

Business Results for the First 3-Month Period (April-June, 2018) of FY 2018 【Telephone conference】

July 27, 2018

Komatsu Ltd. Participants

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* KMC: Komatsu Mining Corp.

I. Business Results for the First 3-Month Period (April-June, 2018) of FY2018

Notice: Reclassification in Statement of Income

Starting in the current fiscal year, we have adopted a new accounting standard concerning pension. In compliance with this new standard, we include postretirement benefit cost other than service cost in other income (expenses) in the Statement of Income. Accordingly, the figures for FY2017, are and shall be retrospectively reclassified and restated in agreement with the figures for FY2018.

As a result, both segment profit and operating income declined by JPY0.7 billion in the Statement of Income for the first 3-month period of FY2017, while other income increased by JPY0.7 billion.

- Consolidated net sales increased by 15.1% from the corresponding period a year ago, to JPY646.0 billion.
- Operating income advanced by 85.8% to JPY 96.0 billion. Operating income ratio increased by 5.7 points to 14.9%.
- Net income attributable to Komatsu Ltd. improved by 73.0% to JPY62.9 billion.

* FY2017 figures are reclassified and restated. (Refer to page 3 for more information.)

Billions of yen	Apr.-Jun.,2017			Apr.-Jun.,2018			Changes	
	¥111.2/USD ¥121.6/EUR ¥16.3/RMB	Komatsu Conventional *1	KMC	¥108.2/USD ¥130.1/EUR ¥17.1/RMB	Komatsu Conventional *1	KMC	Increase (Decrease)	Change %
Net sales	561.2	487.2	73.9	646.0	558.7	87.2	+84.8	+15.1%
Segment profit (loss)	52.2	66.0	*2 (13.7)	95.9	84.9	*2 10.9	+43.6	+83.4%
Other operating income(expenses)	(0.5)	(0.5)	-	0.1	0.1	0.0	+0.7	-
Operating income (loss)	51.7	65.4	*2 (13.7)	96.0	85.0	*2 10.9	+44.3	+85.8%
Profit ratio (loss ratio)	9.2%	13.4%	(18.6)%	14.9%	15.2%	12.5%	+5.7pts.	-
Other income (expenses)	(3.6)			(3.1)			+0.5	-
Income before income taxes	48.0			92.9			+44.8	+93.2%
Net income	36.3			62.9			+26.5	+73.0%

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.

Billions of yen	Apr. Jun.,2017	Apr.-Jun.,2018
Depreciation after PPA *	(16.6)	(2.7)
Integration expenses etc.	(2.6)	(0.2)
Total	(19.3)	(2.9)

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

- Construction, Mining & Utility Equipment: Sales advanced by 15.4% from the corresponding period a year ago, to JPY594.2 billion. Segment profit expanded by 86.9% to JPY 88.3 billion. Segment profit ratio improved by 5.7 points to 14.9%.
- Retail Finance: Revenues declined by 18.8% to JPY14.2 billion. Segment profit expanded by 65.2% to JPY5.4 billion.
- Industrial Machinery & Others: Sales increased by 6.7% to JPY41.2 billion. Segment profit improved by 27.4% to JPY3.0 billion.

* FY2017 figures are reclassified and restated. (Refer to page 3 for more information.)

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

Billions of yen	Apr.-Jun.,2017			Apr.-Jun.,2018			Changes	
		Komatsu Conventional	KMC		Komatsu Conventional	KMC	Increase (Decrease)	% Change
Net sales	561.2	487.2	73.9	646.0	558.7	87.2	+84.8	+15.1%
Construction, mining & utility equipment	515.0 [510.9]	441.0 [437.0]	73.9 [73.9]	594.2 [592.1]	506.9 [504.8]	87.2 [87.2]	+79.1 [+81.1]	+15.4% [+15.9%]
Retail finance	17.5 [11.9]	17.5 [11.9]	-	14.2 [12.9]	14.2 [12.9]	-	(3.2) [+0.9]	(18.8)% [+8.2%]
Industrial machinery & others	38.6 [38.2]	38.6 [38.2]	-	41.2 [40.9]	41.2 [40.9]	-	+2.5 [+2.7]	+6.7% [+7.2%]
Elimination	(10.0)	(10.0)	-	(3.6)	(3.6)	-	+6.4	-
Segment profit (loss)	□ 9.3% 52.2	□ 13.6% 66.0	□ (18.6)% (13.7)	□ 14.8% 95.9	□ 15.2% 84.9	□ 12.5% 10.9	+43.6	+83.4%
Construction, mining & utility equipment	□ 9.2% 47.2	□ 13.8% 61.0	□ (18.6)% (13.7)	□ 14.9% 88.3	□ 15.3% 77.3	□ 12.5% 10.9	+41.0	+86.9%
Retail finance	□ 18.9% 3.3	□ 18.9% 3.3	-	□ 38.5% 5.4	□ 38.5% 5.4	-	+2.1	+65.2%
Industrial machinery & others	□ 6.2% 2.3	□ 6.2% 2.3	-	□ 7.4% 3.0	□ 7.4% 3.0	-	+0.6	+27.4%
Corporate & elimination	(0.6)	(0.6)	-	(0.9)	(0.9)	-	(0.2)	-

Review of three business segments

■ Construction, Mining & Utility Equipment:

Sales increased, supported by advanced sales mainly in North America and Asia. Segment profit also increased as a whole, reflecting the benefits of increased volume of sales and reduced temporary expenses of KMC.

■ Retail Finance:

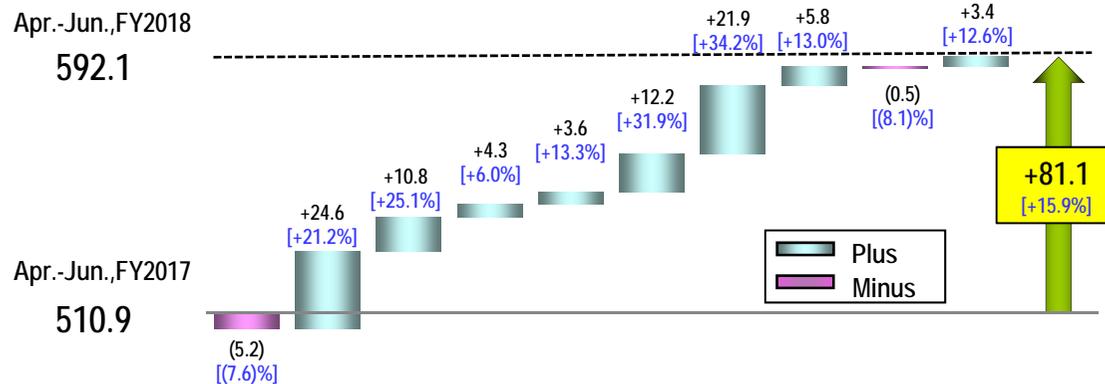
Sales declined, because sales of used equipment were recorded for the corresponding period a year ago as a result of the cancellation of a leasing contract in Chile. Segment profit increased mainly due to a reversal of allowances for bad debts in China recorded for FY2016.

■ Industrial Machinery & Others

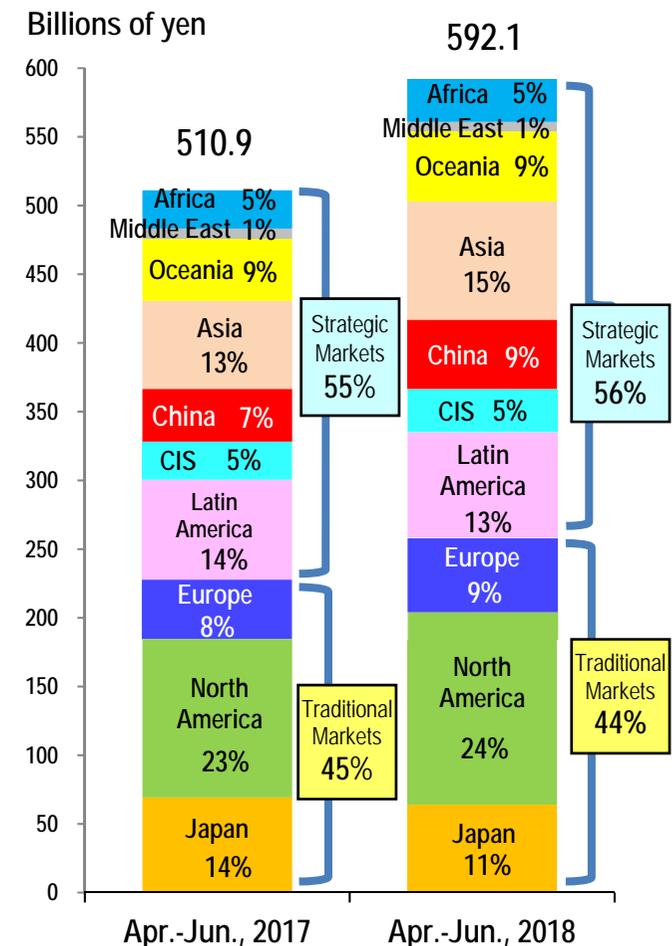
Both sales and segment profit improved, supported by strong sales of the Excimer laser-related and other businesses against the backdrop of buoyant semiconductor market conditions.

- Sales to outside customers advanced by 15.9% from the corresponding period a year ago, to JPY592.1 billion. When KMC sales are excluded, sales were JPY504.8 billion.
- Except for Japan and the Middle East, sales increased in all regions. Sales expanded sharply, especially in North America and Asia.
- The ratio of sales in Strategic Markets increased to 56% of total sales.

vs. Apr.-Jun.,2017



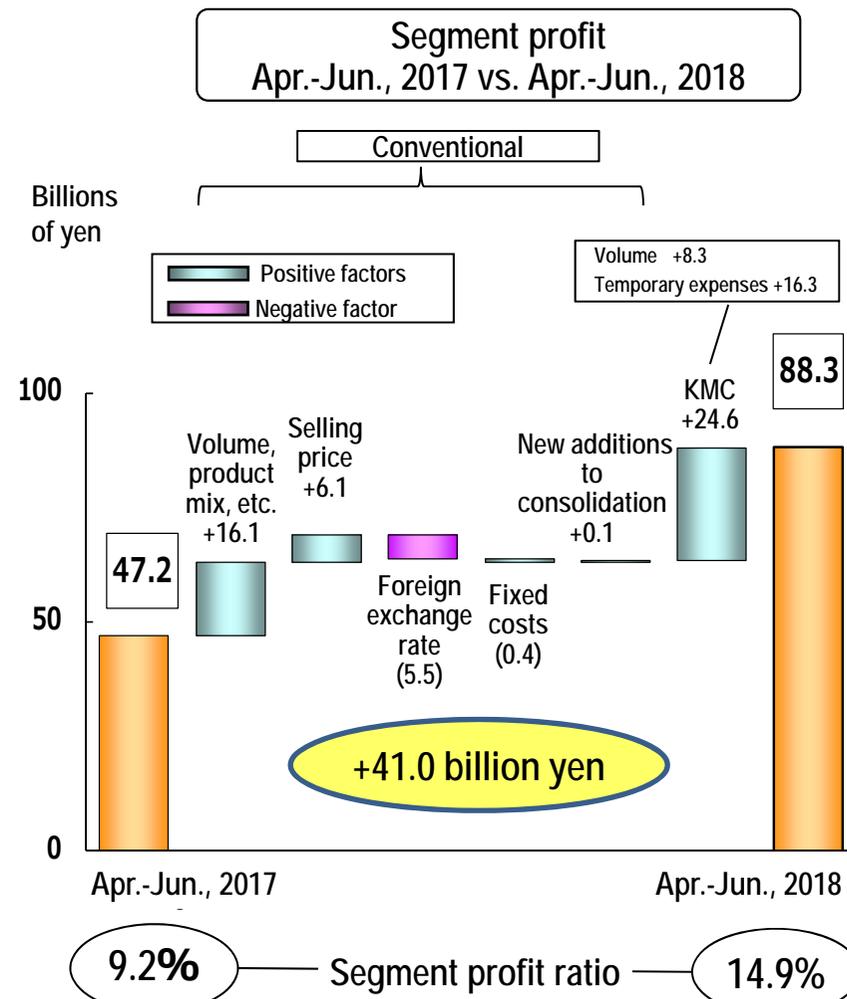
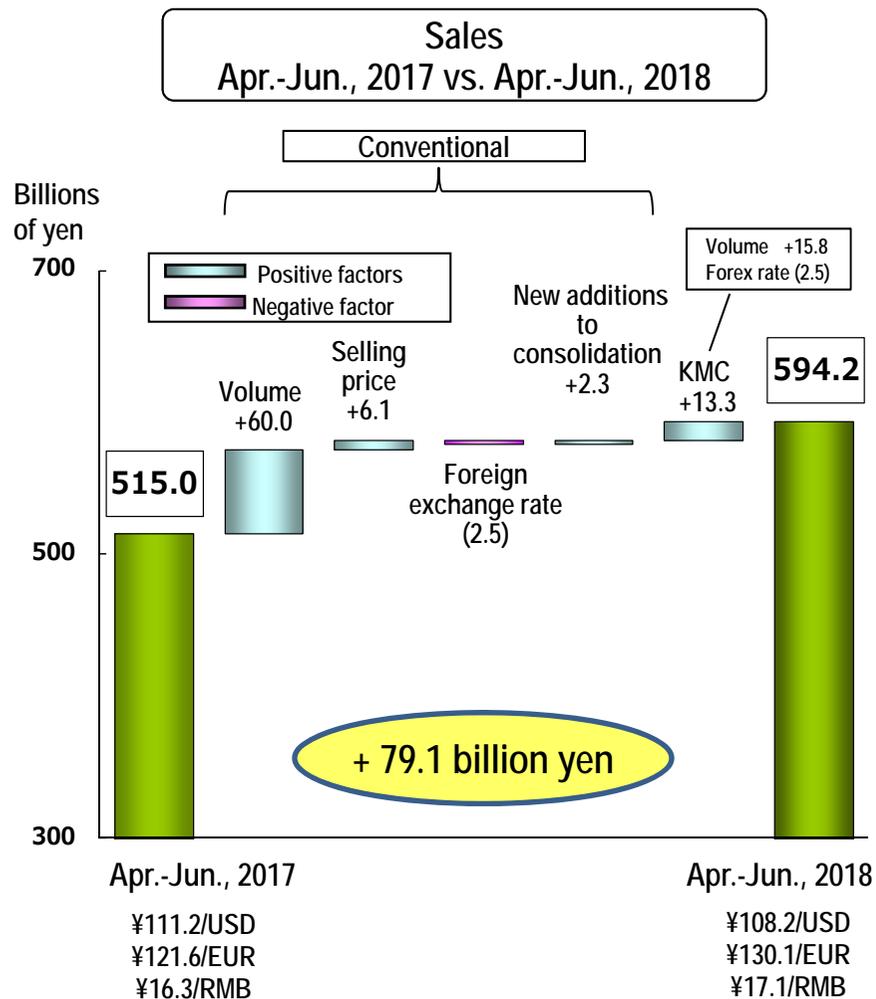
Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
Komatsu Conventional	69.1	84.7	38.5	56.7	26.8	34.3	63.3	34.8	7.4	21.0	437.0
KMC	-	31.2	4.4	15.5	0.8	3.9	0.7	10.2	-	6.8	73.9
Apr.-Jun.,2017(a)	69.1	116.0	43.0	72.2	27.6	38.3	64.1	45.1	7.4	27.8	510.9
Komatsu Conventional	63.8	102.5	50.5	57.4	29.3	47.1	84.6	39.7	6.7	22.8	504.8
KMC	0.0	38.0	3.3	19.2	2.0	3.4	1.3	11.2	0.0	8.4	87.2
Apr.-Jun.,2018(b)	63.9	140.6	53.8	76.6	31.3	50.5	86.0	51.0	6.8	31.3	592.1
Change (b-a)	(5.2)	+24.6	+10.8	+4.3	+3.6	+12.2	+21.9	+5.8	(0.5)	+3.4	+81.1



* Region where sales increases, when foreign exchange effects are excluded.

- Sales increased by JPY79.1 billion from the corresponding period a year ago, supported by increased volume of sales and selling prices. Segment profit increased to JPY41.0 billion, largely supported by increased volume of sales and reduced temporary expenses of KMC.
- Segment profit ratio improved by 5.7 points to 14.9%.

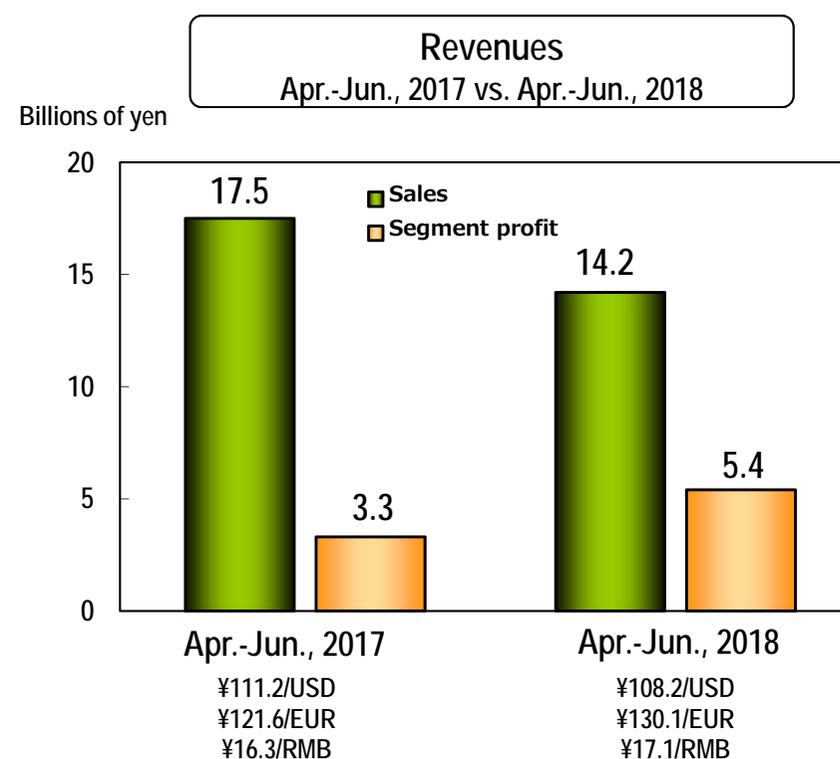
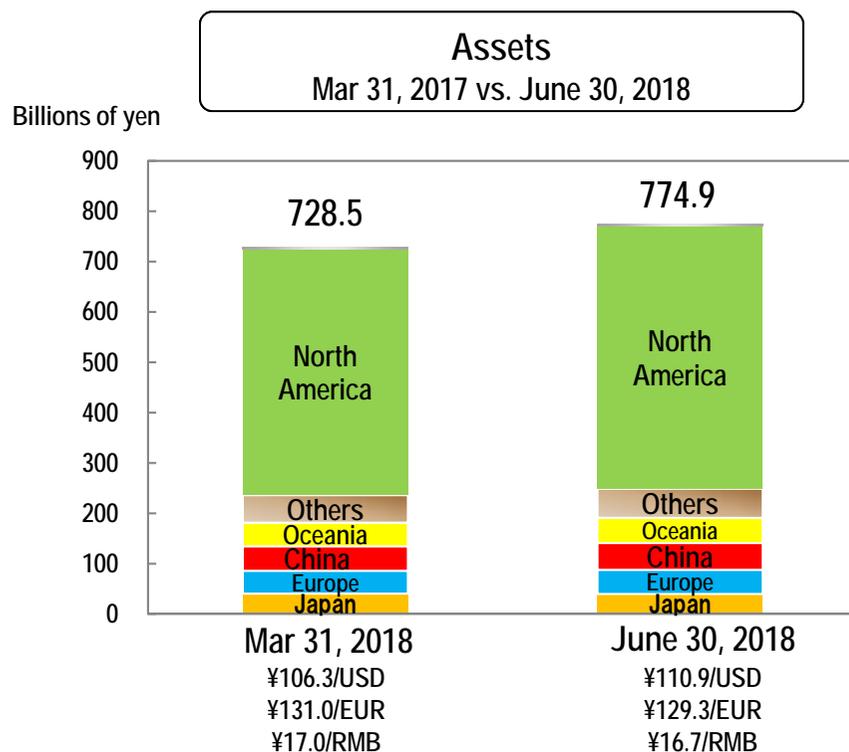
* FY2017 figures are reclassified and restated. (Refer to page 3 for more information.)



Retail Finance: Assets and Revenues for the First 3-Month Period (April-June, 2018) of FY2018

- Assets increased by JPY46.4 billion from the previous fiscal year-end, due mainly to increased sales in North America.
- While assets increased primarily in North America, overall revenues dropped, because sales of used equipment were recorded for the corresponding period a year ago as a result of the cancellation of a leasing contract in Chile.
- Segment profit increased due to a reversal of allowances for doubtful accounts in China.

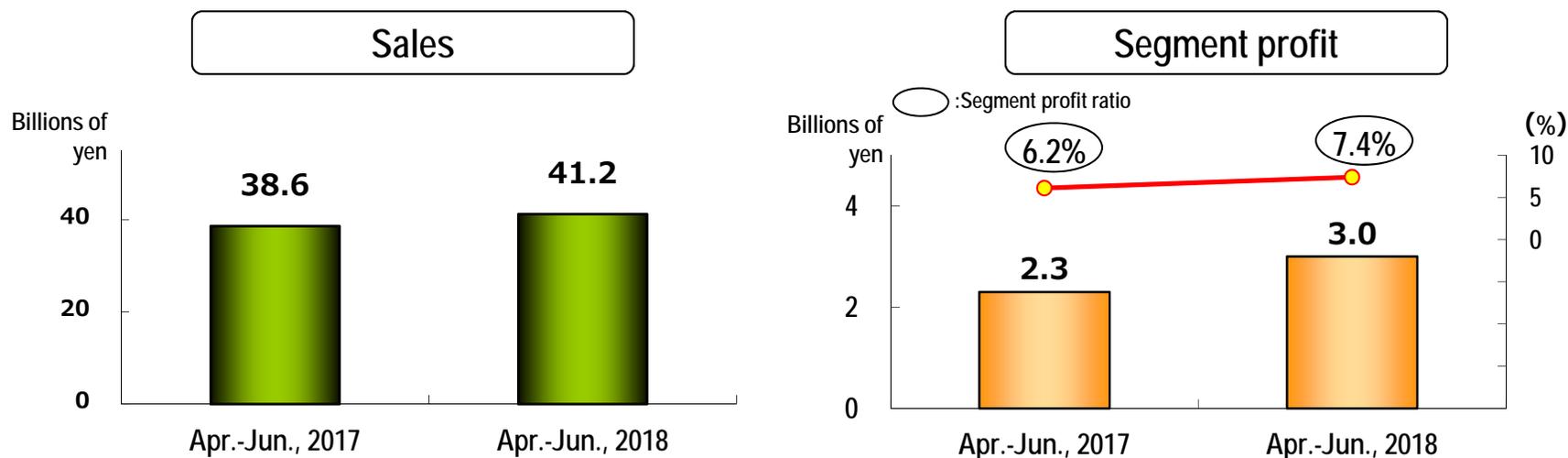
* FY2017 figures are reclassified and restated. (Refer to page 3 for more information.)



Billions of yen	2018/3E	2018/6E	Changes
Interest-bearing debt	546.0	586.6	+40.6
Interest-bearing debt, net	542.6	581.6	+38.9
Net D/E ratio	3.50	3.59	+0.09pts.

- Sales increased by 6.7% from the corresponding period a year ago, to JPY41.2 billion, supported by increased sales in the Excimer laser-related and other businesses against the backdrop of buoyant semiconductor market conditions.
- Segment profit ratio was 7.4%.

* FY2017 figures are reclassified and restated. (Refer to page 3 for more information.)



Breakdown of sales	Billions of yen	Apr.-Jun., 2017	Apr.-Jun., 2018	Changes	
				Increase (Decrease)	% Change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]		9.0	9.8	+0.8	+9.2%
Komatsu NTC Ltd.		14.5	16.2	+1.6	+11.6%
Gigaphoton		8.3	9.5	+1.2	+14.7%
Others		6.7	5.5	(1.1)	(17.4)%
Total		38.6	41.2	+2.5	+6.7%

- Total assets grew by JPY108.3 billion from the previous fiscal year-end, as affected by the foreign exchange rates and increased inventories.
- Komatsu Ltd. shareholders' equity ratio declined by 0.7 points to 48.7%.

○ : Net D/E ratio			
Billions of yen	Mar. 31, 2018 ¥106.3/USD ¥131.0/EUR ¥ 17.0/RMB	June 30, 2018 ¥110.9/USD ¥129.3/EUR ¥16.7/RMB	Increase (Decrease)
Cash & deposits (incl. time deposits) [a]	146.8	147.7	+0.9
Accounts receivable (incl. long-term trade receivables)	1,155.0	1,169.0	+13.9
Inventories	730.2	797.1	+66.8
Tangible fixed assets	740.5	753.4	+12.9
Other assets	599.7	613.4	+13.6
Total assets	3,372.5	3,480.9	+108.3
Accounts payable	303.5	273.3	(30.1)
Interest-bearing debt [b]	810.5	934.3	+123.7
Other liabilities	514.7	495.6	(19.1)
Total liabilities	1,628.9	1,703.4	+74.5
[Shareholders' equity ratio]	[49.4%]	[48.7%]	[(0.7)pts.]
Komatsu Ltd. shareholders' equity	1,664.5	1,696.7	+32.2
Non-controlling interests	79.0	80.7	+1.6
Liabilities & Equity	3,372.5	3,480.9	+108.3
Interest-bearing debt, net [b-a]	○ 0.40 663.7	○ 0.46 786.6	+122.8
Net D/E ratio (excl. the retail finance business)	○ 0.08	○ 0.13	

Business Results of KMC for the First 3-Month Period (April-June, 2018) of FY2018

- Sales expanded by 18% from the corresponding period a year ago, to JPY87.2 billion.
- When temporary expenses are excluded, operating income was JPY13.9 billion. When the temporary expenses of JPY2.9 billion are included, operating income was JPY10.9 billion.

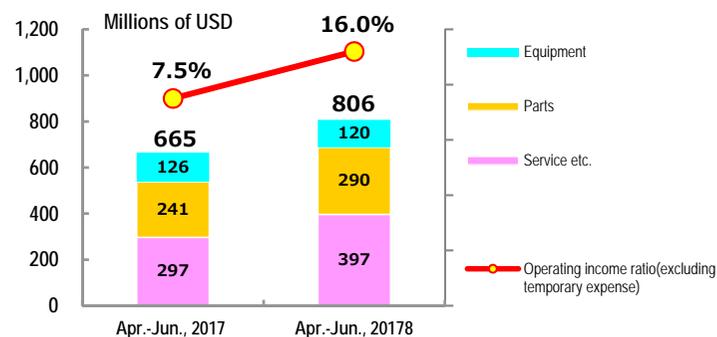
* FY2017 figures are reclassified and restated. (Refer to page 3 for more information.)

Billions of yen	Apr.-Jun.,2017 (¥111.2/USD)	Apr.-Jun.,2018 (¥108.2/USD)	Changes	
			Increase (Decrease)	% Change
Net sales	73.9	87.2	+13.3	+18.0%
Equipment	14.1	12.9	(1.1)	(8.5)%
Parts	26.8	31.4	+4.6	+17.2%
Service etc.	33.1	42.9	+9.8	+29.6%
Operating income (loss) < excluding Temporary expenses >	7.5% 5.5	16.0% 13.9	+8.3	+152.7%
Temporary expenses (negative figure)	(19.3)	(2.9)	+16.3	-
Depreciation after PPA *1	*2 (16.6)	(2.7)	+13.9	-
Integration expenses etc.	(2.6)	(0.2)	+2.4	-
Operating income (loss) < including Temporary expenses >	(18.6)% (13.7)	12.5% 10.9	+24.6	-

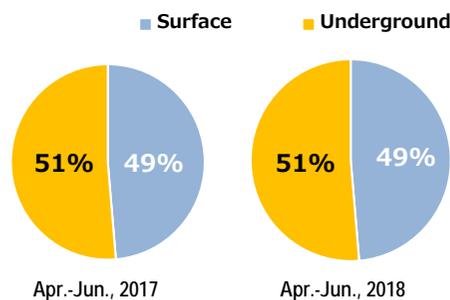
* 1: PPA stands for Purchase Price Allocation. It is an accounting process of valuating and allocating acquired assets and liabilities to fair prices.

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

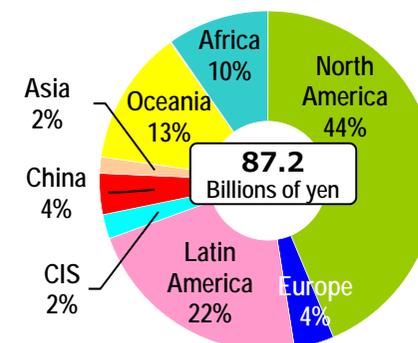
Sales & Operating Income Ratio



Sales by segments



FY181Q Sales by regions

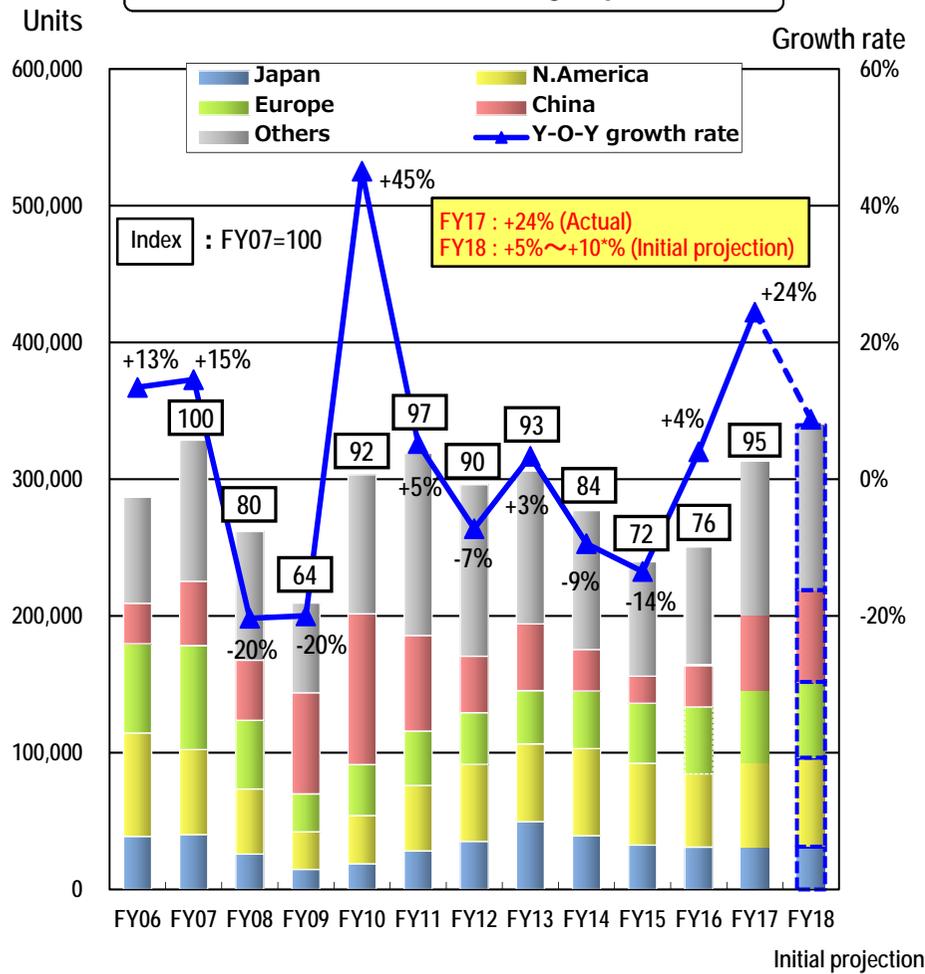


II. Construction, Mining & Utility Equipment: Demand and Outlook

Construction, Mining & Utility Equipment: Actual and Projected Demand for 7 Major Products 13

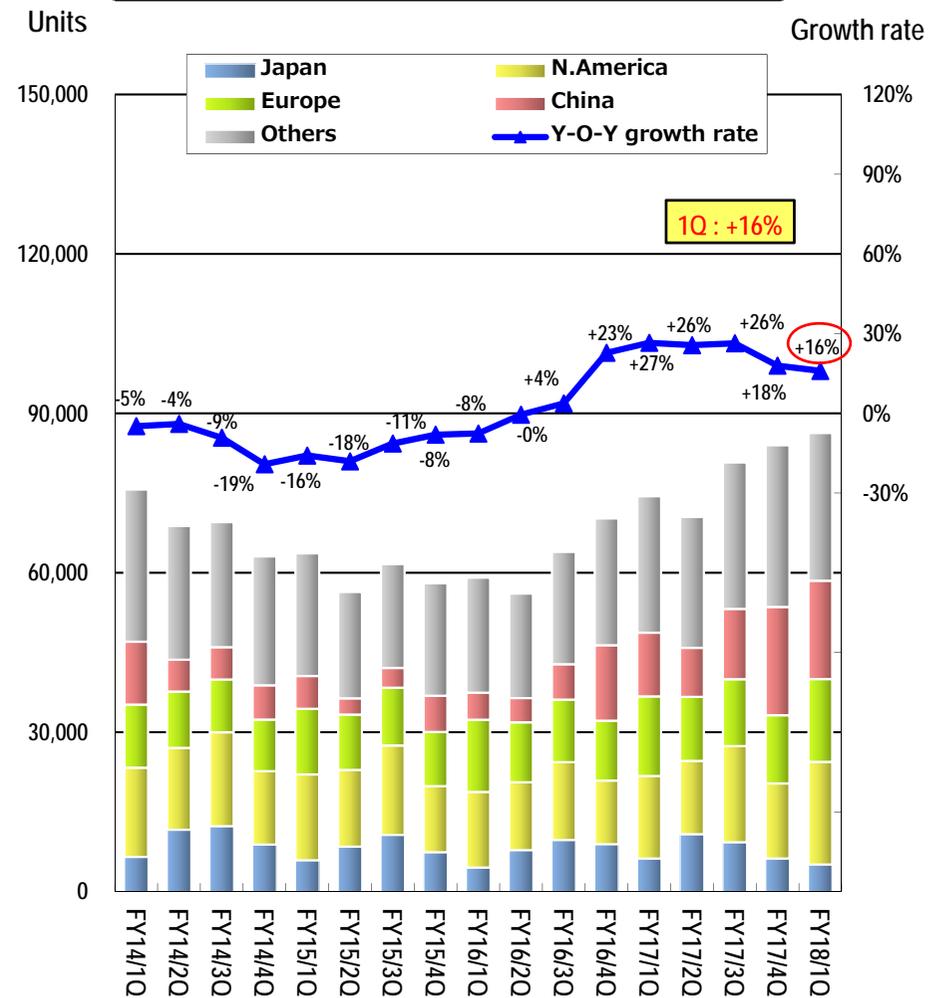
- Demand should have increased by 16% in the first 3-month period of FY2018 from the corresponding period a year ago.
- We saw strong growth in demand in North America, China, and Indonesia.
- We maintain our projection of full-year demand in FY2018 as a whole, as projected at the start of the current fiscal year.

Annual demand for 7 major products



Note: Estimated by Komatsu

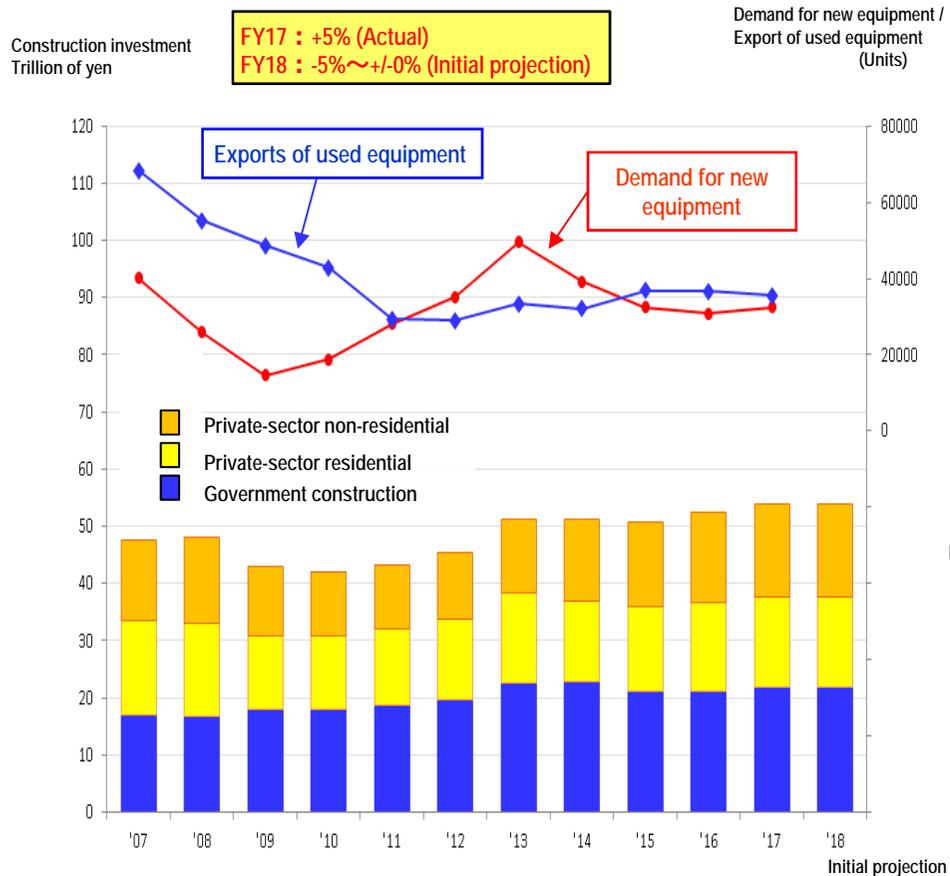
Quarterly demand for 7 major products



Construction, Mining & Utility Equipment: Demand in Major Markets (1) Japan

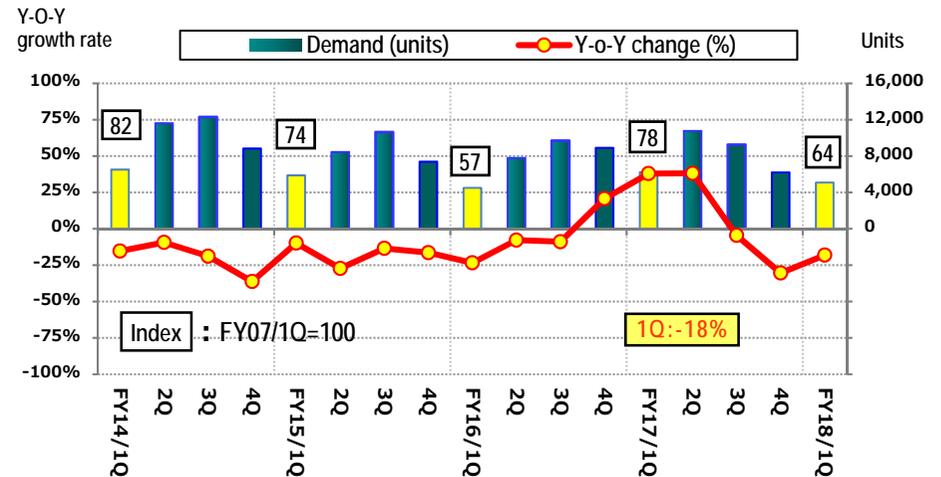
- Demand should have declined by 18% in the first 3-month period of FY2018 from the corresponding period a year ago.
- Demand for rental equipment dropped sharply, as a rebound of pre-buys for the new emission controls in Japan.

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

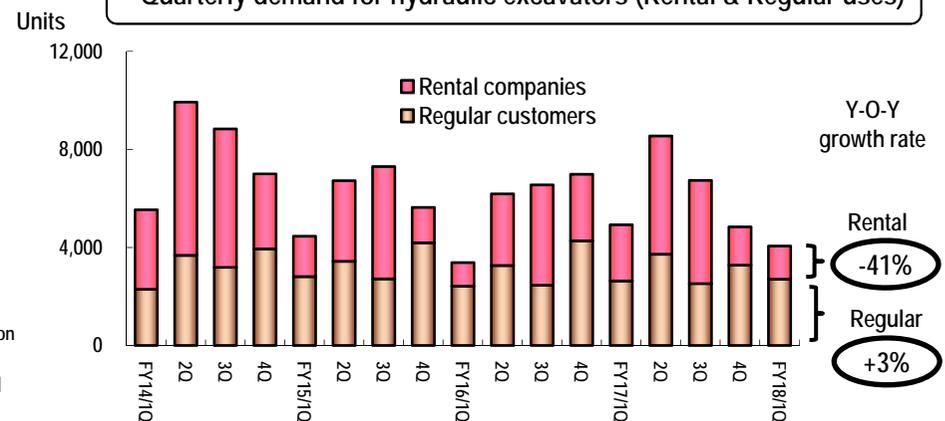


[Sources] Construction investment by the Ministry of Land, Infrastructure, Transport & Tourism, and Research Institute of Construction and Economy
Demand for 7 major products and No. of exported used equipment estimated by Komatsu

Quarterly demand for 7 major products



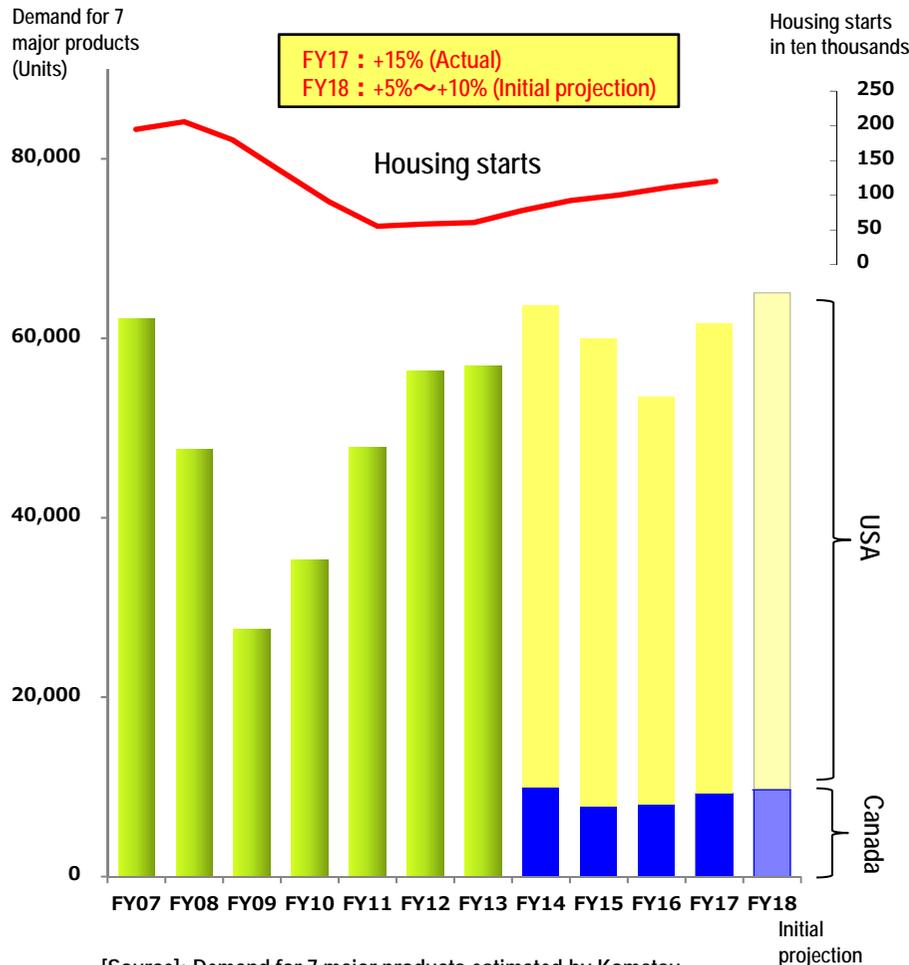
Quarterly demand for hydraulic excavators (Rental & Regular uses)



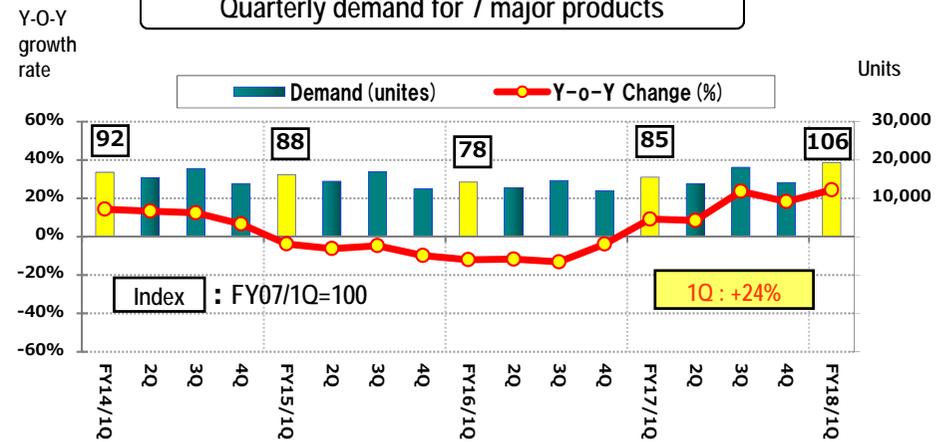
Construction, Mining & Utility Equipment: Demand in Major Markets (2) North America

- In the first 3-month period of FY2018, demand increased by 24% from the corresponding period a year ago. In the United States, demand increased centering on the construction and energy sectors. In Canada, demand remained steady both in the housing and non-housing sectors.

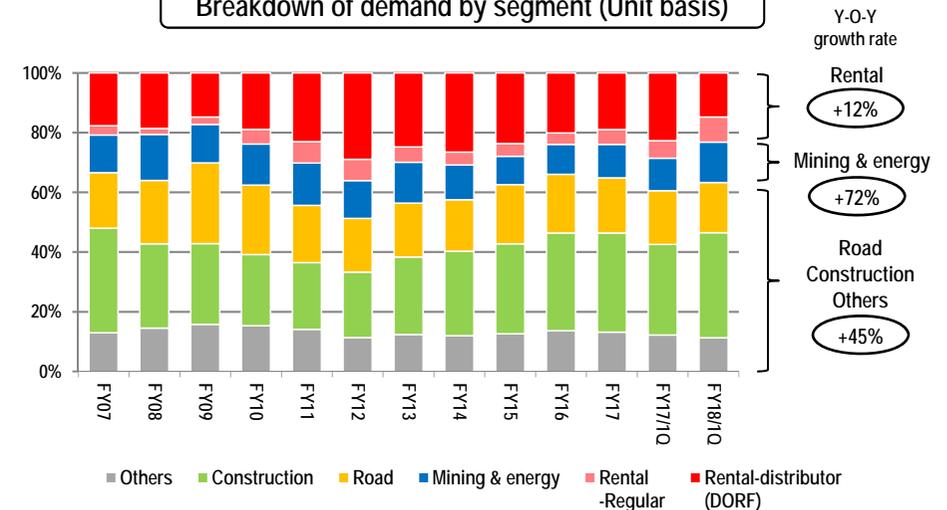
Demand for 7 major products and US housing starts



Quarterly demand for 7 major products



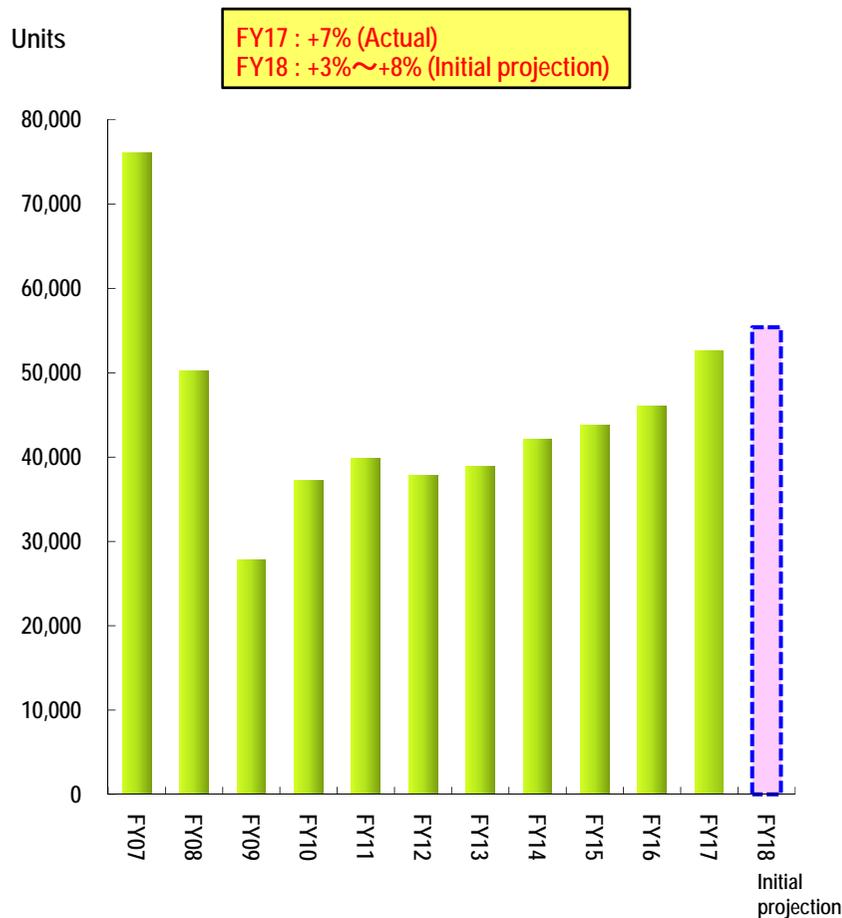
Breakdown of demand by segment (Unit basis)



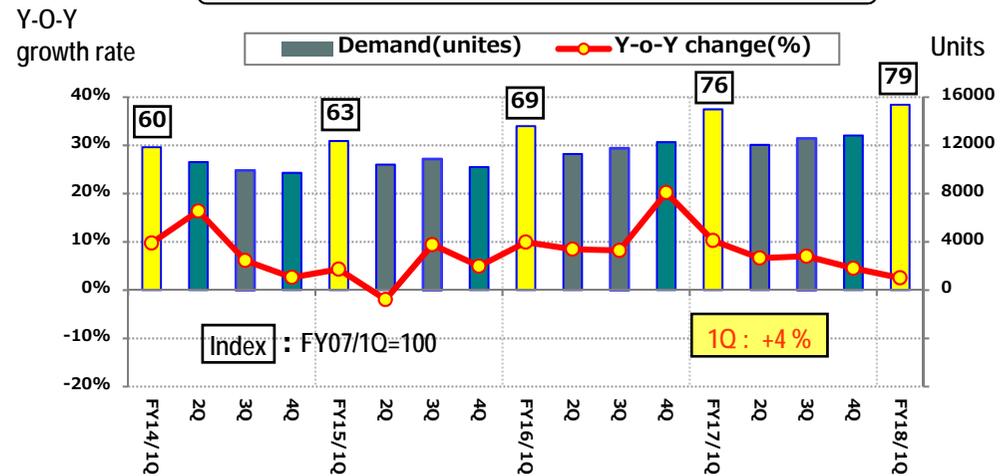
Construction, Mining & Utility Equipment: Demand in Major Markets (3) Europe

- In the first 3-month period of FY2018, European demand should have increased by 4% from the corresponding period a year ago.
- In addition to a major market of Germany, demand remained steady in the U.K. and eastern Europe.

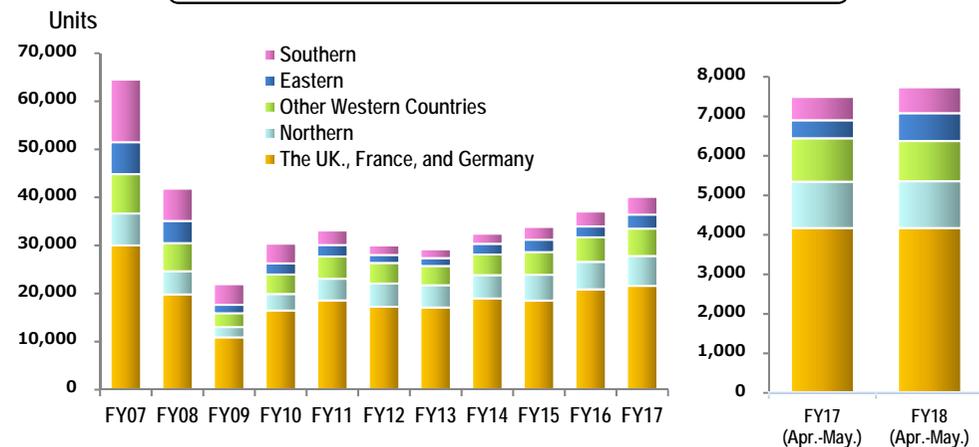
Annual demand for 7 major products



Quarterly demand for 7 major products



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

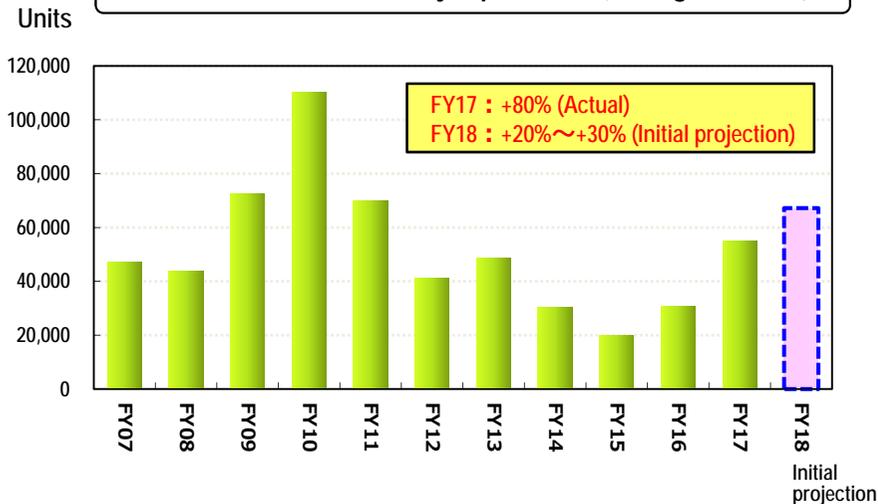


[Source]: Demand for 7 major products estimated by Komatsu

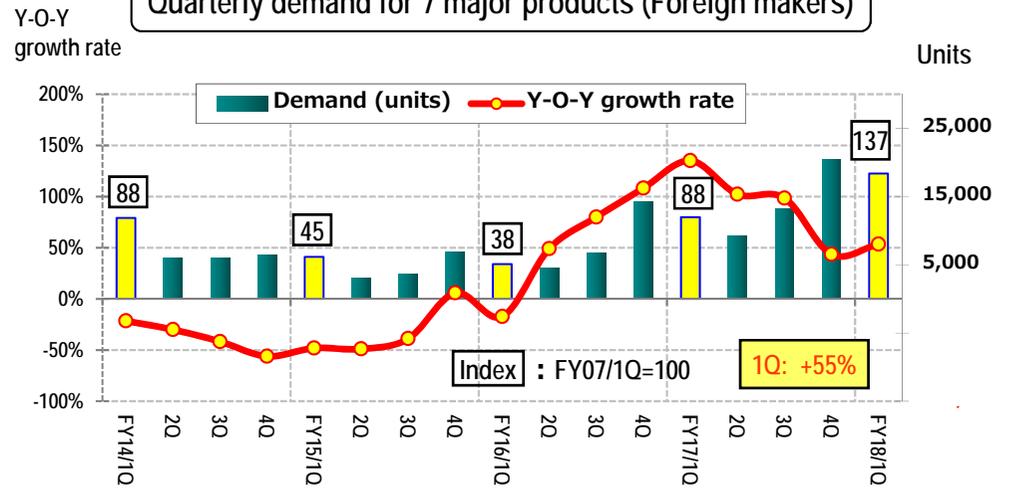
Construction, Mining & Utility Equipment: Demand in Major Markets (4) China

- In the first 3-month period of FY2018, demand should have expanded by 55% from the corresponding period a year ago.
- Demand for construction equipment expanded, driven by good progress of infrastructure development continued from FY2017.

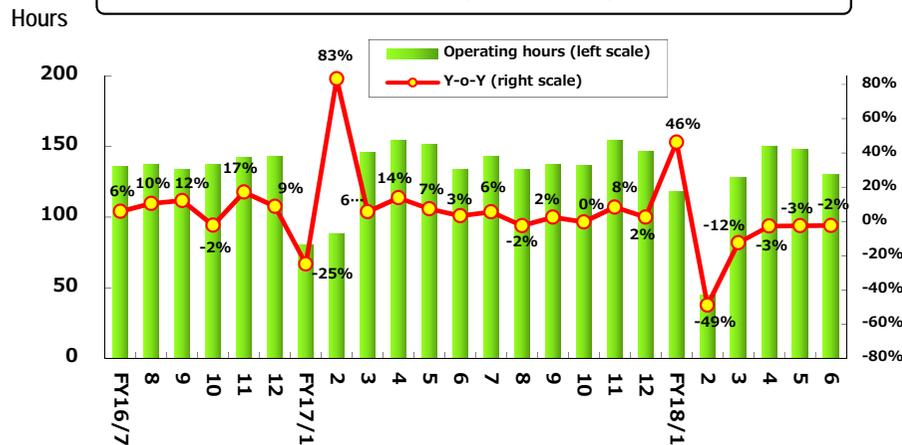
Annual demand for 7 major products (Foreign makers)



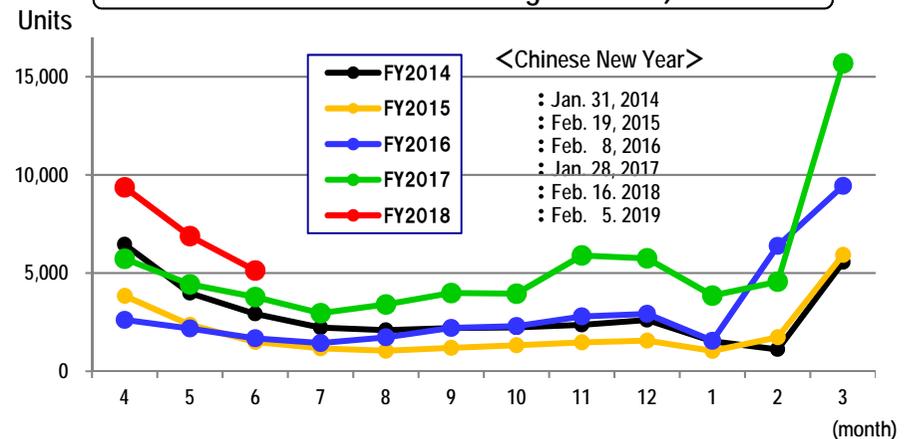
Quarterly demand for 7 major products (Foreign makers)



KOMTRAX in China : Average operating hours per month



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

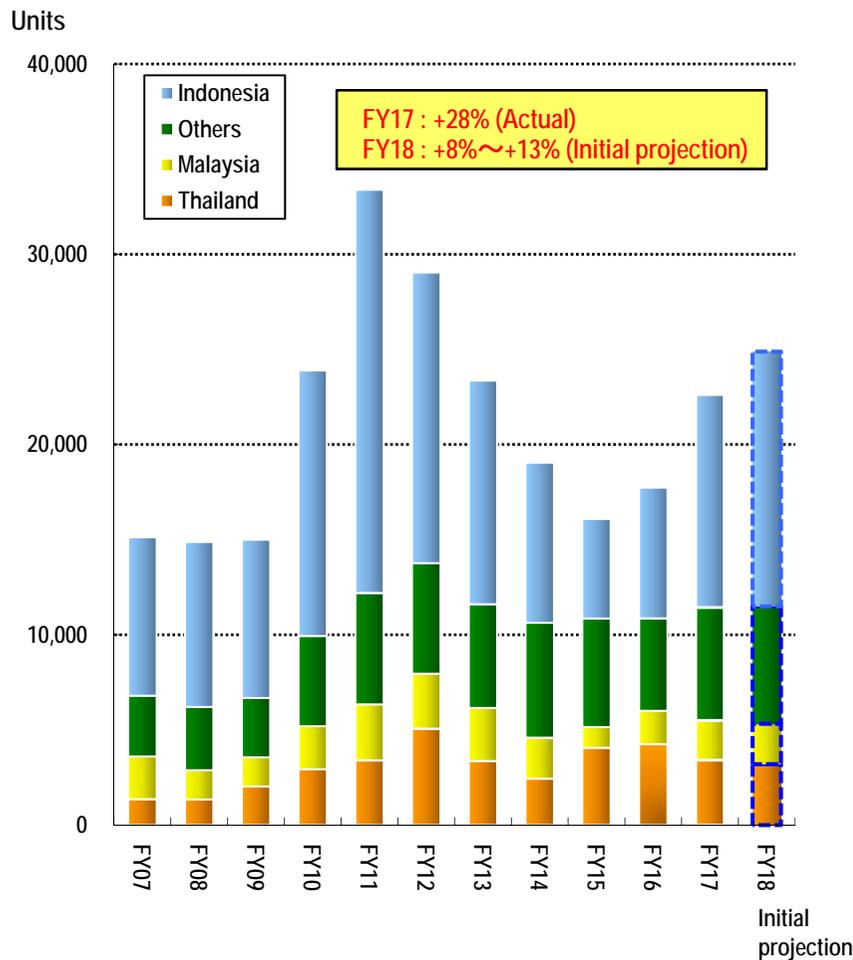


[Source]: Demand for 7 major products and hydraulic excavators estimated by Komatsu

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

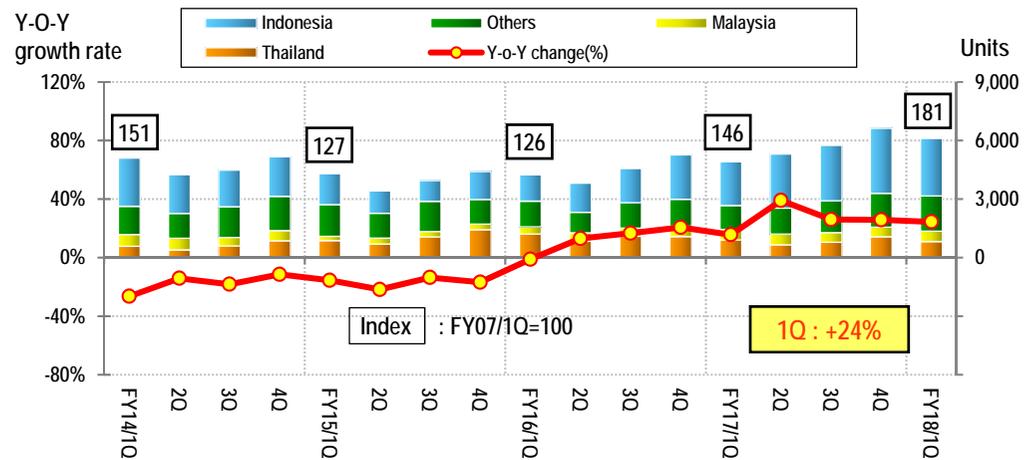
- In the first 3-month period of FY2018, demand should have advanced by 24% from the corresponding period a year ago.
- In Indonesia, the largest market of the region, demand expanded for both construction and mining equipment. In Thailand, demand is slowing down.

Annual demand for 7 major products

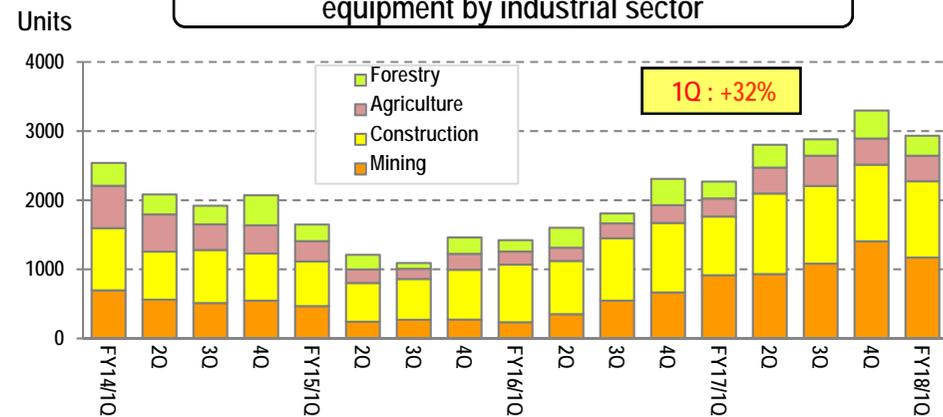


[Source]: Demand for 7 major products estimated by Komatsu

Quarterly demand for 7 major products



Indonesia: Demand for construction & mining equipment by industrial sector

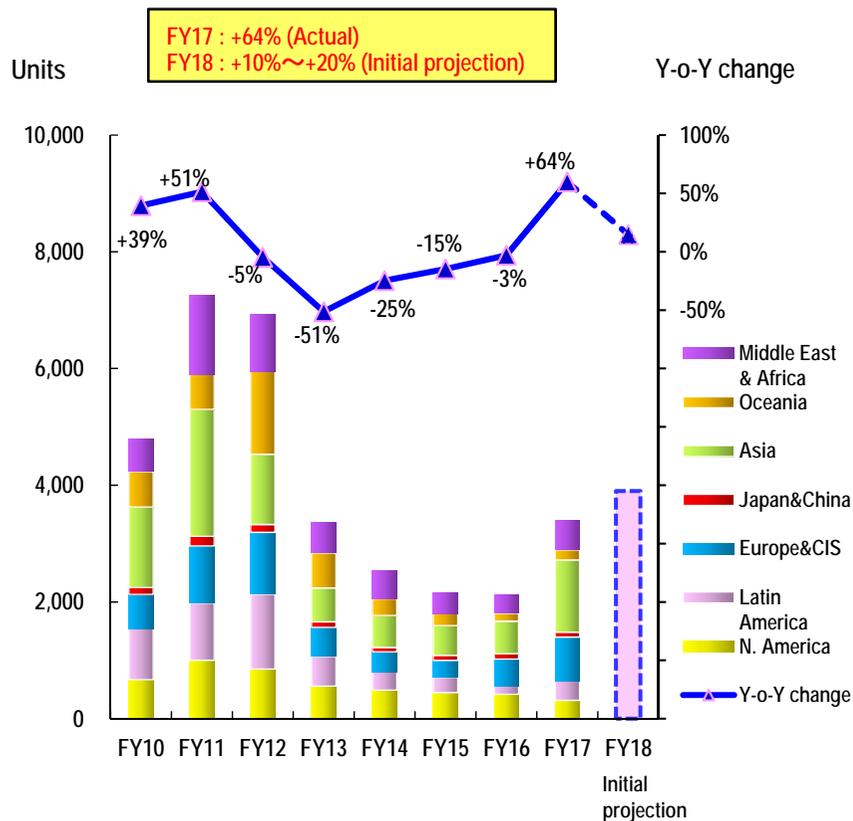


Construction, Mining & Utility Equipment: Actual and Projected Demand for Mining Equipment 19

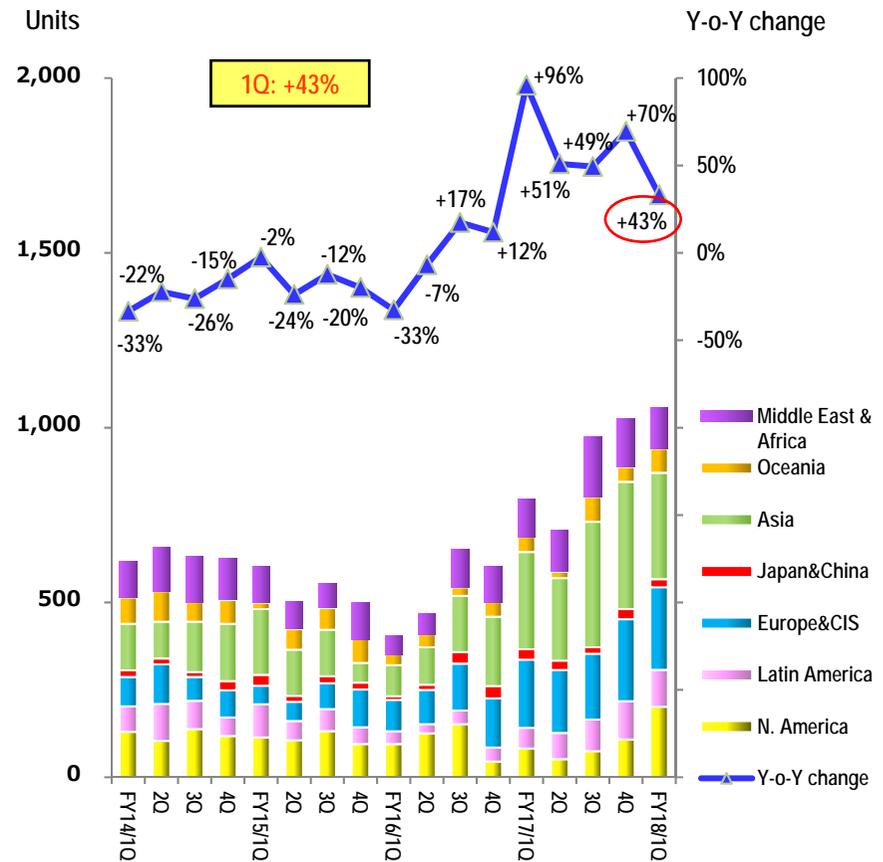
- In the first 3-month period of FY2018, global demand should have expanded by 43% from the corresponding period a year ago.
- Demand advanced, centering on North America and Indonesia.
- We are keeping our projection of full-year demand in FY2018 as a whole, as projected at the start of the current fiscal year.

Annual demand for mining equipment

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

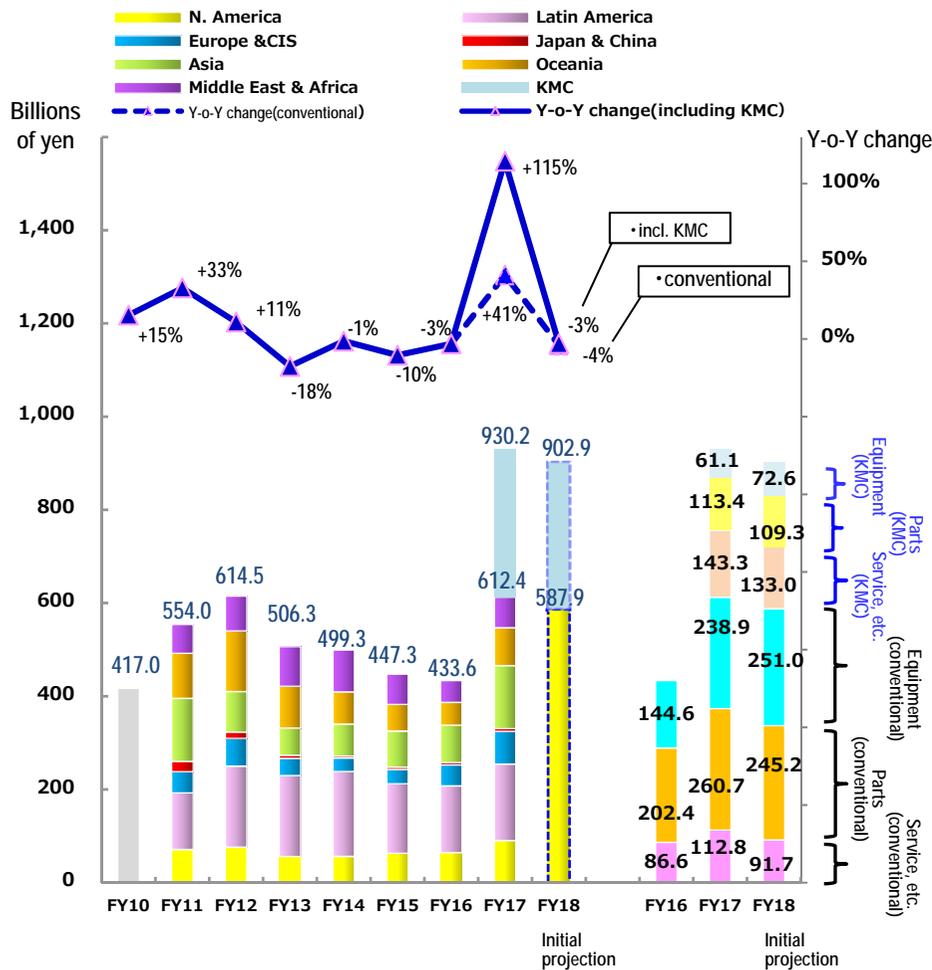


Quarterly demand for mining equipment

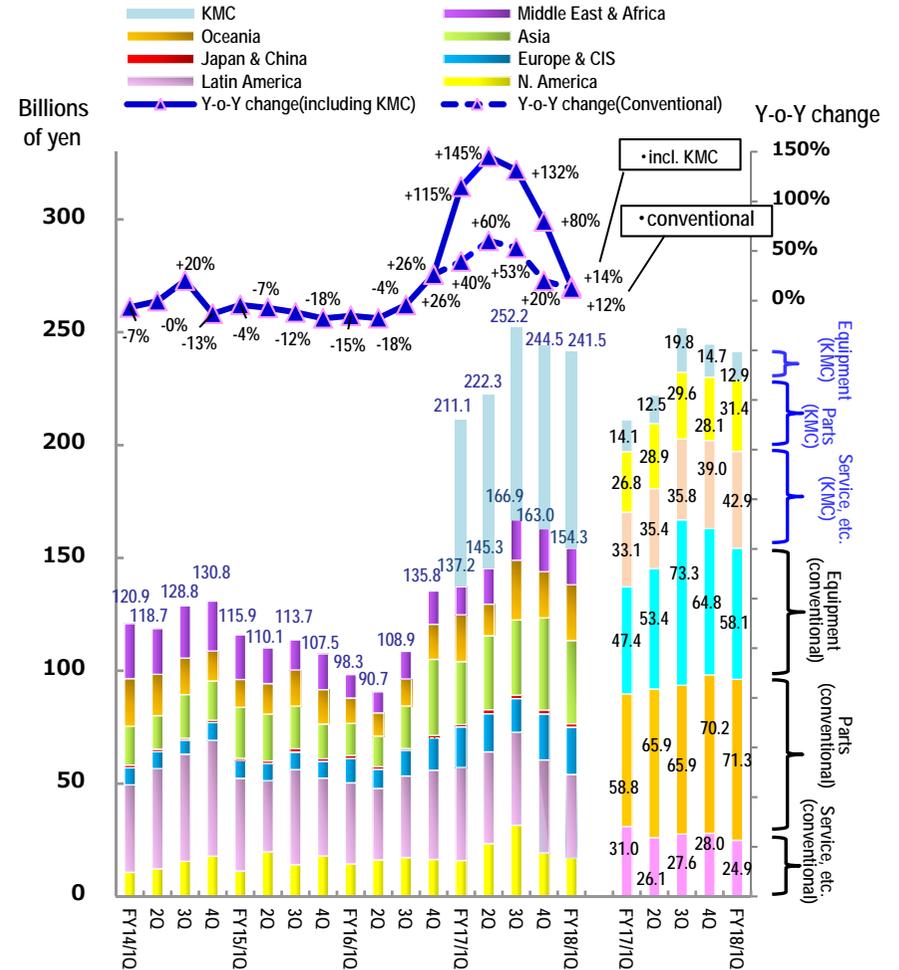


- For the first 3-month period of FY2018, sales of mining equipment advanced by 14% from the corresponding period a year ago, to JPY241.5 billion. When KMC's sales are excluded, sales increased by 12% to JPY154.3 billion.
- Sales of equipment and parts as well as service revenues advanced, supported by growing demand centering on Indonesia.

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

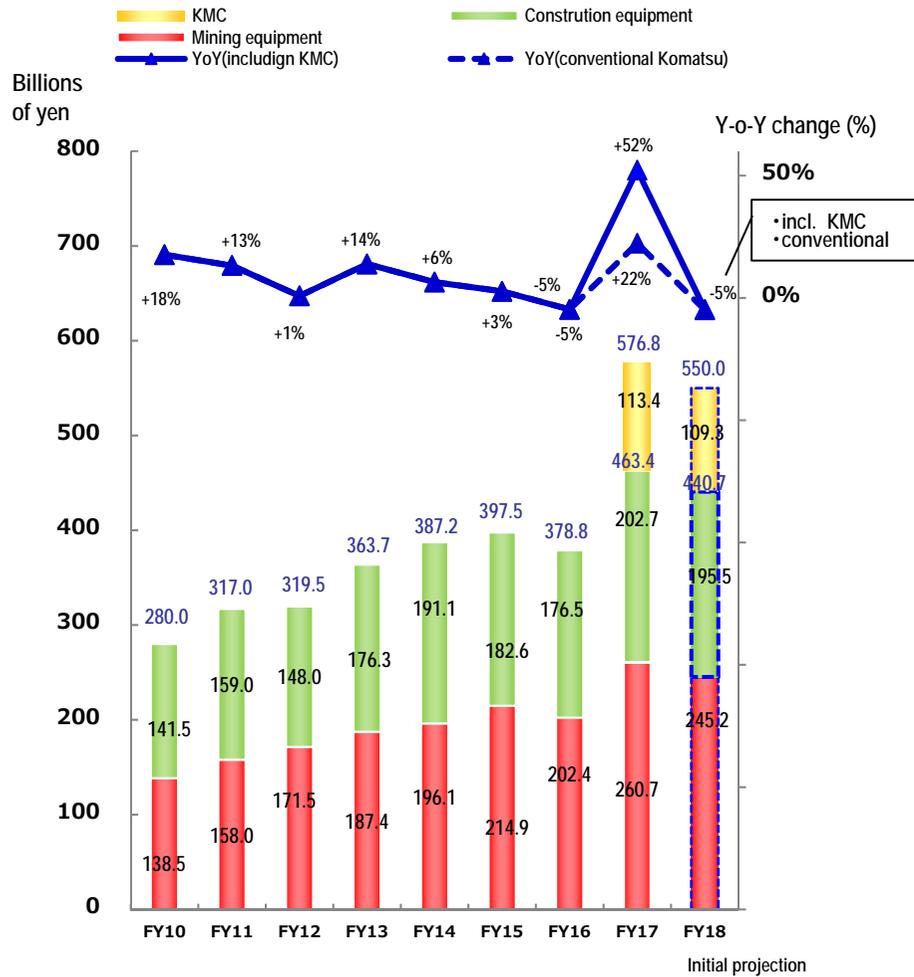


Quarterly sales of mining equipment (incl. parts and service)

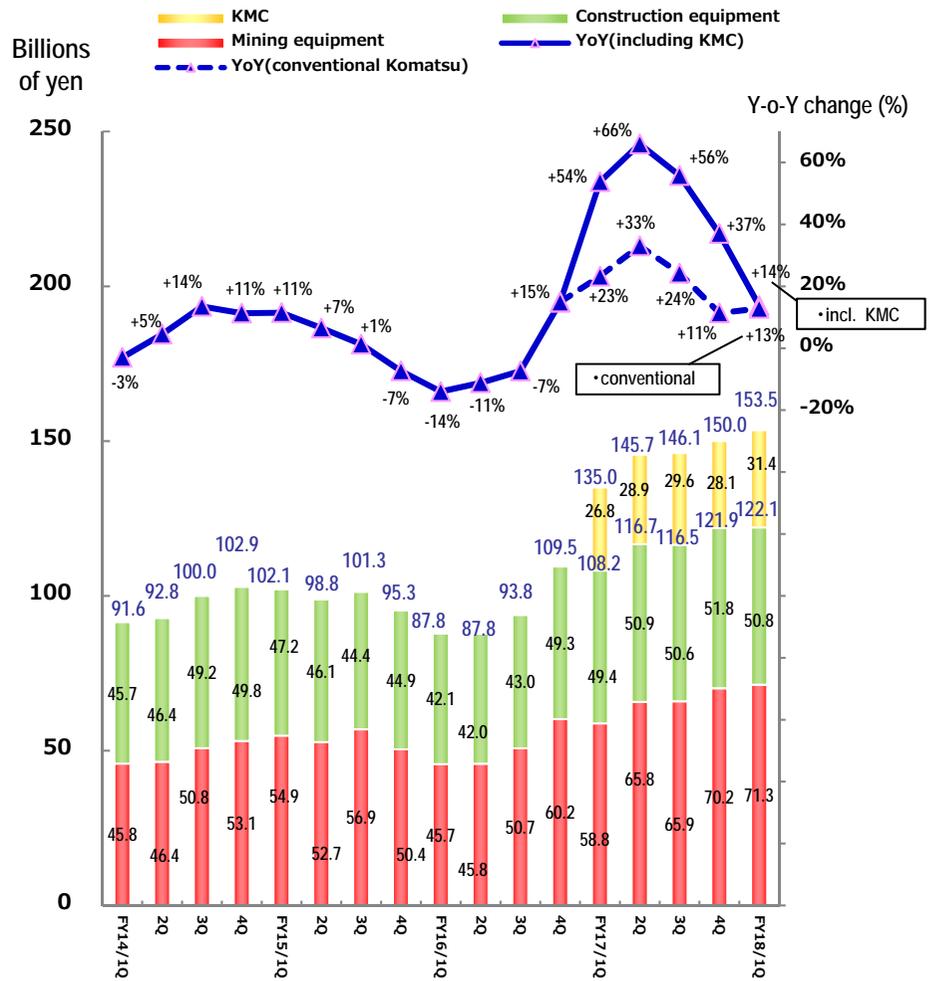


• Sales of parts expanded by 14% from the corresponding period a year ago, to JPY153.5 billion. When KMC sales are excluded, sales increased by 13% to JPY122.1 billion.

Annual sales of parts

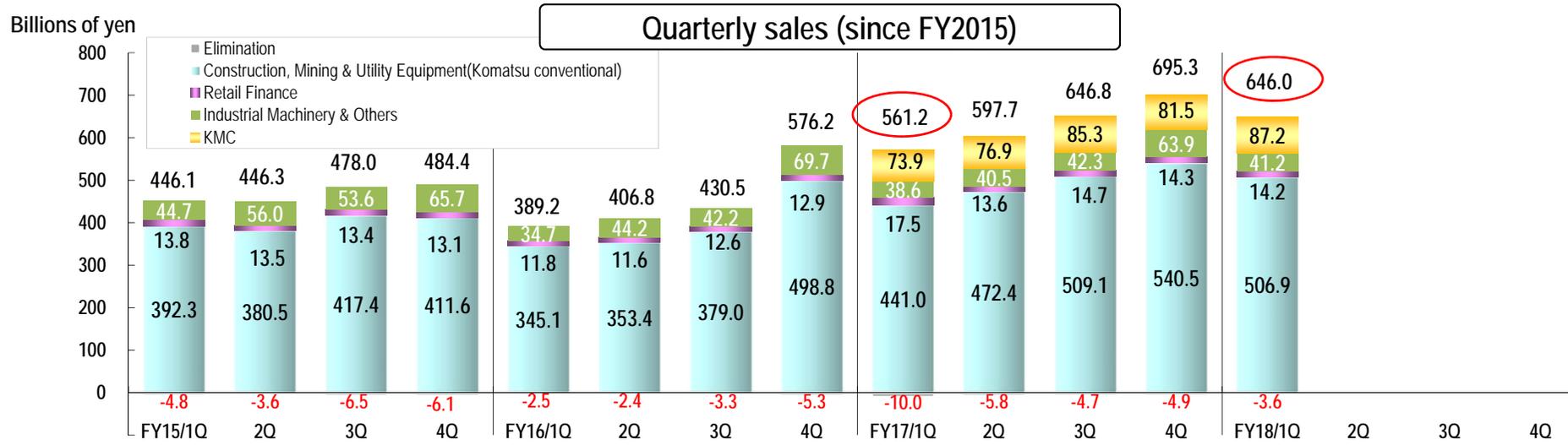


Quarterly sales of parts



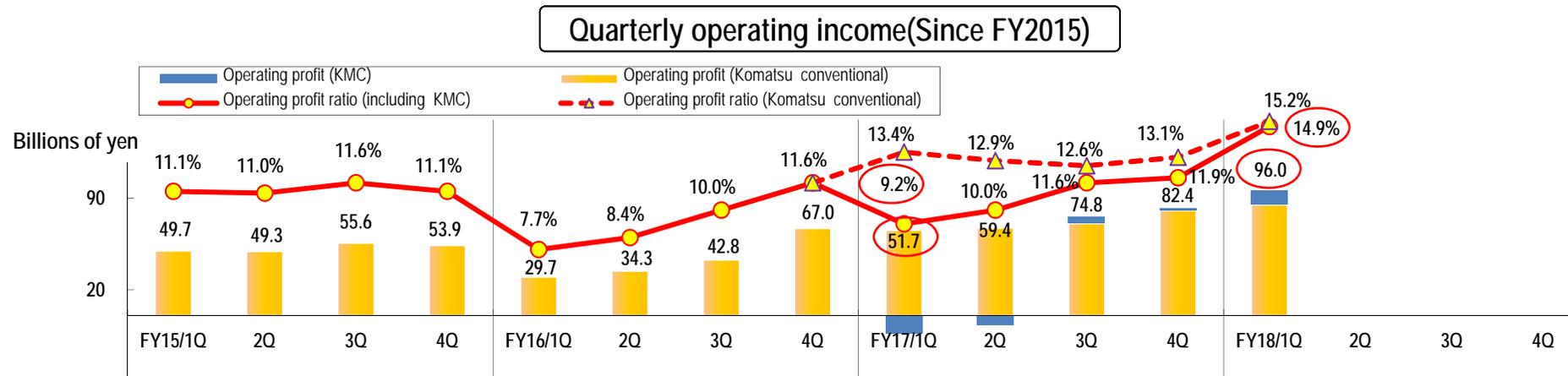
Appendix

Quarterly Sales and Operating Income



Exchange rates

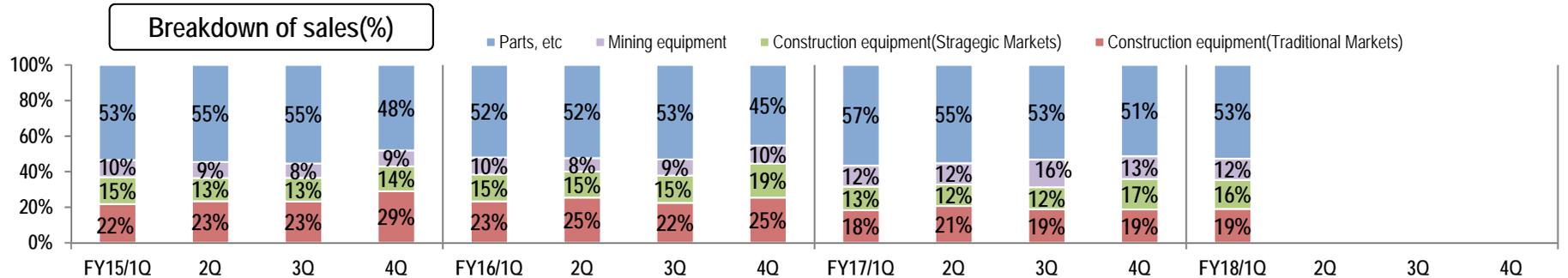
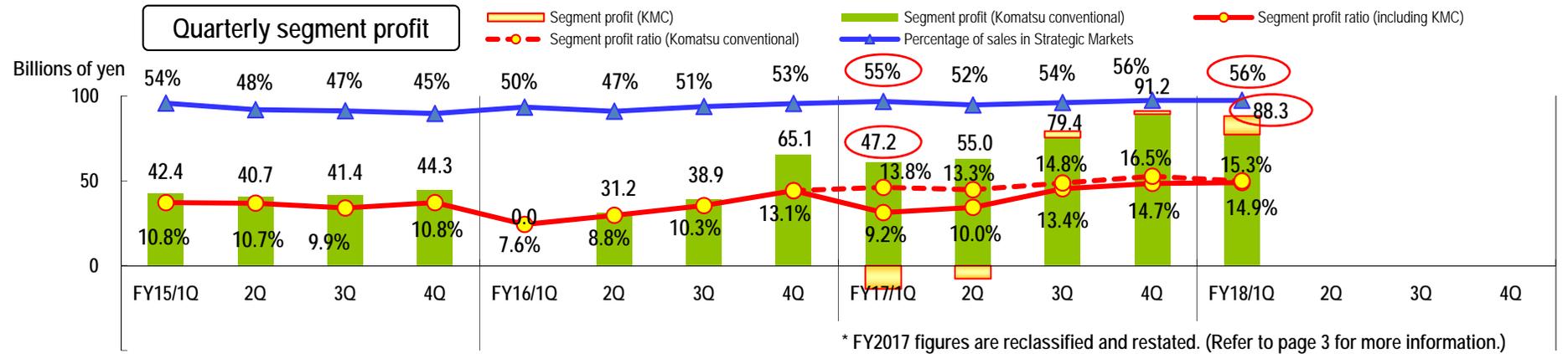
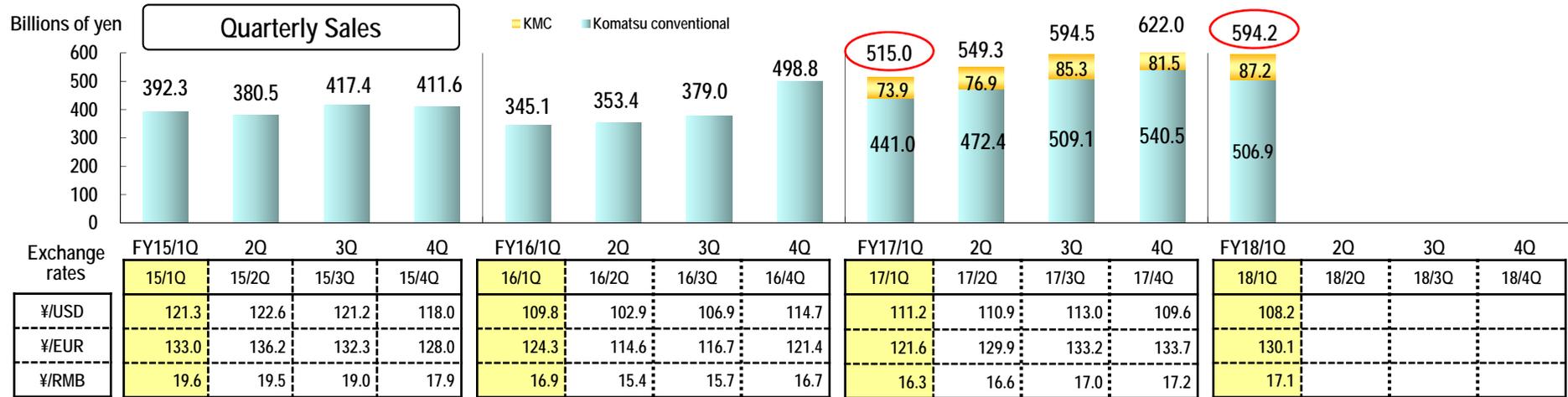
	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q	18/1Q	18/2Q	18/3Q	18/4Q
¥/USD	121.3	122.6	121.2	118.0	109.8	102.9	106.9	114.7	111.2	110.9	113.0	109.6	108.2			
¥/EUR	133.0	136.2	132.3	128.0	124.3	114.6	116.7	121.4	121.6	129.9	133.2	133.7	130.1			
¥/RMB	19.6	19.5	19.0	17.9	16.9	15.4	15.7	16.7	16.3	16.6	17.0	17.2	17.1			

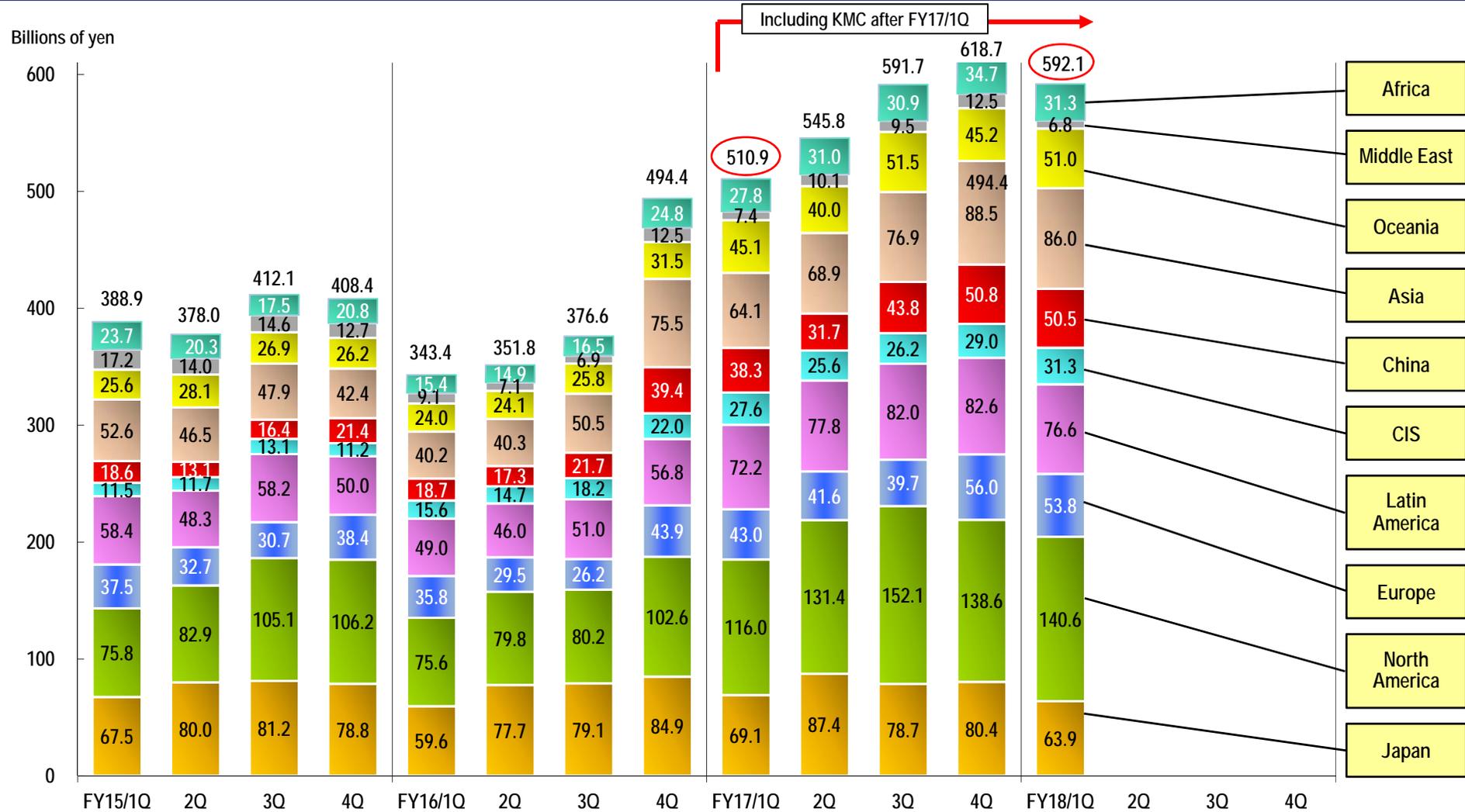


* FY2017 figures are reclassified and restated. (Refer to page 3 for more information.)

* Specific figures are -JPY0.7 billion each for 1Q, 2Q and 3Q and -JPY0.9 billion for 4Q.

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



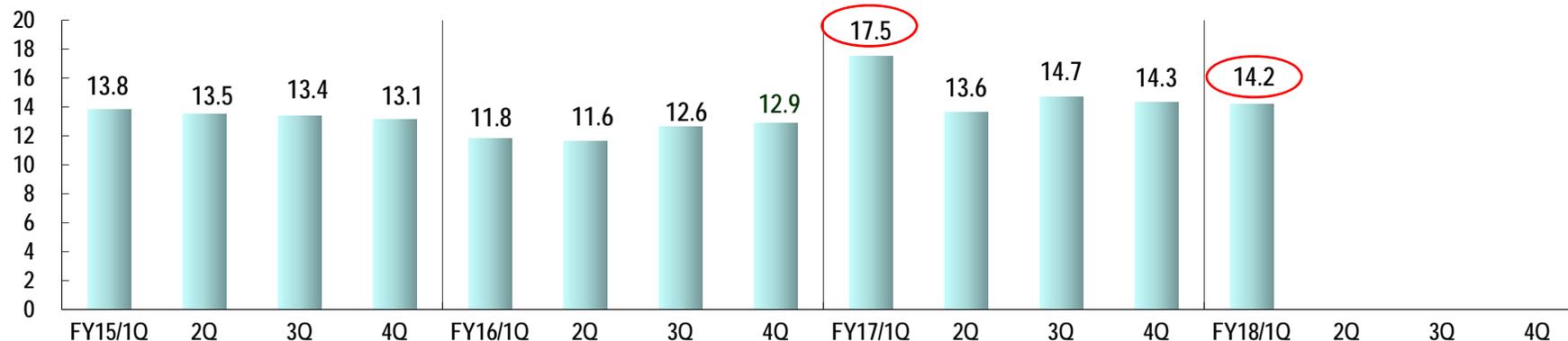


Exchange rates

	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q	18/1Q	18/2Q	18/3Q	18/4Q
¥/USD	121.3	122.6	121.2	118.0	109.8	102.9	106.9	114.7	111.2	110.9	113.0	109.6	108.2			
¥/EUR	133.0	136.2	132.3	128.0	124.3	114.6	116.7	121.4	121.6	129.9	133.2	133.7	130.1			
¥/RMB	19.6	19.5	19.0	17.9	16.9	15.4	15.7	16.7	16.3	16.6	17.0	17.2	17.1			

Billions of yen

Quarterly sales

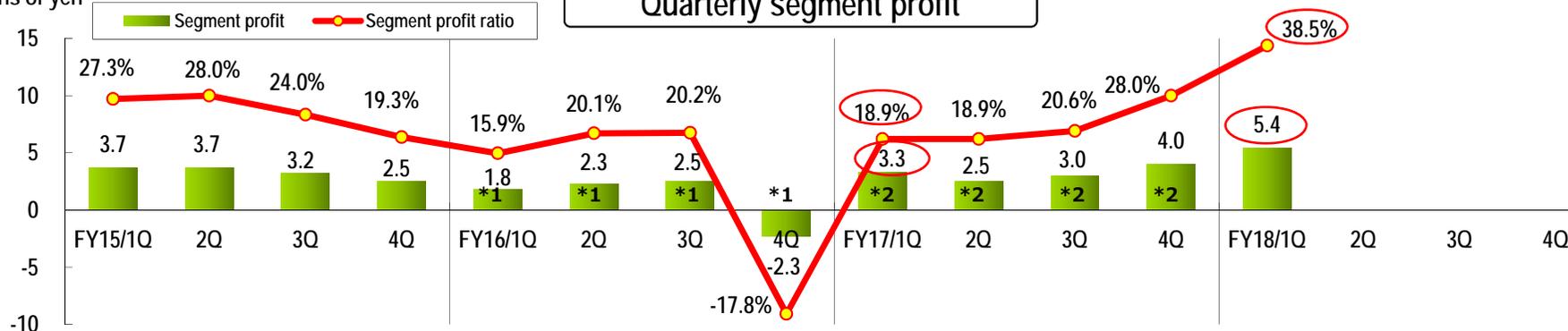


Exchange rates

	15/1Q	15/2Q	15/3Q	15/4Q	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q	18/1Q	18/2Q	18/3Q	18/4Q
¥/USD	121.3	122.6	121.2	118.0	109.8	102.9	106.9	114.7	111.2	110.9	113.0	109.6	108.2			
¥/EUR	133.0	136.2	132.3	128.0	124.3	114.6	116.7	121.4	121.6	129.9	133.2	133.7	130.1			
¥/RMB	19.6	19.5	19.0	17.9	16.9	15.4	15.7	16.7	16.3	16.6	17.0	17.2	17.1			

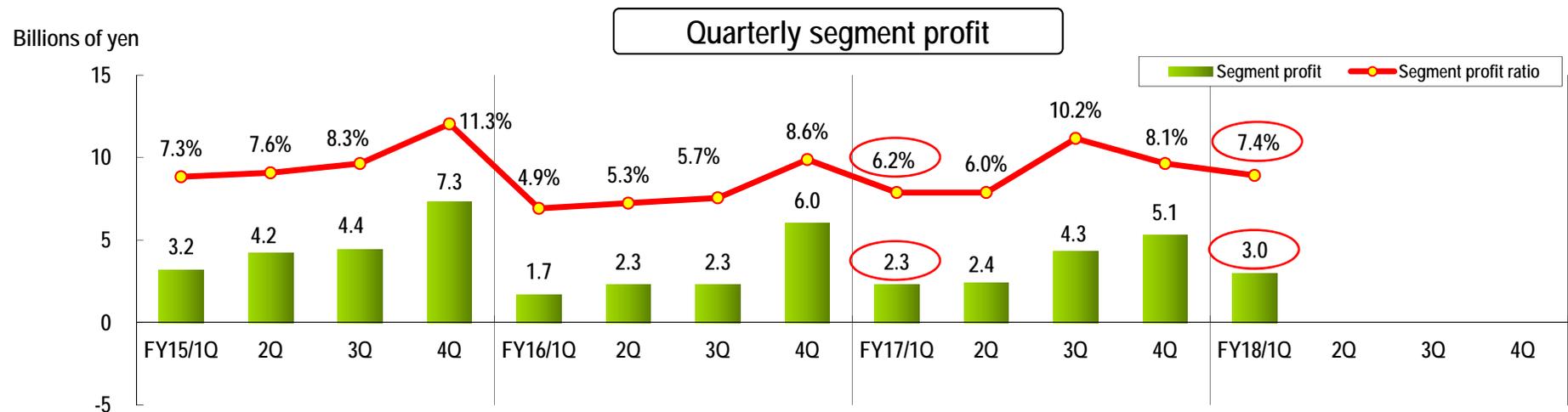
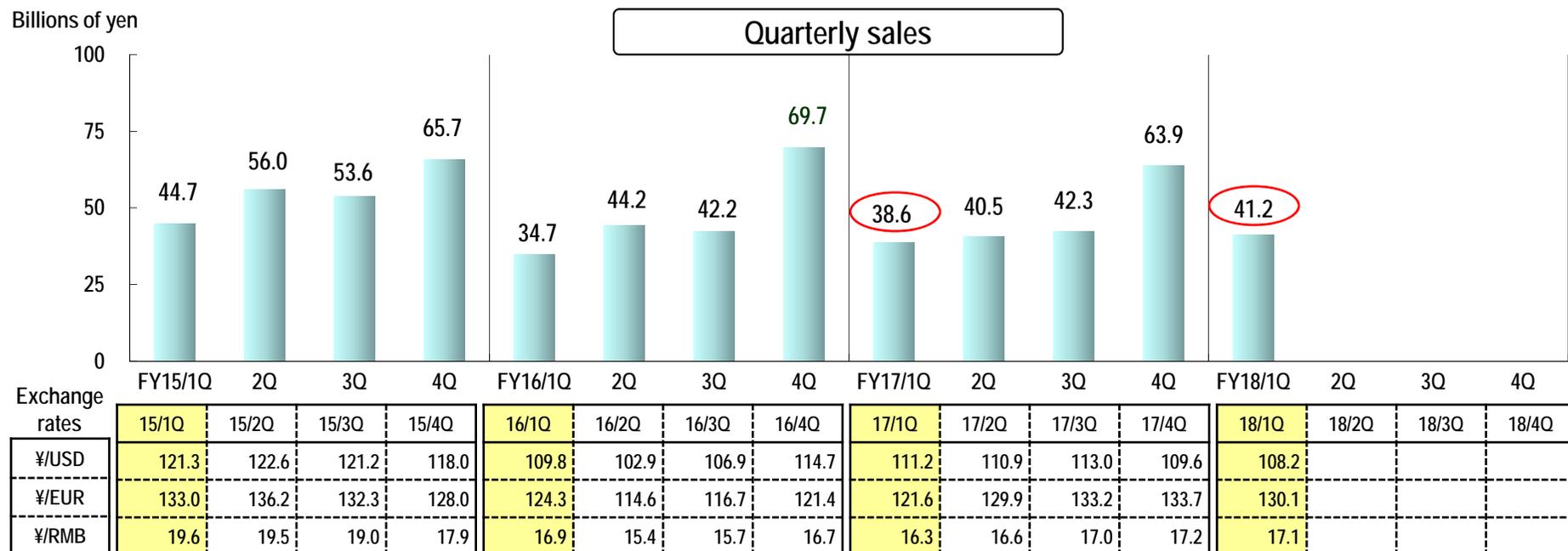
Billions of yen

Quarterly segment profit



*1 Including a loss on allowance recorded for bad debt in China (FY16/1Q: -JPY1.0 billion, 2Q: -JPY0.5 billion, 3Q: -JPY0.2 billion, 4Q: -JPY4.9 billion)

*2 FY2017 figures are reclassified and restated. (Refer to page 3 for more information.)

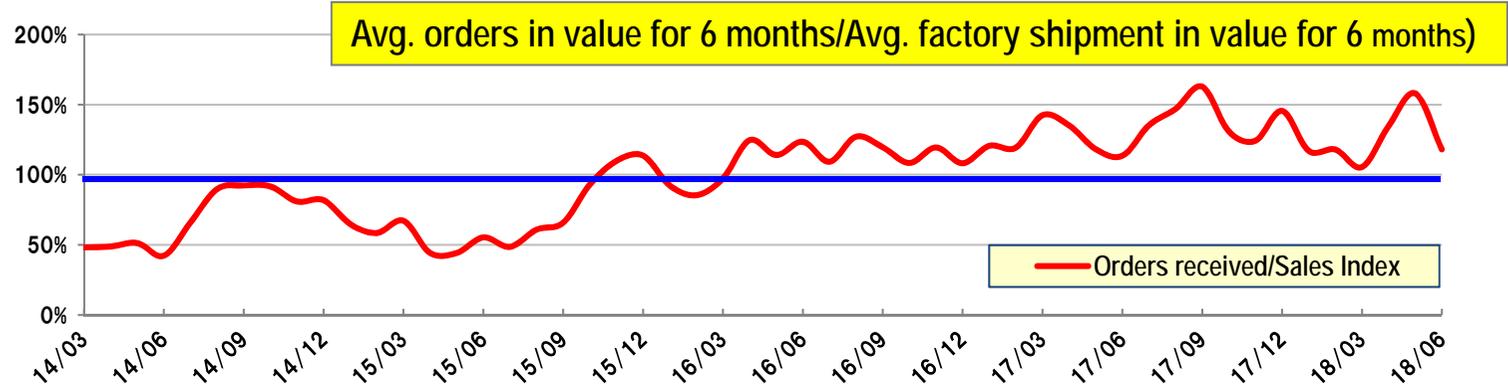


* FY2017 figures are reclassified and restated. (Refer to page 3 for more information.)

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

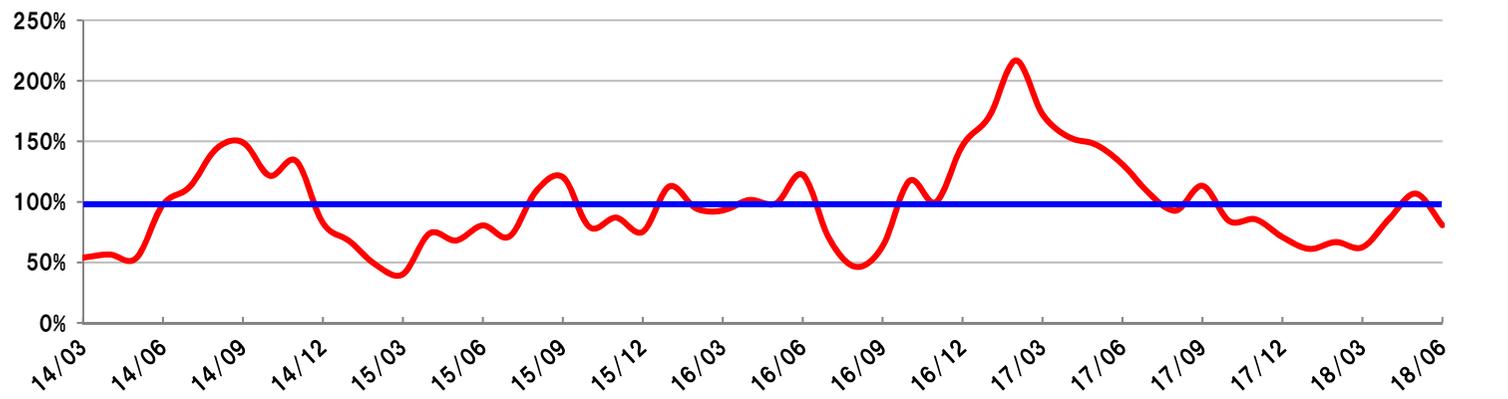
**Komatsu America
(Mining eqpt)**

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



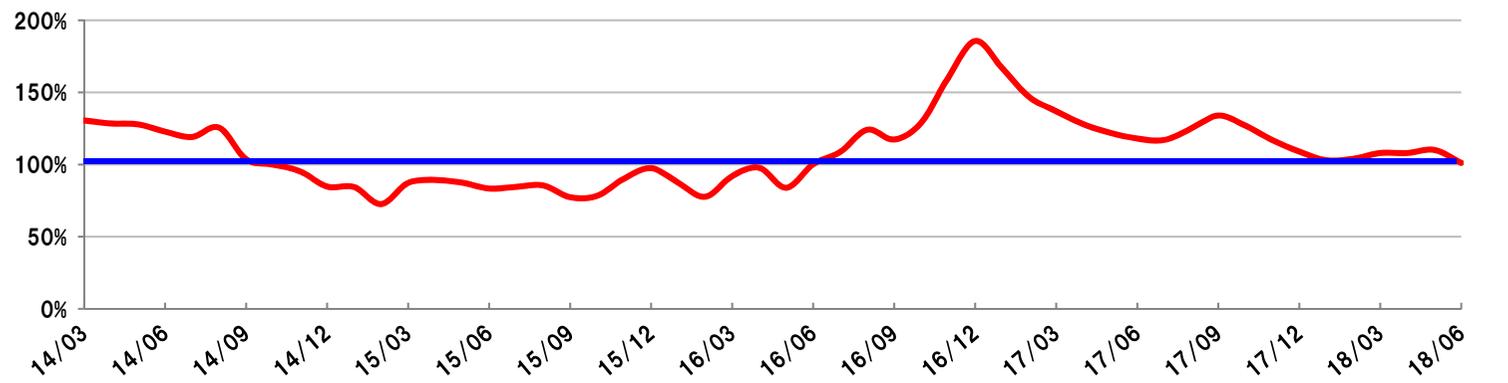
**Komatsu Germany
(Mining eqpt)**

PC3000, PC4000
PC5500, PC7000
PC8000



**Komatsu Ltd.
(Mining eqpt)**

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

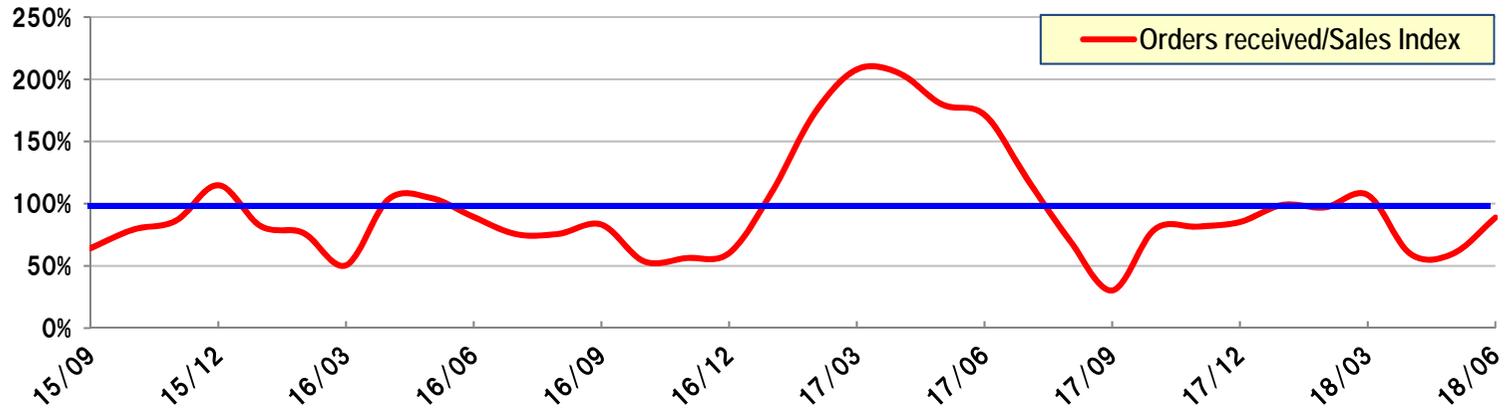


Book-to-Bill Ratio of KMC Mining Equipment (6 Months)

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

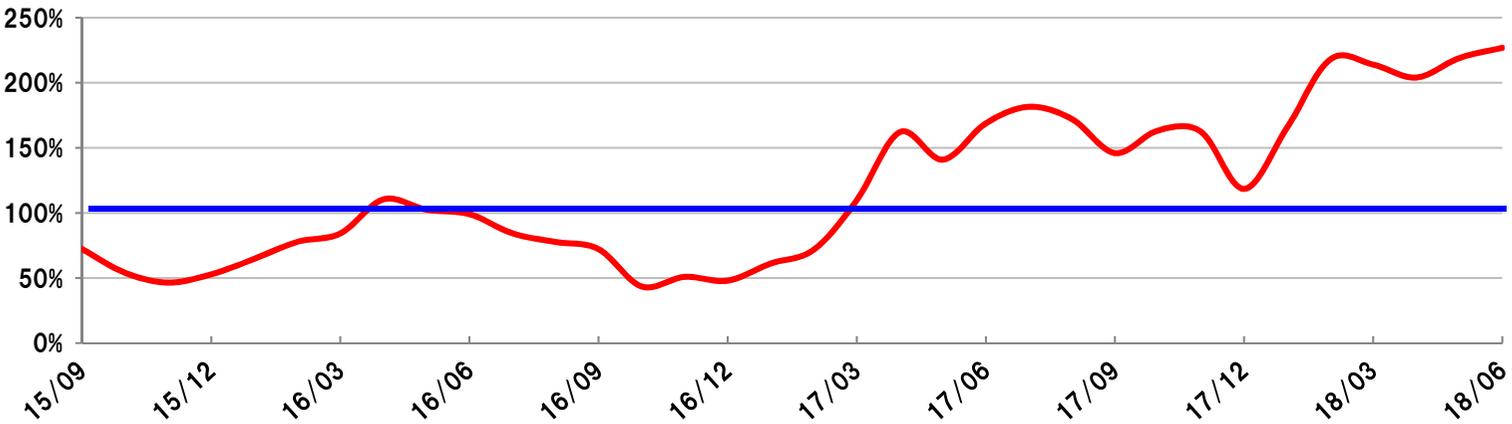
**KMC
(Surface)**

Rope shovels
Blast hole drills
Draglines, etc.



**KMC
(Underground)**

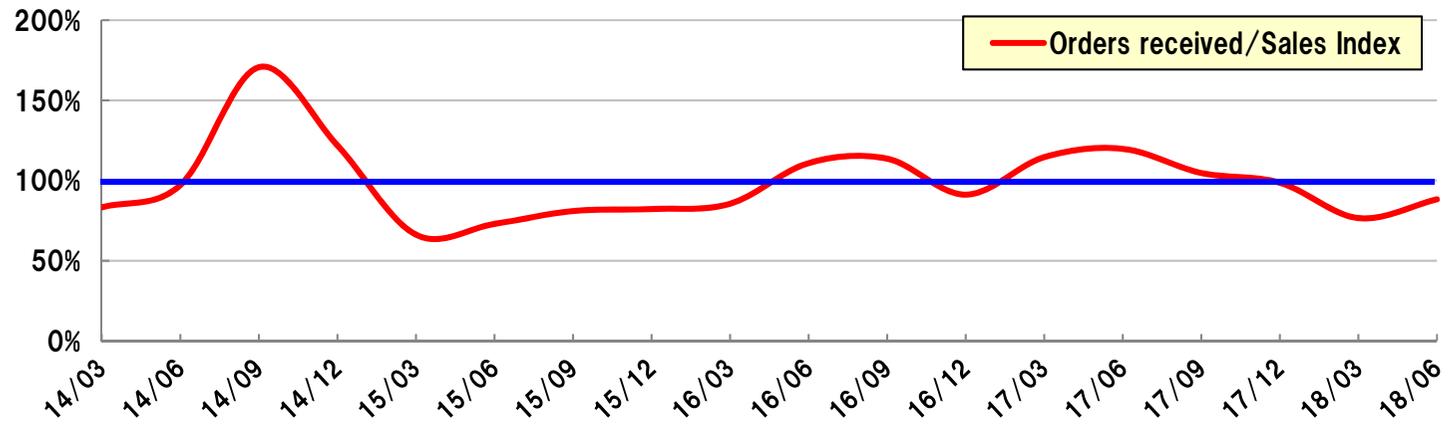
Continuous miners
Shearers
Load haul dumps
Jumbo drills, etc.



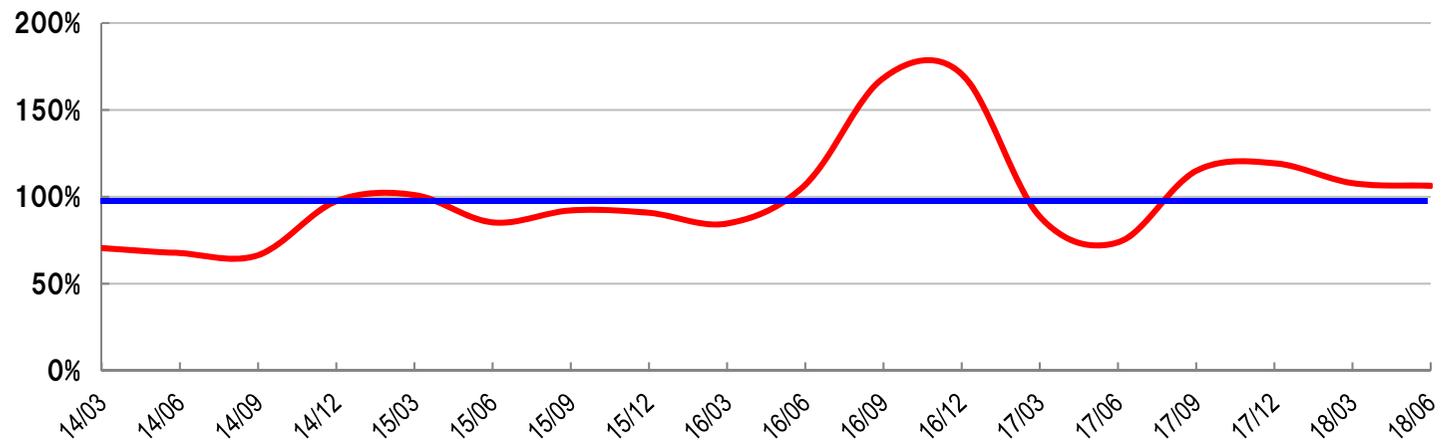
Book-to-Bill Ratio for Industrial Machinery (6 Months)

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

Komatsu Industries



Komatsu NTC
(Excl. wire saws)



- We have worked with the Japan Mine Action Service (JMAS), a certified specific non-profit organization of Japan, engaging in a community reconstruction support project in Battambang Province, the Kingdom of Cambodia, for 10 years since 2008. On May 22, 2018, JMAS and Komatsu held the 10th anniversary ceremony by inviting the Deputy Governor of Battambang, other local guests and members of the Cambodia Mine Action Centre (CMAC). Together with members of JMAS and Komatsu, the ceremony was attended by about 800 persons.



Together with Mr. Noji, chairman of Komatsu, (6th from the left) JMAS and CMAS members on a road under construction.



After the ceremony, about 300 pupils from eight elementary schools, which were built by this project, enjoyed a joint sports day.





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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