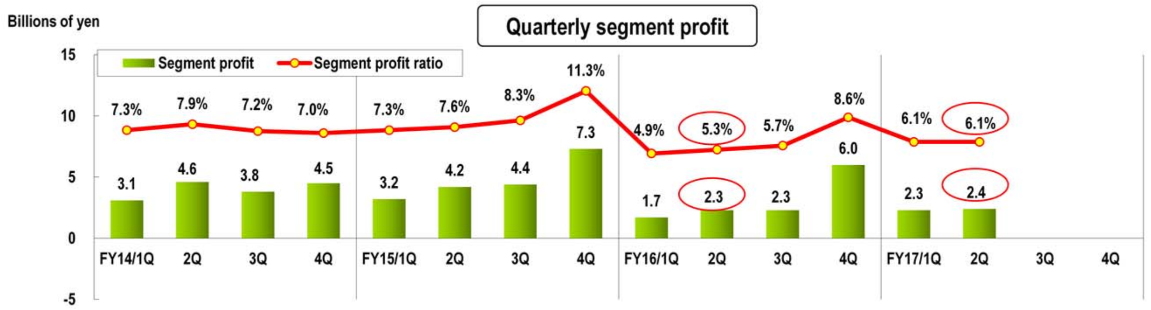
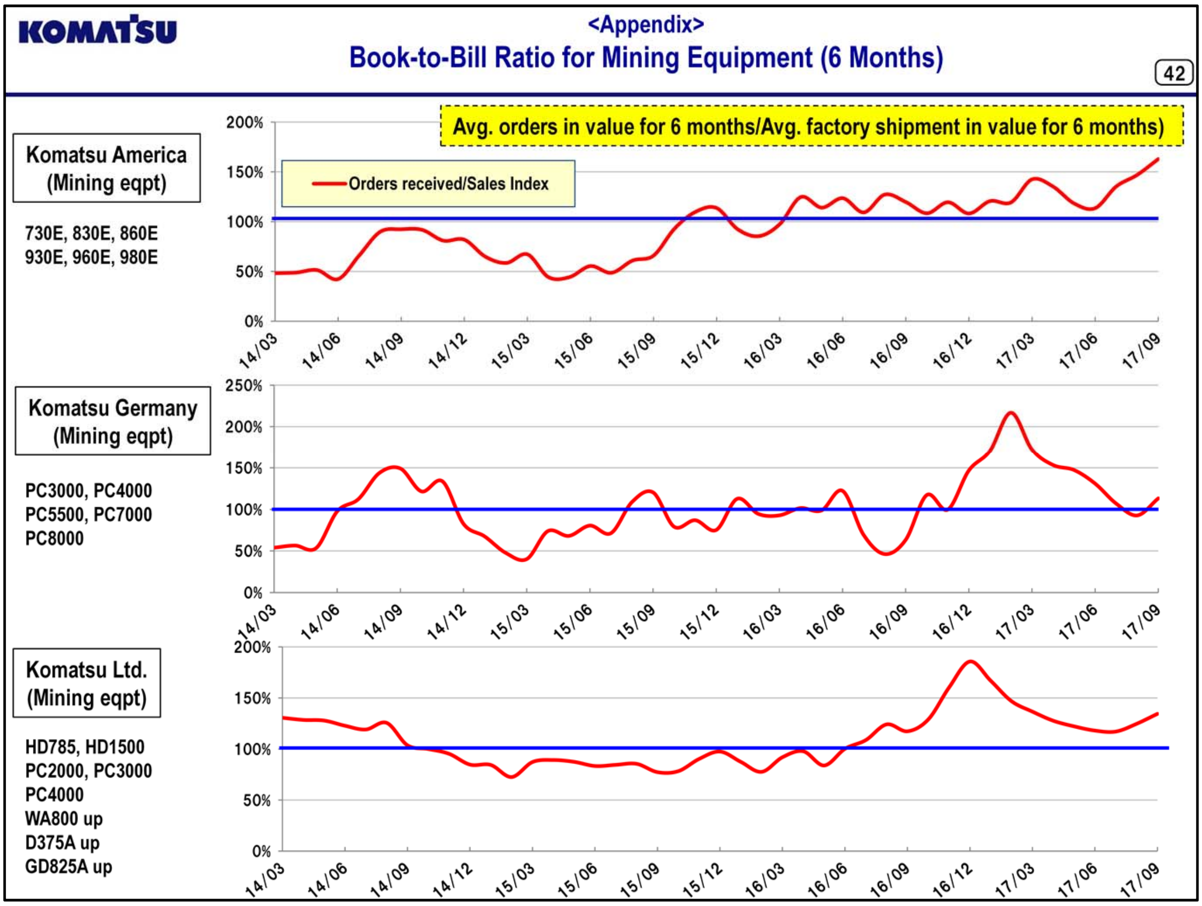
<Appendix>
Industrial Machinery & Others: Quarterly Sales and Segment Profit



Exchange rates

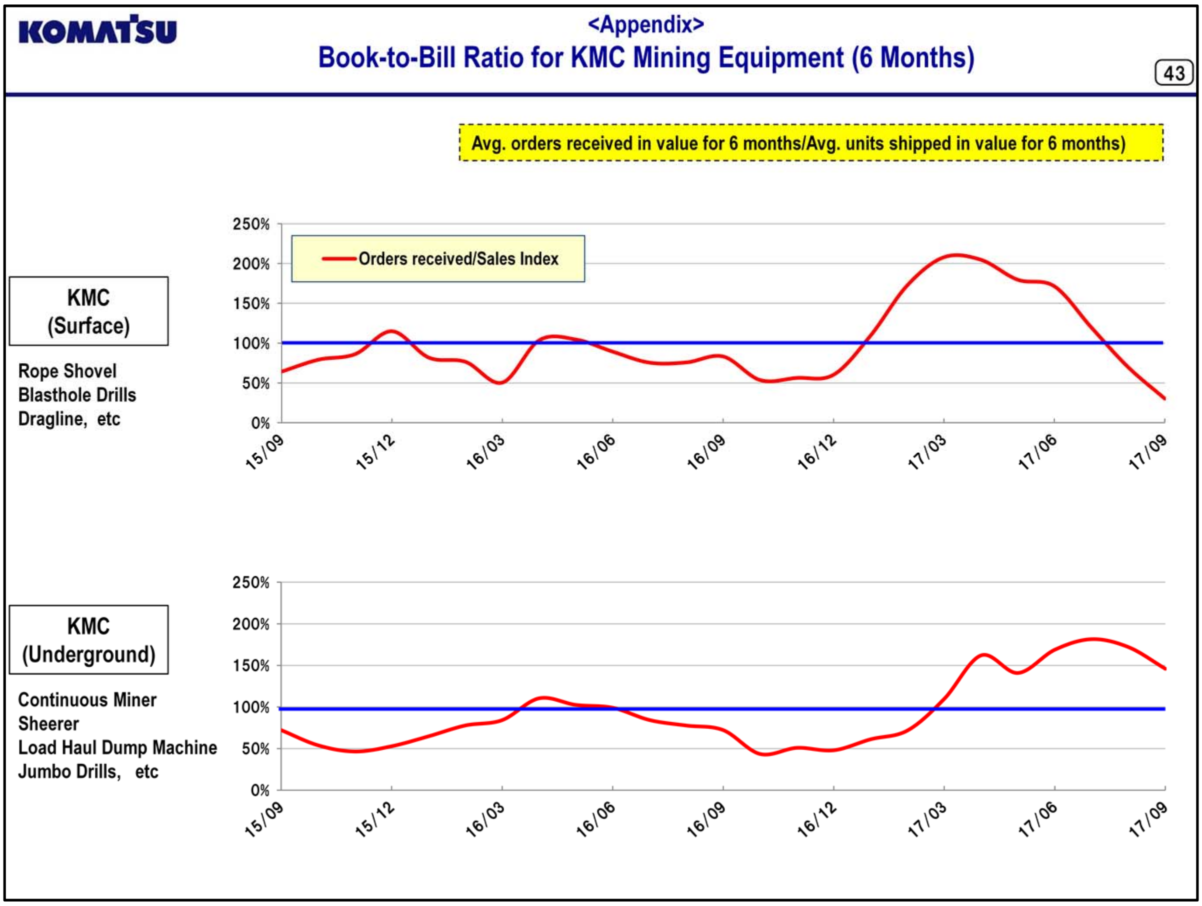
	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q
¥/USD	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0	109.8	102.9	106.9	114.7	111.2	110.9		
¥/EUR	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0	124.3	114.6	116.7	121.4	121.6	129.9		
¥/RMB	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9	16.9	15.4	15.7	16.7	16.3	16.6		





☐ These graphs show the book-to-bill ratios of mining equipment.

☐ Specifically, they show the ratios of orders received for new equipment for the last 6-month period divided by sales of new equipment for the same 6-month period.



☐ These graphs show the book-to-bill ratios of orders received for KMC-made mining equipment since September 2015.

☐ The above graph shows the book-to-bill ratio of surface mining equipment, such as rope shovels and blast hole drills, while the graph below, the book-to-bill ratio of underground mining equipment, such as continuous miners and sheerers.

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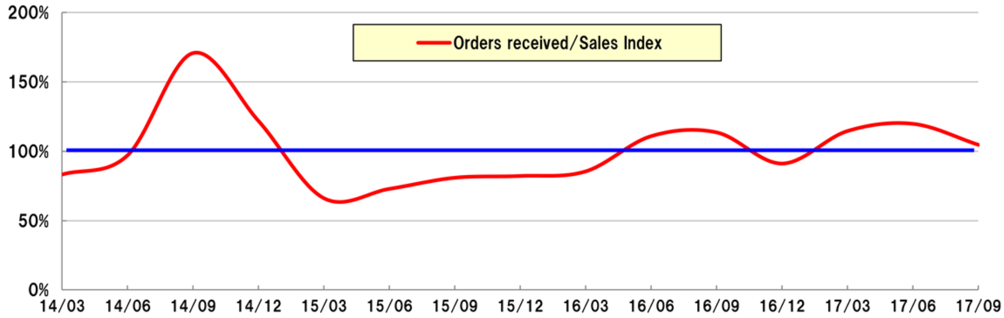
<Appendix>

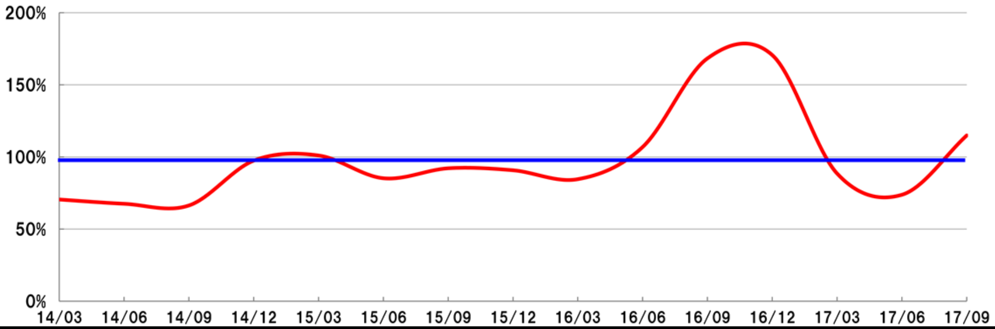
Book-to-Bill Ratio for Industrial Machinery (6 Months)

Komatsu Industries

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



Komatsu NTC
(Excl. wire saws)



☐ These graphs show the book-to-bill ratios of industrial machinery.

☐ Specifically, they show the ratios of orders received for new machines for the last 6-month period divided by sales of new machines for the same 6-month period.

We launched the PC200-11 medium-sized hydraulic excavator in Japan in September this year. (Compliant with Japan's Off-road Vehicle Act of 2014)

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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