

Business Results for Three and Six Months ended September 30, 2018

October 29, 2018

Komatsu Ltd. Participants

Tetsuji Ohashi	President and CEO
Takeshi Horikoshi	Executive Officer and CFO
Takuya Imayoshi	Executive Officer and General Manager of Business Coordination Department

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I . Business Results for Three and Six Months ended September 30, 2018

Note: Reclassification in the statement of income

Since the fiscal year ending March 31, 2019, Komatsu has adopted a new pension accounting standard of US GAAP. Therefore, net periodic postretirement benefit costs, separated from other personal expenses, are presented in non-operating income (expenses), (whereas they were conventionally presented in segment profits). Accordingly, the corresponding amounts for FY2017 are retrospectively reclassified as shown in the table below.

* Improvement in the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost in accordance with ASU 2017-07.

FY2017 profits reclassified in accordance with the new accounting standard

Billions of yen		2017 Apr.-Jun.	2017 Jul.-Sep.	2017 Oct.-Dec.	2018 Jan.-Mar.	FY2017
	Komatsu Conventional	0.1	0.1	0.1	0.1	0.4
	KMC	(0.8)	(0.8)	(0.8)	(0.9)	(3.3)
	Construction, mining & utility equipment	(0.7)	(0.7)	(0.7)	(0.8)	(2.9)
	Retail finance	0.0	0.0	0.0	0.0	0.0
	Industrial machinery & others	0.0	(0.0)	0.0	(0.1)	(0.1)
	Segment profit	(0.7)	(0.7)	(0.7)	(0.9)	(3.0)
	Operation income	(0.7)	(0.7)	(0.7)	(0.9)	(3.0)
	Other income(expenses)	0.7	0.7	0.7	0.9	3.0
	Income before income taxes	-	-	-	-	-

- Consolidated net sales increased by 12.4% from the corresponding period a year ago, to JPY671.9 billion.
- Operating income advanced by 75.3% to JPY104.2 billion. Operating income ratio increased by 5.5 points to 15.5%.
- Net income attributable to Komatsu Ltd. declined by 4.5% to JPY62.4 billion.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

Billions of yen	Jul.-Sep.,2017			Jul.-Sep.,2018			Changes	
	¥110.9/USD ¥129.9/EUR ¥16.6/RMB	Komatsu Conventional *1	KMC	¥111.2/USD ¥129.6/EUR ¥16.4/RMB	Komatsu Conventional *1	KMC	Increase (Decrease)	% Change
Net sales	597.7	520.8	76.9	671.9	578.3	93.5	+74.2	+12.4%
Segment profit (loss)	59.9	67.7	*2 (7.7)	103.2	89.2	*2 13.9	+43.2	+72.1%
Other operating income(expenses)	(0.5)	(0.4)	(0.0)	1.0	0.9	0.0	+1.5	-
Operating income (loss)	59.4	67.3	*2 (7.8)	104.2	90.2	*2 14.0	+44.7	+75.3%
Profit ratio (loss ratio)	10.0%	12.9%	(10.2)%	15.5%	15.6%	15.0%	+5.5pts.	-
Other income (expenses)	36.5			(4.6)			(41.2)	-
Income before income taxes	96.0			99.5			+3.5	+3.7%
Net income	65.3			62.4			(2.9)	(4.5)%

Notes:

- 1) Figures represent those from which KMC's business results are excluded.
- 2) KMC's segment and operating income(loss) include temporary expenses in the table on the right.

	Jul.-Sep., 2017	Jul.-Sep., 2018
Depreciation after PPA *	(16.3)	(1.7)
Integration expenses etc.	(0.9)	(0.7)
Total	(17.3)	(2.5)

Note:

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

Segment Sales and Profits for the Second 3-Month Period (Jul.- Sep., 2018) of FY2018

- **Construction, Mining & Utility Equipment:** Sales advanced by 10.4% from the corresponding period a year ago, to JPY606.3 billion. Segment profit expanded by 73.6% to JPY95.6 billion. Segment profit ratio improved by 5.8 points to 15.8%.
- **Retail Finance:** Revenues increased by 10.9% to JPY15.1 billion. Segment profit advanced by 58.3% to JPY4.0 billion.
- **Industrial Machinery & Others:** Sales advanced by 37.7% to JPY55.7 billion. Segment profit improved by 84.7% to JPY4.4 billion.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

% : Profit(loss) ratio

[] : Sales after elimination of inter-segment transactions

Billions of yen	Jul.-Sep.,2017			Jul.-Sep.,2018			Changes	
		Komatsu Conventional	KMC		Komatsu Conventional	KMC	Increase (Decrease)	% Change
Net sales	597.7	520.8	76.9	671.9	578.3	93.5	+74.2	+12.4%
Construction, mining & utility equipment	549.3 [545.8]	472.4 [468.8]	76.9 [76.9]	606.3 [603.0]	512.7 [509.4]	93.5 [93.5]	+57.0 [+57.2]	+10.4% [+10.5%]
Retail finance	13.6 [11.6]	13.6 [11.6]	-	15.1 [13.6]	15.1 [13.6]	-	+1.4 [+1.9]	+10.9% [+16.7%]
Industrial machinery & others	40.5 [40.2]	40.5 [40.2]	-	55.7 [55.2]	55.7 [55.2]	-	+15.2 [+15.0]	+37.7% [+37.4%]
Elimination	(5.8)	(5.8)	-	(5.3)	(5.3)	-	+0.4	-
Segment profit (loss)	10.0% 59.9	13.0% 67.7	(10.1)% (7.7)	15.4% 103.2	15.4% 89.2	14.9% 13.9	+43.2	+72.1%
Construction, mining & utility equipment	10.0% 55.0	13.3% 62.8	(10.1)% (7.7)	15.8% 95.6	15.9% 81.6	14.9% 13.9	+40.5	+73.6%
Retail finance	18.9% 2.5	18.9% 2.5	-	26.9% 4.0	26.9% 4.0	-	+1.5	+58.3%
Industrial machinery & others	6.0% 2.4	6.0% 2.4	-	8.0% 4.4	8.0% 4.4	-	+2.0	+84.7%
Corporate & elimination	(0.1)	(0.1)	-	(0.9)	(0.9)	-	(0.8)	-

Review of three business segments

■ Construction, Mining & Utility Equipment:

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

■ Retail Finance:

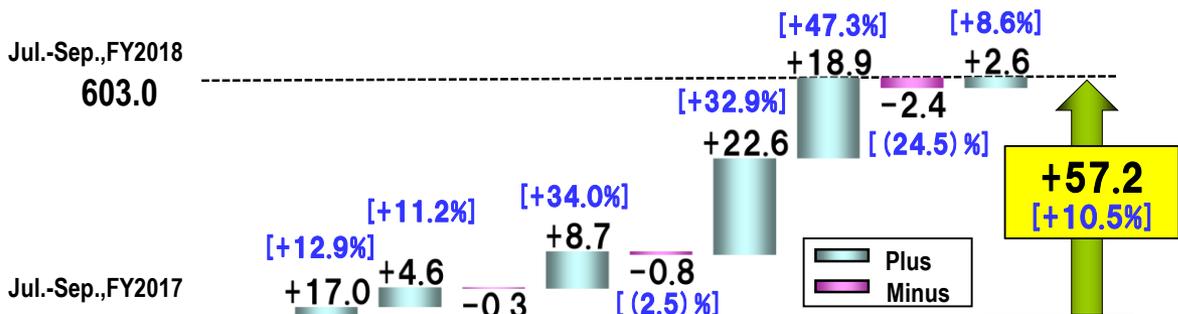
Both sales and segment profit increased, due mainly to increased assets in North America.

■ Industrial Machinery & Others

Both sales and segment profit improved, mainly supported by increased sales of machine tools to automobile manufacturing industry.

- Sales to outside customers increased by 10.5% from the corresponding period a year ago, to JPY603.0 billion.
- While sales declined in Japan, they expanded sharply, especially in North America, Asia and Oceania.
- The ratio of sales in Strategic Markets increased to 55% of total sales.

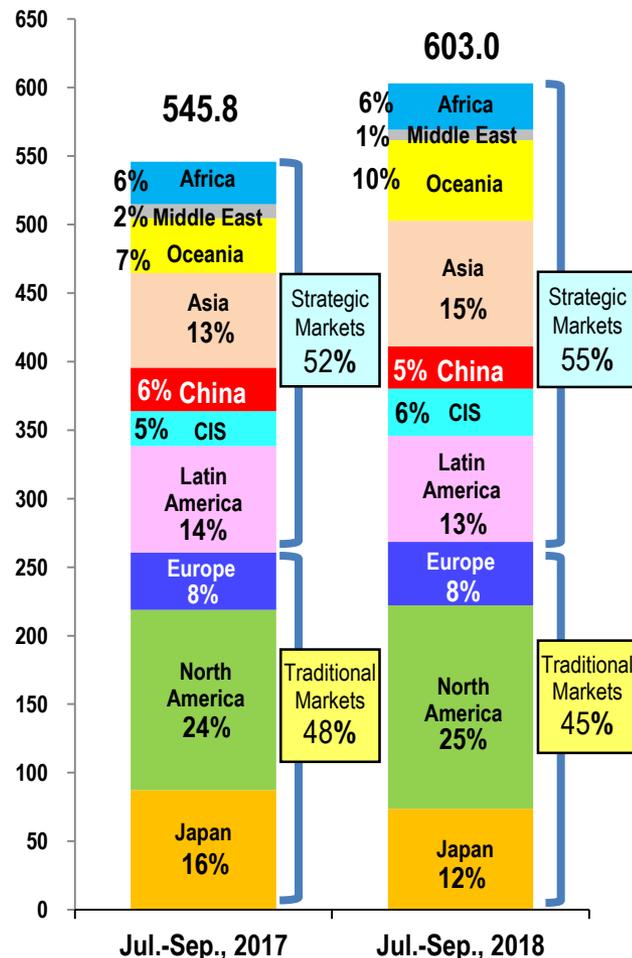
Jul.-Sep.,2018 vs. Jul.-Sep.,2017



Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
Komatsu Conventional	87.4	98.7	39.0	59.0	24.7	29.1	67.9	29.6	10.0	23.1	468.8
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(a)	87.4	131.4	41.6	77.8	25.6	31.7	68.9	40.0	10.1	31.0	545.8
Komatsu Conventional	73.5	105.9	42.9	57.4	31.9	27.9	89.4	47.7	7.4	25.0	509.4
KMC	0.0	42.6	3.3	20.0	2.4	2.9	2.2	11.2	0.1	8.6	93.5
Jul.-Sep.,2018(b)	73.5	148.5	46.2	77.4	34.3	30.9	91.6	58.9	7.6	33.7	603.0
Change (b-a)	(13.8)	+17.0	+4.6	(0.3)	+8.7	(0.8)	+22.6	+18.9	(2.4)	+2.6	+57.2



Billions of yen



* Region where sales increased, when foreign exchange effects were excluded.

Highlights of the First Six-Month Period ended September 30, 2018

- Consolidated net sales increased by 13.7% from the corresponding period a year ago, to JPY1,318.0 billion.
- Operating income advanced by 80.2% to JPY200.3 billion. Operating income ratio was 15.2%, up 5.6 percentage points.
- Net income attributable to Komatsu Ltd. improved by 23.2% to JPY125.3 billion.
- Interim cash dividend per share increased by JPY3 to JPY51 from JPY48 which was planned in April this year.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

Billions of yen	Apr.-Sep.,2017			Apr.-Sep.,2018			Changes	
	¥111.1/USD ¥125.8/EUR ¥16.4/RMB	Komatsu Conventional *1	KMC	¥109.7/USD ¥129.9/EUR ¥16.8/RMB	Komatsu Conventional *1	KMC	Increase (Decrease)	% Change
Net sales	1,158.9	1,008.0	150.9	1,318.0	1,137.1	180.8	+159.0	+13.7%
Segment profit (loss)	112.2	133.7	*2 (21.5)	199.1	174.2	*2 24.9	+86.8	+77.4%
Other operating income(expenses)	(1.0)	(1.0)	(0.0)	1.1	1.1	0.0	+2.2	-
Operating income (loss)	111.1	132.7	*2 (21.5)	200.3	175.3	*2 24.9	+89.1	+80.2%
Profit ratio (loss ratio)	9.6%	13.2%	(14.3)%	15.2%	15.4%	13.8%	+5.6pts.	-
Other income (expenses)	32.9			(7.7)			(40.7)	-
Income before income taxes	144.1			192.5			+48.3	+33.6%
Net income	101.7			125.3			+23.6	+23.2%
Cash dividends per share	36yen			51yen			+15yen	

Notes:

- 1) Figures represent those from which KMC's business results are excluded,
- 2) KMC's segment and operating income(loss) include temporary expenses in the table on the right.

Billions of yen	Apr.-Sep., 2017	Apr.-Sep., 2018
Depreciation after PPA *	(33.0)	(4.5)
Integration expenses etc.	(3.6)	(0.9)
Total	(36.6)	(5.5)

Note:

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

Segment Sales and Profits for Six Months (April-September, 2018)

- **Construction, Mining & Utility Equipment:** Sales advanced by 12.8% from the corresponding period a year ago, to JPY1,200.5 billion. Segment profit expanded by 79.7% to JPY183.9 billion. Segment profit ratio improved by 5.7 points to 15.3%.
- **Retail Finance:** Revenues declined by 5.8% to JPY29.4 billion. Segment profit expanded by 62.2% to JPY9.5 billion.
- **Industrial Machinery & Others:** Sales advanced by 22.6% to JPY97.0 billion. Segment profit improved by 56.2% to JPY7.5 billion.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

□ : Profit(loss) ratio

[] : Sales after elimination of inter-segment transactions

Billions of yen	Apr.-Sep.,2017			Apr.-Sep.,2018			Changes	
		Komatsu Conventional	KMC		Komatsu Conventional	KMC	Increase (Decrease)	% Change
Net sales	1,158.9	1,008.0	150.9	1,318.0	1,137.1	180.8	+159.0	+13.7%
Construction, mining & utility equipment	1,064.4 [1,056.8]	913.4 [905.9]	150.9 [150.9]	1,200.5 [1,195.1]	1,019.7 [1,014.3]	180.8 [180.8]	+136.1 [+138.3]	+12.8% [+13.1%]
Retail finance	31.2 [23.6]	31.2 [23.6]	-	29.4 [26.6]	29.4 [26.6]	-	(1.8) [+2.9]	(5.8)% [+12.4%]
Industrial machinery & others	79.1 [78.4]	79.1 [78.4]	-	97.0 [96.2]	97.0 [96.2]	-	+17.8 [+17.7]	+22.6% [+22.7%]
Elimination	(15.8)	(15.8)	-	(9.0)	(9.0)	-	+6.8	-
Segment profit (loss)	□ 9.7% 112.2	□ 13.3% 133.7	□ (14.3)% (21.5)	□ 15.1% 199.1	□ 15.3% 174.2	□ 13.8% 24.9	+86.8	+77.4%
Construction, mining & utility equipment	□ 9.6% 102.3	□ 13.6% 123.8	□ (14.3)% (21.5)	□ 15.3% 183.9	□ 15.6% 159.0	□ 13.8% 24.9	+81.5	+79.7%
Retail finance	□ 18.9% 5.9	□ 18.9% 5.9	-	□ 32.6% 9.5	□ 32.6% 9.5	-	+3.6	+62.2 %
Industrial machinery & others	□ 6.1% 4.8	□ 6.1% 4.8	-	□ 7.7% 7.5	□ 7.7% 7.5	-	+2.7	+56.2%
Corporate & elimination	(0.7)	(0.7)	-	(1.9)	(1.9)	-	(1.1)	-

Review of three business segments

■ Construction, Mining & Utility Equipment:

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

■ Retail Finance:

Revenues 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.

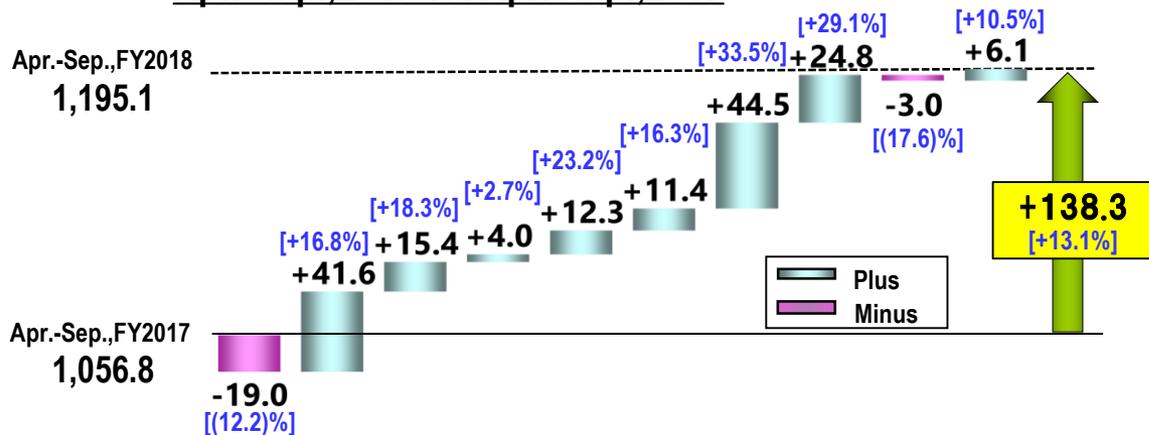
■ Industrial Machinery & Others

Both sales and segment profit improved, supported by increased sales of machine tools to the automobile manufacturing industry and Excimer laser-related and other businesses, against the backdrop of buoyant semiconductor market conditions.

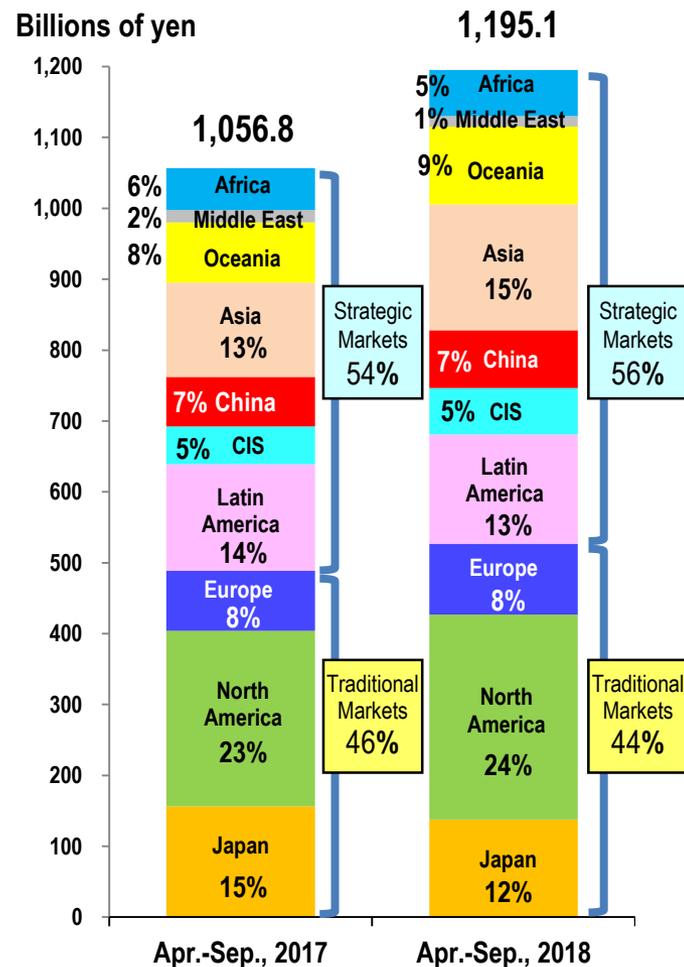
Construction, Mining & Utility Equipment : Sales by Region (To Outside Customers) for Six Months (April-September, 2018)

- Sales to outside customers advanced by 13.1% from the corresponding period a year ago, to JPY1,195.1 billion.
- Sales improved in all regions except Japan and the Middle East. Sales expanded sharply, especially in North America, Asia, and Oceania.
- The ratio of sales in Strategic Markets increased to 56% of total sales.

Apr.-Sep.,2018 vs. Apr.-Sep.,2017



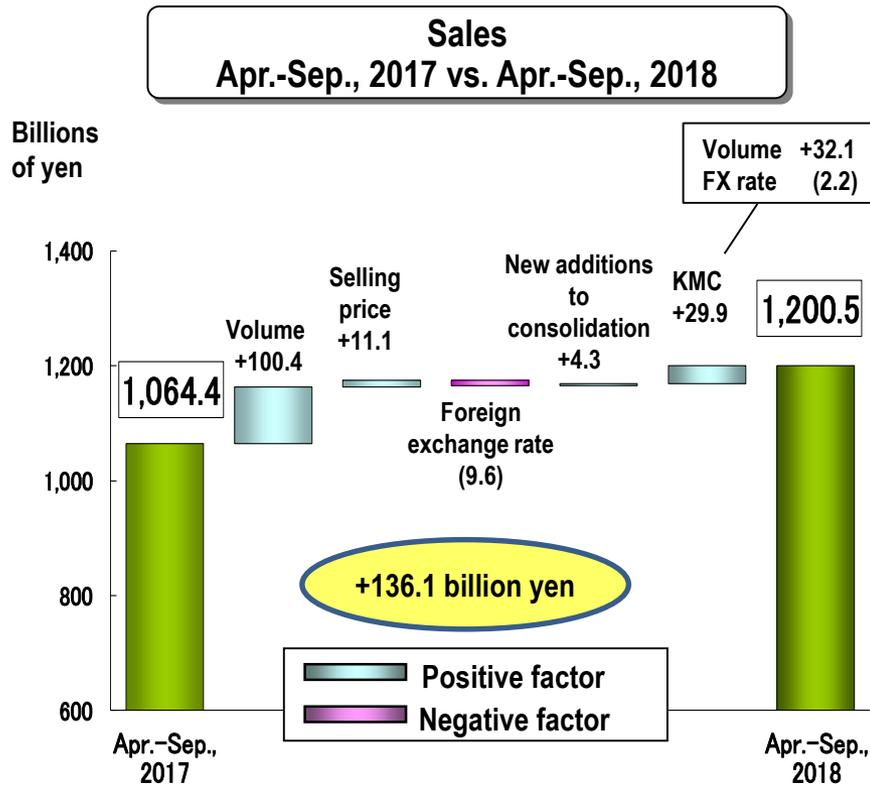
Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
Komatsu Conventional	156.5	183.4	77.5	115.7	51.5	63.5	131.3	64.5	17.4	44.1	905.9
KMC	0.0	64.0	7.0	34.3	1.7	6.4	1.7	20.6	0.0	14.7	150.9
Apr.-Sep.,2017(a)	156.5	247.5	84.6	150.0	53.2	70.0	133.0	85.1	17.5	58.9	1,056.8
Komatsu Conventional	137.4	208.5	93.5	114.8	61.2	75.0	174.1	87.4	14.2	47.9	1,014.3
KMC	0.0	80.6	6.6	39.2	4.4	6.3	3.5	22.5	0.2	17.1	180.8
Apr.-Sep.,2018(b)	137.4	289.1	100.1	154.1	65.6	81.4	177.6	109.9	14.4	65.1	1,195.1
Change (b-a)	(19.0)	+41.6	+15.4	+4.0	+12.3	+11.4	+44.5	+24.8	(3.0)	+6.1	+138.3



* Region where sales increased, when foreign exchange effects were excluded.

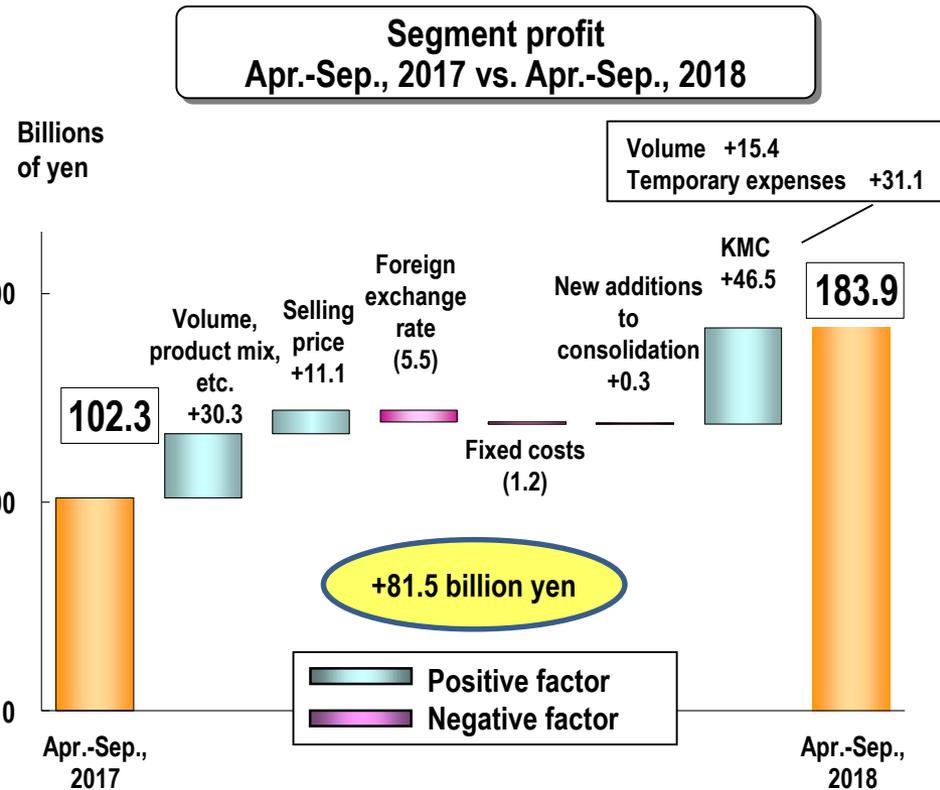
- Sales increased by JPY136.1 billion from the corresponding period a year ago, supported by increased volume of sales and price hikes.
- Segment profit increased by JPY81.5 billion due to increased sales volume and declined temporary expenses of KMC.
- Segment profit ratio improved by 5.7 points to 15.3%.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)



¥111.1/USD
¥125.8/EUR
¥16.4/RMB

¥109.7/USD
¥129.9/EUR
¥16.8/RMB



9.6%

Segment profit ratio

15.3%

- Sales expanded by 19.8% from the corresponding period a year ago, to JPY180.8 billion.
- Operating income was JPY30.5 billion, excluding temporary expenses. When the temporary expenses of JPY5.5 billion are included, operating income was JPY24.9 billion.

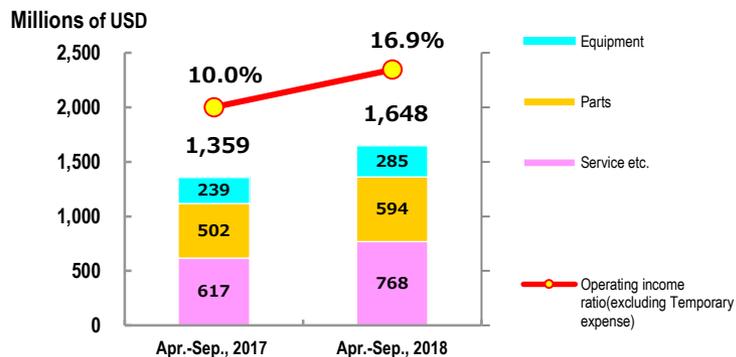
Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

Billions of yen	Apr.-Sep.,2017 (¥111.1/USD)		Apr.-Sep.,2018 (¥109.7/USD)		Changes	
					Increase (Decrease)	% Change
Net sales		150.9		180.8	+29.9	+19.8%
Equipment		26.6		31.5	+4.9	+18.7%
Parts		55.8		65.5	+9.7	+17.5%
Service etc.		68.5		83.6	+15.0	+22.0%
Operating income < excluding Temporary expenses >	10.0%	15.0	16.9%	30.5	+15.5	+103.4%
Temporary expenses (negative figure)		(36.6)		(5.5)	+31.1	-
Depreciation after PPA *1	*2	(33.0)		(4.5)	+28.5	-
Integration expenses etc.		(3.6)		(0.9)	+2.6	-
Operating income (loss) < including Temporary expenses >	(14.3)%	(21.5)	13.8%	24.9	+46.5	-

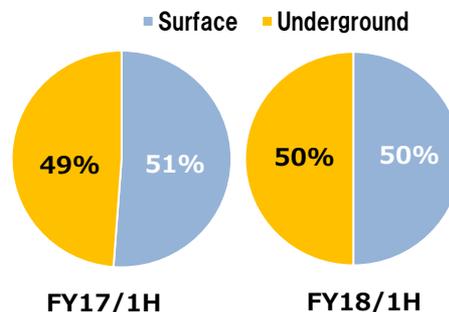
* 1: PPA stands for Purchase Price Allocation. It is an accounting process of valuating and allocating acquired assets and liabilities to fair prices.

* 2: Including JPY(25.8) billion for inventories after PPA.

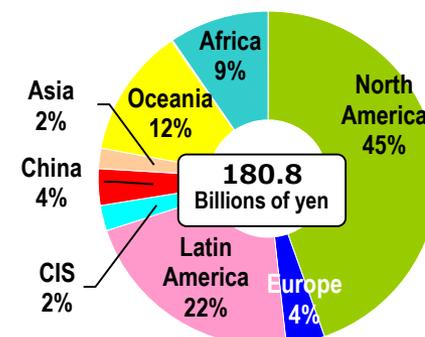
Sales & Operating income ratio



Sales by segments



FY18/1H Sales by regions



Retail Finance: Assets, Revenues and Segment Profit for the First Six-Month Period (Apr.-Sep.,2018) of FY2018

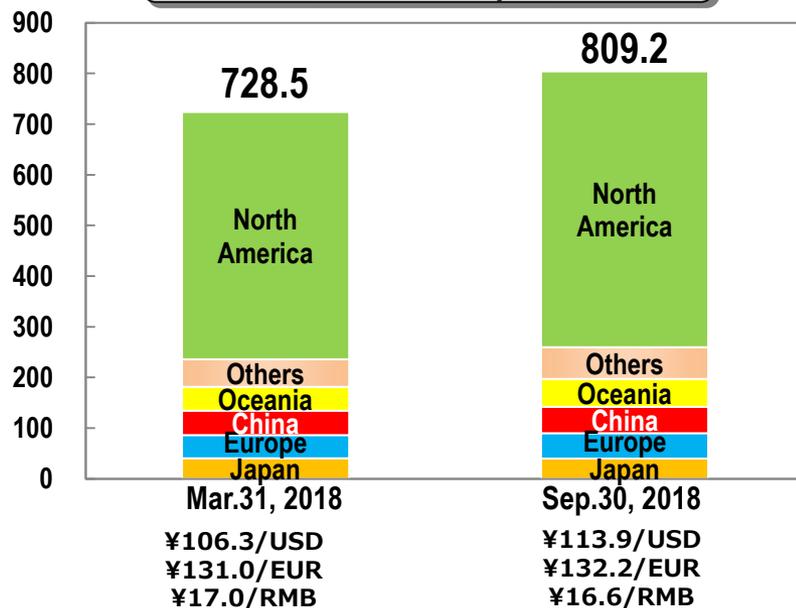
- Assets in the retail finance business increased by JPY80.7 billion from the previous fiscal year-end, mainly due to the effects of foreign exchange rates and increased contracts centering on North America, Oceania, and Europe.
- While assets increased in North America, revenues declined, because sales 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 improved, mainly reflecting a reversal of allowances for doubtful accounts recorded in China.

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

Assets

Mar.31, 2018 vs. Sep.30, 2018

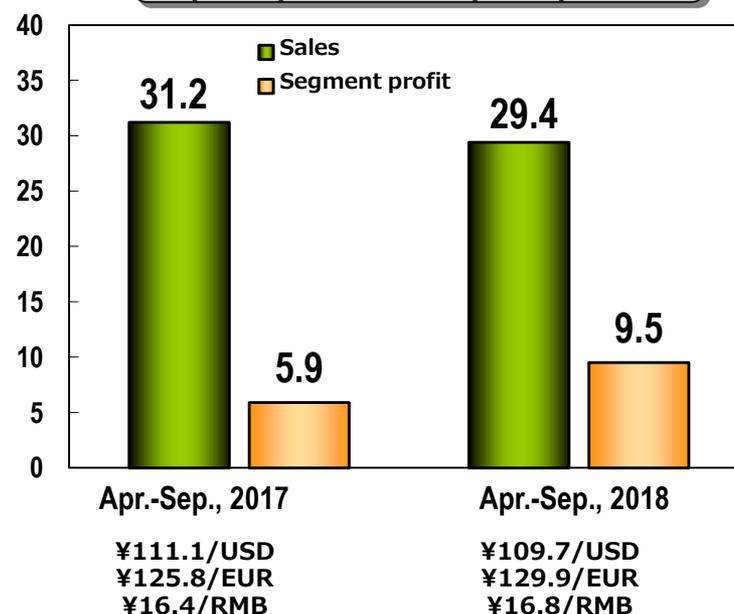
Billions of yen



Revenues

Apr.-Sep., 2017 vs. Apr.-Sep., 2018

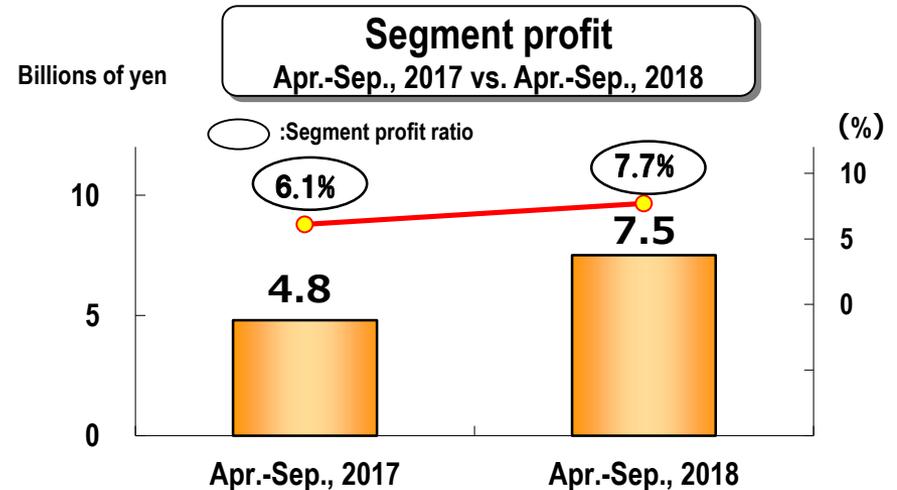
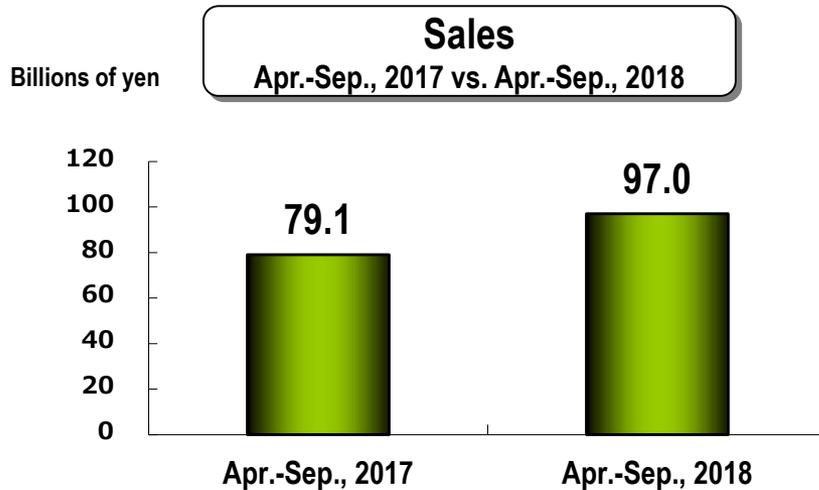
Billions of yen



Billions of yen	2018/3E	2018/9E	Changes
Interest-bearing debt	546.0	613.3	+67.3
Interest-bearing debt, net	542.6	609.2	+66.6
Net D/E ratio	3.50	3.66	+0.16pts.

- Sales increased by 22.6% to JPY97.0 billion from the corresponding period a year ago, supported by increased sales of machine tools to the automobile manufacturing industry and Excimer laser-related and other businesses, against the backdrop of buoyant semiconductor market conditions.
- Segment profit ratio was 7.7%.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)



Breakdown of sales

Billions of yen	Apr.-Sep., 2017	Apr.-Sep., 2018	Changes	
			Increase (Decrease)	% Change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	21.8	26.3	+4.5	+20.8%
Komatsu NTC Ltd.	27.1	33.4	+6.2	+23.1%
Gigaphoton	17.1	20.0	+2.8	+16.5%
Others	13.0	17.2	+4.2	+32.2%
Total	79.1	97.0	+17.8	+22.6%

- Total assets grew by JPY208.9 billion from the previous fiscal year-end, as affected by foreign exchange rates and increased inventories.
- Komatsu Ltd. shareholders' equity ratio increased by 0.3 points to 49.7.

Billions of yen	Mar. 31, 2018 ¥106.3/USD ¥131.0/EUR ¥ 17.0/RMB	Sep 30, 2018 ¥113.9/USD ¥132.2/EUR ¥16.6/RMB	Increase (Decrease)
○ : Net D/E ratio			
Cash & deposits (incl. time deposits) [a]	146.8	128.7	(18.0)
Accounts receivable (incl. long-term trade receivables)	1,155.0	1,213.5	+58.4
Inventories	730.2	845.1	+114.8
Tangible fixed assets	740.5	765.4	+24.9
Other assets	599.7	628.4	+28.6
Total assets	3,372.5	3,581.4	+208.9
Accounts payable	303.5	275.2	(28.2)
Interest-bearing debt [b]	810.5	917.3	+106.7
Other liabilities	514.7	525.5	+10.7
Total liabilities	1,628.9	1,718.1	+89.2
[Shareholders' equity ratio]	(49.4%)	(49.7%)	(+0.3pts.)
Komatsu Ltd. shareholders' equity	1,664.5	1,778.3	+113.7
Non-controlling interests	79.0	84.9	+5.8
Liabilities & Equity	3,372.5	3,581.4	+208.9
Interest-bearing debt, net [b-a]	○ 0.40 663.7	○ 0.44 788.5	+124.8
Net D/E ratio (excl. the retail finance business)	○ 0.08	○ 0.11	

II . Outlook of FY2018 Business Results

Outline of Projection for FY2018

- We are revising both sales and profits for FY2018 upward, because sales increased more than projected centering on North America and Asia for the first six-month period, demand in North America and for mining equipment is expected to remain strong in the second six-month period, and the Japanese yen is depreciating more than projected. We have reassessed a projected foreign exchange rate in the second six-month period and are revising projection of April this year upward with respect to both sales and profits as shown in the table below.
- We are projecting that we will record consolidated sales of JPY2,662.0 billion, up 6.4% from FY2017 (up JPY159.0 billion from the projection of April this year).
- Operating income of JPY381.0 billion, up 41.9% (up JPY42.0 billion from the projection of April this year).
- Annual cash dividends per share increased by 6 yen, from 96 yen to 102yen.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

Note * : Exchange rates in 2H: Reassessed to ¥105/USD, while ¥123/EUR and ¥15.8/RMB are unchanged.

Billions of yen	FY2017 Results(A) ¥111.2/USD ¥129.6/EUR ¥16.8/RMB	FY2018 Projection (B) (Current)			FY2018 Projection (C) (Initial)			Changes (B-A)	
		¥107.4/USD * ¥126.4/EUR ¥16.3/RMB	Komatsu Conventional *1	KMC	¥100.0/USD ¥123.0/EUR ¥15.8/RMB	Komatsu Conventional *1	KMC	Increase (Decrease)	% Change
Net sales	2,501.1	2,662.0	2,291.3	370.7	2,503.0	2,188.0	315.0	+160.8	+6.4%
Segment profit	299.8	384.0	338.2	45.8	345.0	319.5	25.5	+84.2	+28.1%
Other operating income (expenses)	(31.3)	(3.0)	(3.0)	-	(6.0)	(6.0)	-	+28.3	-
Operating income	268.5	381.0	335.2	45.8	339.0	313.5	25.5	+112.5	+41.9%
Profit ratio	10.7%	14.3%	14.6%	12.4%	13.5%	14.3%	8.1%	3.6pts.	-
Other income (expenses)	(23.3)	(19.0)			(19.0)			(42.3)	-
Income before income taxes	291.8	362.0			320.0			+70.2	+24.1%
Net income *2	196.4	240.0			226.0			+43.6	+22.2%
ROE	12.1%	14.1%			13.4%			+2.0pts.	
Cash dividends per share	84yen	102yen			96yen			+18yen	
Consolidated payout ratio	40.3%	40.1%			40.1%				

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

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

Projection for Segment Sales and Profit for FY2018

- **Construction, Mining and Utility Equipment:** We are revising both full-year sales and profits upward, because sales increased more than projected centering on North America and Asia for the first six-month period and we have reassessed projected foreign exchange rates in the second six-month period against the backdrop of the Japanese yen's depreciation now. Sales will increase by JPY145.0 billion from the projection of April this year to JPY2,415.0 billion. Segment profit will increase by JPY35.0 billion to JPY353.0 billion.
- **Retail Finance:** We are revising revenues upward by JPY 5.0 billion from the initial projection. Segment profit will also increase by JPY4.0 billion from the projection of April this year.
- **Industrial Machinery & Others:** We are making no change in sales from the projection of April this year.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

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

Billions of yen	FY2017 Results (A)	FY2018 Projection (B) (Current)		FY2018 Projection (C) (Initial)			Changes (B-A)		
		Komatsu Conventional	KMC	Komatsu Conventional	KMC	Increase (Decrease)	% Change		
Net sales	2,501.1	2,662.0	2,291.3	370.7	2,503.0	2,188.0	315.0	+160.8	+6.4%
Construction, mining & utility equipment	2,280.9 [2,267.3]	2,415.0 [2,403.0]	2,044.3 [2,032.3]	370.7 [370.7]	2,270.0 [2,249.0]	1,955.0 [1,934.0]	315.0 [315.0]	+134.1 [+135.7]	+5.9% [+6.0%]
Retail finance	60.3 [49.6]	58.0 [53.0]	58.0 [53.0]	-	53.0 [48.0]	53.0 [48.0]	-	(2.3) [+3.4]	(3.8)% [+6.9%]
Industrial machinery & others	185.4 [184.1]	208.0 [206.0]	208.0 [206.0]	-	208.0 [206.0]	208.0 [206.0]	-	+22.6 [+21.9]	+12.2% [+11.9%]
Elimination	(25.5)	(19.0)	(19.0)	-	(28.0)	(28.0)	-	+6.5	-
Segment profit	12.0% 299.8	14.4% 384.0	14.8*% 338.2	12.4% 45.8	13.8% 345.0	14.6% 319.5	8.1% 25.5	+84.2	+28.1%
Construction, mining & utility equipment	12.0% 273.0	14.6% 353.0	15.0% 307.2	45.8	14.0% 318.0	15.0% 292.5	8.1% 25.5	+80.0	+29.3%
Retail finance	21.5% 12.9	27.6% 16.0	27.6% 16.0	-	22.7% 12.0	22.7% 12.0	-	+3.1	+24.0%
Industrial machinery & others	7.7% 14.3	8.7% 18.0	8.7% 18.0	-	8.7% 18.0	8.7% 18.0	-	+3.7	+25.6%
Corporate & elimination	(0.4)	(3.0)	(3.0)	-	(3.0)	(3.0)	-	(2.6)	-

Conditions of three business segments: the latest projection compared with FY2017 results

■ Construction, Mining & Utility Equipment:

Sales will increase, supported by increased sales of construction and mining equipment in North America and Asia, where demand is growing, price hikes, and KMC's increased sales. Segment profit will also increase, supported by increased volume of sales, price hikes and reduced temporary expenses of KMC, which more than offset the negative effects of foreign exchange rates.

■ Retail Finance:

While assets increased centering on North America, revenues will decrease, as affected by sales of used equipment recorded for the corresponding period a year ago, which resulted from the cancellation of a leasing contract in Chile. Segment profit will improve, reflecting a reversal of allowances for doubtful accounts recorded in China.

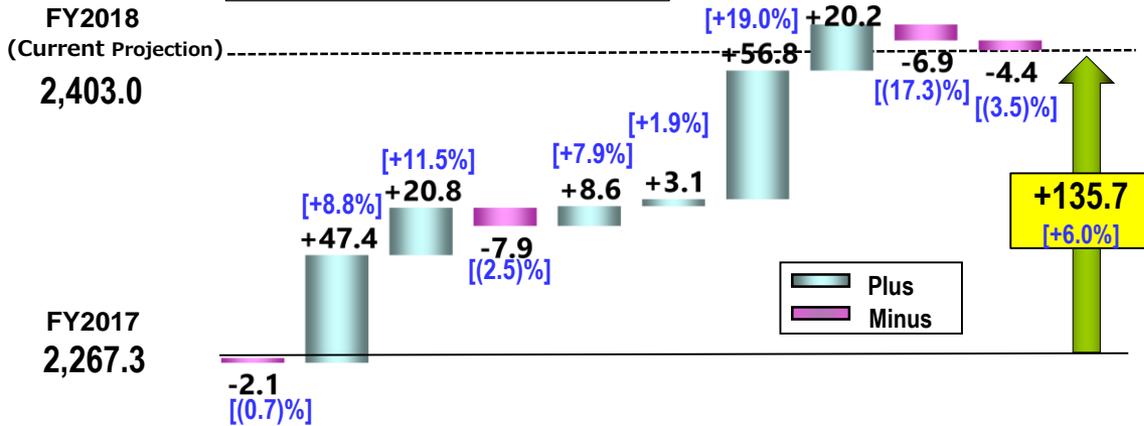
■ Industrial Machinery & Others:

Both sales and segment profit will increase, supported by expanded sales of Excimer laser-related businesses against the backdrop of good semiconductor market conditions.

Construction, Mining & Utility Equipment : Projection for Sales by Region (To Outside Customers) for FY2018

- We project sales will advance from FY2017, centering on North America and Asia.
- We are revising the initial projection upward, reflecting sales increased in North America more than projected and by anticipating that demand will also remain strong, centering on North America and mining equipment in the second six-month period. We are revising the projection of sales in China downward.
- The ratio of sales in Strategic Markets should remain flat at 54% from FY2017.

FY2018 (Projection) vs. FY2017



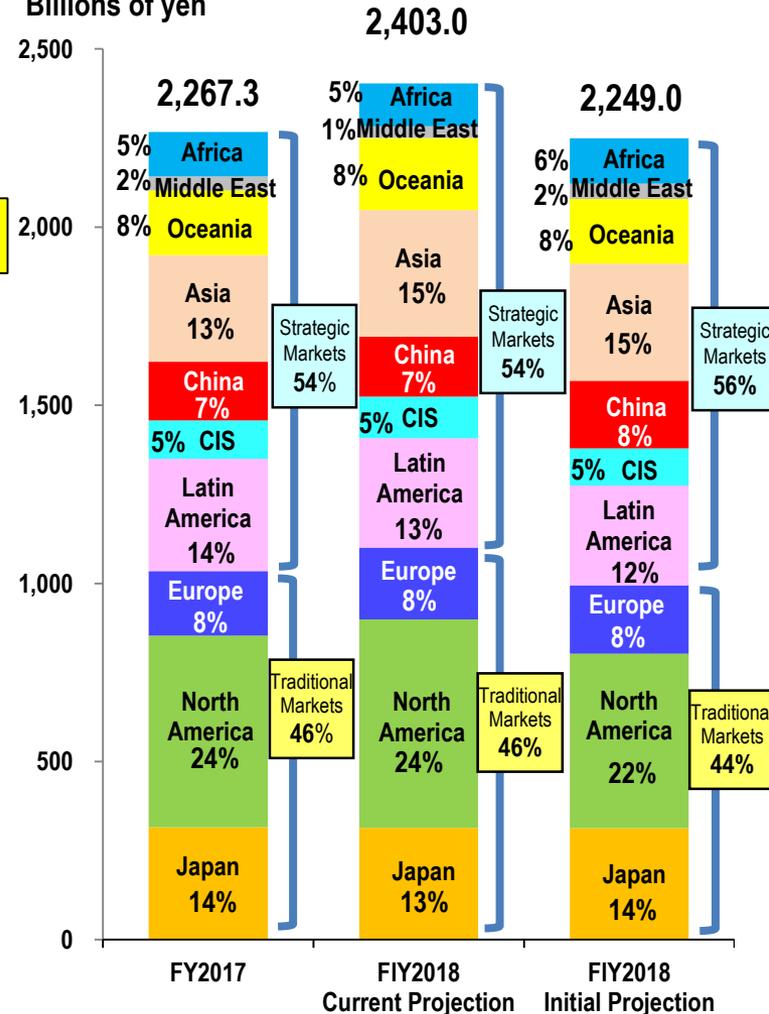
Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
Komatsu Conventional	315.6	403.2	166.4	241.3	102.7	149.7	294.6	140.8	39.3	95.3	1,949.4
KMC	0.0	134.9	14.0	73.3	5.7	15.0	3.9	41.1	0.2	29.3	317.8
FY2017 (a)	315.6	538.2	180.4	314.7	108.5	164.7	298.6	181.9	39.5	124.6	2,267.3
Komatsu Conventional	313.5	417.0	178.3	233.2	109.7	152.2	349.6	155.2	32.5	90.9	2,032.3
KMC	0.0	168.7	23.0	73.6	7.4	15.7	5.9	46.9	0.2	29.3	370.7
FY2018(b) Projection	313.6	585.7	201.3	306.8	117.1	167.9	355.5	202.1	32.7	120.2	2,403.0
Change (b-a)	(2.1)	+47.4	+20.8	(7.9)	+8.6	+3.1	+56.8	+20.2	(6.9)	(4.4)	+135.7

Traditional Markets

Strategic Markets

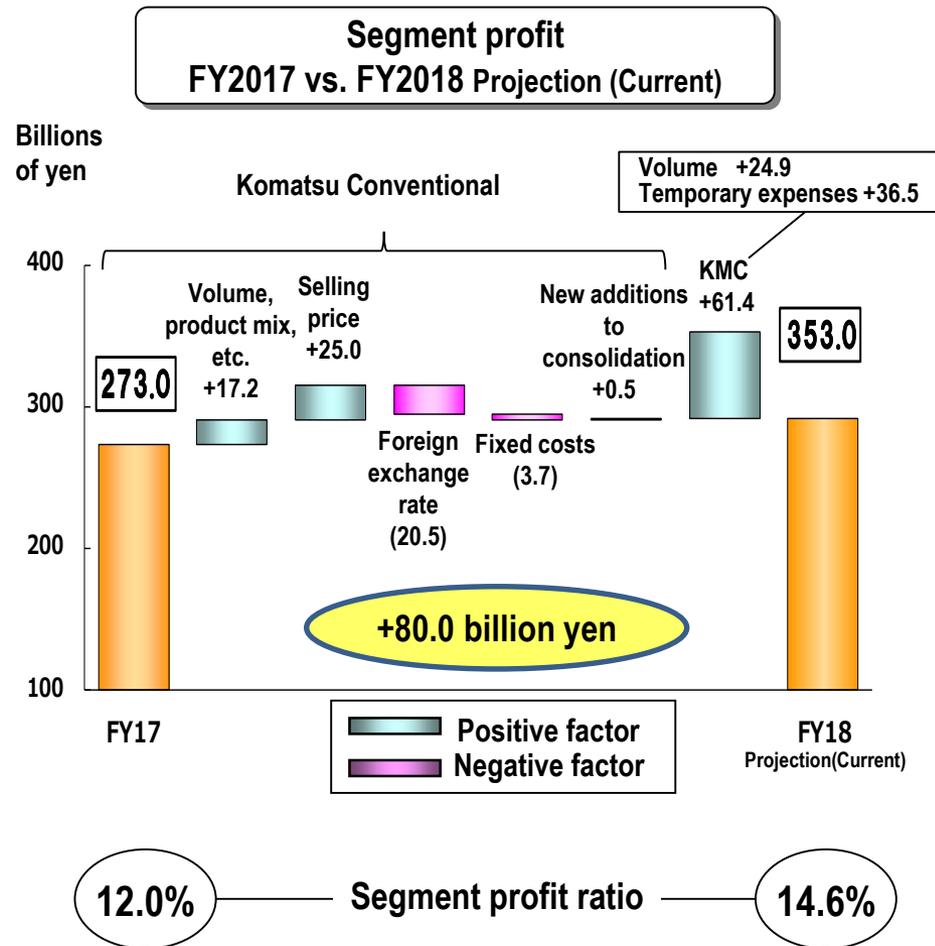
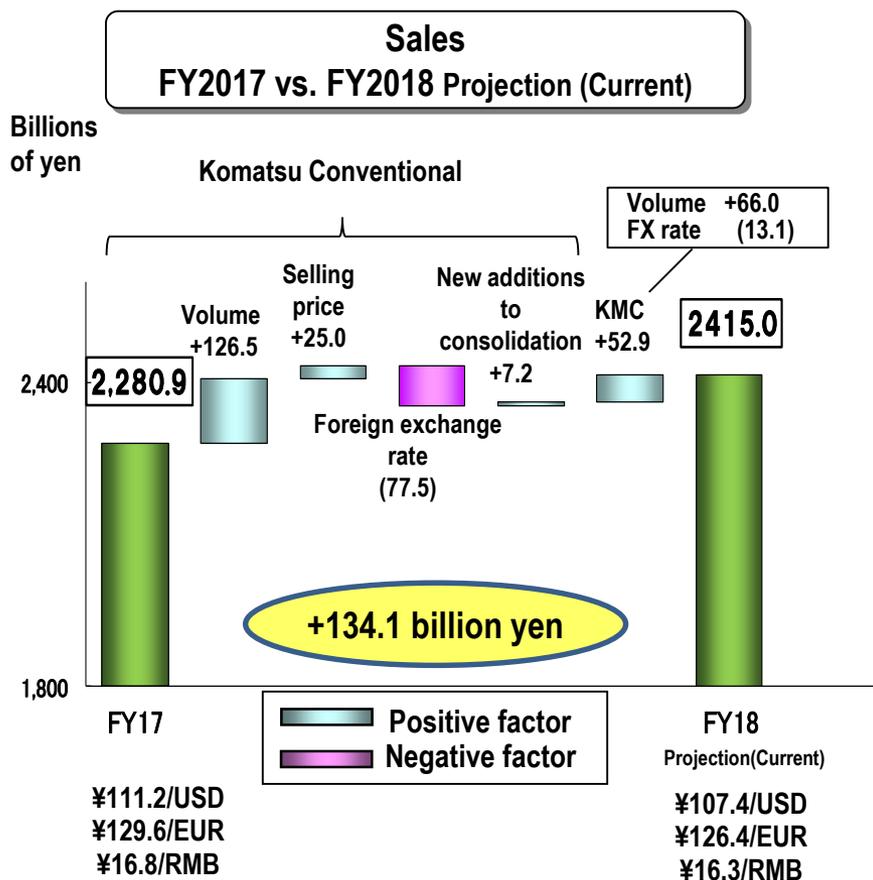
* Region where sales increased, when foreign exchange effects were excluded.

Billions of yen



- Sales will increase by JPY134.1 billion from FY2017, to JPY2,415.0 billion, supported by an increase in both sales volume and price hikes. Segment profit should advance by JPY80.0 billion to JPY353.0 billion.
- Segment profit ratio should improve by 2.6 points to 14.6%.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)



Projection of KMC's Business Results for FY 2018

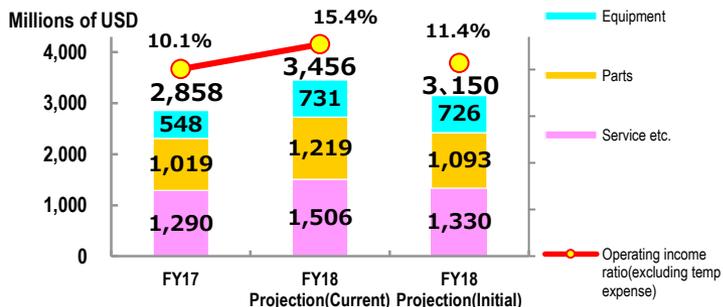
- We anticipate that KMC will advance sales by 16.6% from FY2017, to JPY370.7 billion for FY2018.
- Operating income will total JPY57.1 billion before temporary expenses. When the temporary expenses of JPY11.3 billion are included, operating income should amount to JPY45.8 billion.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

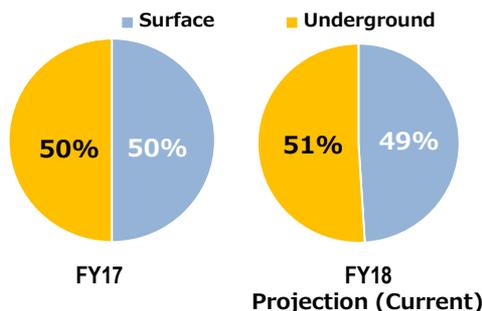
Billions of yen	FY2017 Results (A) ¥1111.2/USD		FY2018 Projection (B)(Current) ¥107.4/USD		FY2018 Projection (C)(Initial) ¥100.0/USD		Changes(B-A)	
							Increase (decrease)	% Change
Net sales		317.8		370.7		315.0	+52.9	+16.6%
Equipment		61.1		78.1		72.6	+17.0	+27.8%
Parts		113.4		130.7		109.3	+17.3	+15.3%
Service etc.		143.3		161.8		133.0	+18.5	+12.9%
Operating income <excluding Temporary Expenses>	10.1%	32.1	15.4%	57.1	11.4%	36.0	+25.1	+78.0%
Temporary Expenses (negative figure)		(47.8)		(11.3)		(10.5)	+36.5	-
Depreciation after PPA ※1	※2	(40.2)		(7.9)		(8.0)	+32.3	-
Integration expenses etc.		(7.5)		(3.4)		(2.5)	+4.1	-
Operating income (loss) <including Temporary Expenses>	(4.9)%	(15.7)	12.4%	45.8	8.1%	25.5	+61.5	-

* 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(25.8) billion for inventories after PPA.

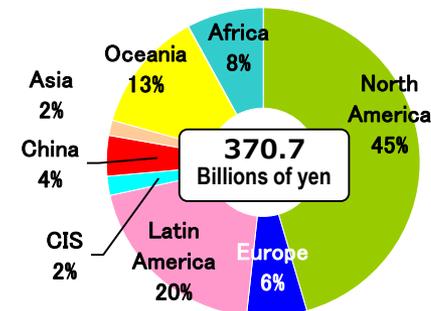
Sales & Operating income ratio(USD)



Sales by segments



FY18 Sales by regions Projection (Current)

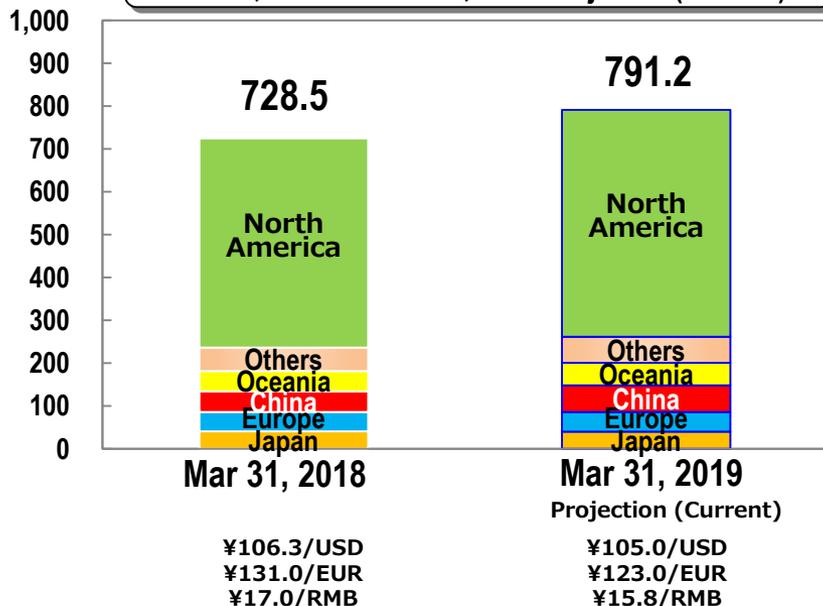


- We project that total assets will increase from the previous fiscal year-end, reflecting an increase in financing contracts, mainly in North America.
- Revenues should decline from FY2017, as affected by the foreign exchange rates and no more sales of used equipment recorded in Chile for FY2017, which had resulted from the cancellation of a leasing contract.
- Segment profit should increase, partly reflecting a reversal of additional allowances for doubtful accounts recorded in China for 2016.

Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

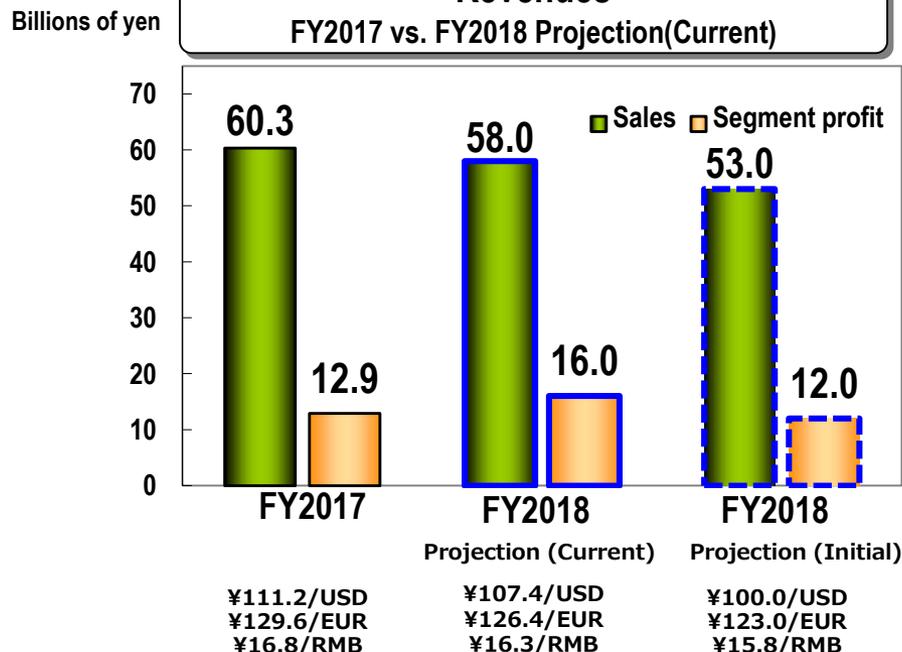
Assets

Mar 31, 2018 vs. Mar 31, 2019 Projection(Current)



Revenues

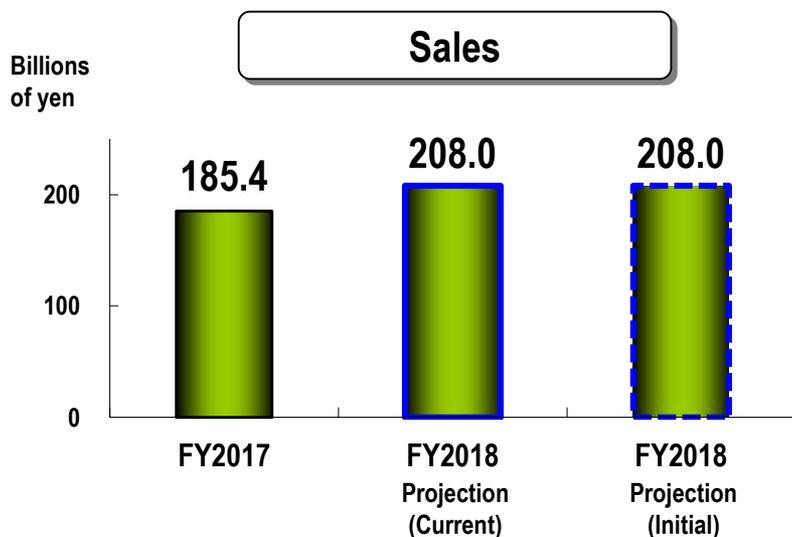
FY2017 vs. FY2018 Projection(Current)



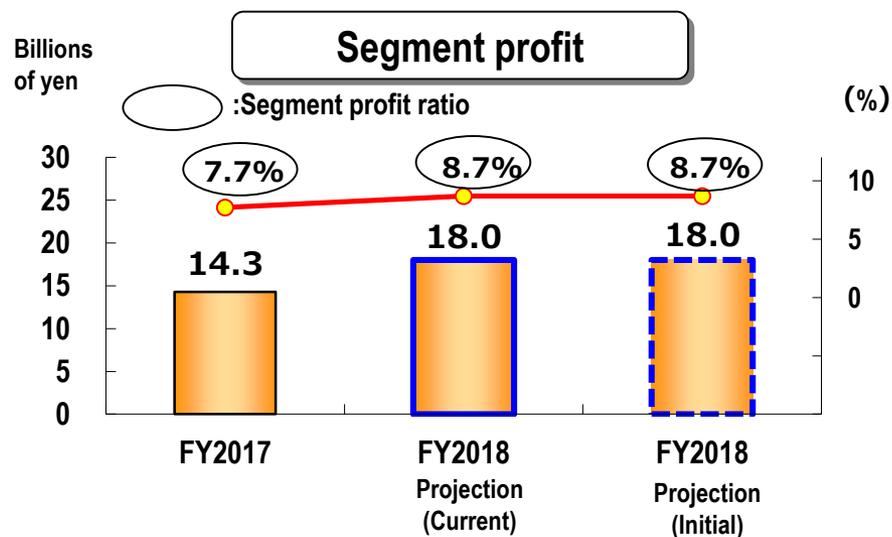
Billions of yen	2018/3E (A)	2019/3E Projection (B)(Current)	Changes (B-A)
Interest-bearing debt	546.0	610.8	+64.8
Interest-bearing debt, net	542.6	605.9	+63.3
Net D/E ratio	3.50	3.79	+0.29pts.

	FY2017 (A)	FY2018 Projection (B)(Current)	FY2018 Projection (Initial)	Changes (B-A)
ROA	1.9%	2.2%	1.6%	+0.3%

- We project that sales will increase by 12.2% from FY2017, to JPY208.0 billion. Segment profit should advance by JPY3.6 billion to JPY18.0 billion.
- No change from the initial projection.



Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

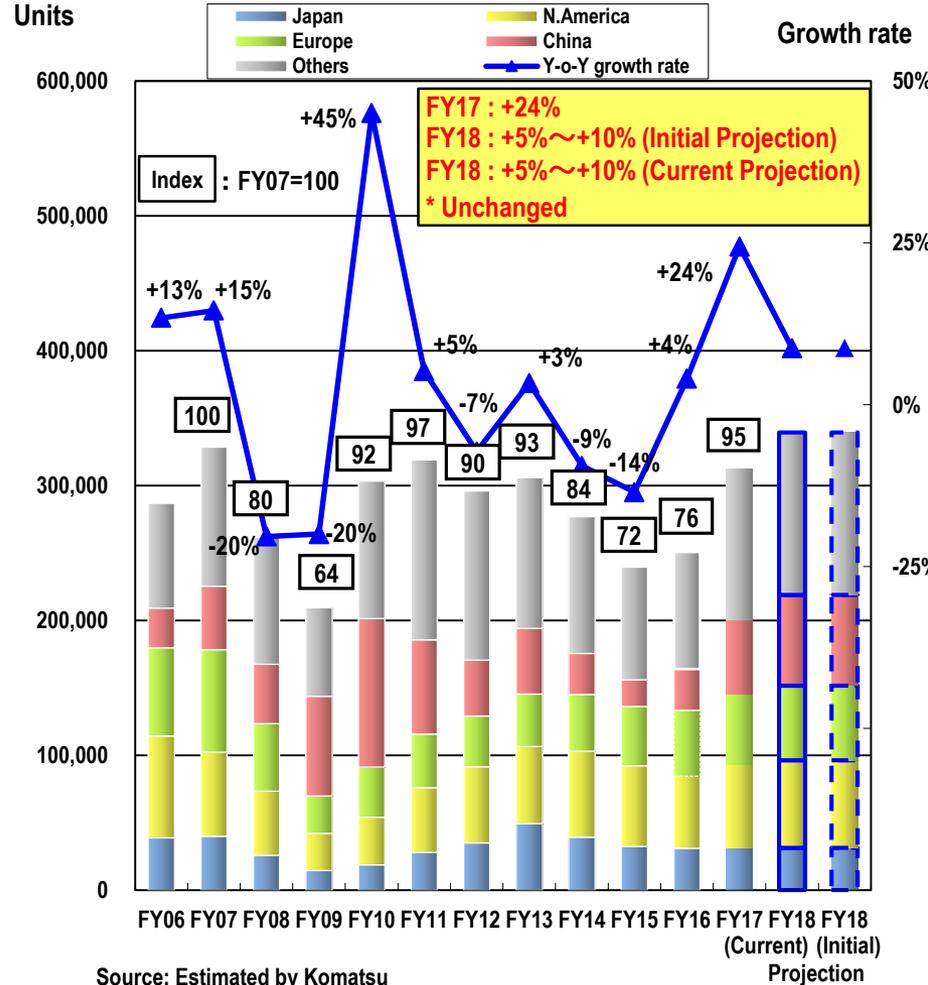


Breakdown of sales Billions of yen	FY2017 (A)	FY2018 Projection (B)(Current)	FY2018 Projection (Initial)	Changes(B-A)	
				Increase (Decrease)	% Change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	51.4	60.9	61.5	+9.4	+18.3%
Komatsu NTC Ltd.	62.9	68.4	67.9	+5.4	+8.7%
Gigaphoton	37.1	41.4	40.5	+4.2	+11.5%
Others	33.7	37.2	38.0	+3.4	+10.2%
Total	185.4	208.0	208.0	+22.5	+12.2%

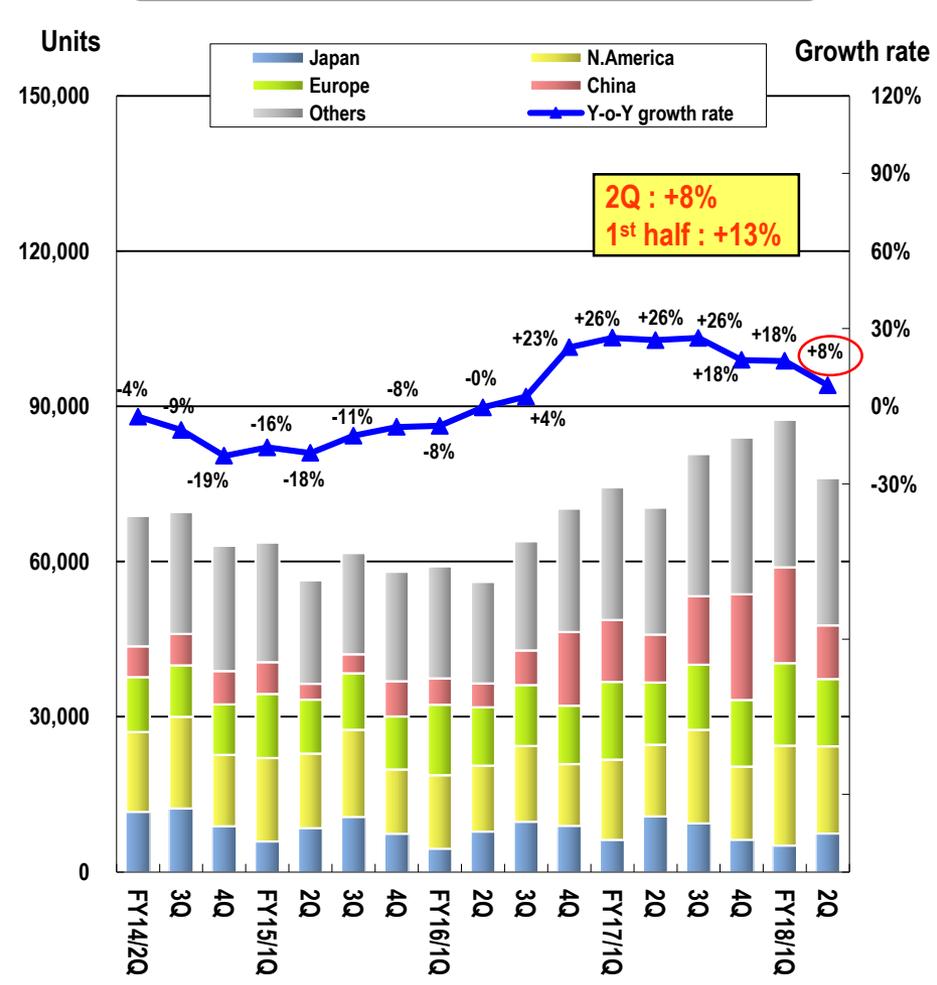
Construction, Mining & Utility Equipment: Actual and Projected Demand for 7 Major Products

- In the first six-month period of FY2018, demand presumably increased by 13% from the corresponding period a year ago.
- Demand for construction equipment remained firm in North America, China, Indonesia and Europe. Demand for mining equipment also remained firm.
- We are not making any changes in the projection of full-year demand.

Annual demand for 7 major products



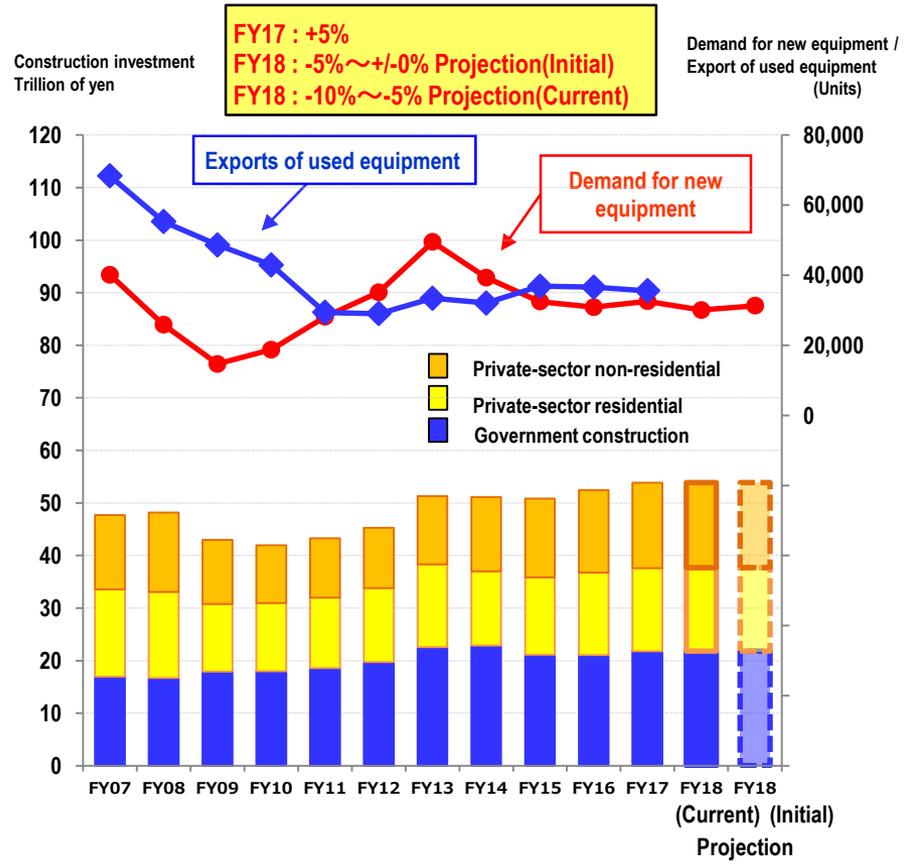
Quarterly demand for 7 major products



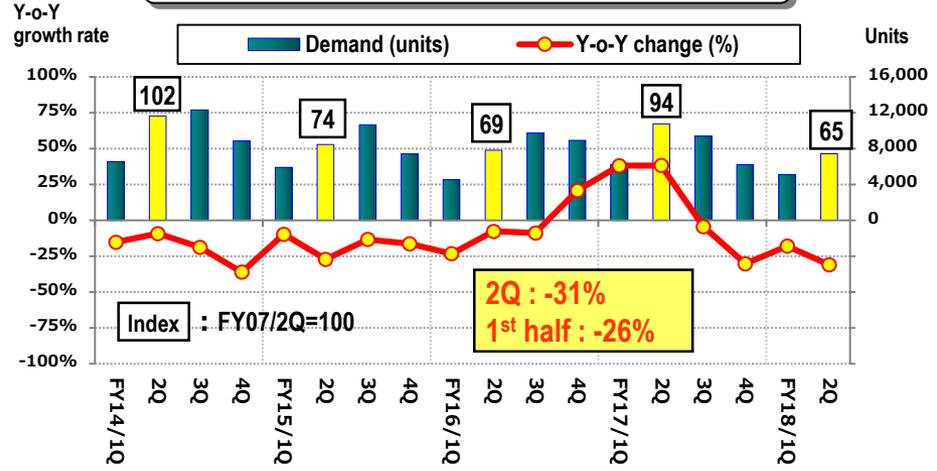
Construction, Mining & Utility Equipment : Demand in Major Markets (1) Japan

- In the first six-month period of FY2018, demand presumably dropped by 26% from the corresponding period a year ago.
- Demand for new equipment dropped sharply centering on the rental industry, as affected mainly by a rebound of pre-buy demand which continued from the fourth quarter of FY2016 in anticipation of the new emission controls regulations enforced in September 2017.
- We are revising our projection of full-year demand downward to -10% to -5%.

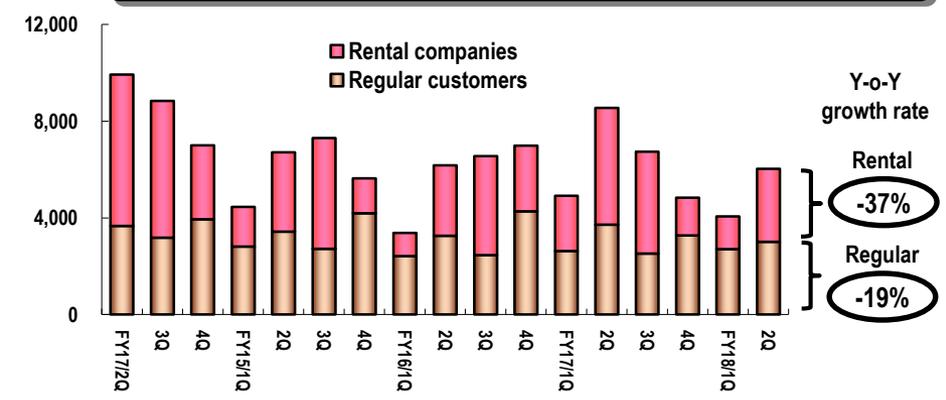
Demand for new equipment (7 major products) and construction investment



Quarterly demand for 7 major products



Quarterly demand for hydraulic excavators (Rental & Regular uses)

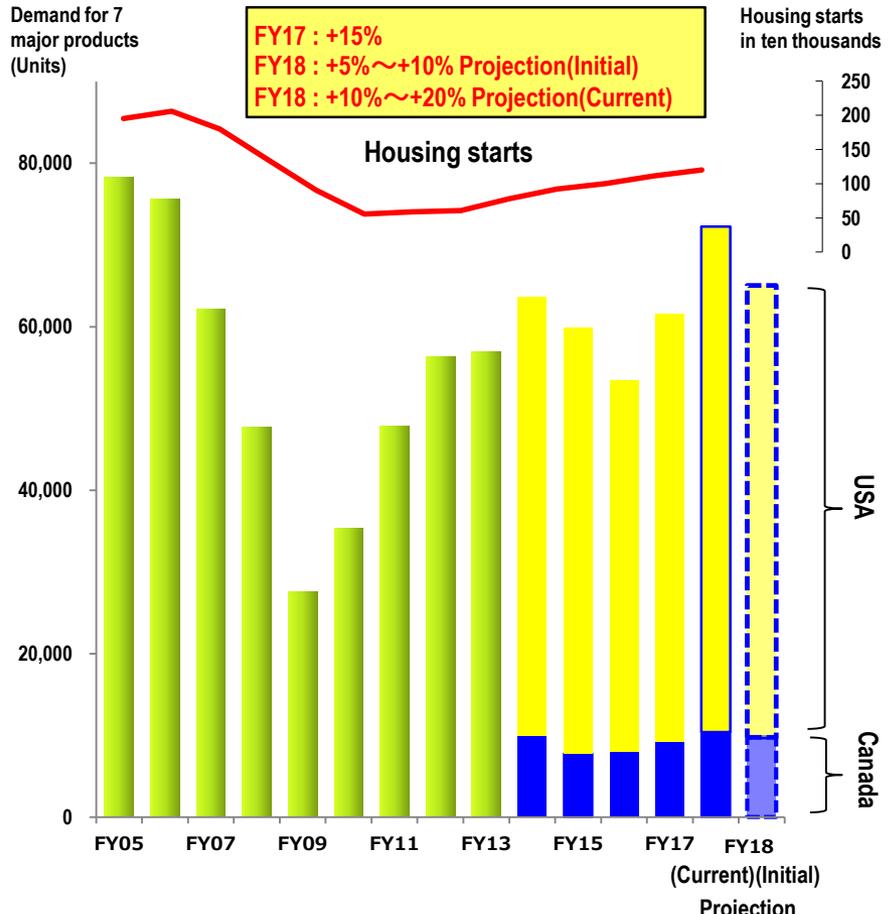


[Sources] Construction investment by the Ministry of Land, Infrastructure, Transport & Tourism, and Research Institute of Construction and Economy
Demand for 7 major products and No. of exported used equipment estimated by Komatsu

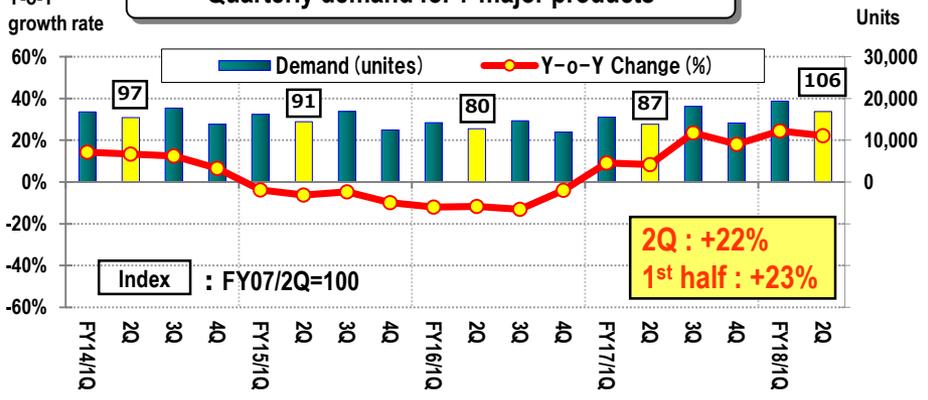
Construction, Mining & Utility Equipment : Demand in Major Markets (2) North America

- In the first six-month period of FY2018, demand presumably increased by 23% from the corresponding period a year ago.
- In the United States, demand remained steady centering on civil engineering and energy-related sectors. In Canada, demand was also firm in both residential and non-residential sectors.
- We are revising the projection of full-year demand upward to +10% to +20%.

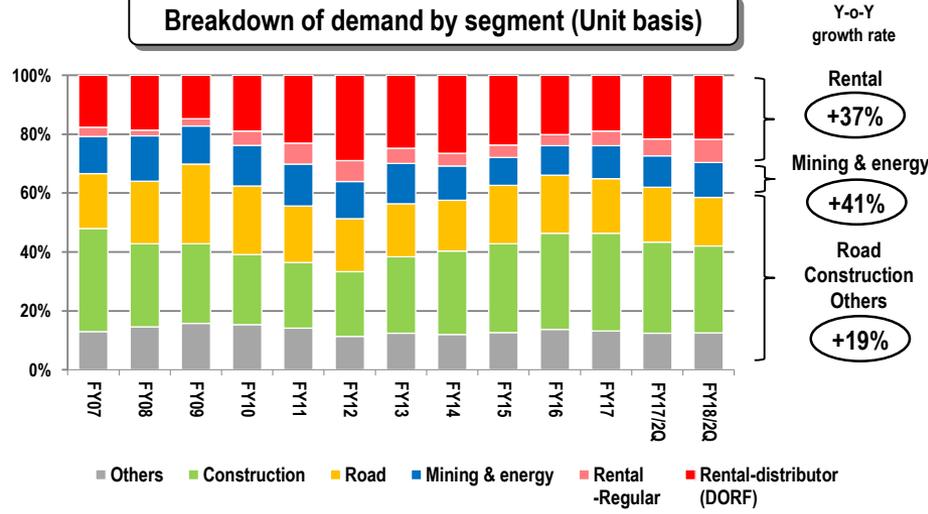
Demand for 7 major products and US housing starts



Quarterly demand for 7 major products



Breakdown of demand by segment (Unit basis)

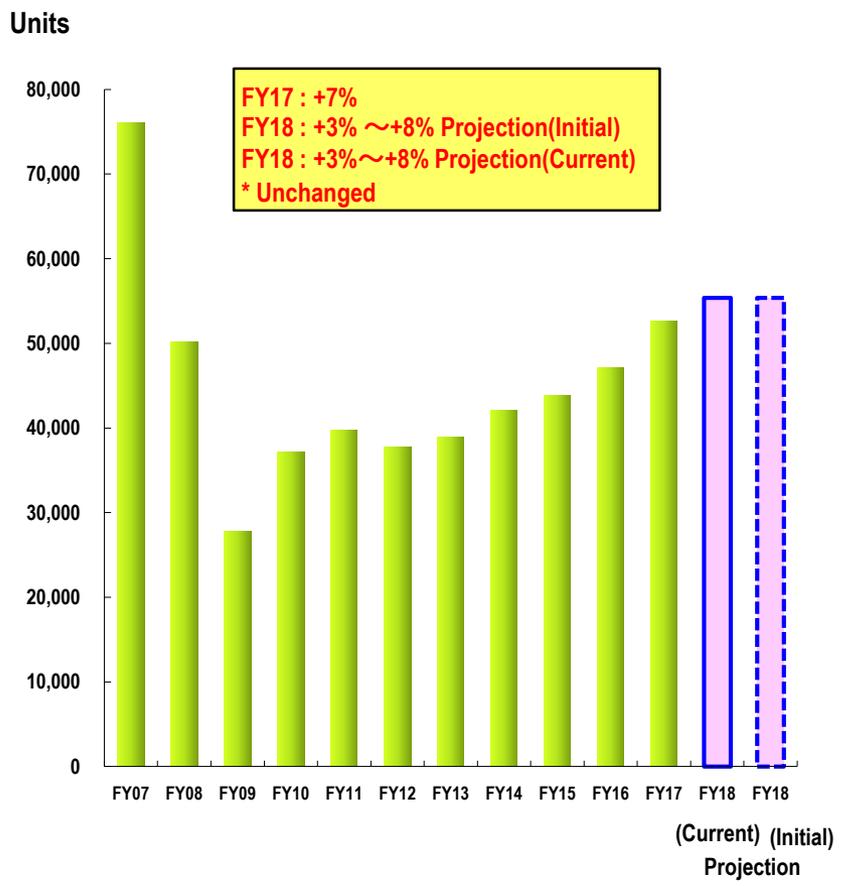


[Source]: Demand for 7 major products estimated by Komatsu

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

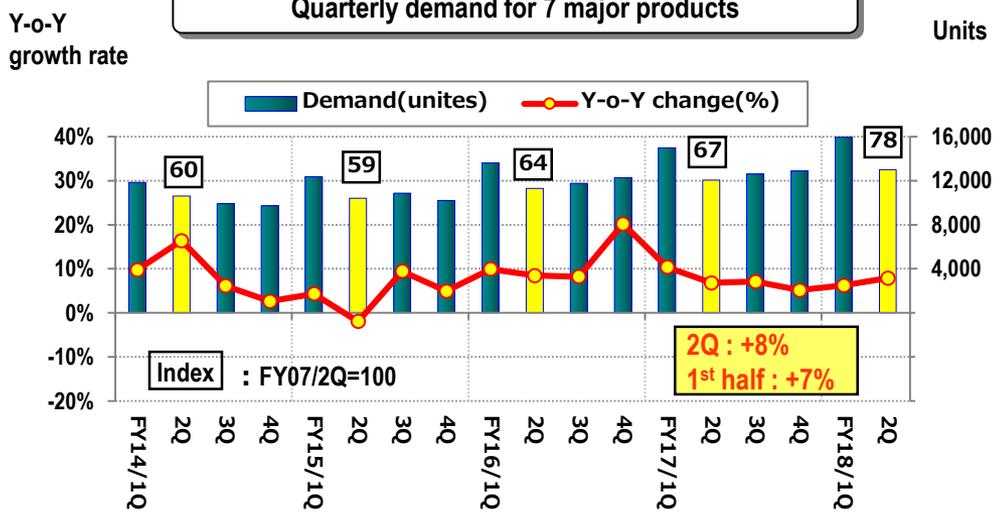
- In the first six-month period of FY2018, demand presumably increased by 7% from the corresponding period a year ago.
- Demand remained firm in the major markets of Germany, the U.K. and France, and it recovered in southern Europe.
- We are not making any changes in the projection of full-year demand.

Annual demand for 7 major products

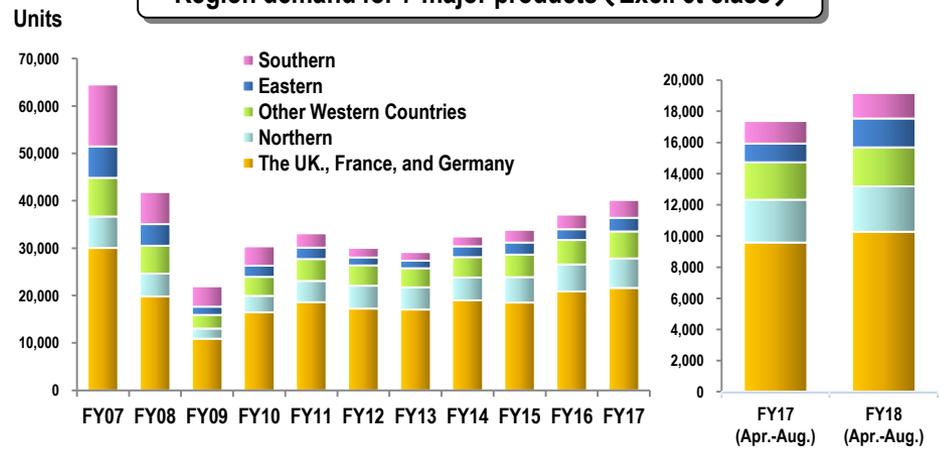


[Source]: Demand for 7 major products estimated by Komatsu

Quarterly demand for 7 major products

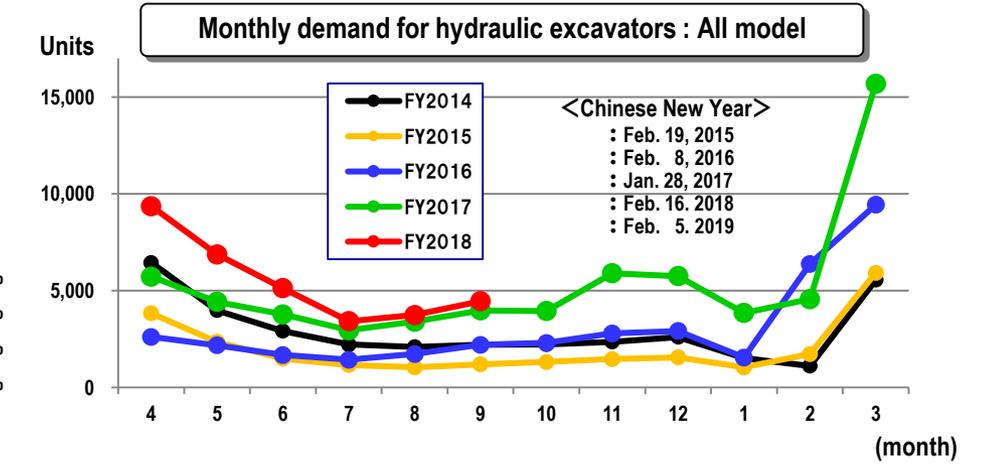
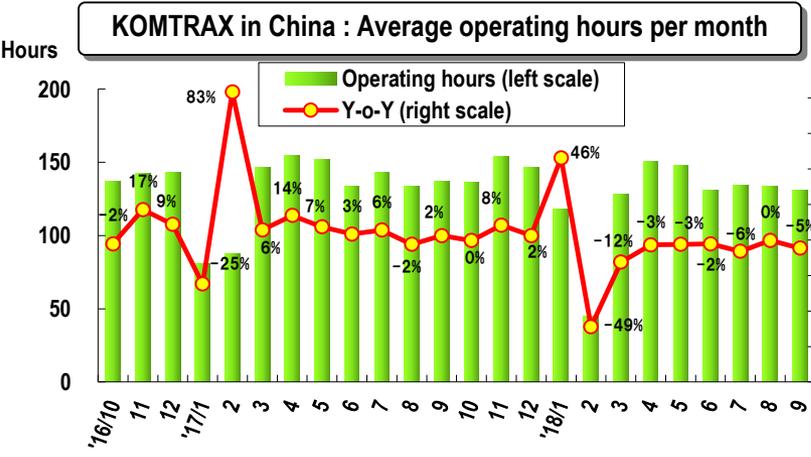
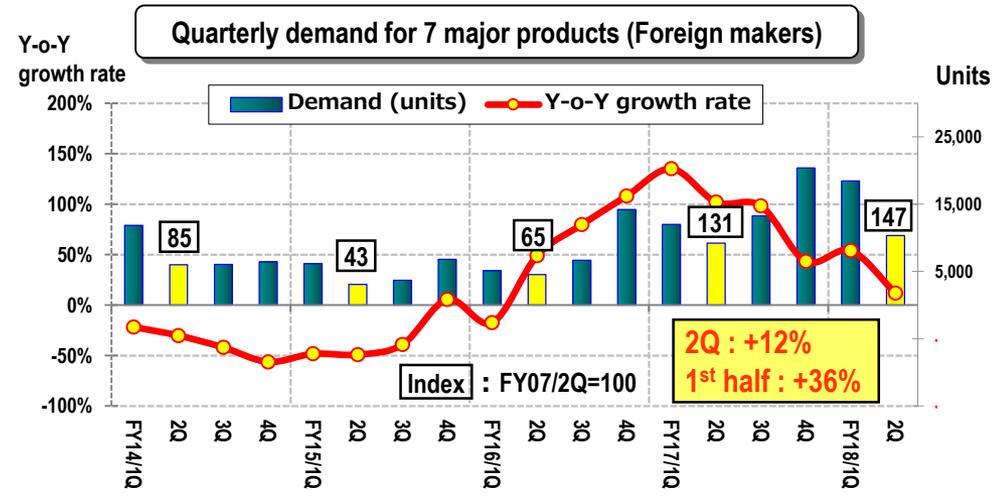
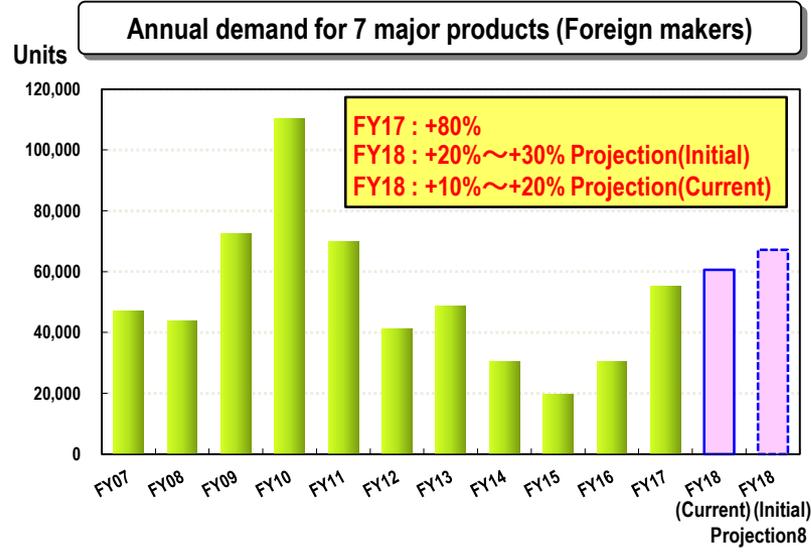


Region demand for 7 major products (Excl. 6t class)



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

- In the first six-month period of FY2018, demand presumably advanced by 36% from the corresponding period a year ago.
- While the Chinese government has announced a policy to expand infrastructure, uncertainty of the Chinese market continues into the future.
- We are revising the full-year projection of demand downward to +10% to +20%.

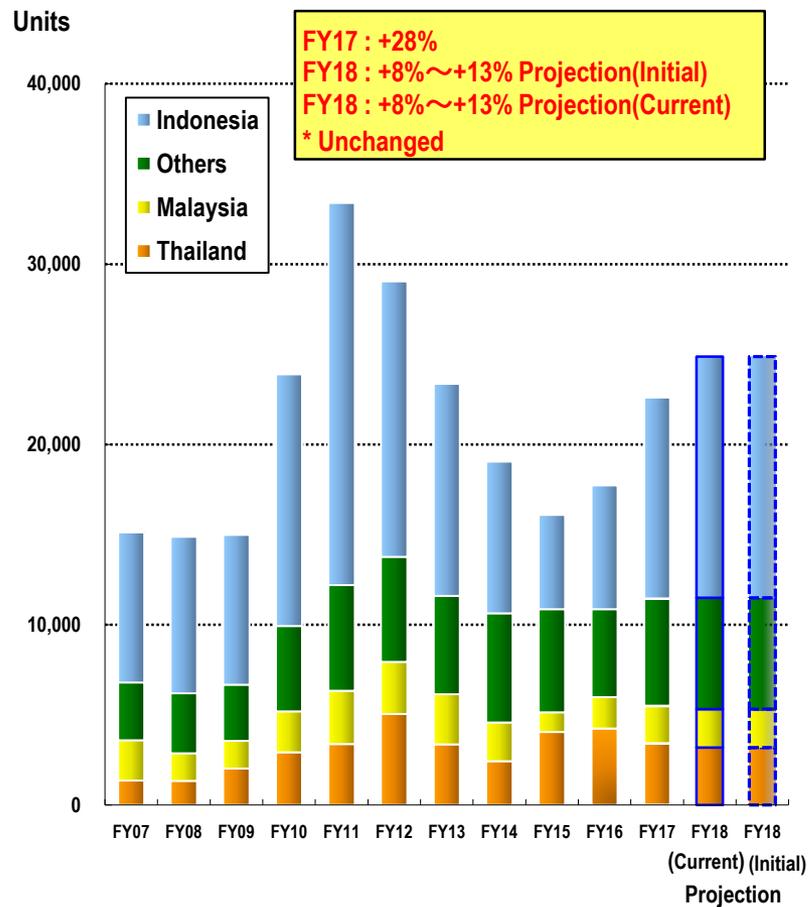


[Source]: Demand for 7 major products and hydraulic excavators estimated by Komatsu

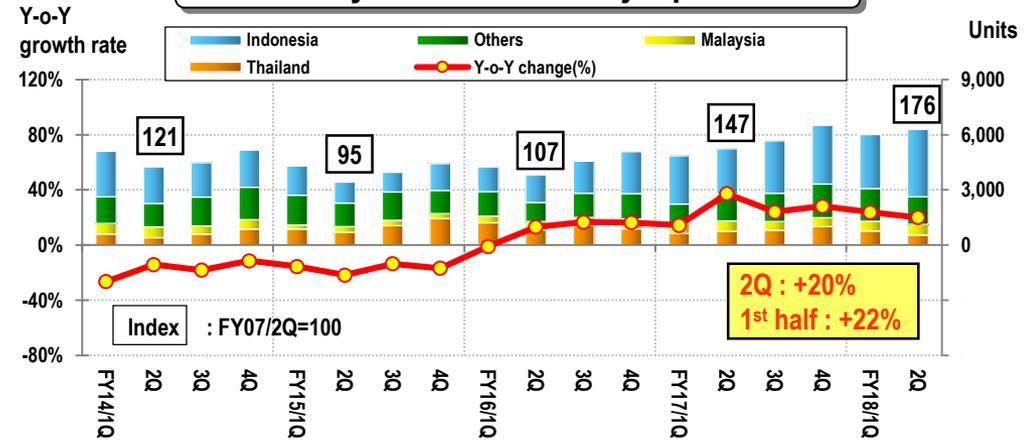
Construction, Mining & Utility Equipment : Demand in Major Markets (5) Southeast Asia

- In the first six-month period of FY2018, demand presumably advanced by 22% from the corresponding period a year ago.
- Demand remained strong in Indonesia, the largest market of the region.
- We are not making any changes in the projection of full-year demand.

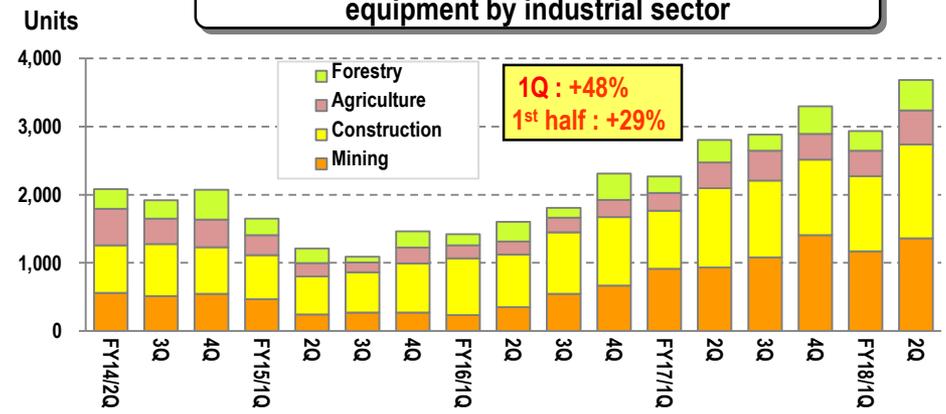
Annual demand for 7 major products



Quarterly demand for 7 major products



Indonesia: Demand for construction & mining equipment by industrial sector



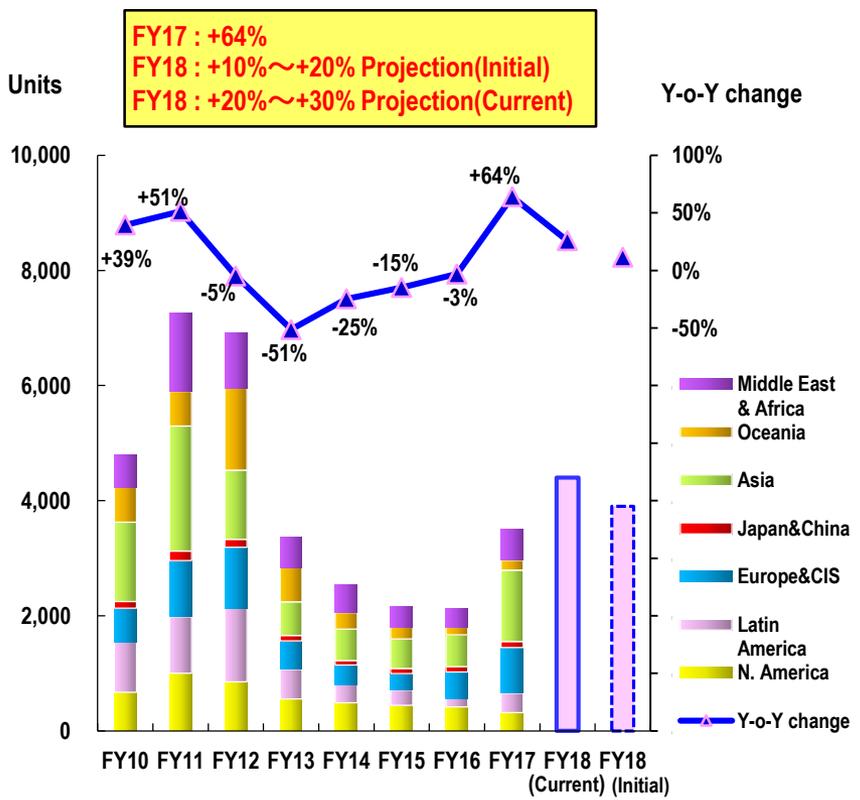
[Source]: Demand for 7 major products estimated by Komatsu

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

- In the first six-month period of FY2018, global demand for mining equipment presumably expanded by 52% from the corresponding period year ago.
- Demand has been growing, especially in North America, Latin America, Oceania and Indonesia.
- We are revising the projection of full-year demand upward to +20% to +30%.

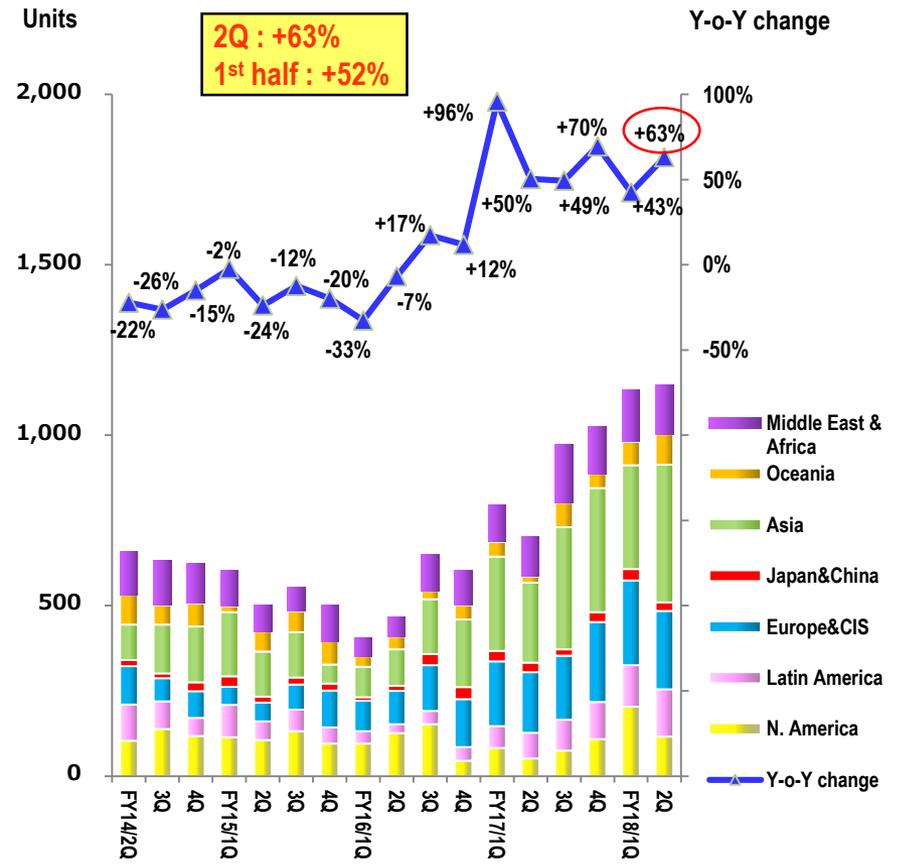
Annual demand for mining equipment

- 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



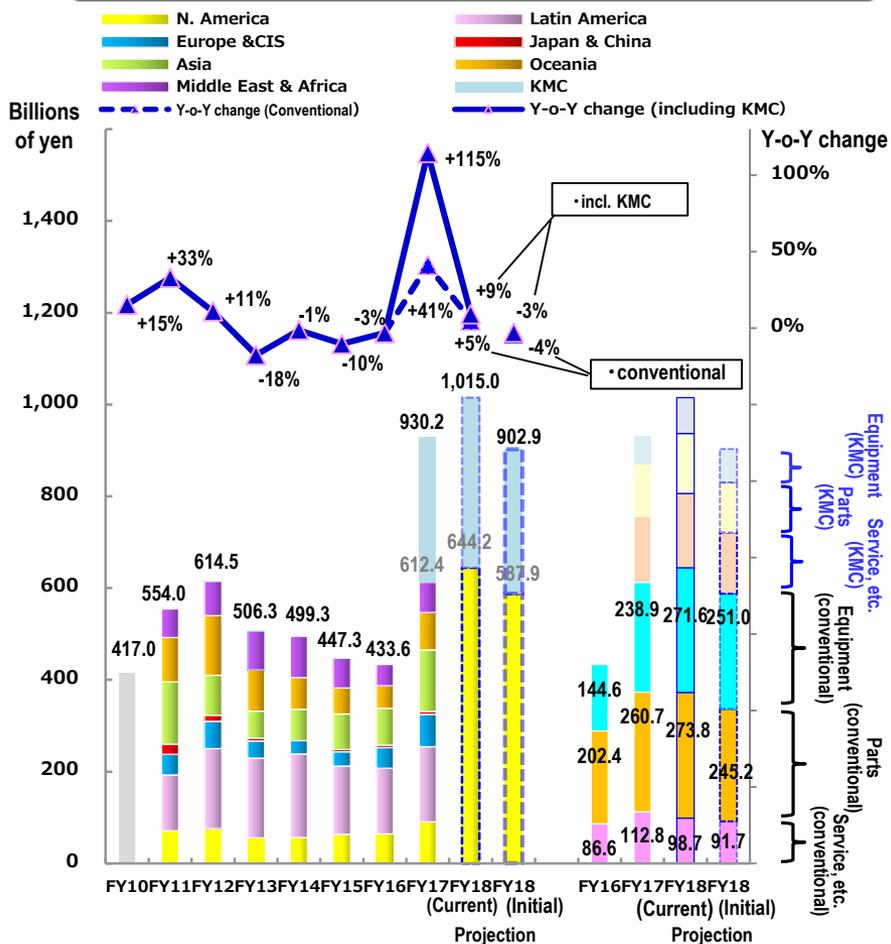
Note: Demand estimated by Komatsu

Quarterly demand for mining equipment

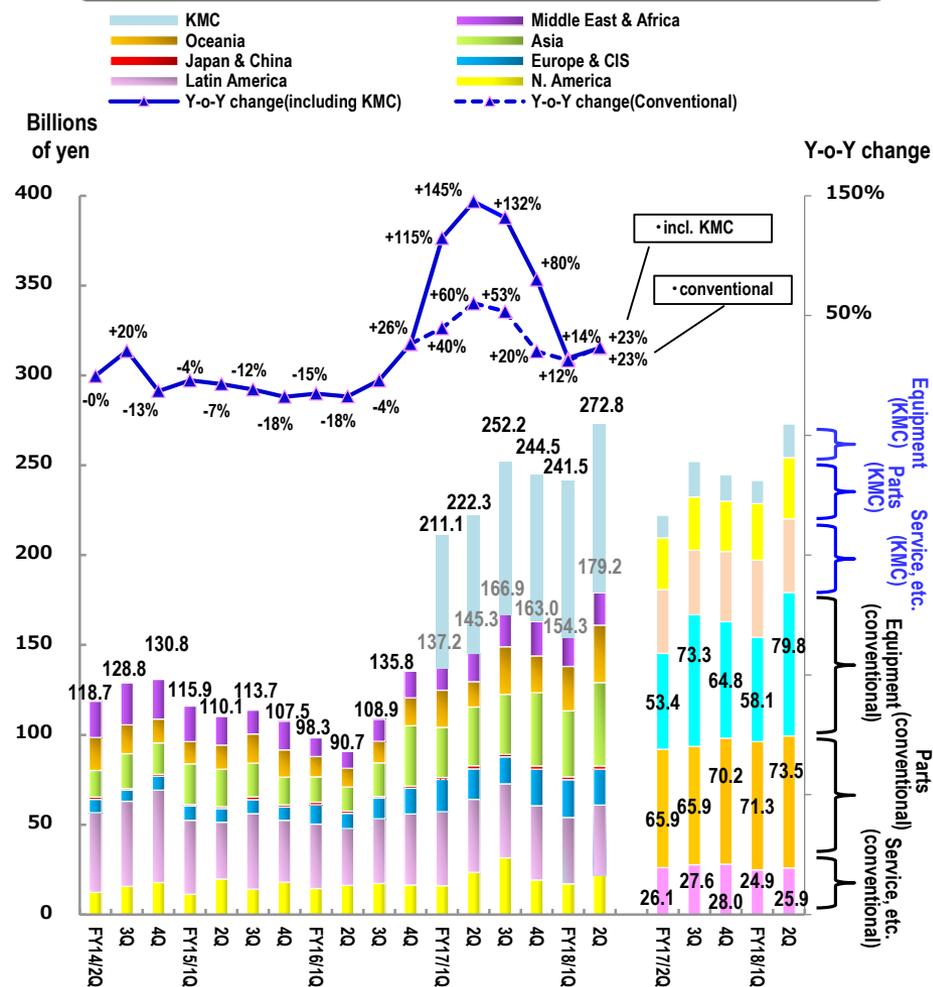


- We are projecting that sales for the second quarter of FY2018 will advance by 23% from the corresponding period a year ago, to JPY272.8 billion. On the Komatsu-conventional basis (excl. KMC), sales should increase by 23% to JPY179.2 billion.
- On the Komatsu-conventional basis, sales will increase by growing demand especially in Oceania and Asia.
- We are revising the projection of full-year sales upward to JPY1,015.0 billion, up 9% from FY2017.

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

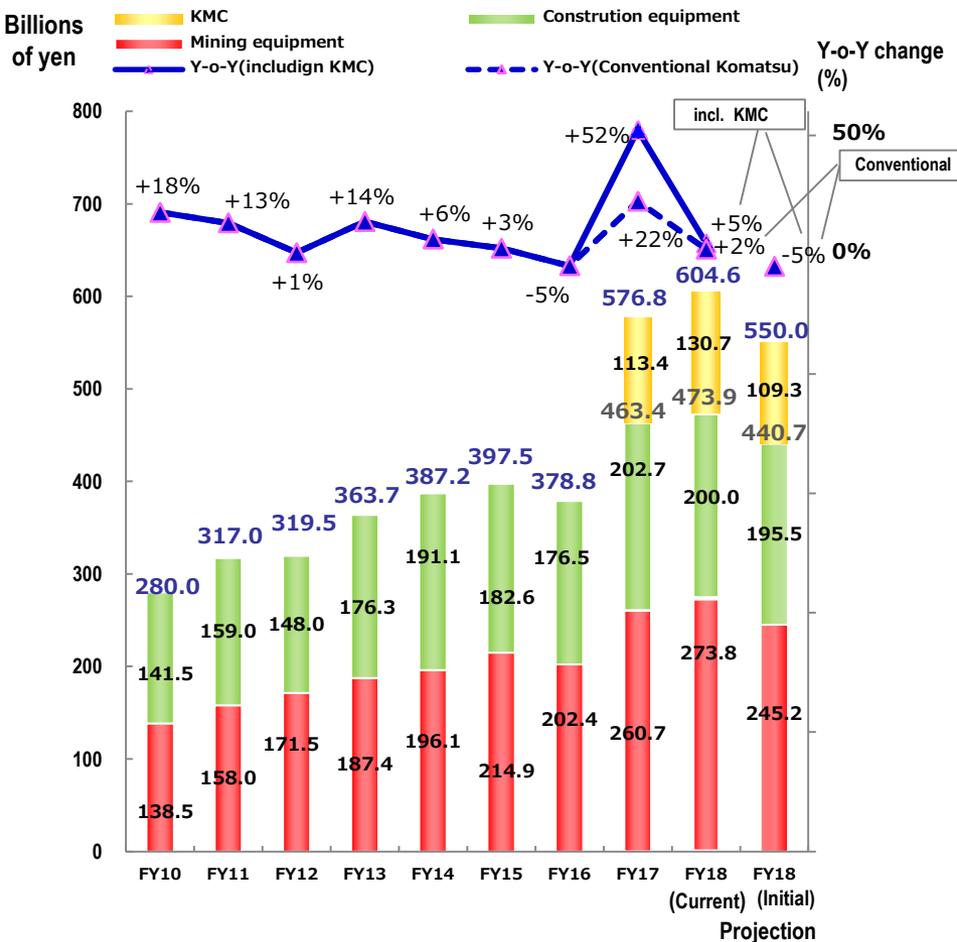


Quarterly sales of mining equipment (incl. parts and service)

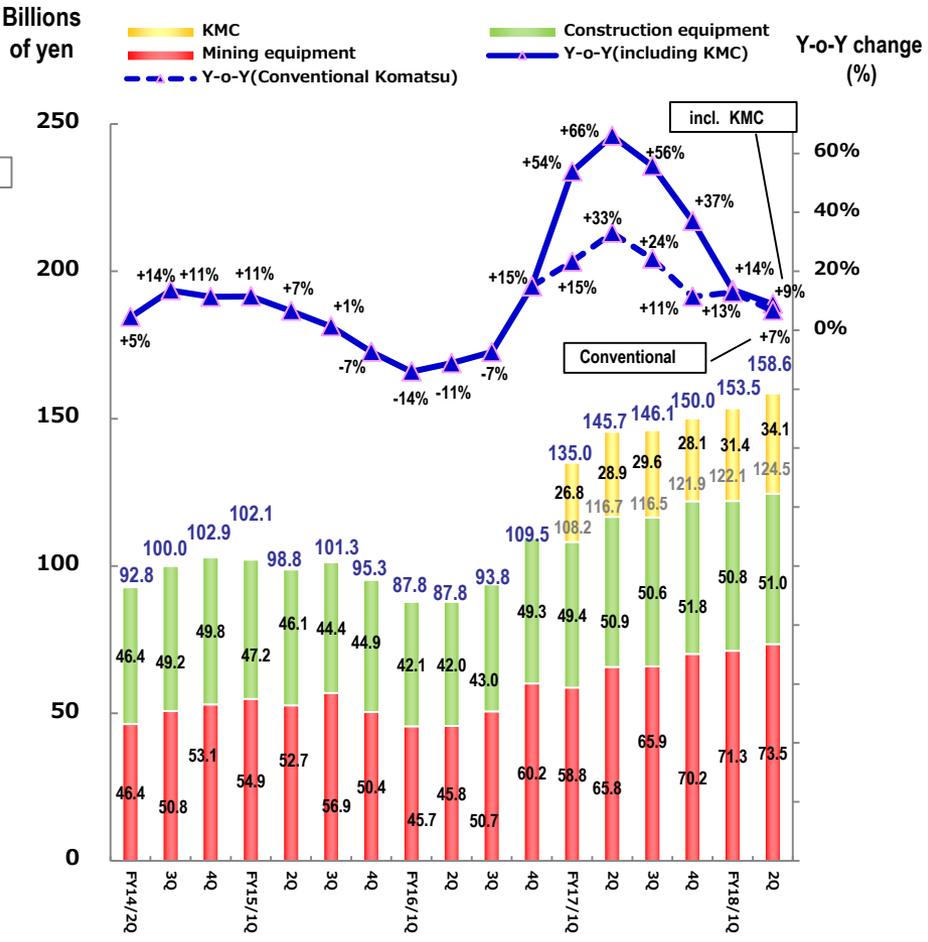


- For the second quarter of FY2018, sales of parts increased by 9% from the corresponding period a year ago, to JPY158.6 billion.
- On the Komatsu-conventional basis (excl. KMC), sales increased by 7% to JPY124.5 billion.
- Sales increased because Komatsu steadily captured aftermarket demand.
- Because we anticipate an increase in demand for parts of both construction and mining equipment in Strategic Markets, we are revising the projection of full-year sales upward to JPY604.6 billion, up 5% from FY2017.

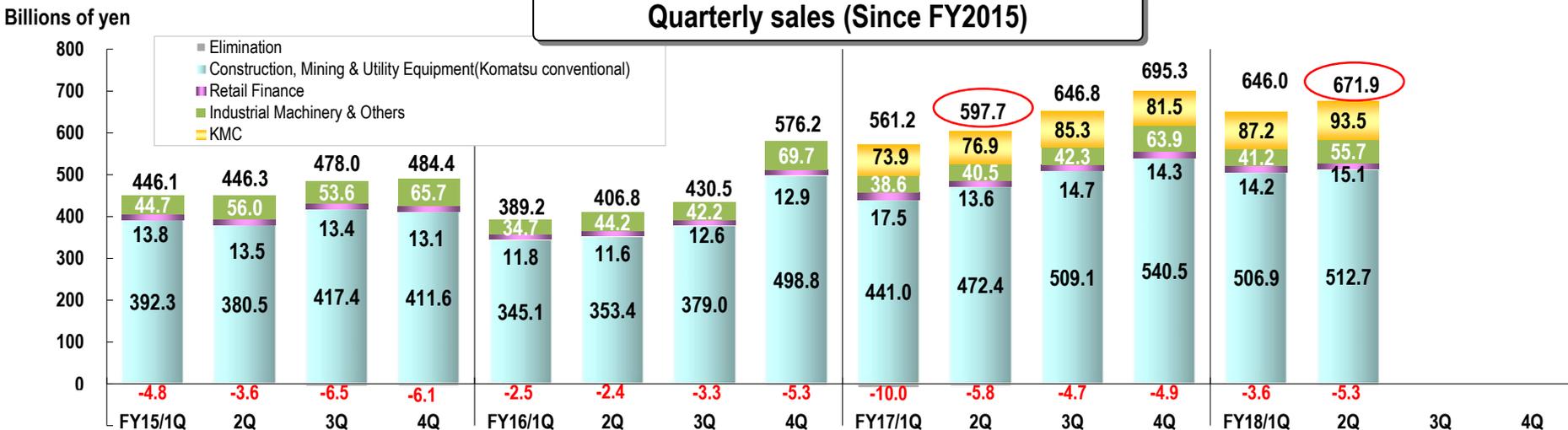
Annual sales of parts



Quarterly sales of parts

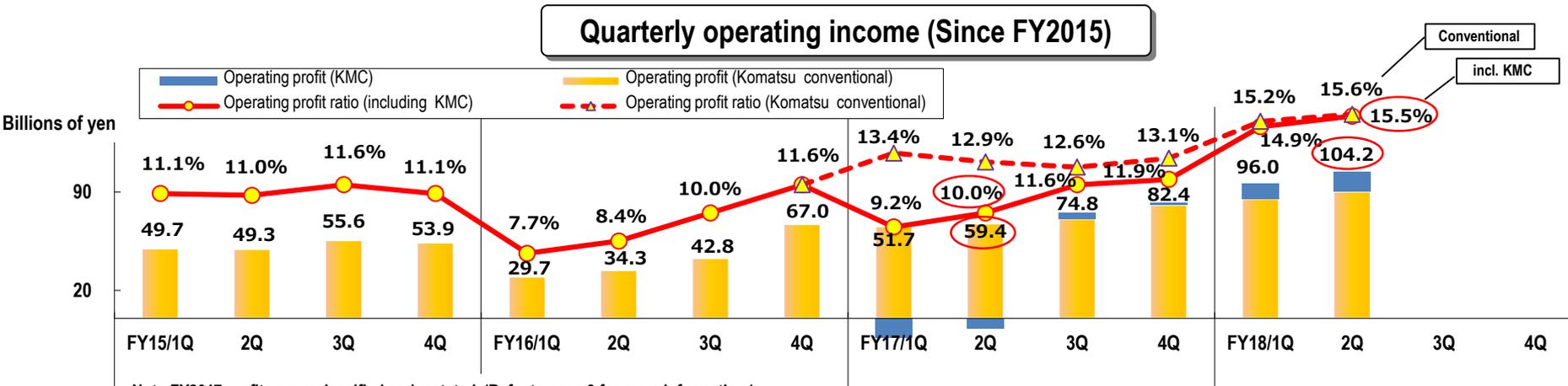


Appendix



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	111.2		
¥/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	129.6		
¥/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	16.4		



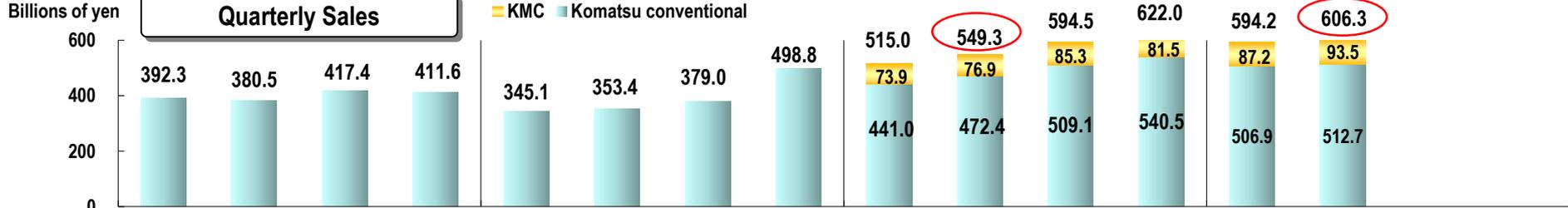
Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

* 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

Quarterly Sales

■ KMC ■ Komatsu conventional

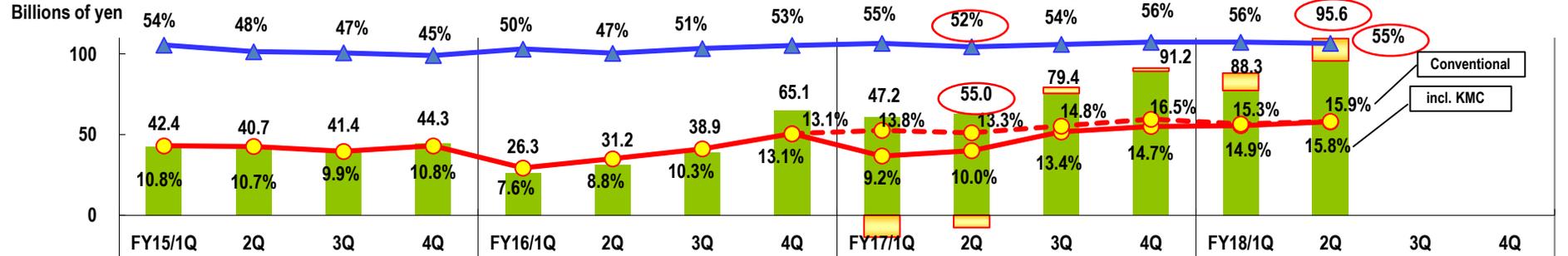


Exchange rates

	FY15/1Q				FY16/1Q				FY17/1Q				FY18/1Q			
	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	111.2		
¥/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	129.6		
¥/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	16.4		

Quarterly segment profit

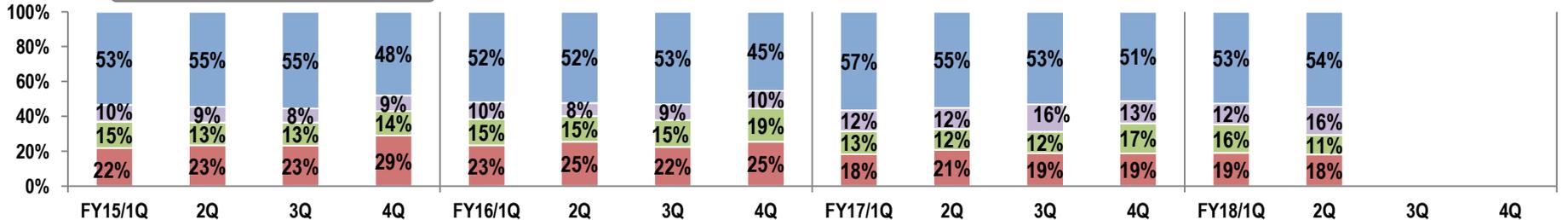
■ Segment profit (KMC) ■ Segment profit (Komatsu conventional) ● Segment profit ratio (including KMC) ● Segment profit ratio (Komatsu conventional) ▲ Percentage of sales in Strategic Markets



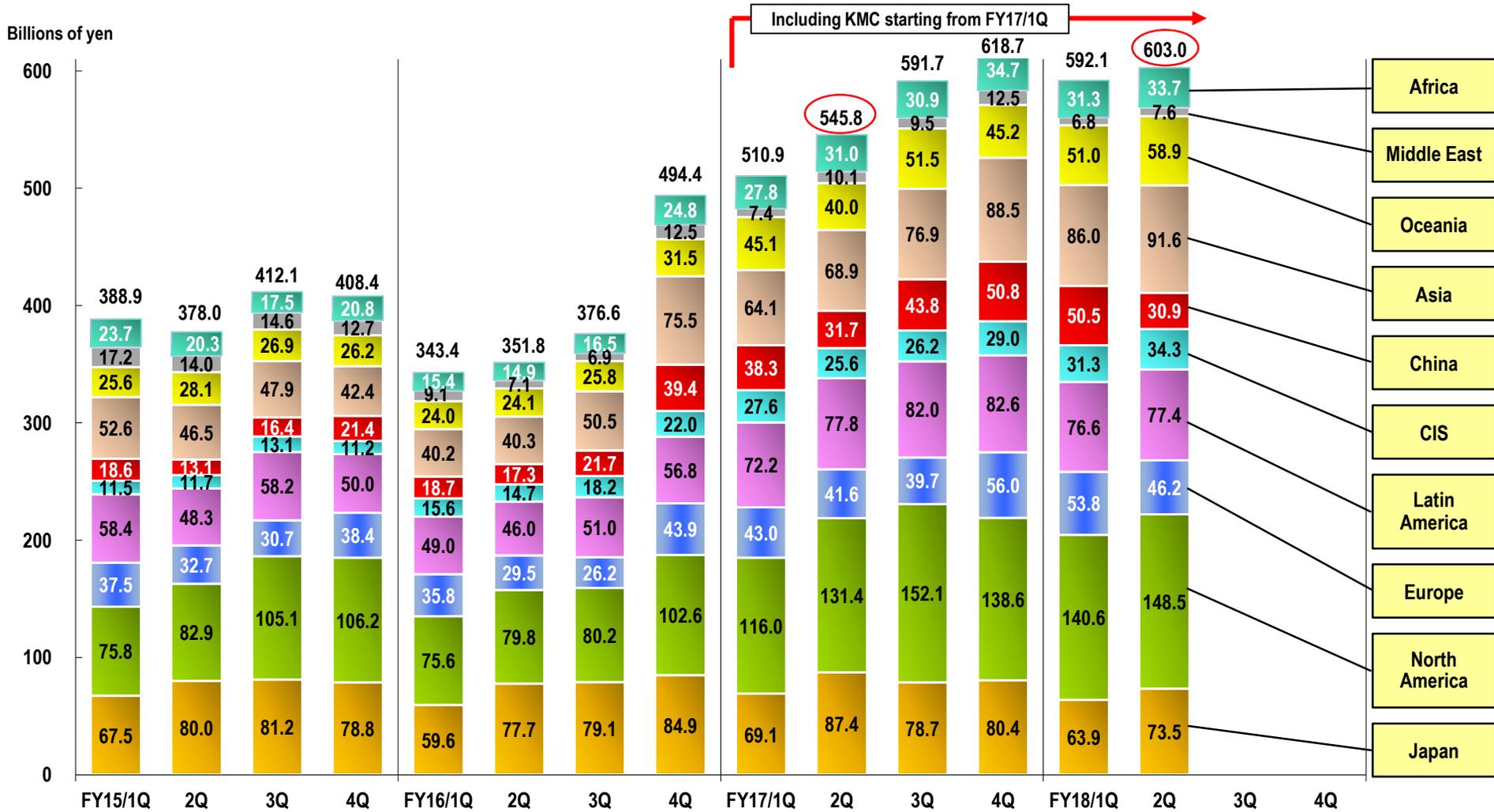
Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

Breakdown of sales(%)

■ Parts, etc ■ Mining equipment ■ Construction equipment(Strategic Markets) ■ Construction equipment(Traditional Markets)



Construction, Mining & Utility Equipment: Quarterly Sales by Region (To Outside Customers) 35

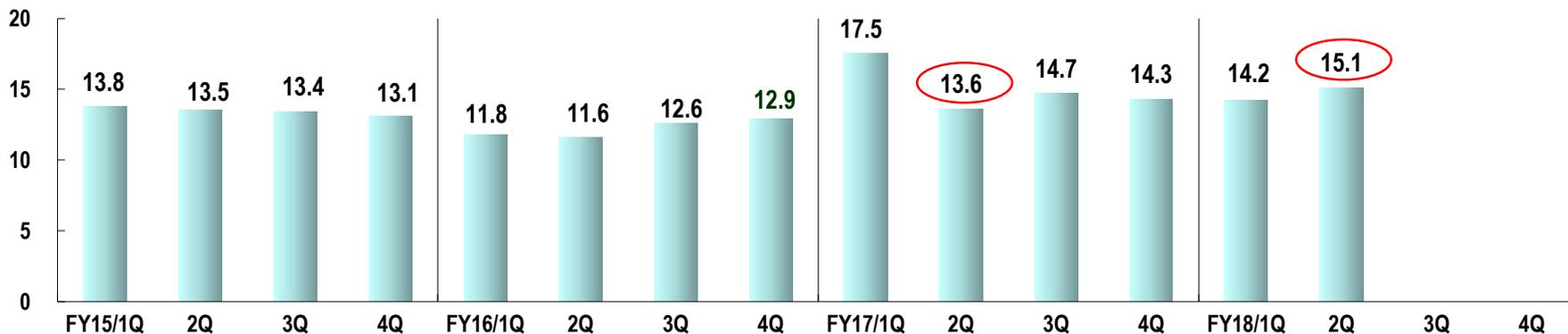


Exchange rates

	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	111.2		
¥/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	129.6		
¥/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	16.4		

Billions of yen

Quarterly sales

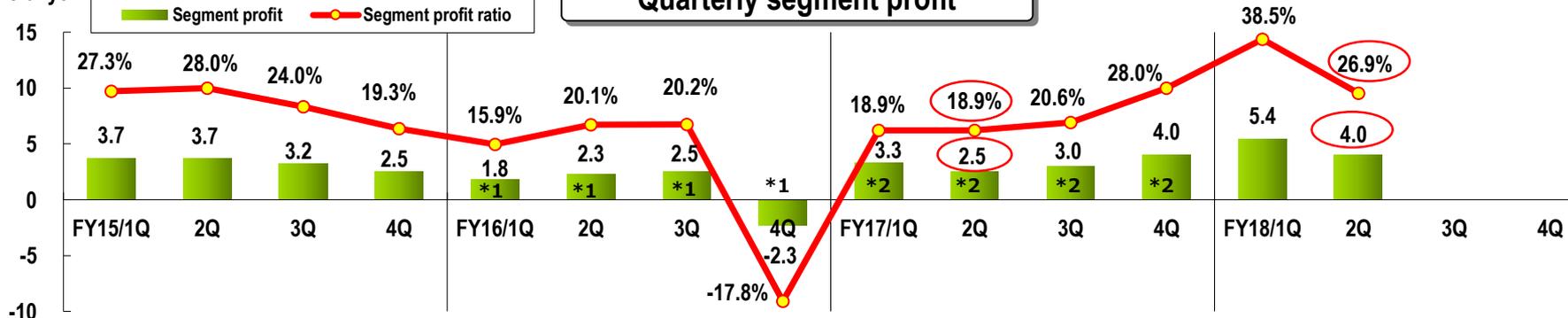


Exchange rates

	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	111.2		
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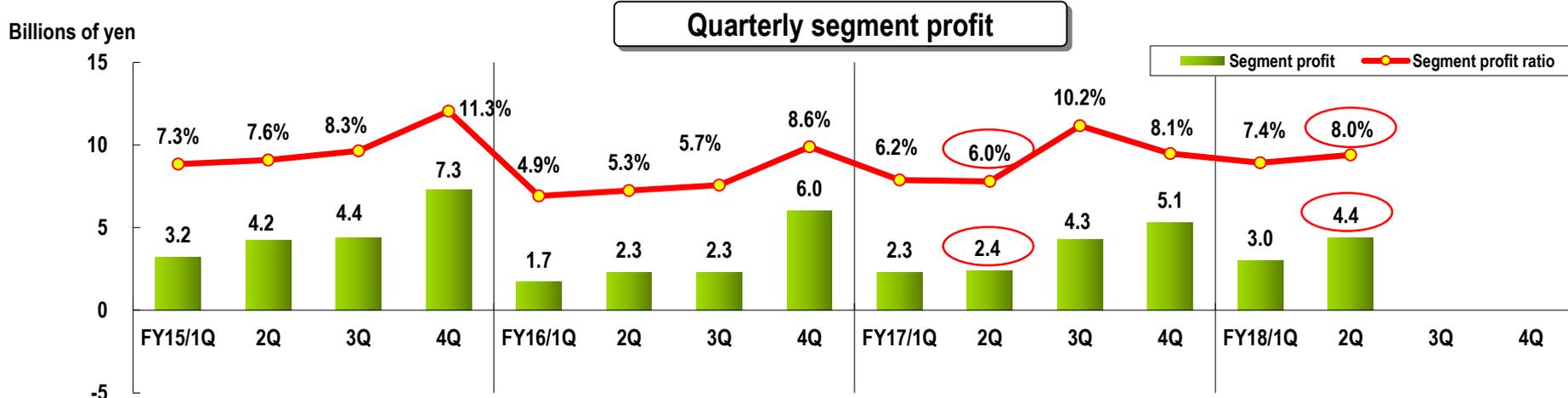
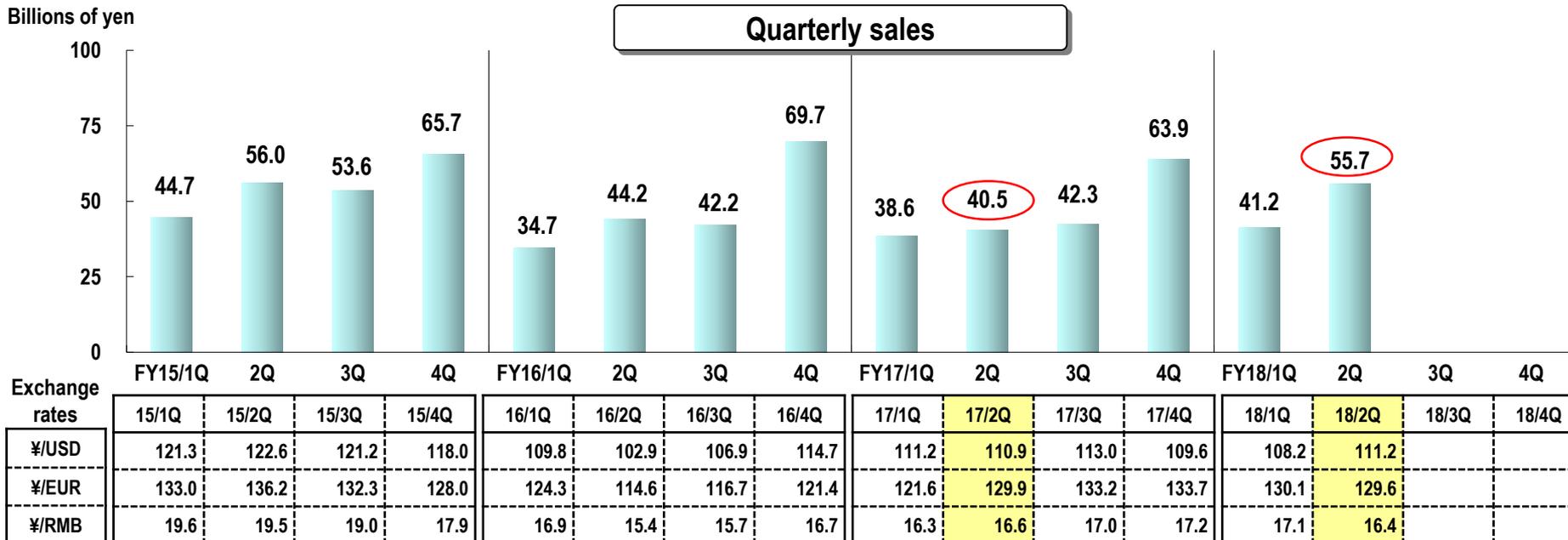
Billions of yen

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 profits are reclassified and restated. (Refer to page 3 for more information.)

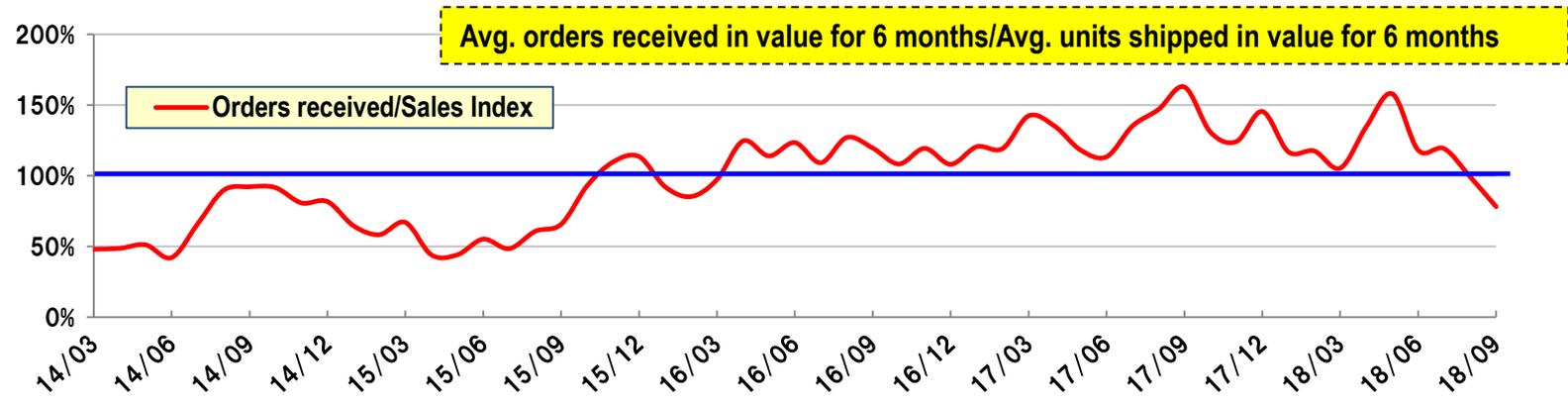


Note: FY2017 profits are reclassified and restated. (Refer to page 3 for more information.)

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

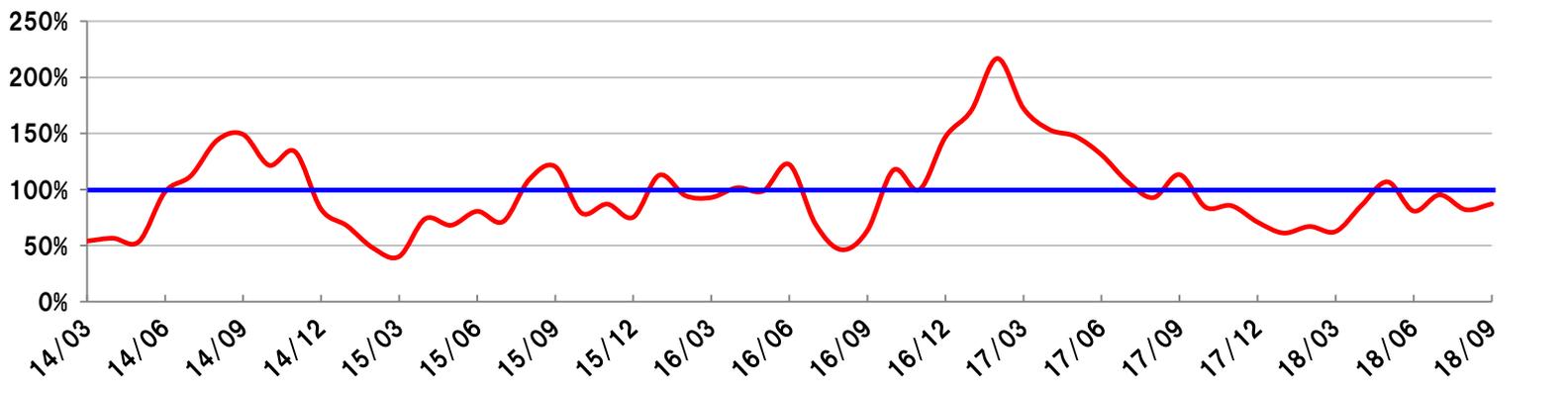
**Komatsu America
(Mining eqpt)**

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



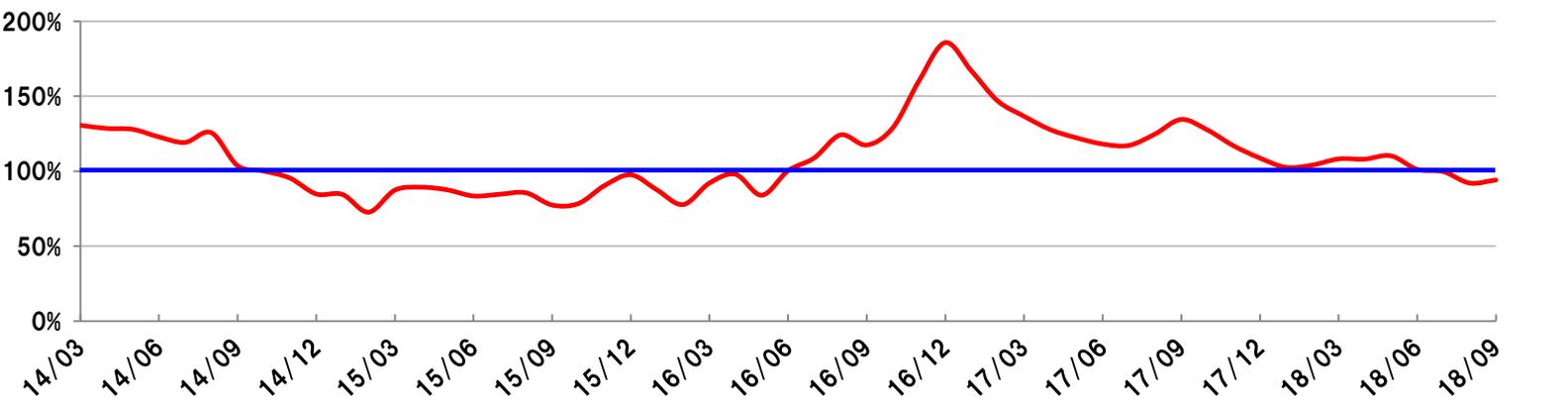
**Komatsu Germany
(Mining eqpt)**

PC3000, PC4000
PC5500, PC7000
PC8000



**Komatsu Ltd.
(Mining eqpt)**

HD785, HD1500
PC2000, PC3000
PC4000
WA800 and larger
D375A and larger
GD825A and larger

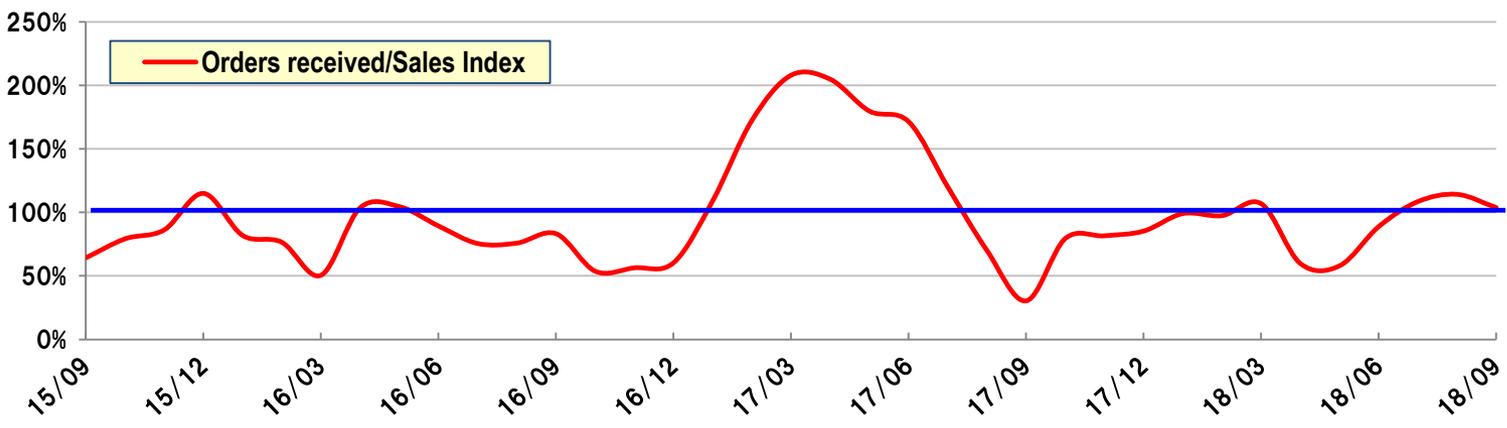


Book-to-Bill Ratio for KMC Mining Equipment (6 Months)

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

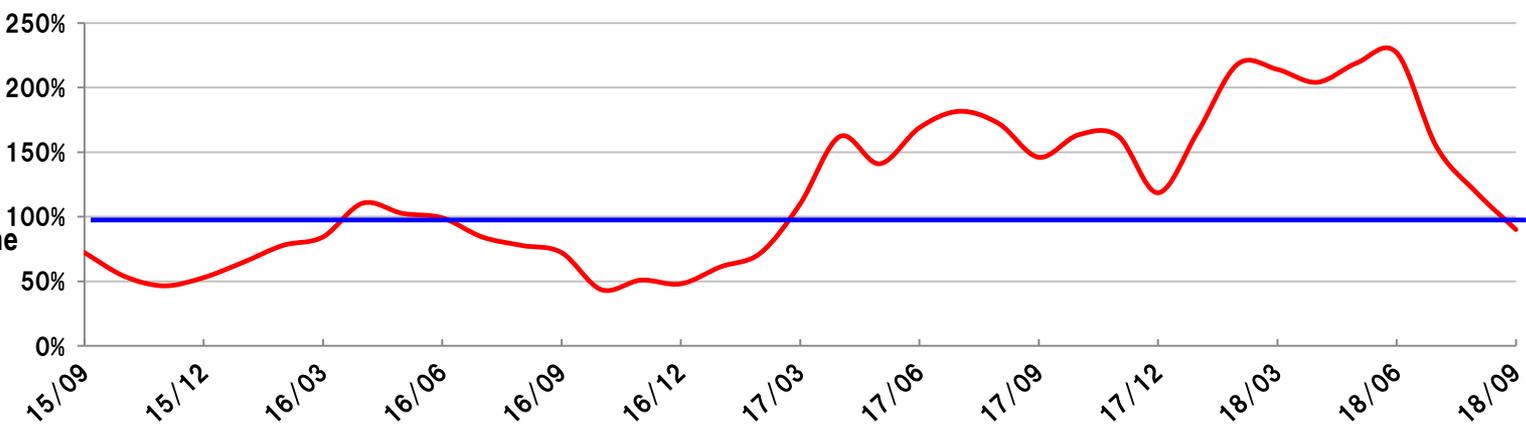
KMC (Surface)

Rope Shovel
Blasthole Drills
Dragline ,etc.



KMC (Underground)

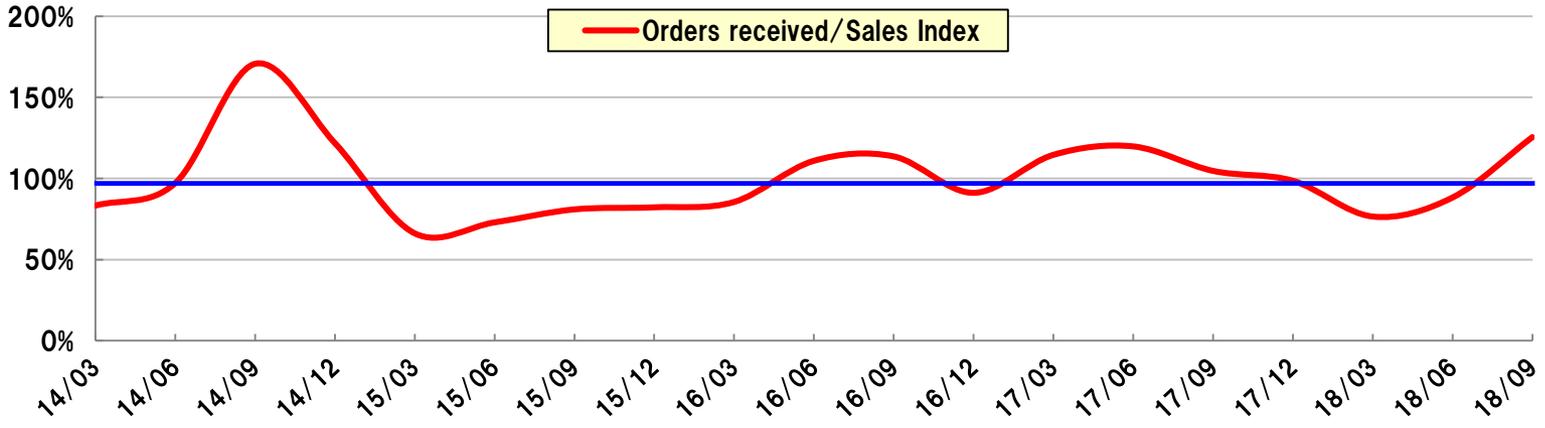
Continuous Miner
Sheerer
Load Haul Dump Machine
Jumbo Drills, etc.



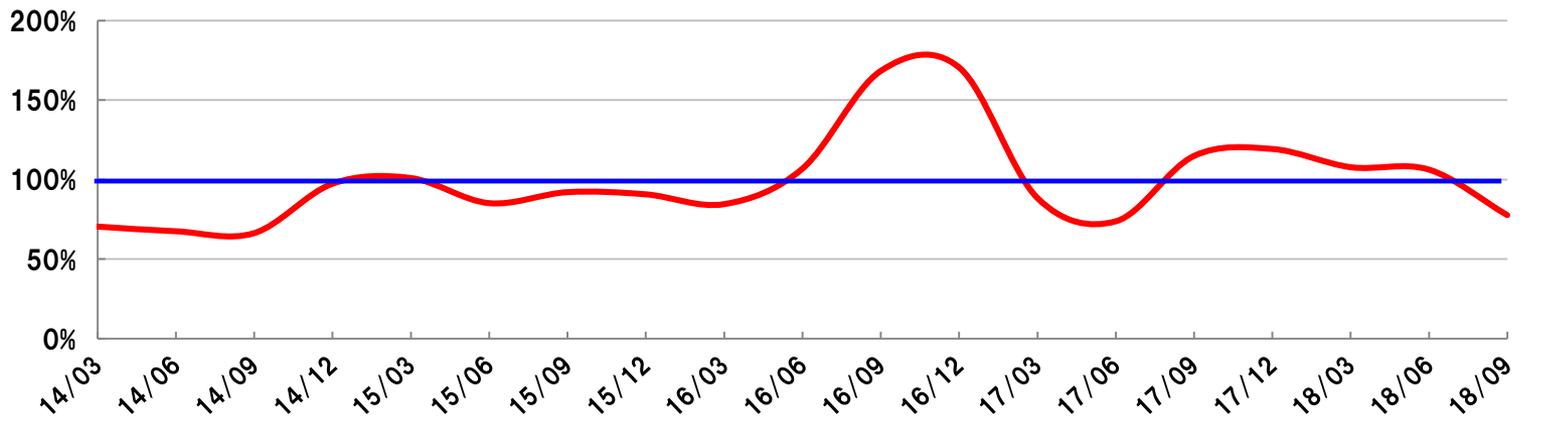
Book-to-Bill Ratio for Industrial Machinery (6 Months)

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

Komatsu Industries



Komatsu NTC (Excl. wire saws)



- KMC is going to relocate its current head office plant in Milwaukee, Wisconsin to a new location on the coast in Milwaukee by investing about USD300 million. The new plant will feature cutting-edge technological advantages.
- KMC plans to promote the steady relocation in collaboration with the State of Wisconsin and the City of Milwaukee for the total completion in 2022.



Rope shovel



(Conceptual image)



Blast hole drill

- Komatsu participated in “CEATEC JAPAN 2018” for the first time. In this CPS/IoT exhibition held in Makuhari Messe near Tokyo in October 2018, Komatsu introduced new challenges taken up by its SMARTCONSTRUCTION under the theme of safer, more productive and smarter construction jobsites of the future.



Autonomous hydraulic excavator and crawler dump working together

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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