

Business Results for Three and Six Months ended September 30, 2019

October 30, 2019

Komatsu Ltd. Participants

Hiroyuki Ogawa	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, 2019

- Consolidated net sales declined by 10.2% from the corresponding period a year ago, to JPY603.7 billion.
- Operating income dropped by 35.5% to JPY67.2 billion. Operating income ratio decreased by 4.4 points to 11.1%.
- Net income attributable to Komatsu Ltd. fell by 31.8% to JPY42.5 billion.

Billions of yen	Jul.-Sep.,2018 (A)	Jul.-Sep.,2019 (B)	Changes (B-A)	
	¥111.2/USD ¥129.6/EUR ¥16.4/RMB	¥107.9/USD ¥120.0/EUR ¥15.5/RMB	increase (decrease)	Change %
Net sales	671.9	603.7	(68.2)	(10.2)%
Segment profit	103.2	67.9	(35.2)	(34.2)%
Other operating income (expenses)	1.0	(0.7)	(1.7)	-
Operating income	104.2	67.2	(37.0)	(35.5)%
Profit ratio	15.5%	11.1%	(4.4)pts.	-
Other income (expenses)	(4.6)	(5.9)	(1.2)	-
Income before income taxes	99.5	61.3	(38.2)	(38.4)%
Net income attributable to Komatsu Ltd	62.4	42.5	(19.8)	(31.8)%

KOMATSU Segment Sales and Profits for the Second 3-Month Period (Jul.- Sep., 2019) of FY2019

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- Construction, Mining & Utility Equipment: Sales declined by 9.3% from the corresponding period a year ago, to JPY550.1 billion. Segment profit dropped by 36.1% to JPY61.1 billion. Segment profit ratio declined by 4.7 points to 11.1%.
- Retail Finance: Revenues advanced by 15.3 to JPY17.5 billion. Segment profit declined by 16.7% to JPY3.4 billion.
- Industrial Machinery & Others: Sales dropped by 28.8% to JPY39.7 billion. Segment profit fell by 22.0% to JPY3.4 billion.

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

Billions of yen	Jul.-Sep.,2018 (A)	Jul.-Sep.,2019 (B)	Changes (B-A)	
			increase (decrease)	Change %
Net sales	671.9	603.7	(68.2)	(10.2)%
Construction, mining & utility equipment	606.3 [603.0]	550.1 [548.7]	(56.1) [(54.3)]	(9.3)% [(9.0)%]
Retail finance	15.1 [13.6]	17.5 [15.6]	+2.3 [+2.0]	+15.3% [+14.8%]
Industrial machinery & others	55.7 [55.2]	39.7 [39.3]	(16.0) [(15.9)]	(28.8)% [(28.8)%]
Elimination	(5.3)	(3.6)	+1.6	-
Segment profit	□ 15.4% 103.2	□ 11.3% 67.9	□ (4.1)% (35.2)	(34.2)%
Construction, mining & utility equipment	□ 15.8% 95.6	□ 11.1% 61.1	□ (4.7)% (34.4)	(36.1)%
Retail finance	□ 26.9% 4.0	□ 19.5% 3.4	□ (7.4)% (0.6)	(16.7)%
Industrial machinery & others	□ 8.0% 4.4	□ 8.8% 3.4	□ 0.8% (0.9)	(22.0)%
Corporate & elimination	(0.9)	(0.0)	+0.8	-

Review of three business segments

■ Construction, Mining & Utility Equipment:

Sales decreased, adversely affected by reduced sales volume and differences in foreign exchange rates. Segment profit dropped, affected mainly by reduced sales volume and a change in the geographic composition of sales.

■ Retail Finance:

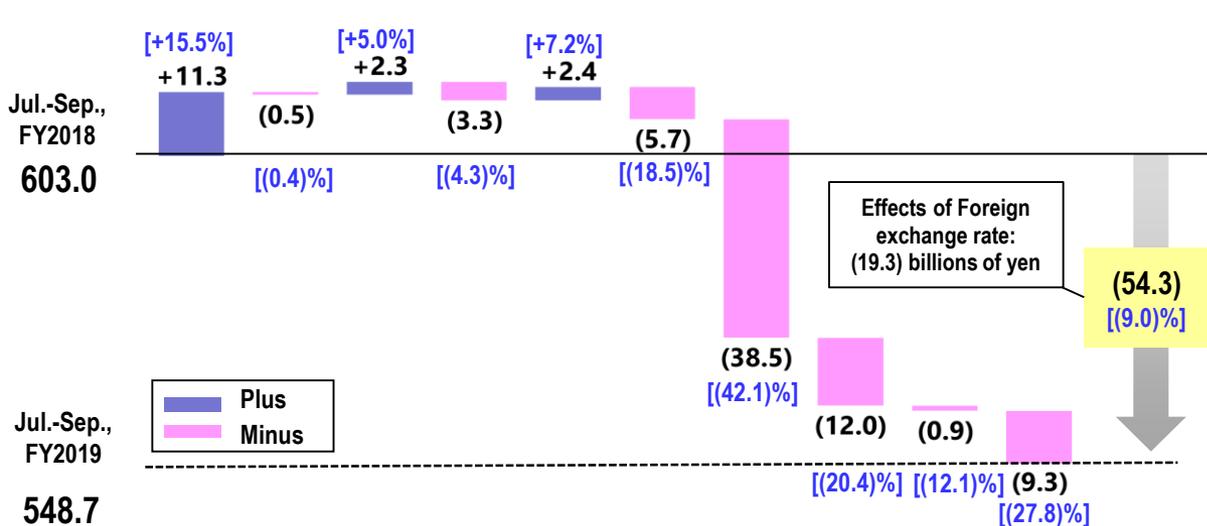
Revenues advanced, supported by an increase in the average asset balance. Segment profit fell, mainly reflecting no more reversal of allowances for doubtful accounts in China, which were recorded for the corresponding period a year ago.

■ Industrial Machinery & Others

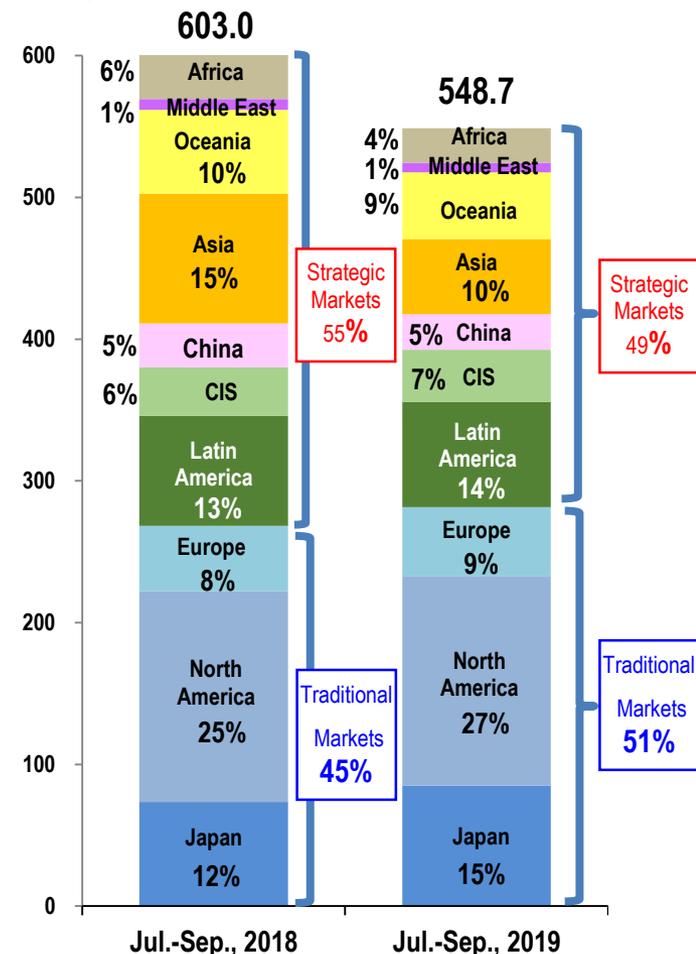
Both sales and segment profit declined, due to reduced sales of presses and machine tools to the automobile manufacturing industry, as well as declined sales of Excimer laser-related products on the semiconductor market.

- Sales to outside customers declined by 9.0% from the corresponding period a year ago, to JPY548.7 billion.
- While sales increased mainly in Japan, CIS and Europe, they dropped sharply in Asia, Oceania and Africa. As a result, sales declined.
- The ratio of sales in Traditional Markets increased to 51% of total sales.

Jul.-Sep.,2019 vs. Jul.-Sep.,2018



Billions of yen



Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
Jul.-Sep.,2018(a)	73.5	148.5	46.2	77.4	34.3	30.9	91.6	58.9	7.6	33.7	603.0
Jul.-Sep.,2019(b)	84.9	147.9	48.6	74.1	36.7	25.2	53.0	46.9	6.6	24.3	548.7
Change (b-a)	+11.3	(0.5)	+2.3	(3.3)	+2.4	(5.7)	(38.5)	(12.0)	(0.9)	(9.3)	(54.3)
	※	※	※		※						

Legend: ※ Region where sales increased, when foreign exchange effects were excluded.

Traditional Markets: Japan, North America, Europe, Latin America, CIS

Strategic Markets: China, Asia, Oceania, Middle East, Africa

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

- Consolidated net sales declined by 7.9% from the corresponding period a year ago, to JPY1,213.4 billion.
- Operating income dropped by 29.1% to JPY141.9 billion. Operating income ratio was 11.7%, down 3.5 points.
- Net income attributable to Komatsu Ltd. dropped by 28.2% to JPY90.0 billion.

Billions of yen	Apr.-Sep.,2018 (A) ¥109.7/USD ¥129.9/EUR ¥16.8/RMB	Apr.-Sep.,2019 (B) ¥109.0/USD ¥121.6/EUR ¥15.8/RMB	Changes (B-A)	
			increase (decrease)	Change %
Net sales	1,318.0	1,213.4	(104.5)	(7.9)%
Segment profit	199.1	140.6	(58.4)	(29.3)%
Other operating income	1.1	1.2	+0.1	-
Operating income	200.3	141.9	(58.3)	(29.1)%
Profit ratio	15.2%	11.7%	(3.5)pts.	-
Other income (expenses)	(7.7)	(13.7)	(5.9)	-
Income before income taxes	192.5	128.2	(64.2)	(33.4)%
Net income attributable to Komatsu Ltd	125.3	90.0	(35.3)	(28.2)%
Cash dividends per share	51yen	55yen	+4	

KOMATSU Segment Sales and Profits for the First Six-Month Period (Apr.- Sep., 2019) of FY2019

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- Construction, Mining & Utility Equipment: Sales declined by 7.4% from the corresponding period a year ago, to JPY1,111.6 billion. Segment profit dropped by 29.4% to JPY129.8 billion. Segment profit ratio was 11.7%, down 3.6 points.
- Retail Finance: Revenues advanced by 18.2% to JPY34.7 billion. Segment profit dropped by 28.9% to JPY6.8 billion.
- Industrial Machinery & Others: Sales dropped by 24.0% to JPY73.7 billion. Segment profit fell by 46.2% to JPY4.0 billion.

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

Billions of yen	Apr.-Sep.,2018 (A)	Apr.-Sep.,2019 (B)	Changes (B-A)	
			increase (decrease)	Change %
Net sales	1,318.0	1,213.4	(104.5)	(7.9)%
Construction, mining & utility equipment	1,200.5 [1,195.1]	1,111.6 [1,109.3]	(88.9) [(85.8)]	(7.4)% [(7.2)%]
Retail finance	29.4 [26.6]	34.7 [31.1]	+5.3 [+4.5]	+18.2% [+17.0%]
Industrial machinery & others	97.0 [96.2]	73.7 [73.0]	(23.3) [(23.2)]	(24.0)% [(24.1)%]
Elimination	(9.0)	(6.7)	+2.3	-
Segment profit	□ 15.1% 199.1	□ 11.6% 140.6	□ (3.5)% (58.4)	(29.3)%
Construction, mining & utility equipment	□ 15.3% 183.9	□ 11.7% 129.8	□ (3.6)% (54.1)	(29.4)%
Retail finance	□ 32.6% 9.5	□ 19.6% 6.8	□ (13.0)% (2.7)	(28.9)%
Industrial machinery & others	□ 7.7% 7.5	□ 5.5% 4.0	□ (2.2)% (3.4)	(46.2)%
Corporate & elimination	(1.9)	0.0	+1.9	-

Review of three business segments

■ Construction, Mining & Utility Equipment:

Sales decreased, adversely affected by reduced sales volume and differences in foreign exchange rates. Segment profit dropped, affected mainly by reduced sales volume and a change in the geographic composition of sales.

■ Retail Finance:

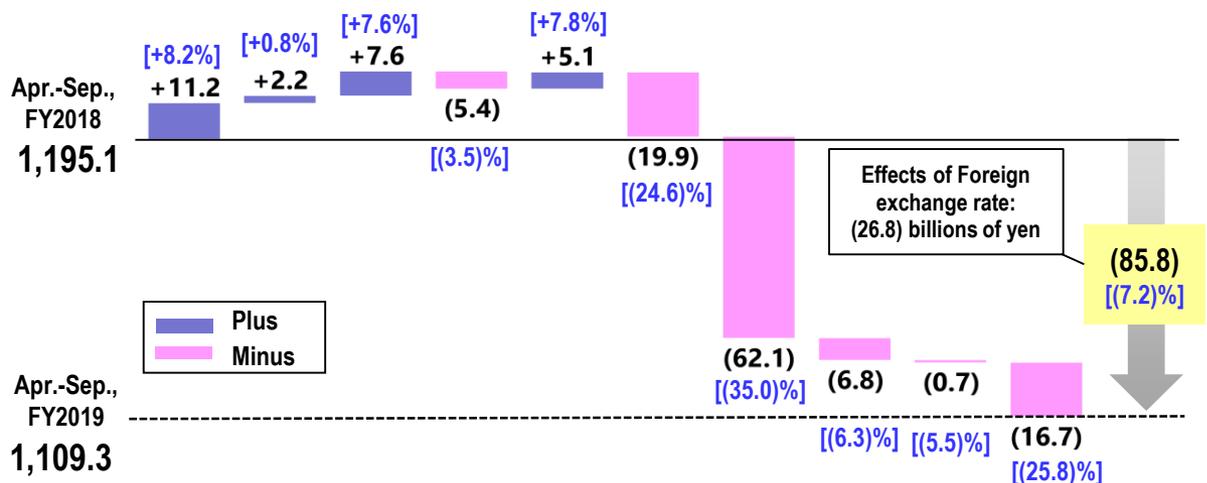
Revenues advanced, supported by an increase in the average asset balance. Segment profit fell, mainly reflecting no more reversal of allowances for doubtful accounts in China, which were recorded for the corresponding period a year ago.

■ Industrial Machinery & Others

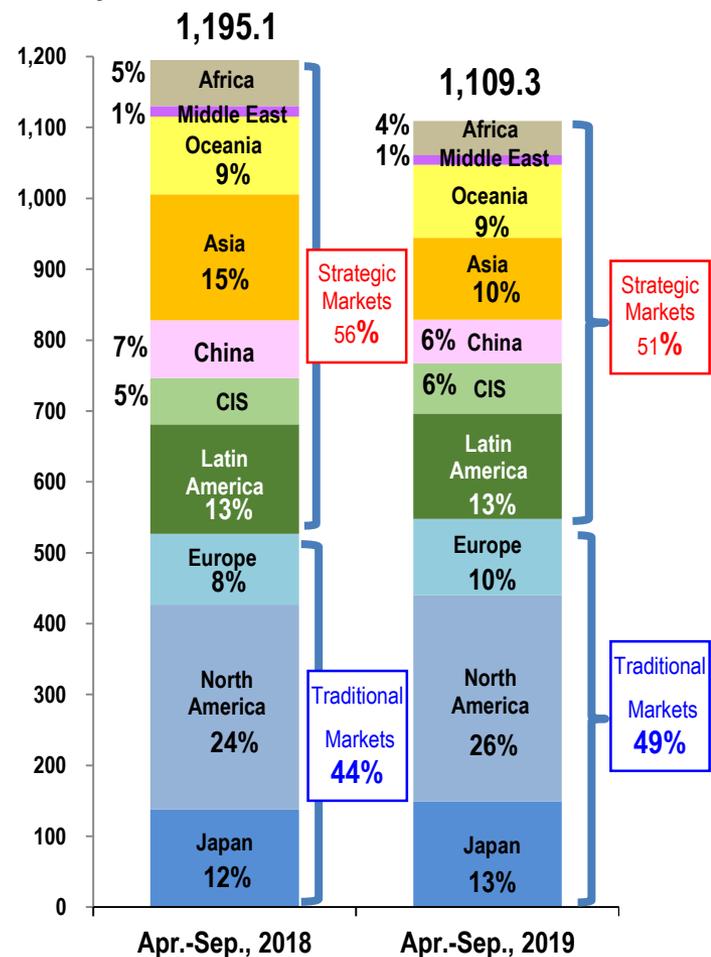
Both sales and segment profit declined, due to reduced sales of presses and machine tools to the automobile manufacturing industry, as well as declined sales of Excimer laser-related products on the semiconductor market.

- Sales to outside customers decreased by 7.2% from the corresponding period a year ago, to JPY1,109.3 billion.
- While sales increased mainly in Japan, Europe and CIS, they dropped sharply in Asia, China and Africa. As a result, sales declined.
- The ratio of sales in Traditional Markets increased to 49% of total sales.

Apr.-Sep.,2019 vs. Apr.-Sep.,2018



Billions of yen



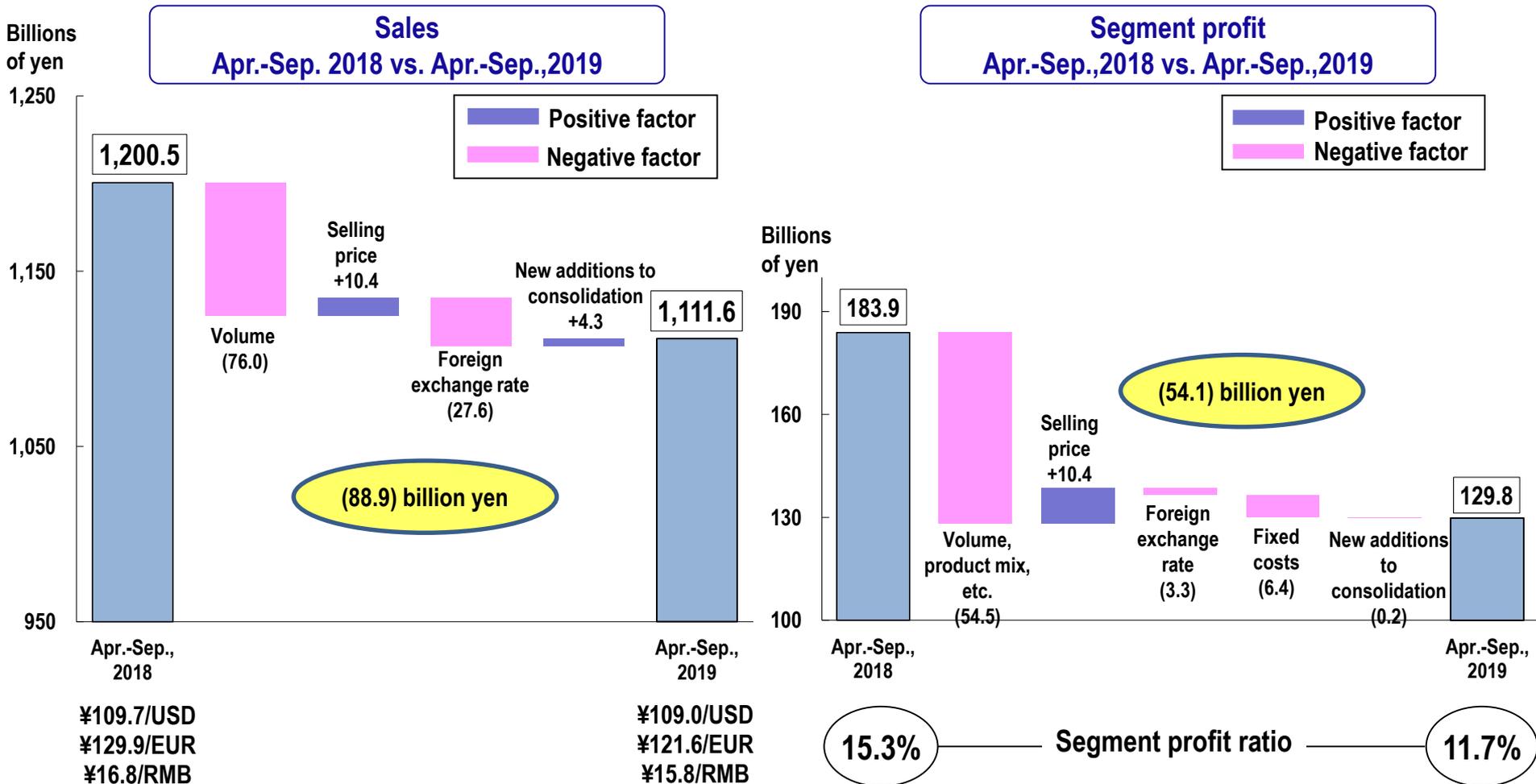
Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
Apr.-Sep.,2018(a)	137.4	289.1	100.1	154.1	65.6	81.4	177.6	109.9	14.4	65.1	1,195.1
Apr.-Sep.,2019(b)	148.7	291.4	107.7	148.6	70.8	61.4	115.4	103.0	13.6	48.3	1,109.3
Change (b-a)	+11.2	+2.2	+7.6	(5.4)	+5.1	(19.9)	(62.1)	(6.8)	(0.7)	(16.7)	(85.8)
	※	※	※		※						

Traditional Markets: Japan, North America, Europe, CIS

Strategic Markets: China, Asia, Oceania, Middle East, Africa

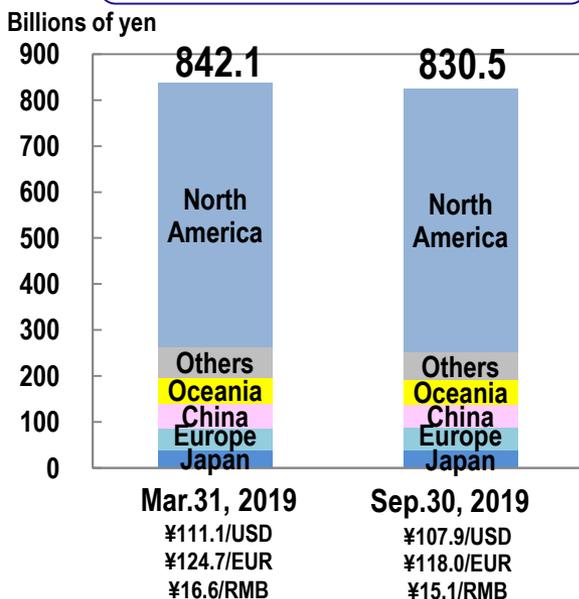
※ Region where sales increased, when foreign exchange effects were excluded.

- Sales dropped by JPY88.9 billion from the corresponding period a year ago, adversely affected reduced sales volume and differences in foreign exchange rates.
- Segment profit fell by JPY54.1 billion, mainly affected by reduced sales volume and a worsened geographic composition of sales.
- Segment profit ratio declined by 3.6 points to 11.7%.

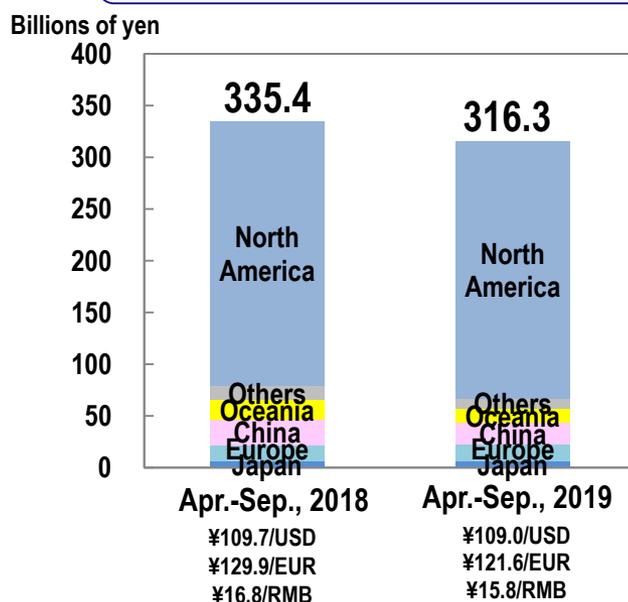


- Assets decreased from the previous fiscal year-end, affected mainly by foreign exchange rates.
- Revenues from new contracts declined from the corresponding period a year ago mainly in North America and Oceania.
- Revenues increased, mainly due to an increase in average asset balance.
- Segment profit declined, mainly reflecting no more reversal of allowances for doubtful accounts in China, which were recorded for the corresponding period a year ago.

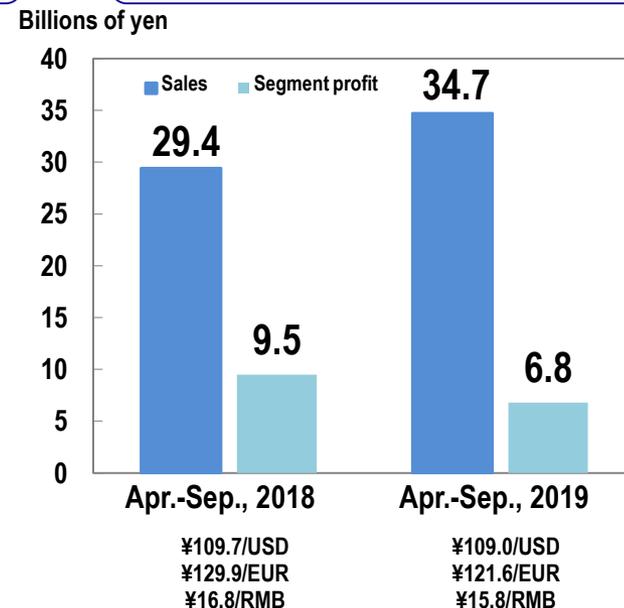
Assets
Mar.31, 2019 vs. Sep.30, 2019



New Contracts
Apr.-Sep.,2018 vs. Apr.-Sep.,2019

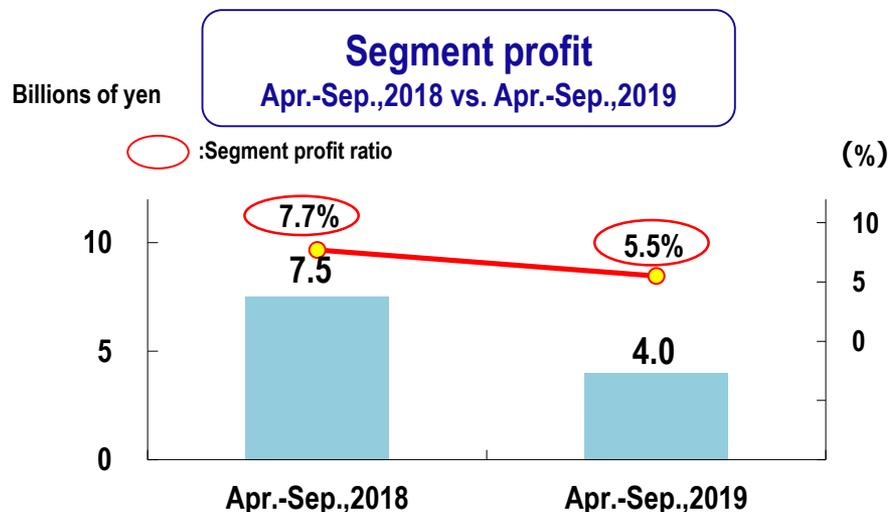
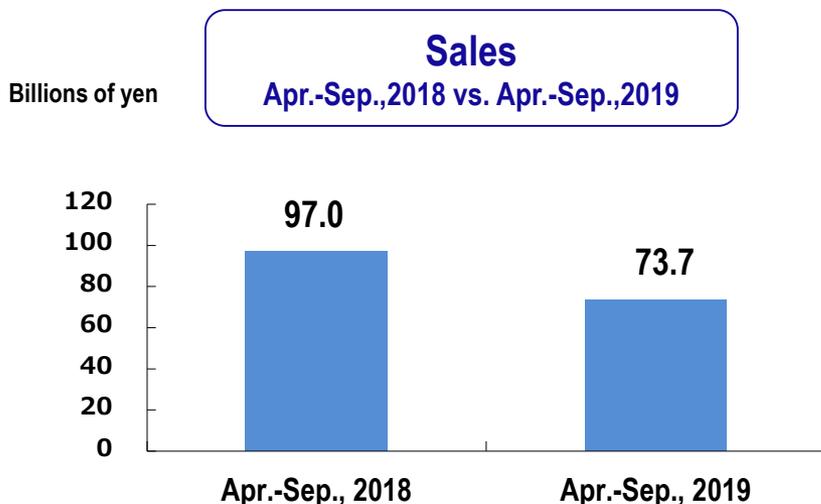


Revenues
Apr.-Sep.,2018 vs. Apr.-Sep.,2019



Billions of yen	2019/3E	2019/9E	Changes
Interest-bearing debt	638.0	639.2	+1.2
Interest-bearing debt, net	634.0	636.8	+2.8
Net D/E ratio	3.64	3.82	+0.18pts.

- Sales fell by 24.0% from the corresponding period a year ago, to JPY73.7 billion, affected by reduced sales of presses and machine tools to the automobile manufacturing industry, as well as declined sales of Excimer laser-related products on the semiconductor market.
- Segment profit ratio was 5.5%.



Breakdown of sales

Billions of yen	Apr.-Sep., 2018	Apr.-Sep., 2019	Changes	
			Increase (Decrease)	% Change
Komatsu Industries Corp.	26.3	22.0	(4.2)	(16.2)%
Komatsu NTC Ltd.	33.4	20.2	(13.1)	(39.4)%
Gigaphoton Inc.	20.0	17.4	(2.5)	(12.8)%
Others	17.2	13.8	(3.3)	(19.3)%
Total	97.0	73.7	(23.3)	(24.0)%

- While inventories and other assets increased, total assets decreased by JPY0.6 billion from the previous fiscal year-end, to JPY3,637.5 billion, adversely affected by differences in foreign exchange rates.
- Komatsu Ltd. shareholders' equity ratio was 49.2%, down 0.7 points.

Billions of yen : Net D/E ratio	Mar. 31, 2019 ¥111.1/USD ¥124.7/EUR ¥16.6/RMB	Sep. 30, 2019 ¥107.9/USD ¥118.0/EUR ¥15.1/RMB	Increase (Decrease)
Cash & deposits (incl. time deposits) [a]	150.8	164.7	+13.9
Accounts receivable (incl. long-term trade receivables)	1,258.5	1,160.6	(97.8)
Inventories	837.5	894.2	+56.6
Tangible fixed assets	776.4	756.8	(19.5)
Other assets	614.8	*1 661.0	+46.2
Total assets	3,638.2	3,637.5	(0.6)
Accounts payable	266.9	247.9	(18.9)
Interest-bearing debt [b]	930.7	951.3	+20.6
Other liabilities	537.7	*1 567.7	+30.1
Total liabilities	1,735.3	1,767.1	+31.8
[Shareholders' equity ratio]	(49.9%)	(49.2%)	((0.7)pts.)
Komatsu Ltd. shareholders' equity	1,815.5	1,787.9	(27.6)
Non-controlling interests	87.2	82.4	(4.8)
Liabilities & Equity	3,638.2	3,637.5	(0.6)
Interest-bearing debt, net [b-a]	0.43 779.8	0.44 786.6	+6.7
Net D/E ratio (excl. the retail finance business)	0.09	0.09	

*1 Note: In compliance with the new accounting standard which Komatsu has adopted, right-of-use assets under operating lease and operating lease liabilities increased by about JPY48.0 billion from the previous fiscal year-end.

II . Outlook of FY2019 Business Results

- In the first six-month period, sales underperformed the projections, especially in Asia and China. In the second six-month period, we project that demand will likely be softer than the projection, as the external environment will remain uncertain, including the ongoing China-United States trade war. In addition, as we have reassessed projected foreign exchange rates in the second six-month period, we have revised both sales and profits for FY2019 downward as follow.
- Consolidated net sales: JPY2,472.0 billion, a decline of 9.3% from FY2018. (Downward revision of JPY145.0 billion from the projection of April 2019)
- Operating income: JPY279.0 billion, a drop of 29.9% from FY2018. (Downward revision of JPY58.0 billion from the projection of April 2019)
- We will keep our plan (of April 2019) for annual dividend per share of JPY110 for FY2019.

Note: We have changed the average exchange rates in the second six-month period to USD1=JPY100, EUR1=JPY111 and RMB1=JPY14.0.

Billions of yen	FY2018 Results (A) ¥110.6/USD ¥128.5/EUR ¥16.5/RMB	FY2019 Projection (B) (Current) ¥104.5/USD ¥116.3/EUR ¥14.9/RMB	FY2019 Projection (C) (Initial) ¥105.0/USD ¥119.0/EUR ¥15.6/RMB	Changes (B-A)	
				Increase (Decrease)	% Change
Net sales	2,725.2	2,472.0	2,617.0	(253.2)	(9.3)%
Segment profit	399.3	278.0	342.0	(121.3)	(30.4)%
Other operating income (expenses)	(1.5)	1.0	(5.1)	+2.5	-
Operating income	397.8	279.0	337.0	(118.8)	(29.9)%
Profit ratio	14.6%	11.3%	12.9%	(3.3)pts.	-
Other income (expenses)	(20.3)	(22.0)	20.0	(1.6)	-
Income before income taxes	377.4	257.0	317.0	(120.4)	(31.9)%
Net income attributable to Komatsu Ltd	256.4	180.0	215.0	(76.4)	(29.8)%
ROE	14.7%	10.2%	11.8%	(4.5)pts.	
Cash dividends per share	110yen	110yen	110yen	+/-0.0yen	
Consolidated payout ratio	40.5%	57.7%	48.3%		

- Construction, Mining & Utility Equipment: In the first six-month period, sales underperformed the projections, especially in Asia and China. In the second six-month period, we project that demand will likely be softer than the projection. In addition, as we have reassessed projected foreign exchange rates in the second six-month period, we have revised both sales and profits for FY2019 downward. Sales will decline by JPY129.0 billion from the projection of April 2019, to JPY2,233.0 billion. Similarly, segment profit will drop by JPY58.0 billion to JPY253.0 billion.
- Retail Finance: We are revising the projection (April 2019) of revenues downward by JPY1.0 billion. We will keep segment profit as projected.
- Industrial Machinery & Others: we have revised the projection (April 2019) of sales downward by JPY18.0 billion. Similarly, segment profit will drop by JPY6.0 billion from the projection.

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

Billions of yen	FY2018 Results (A)	FY2019 Projection (B) (Current)	FY2019 Projection (C) (Initial)	Changes (B-A)	
				increase (decrease)	Change %
Net sales	2,725.2	2,472.0	2,617.0	(253.2)	(9.3)%
Construction, mining & utility equipment	2,478.9 [2,466.6]	2,233.0 [2,224.0]	2,362.0 [2,350.0]	(245.9) [(242.6)]	(9.9)% [(9.8)%]
Retail finance	63.5 [57.3]	69.0 [61.0]	70.0 [62.0]	+5.4 [+3.7]	+8.5% [+6.5%]
Industrial machinery & others	203.2 [201.2]	189.0 [187.0]	207.0 [205.0]	(14.2) [(14.2)]	(7.0)% [(7.1)%]
Elimination	(20.5)	(19.0)	(22.0)	+1.5	-
Segment profit	□ 14.7% 399.3	□ 11.2% 278.0	□ 13.1% 342.0	(121.3)	(30.4)%
Construction, mining & utility equipment	□ 14.7% 365.3	□ 11.3% 253.0	□ 13.2% 311.0	(112.3)	(30.8)%
Retail finance	□ 27.5% 17.5	□ 18.8% 13.0	□ 18.6% 13.0	(4.5)	(25.8)%
Industrial machinery & others	□ 9.2% 18.6	□ 7.9% 15.0	□ 10.1% 21.0	(3.6)	(19.6)%
Corporate & elimination	(2.0)	(3.0)	(3.0)	(1.0)	-

Conditions of three business segments: the latest projection compared with FY2018 results

■ Construction, Mining & Utility Equipment:

While we can expect some positive effects of price hikes, we project that sales will decline from FY2018, adversely affected by decreasing sales volume and foreign exchange rates. Segment profit will also decline, adversely affected by decreasing sales volume, foreign exchange rates, a worsening geographic composition of sales, and execution of strategic investments for growth.

■ Retail Finance:

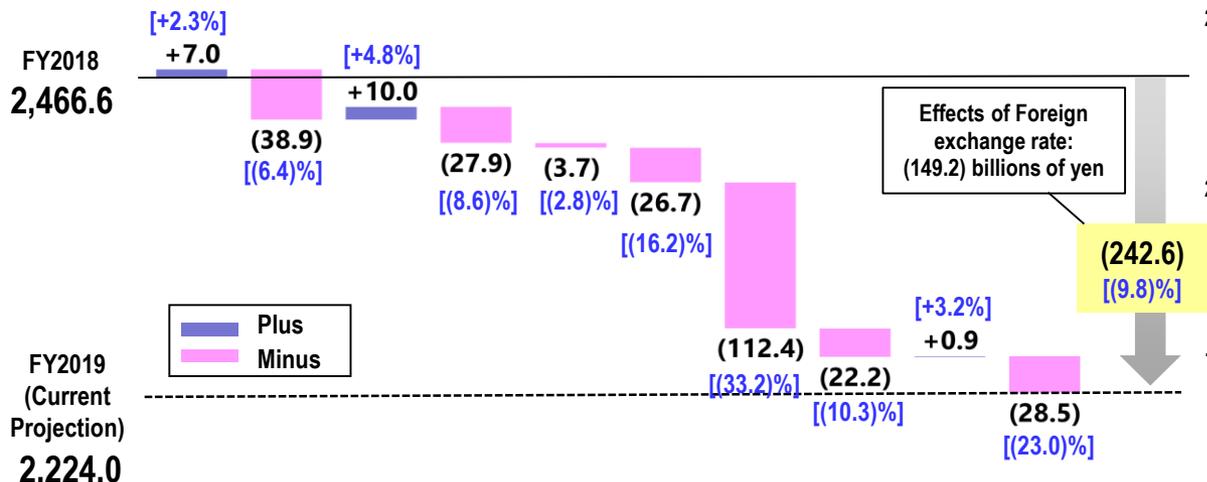
Revenues will increase, supported by an increase in average asset balance. Segment profit will decrease, mainly reflecting no more reversal of allowances for doubtful accounts in China, which were recorded for FY2018.

■ Industrial Machinery & Others

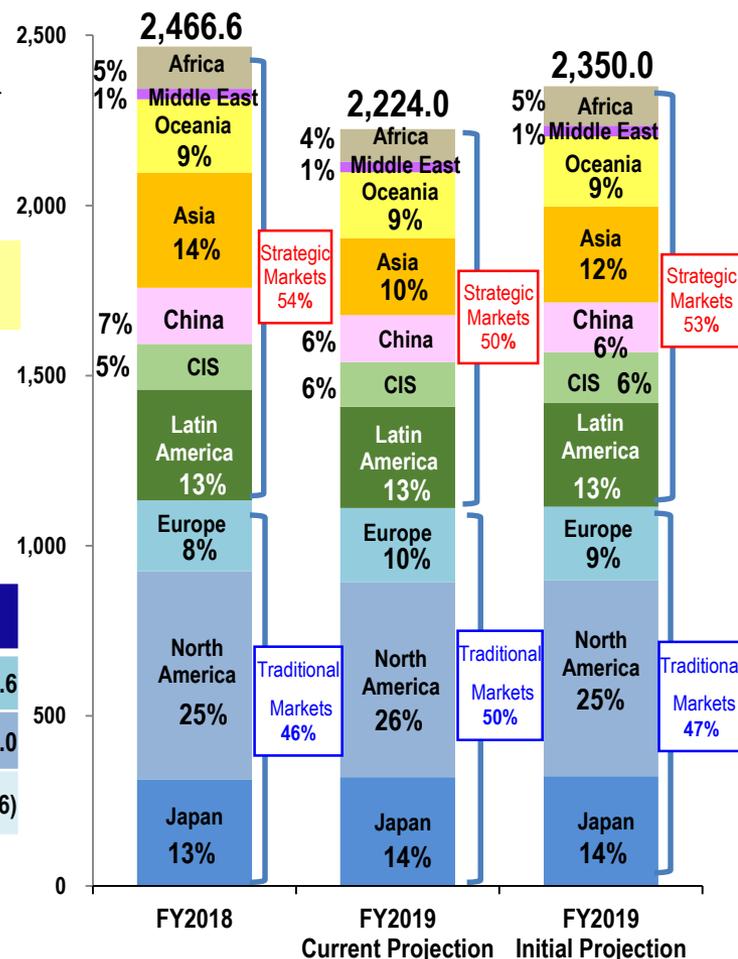
Both sales and profits will decline against the backdrop of declining sales of presses and machine tools to the automobile manufacturing industry and of Excimer laser-related products on the semiconductor market.

- We project that sales to outside customers will decline by 9.8% from FY2018, to JPY2,224.0 billion.
- While sales will increase mainly in Europe and Japan, total sales will decline, affected by sales will drop sharply in Asia, North America and Africa.

FY2019 (Projection) vs. FY2018



Billions of yen



Billions of yen	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
FY2018(a)	312.7	612.2	207.5	325.6	134.6	164.8	339.0	215.6	30.2	124.1	2,466.6
FY2019 (b) (Projection)	319.8	573.3	217.6	297.6	130.8	138.0	226.6	193.3	31.2	95.5	2,224.0
Change (b-a)	+7.0	(38.9)	+10.0	(27.9)	(3.7)	(26.7)	(112.4)	(22.2)	+0.9	(28.5)	(242.6)

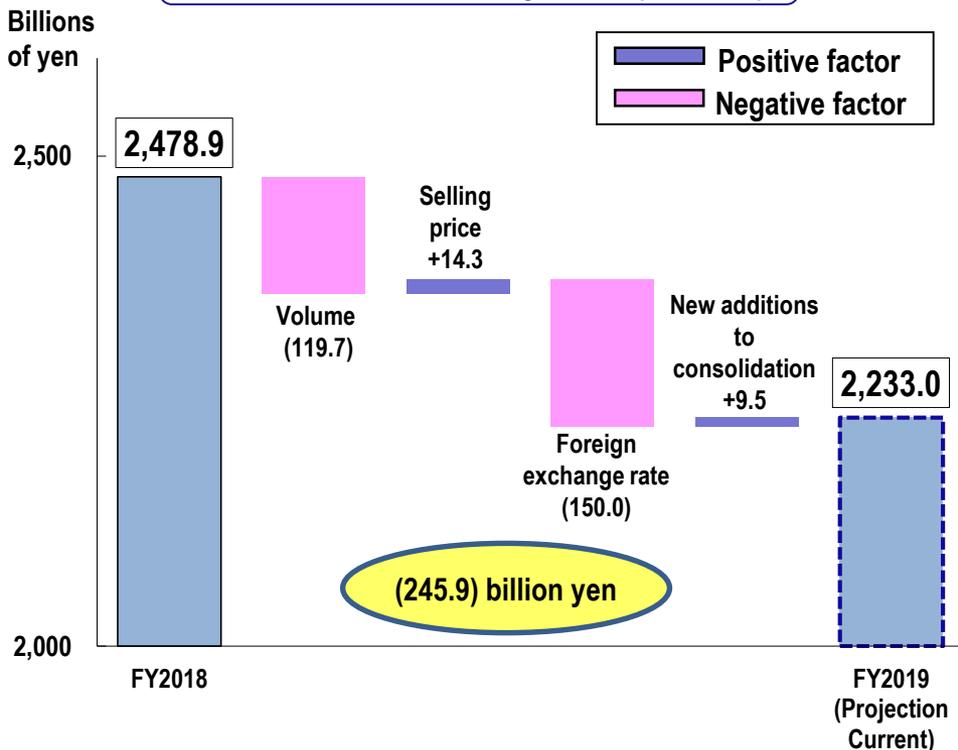
Traditional Markets

Strategic Markets

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

- Sales will decline by JPY245.9 billion from FY2018, adversely affected declining sales volume and foreign exchange rates.
- Segment profit will drop by JPY112.3 billion, adversely affected mainly by declining sales volume, foreign exchange rates, and a worsening geographic composition of sales.
- Segment profit ratio will decline by 3.4 points to 11.3%

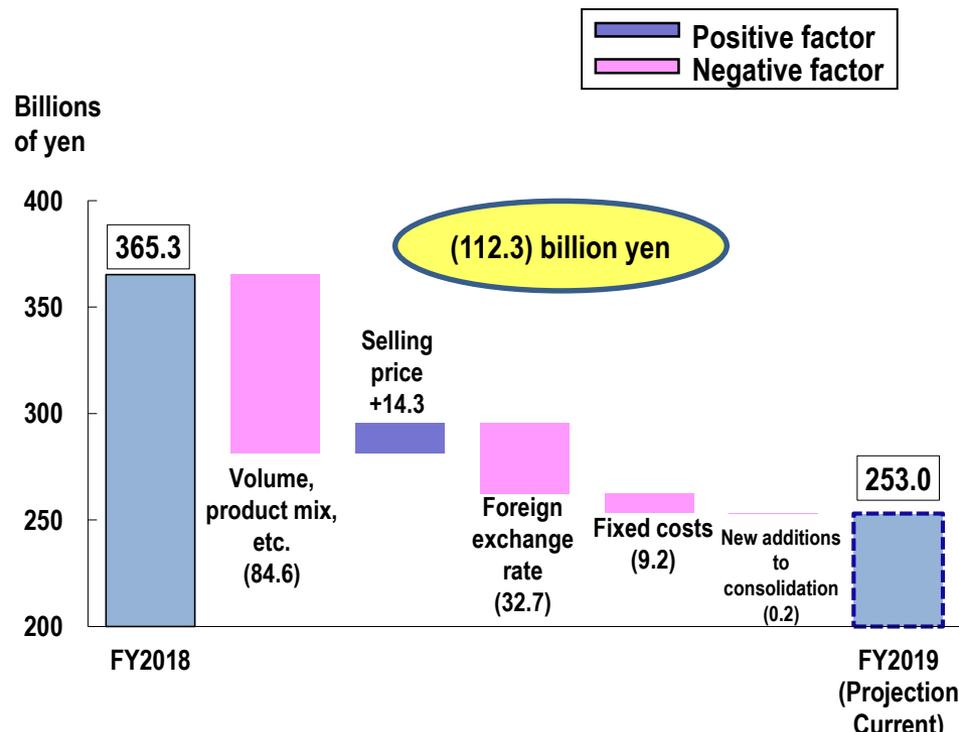
Sales FY2018 vs. FY2019 Projection (Current)



¥110.6/USD
¥128.5/EUR
¥16.5/RMB

¥104.5/USD
¥116.3/EUR
¥14.9/RMB

Segment profit FY2018 vs. FY2019 Projection (Current)



14.7%

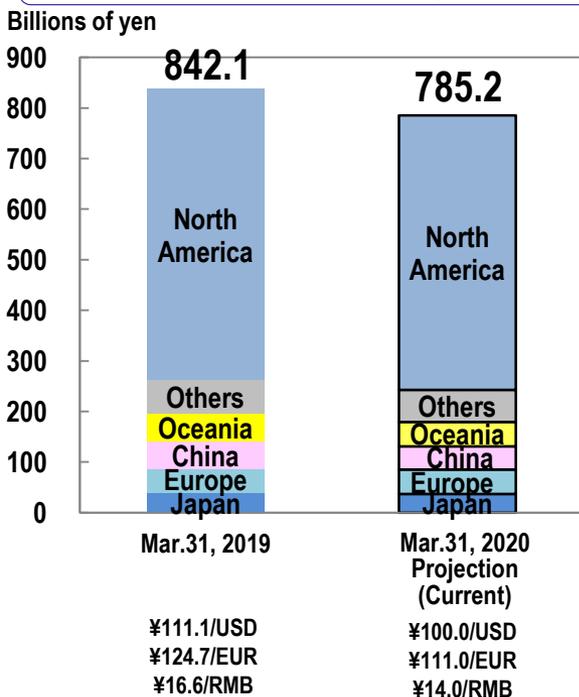
Segment profit ratio

11.3%

- We project that assets will decrease from the previous fiscal year-end, mainly affected by foreign exchange rates.
- Revenues from new contracts will decline from FY2018, affected by the Japanese yen's appreciation and declining contracts mainly in North America and Oceania.
- We project that revenues will increase, supported by an increase in average asset balance.
- Segment profit will decline, mainly reflecting no more reversal of allowances for doubtful accounts in China, which were recorded for FY2018.

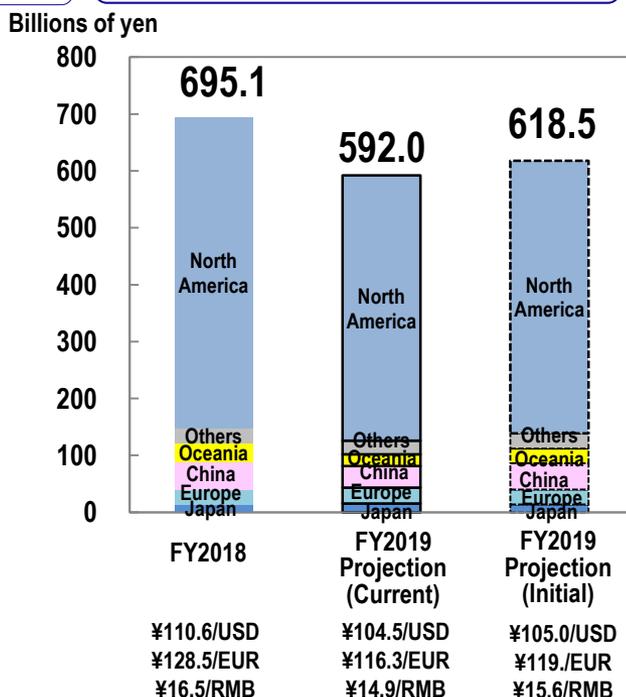
Assets

Mar.31, 2019 vs. Mar.31, 2020 Projection (Current)



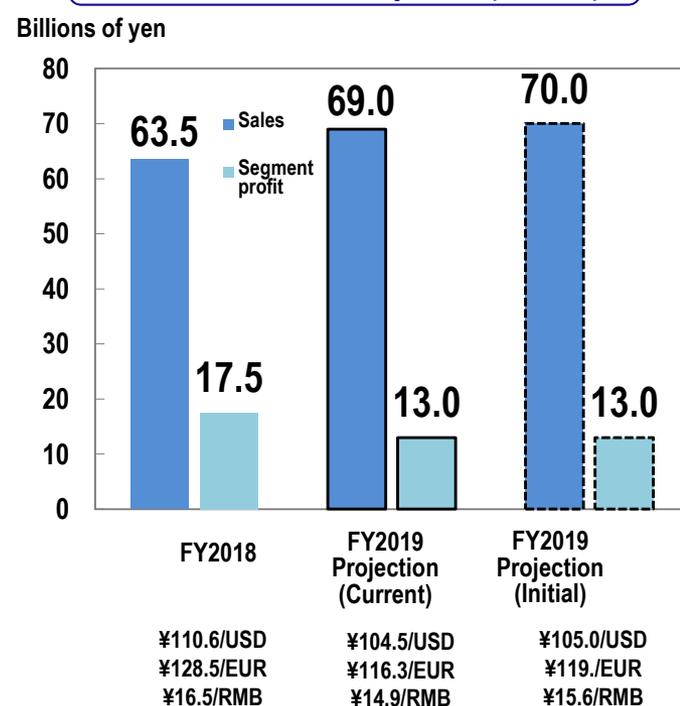
New Contracts

FY2018 vs. FY2019 Projection (Current)



Revenues

FY2018 vs. FY2019 Projection (Current)

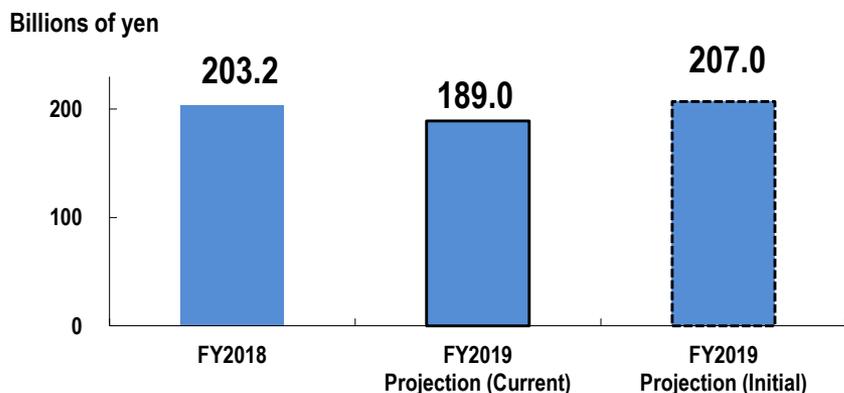


Billions of yen	2019/3E	2020/3E Current projection	Changes
Interest-bearing debt	638.0	607.7	(30.3)
Interest-bearing debt, net	634.0	603.2	(30.8)
Net D/E ratio	3.64	3.88	+0.24pts.

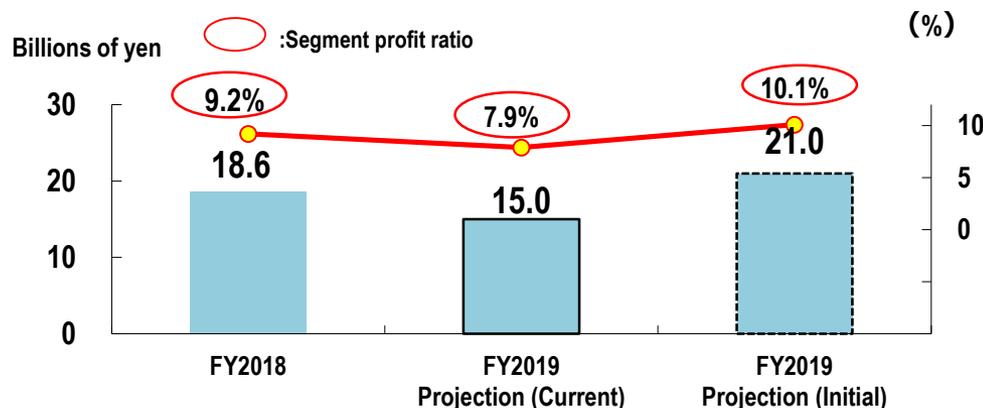
	FY2018 (A)	FY2019 Projection (B)(Current)	FY2019 Projection (Initial)	Changes (B-A)
ROA	2.2%	1.7%	1.6%	(0.5)%

• We project that sales will decrease by 7.0% from FY2018, to JPY189.0 billion. Segment profit will decline by JPY3.6 billion to JPY15.0 billion.

Sales



Segment profit



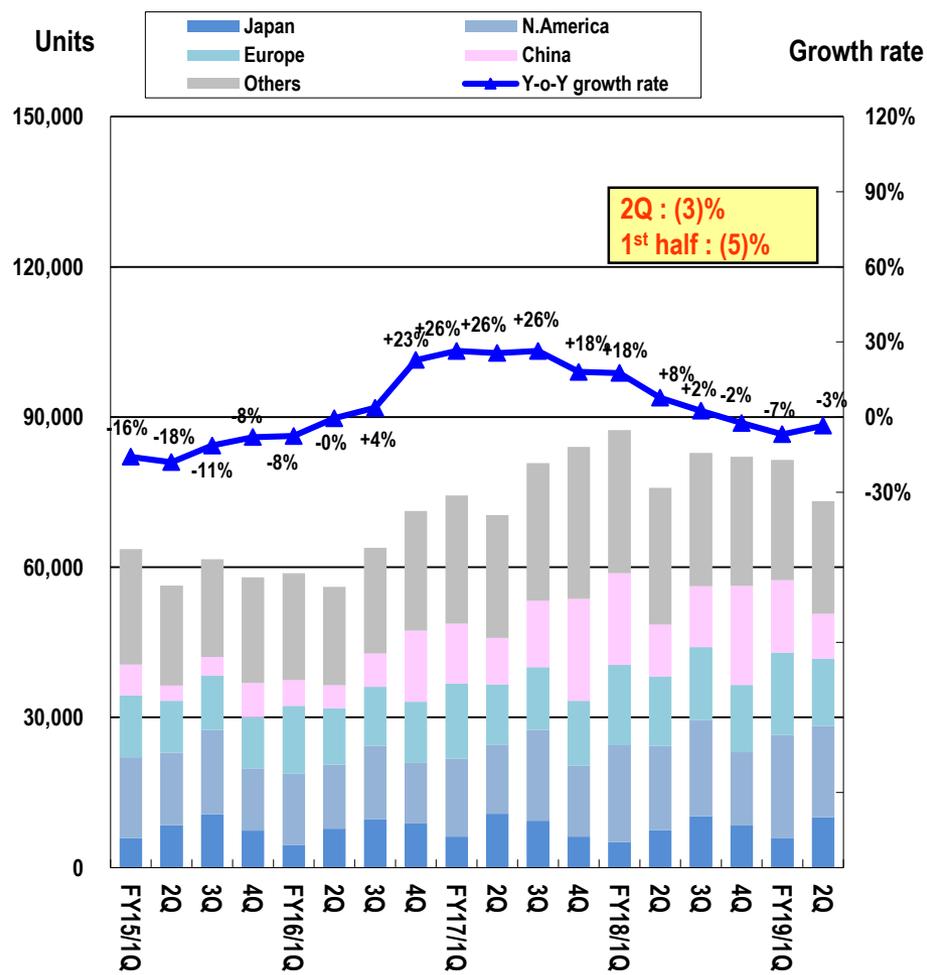
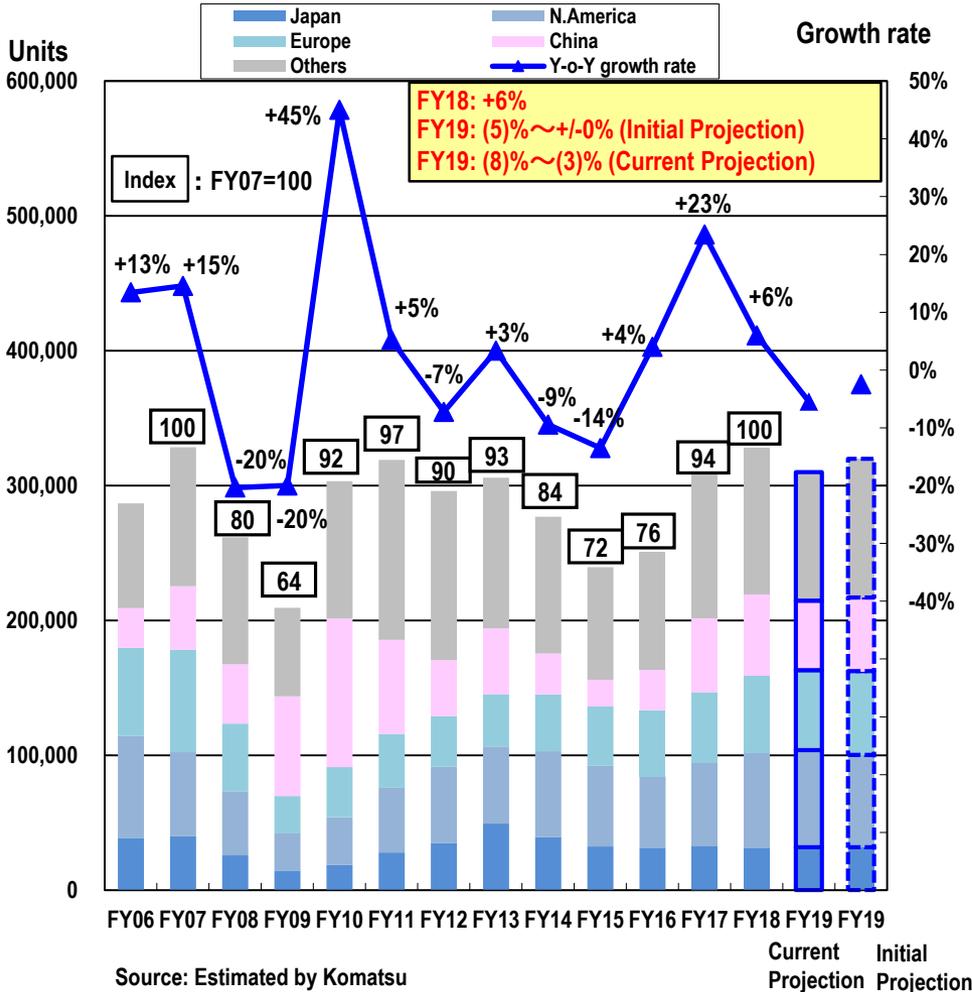
Breakdown of sales

Billions of yen	FY2018 (A)	FY2019 Projection (B)(Current)	FY2019 Projection (Initial)	Changes (B-A)	
				Increase (Decrease)	% Change
Komatsu Industries Corp.	57.4	60.1	63.1	+2.6	+4.7%
Komatsu NTC Ltd.	67.9	51.0	59.6	(16.8)	(24.9)%
Gigaphoton Inc.	40.5	35.9	42.6	(4.6)	(11.5)%
Others	37.3	41.9	41.5	+4.6	+12.5%
Total	203.2	189.0	207.0	(14.2)	(7.0)%

- In the first six-month period of FY2019, demand presumably declined by 5% from the corresponding period a year ago.
- While demand will remain steady mainly in Japan and North America, demand will decrease in other major markets.
- We have revised our projection of full-year demand downward to -8% to -3%.

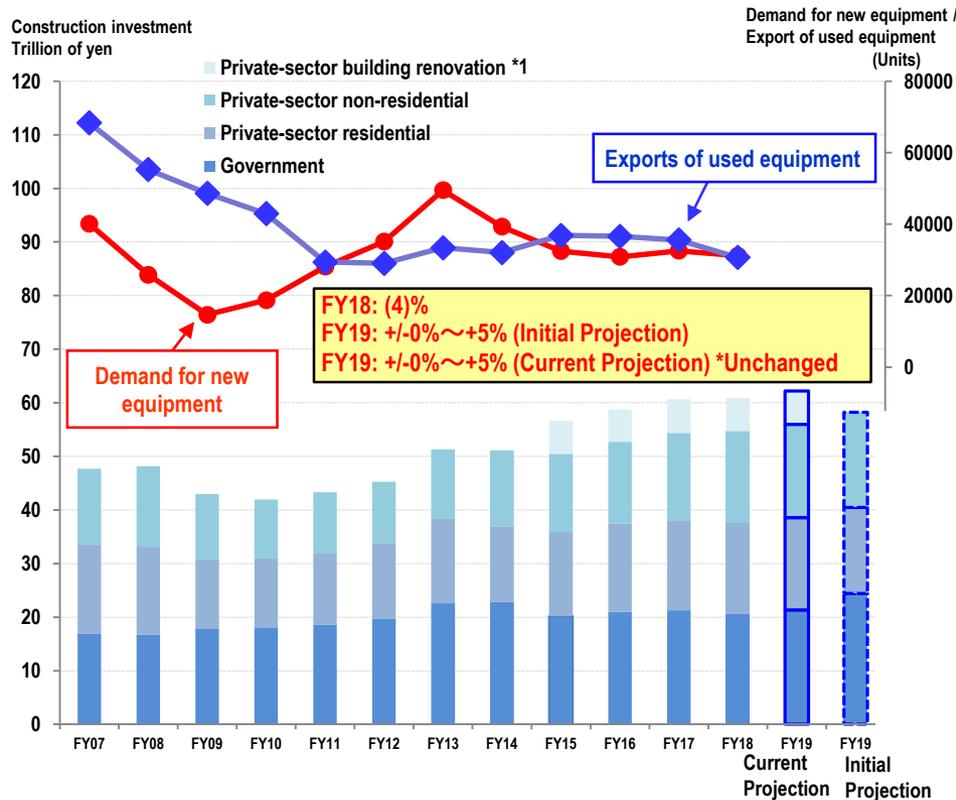
Annual demand for 7 major products

Quarterly demand for 7 major products

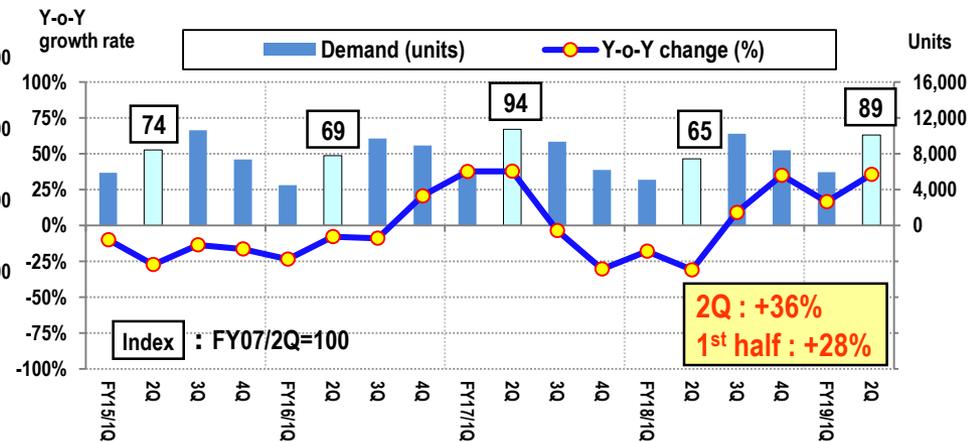


- In the first six-month period of FY2019, demand presumably advanced by 28% from the corresponding period a year ago.
- Demand advanced, mainly reflecting the recovery from reduced sales as affected by the reactionary drop of pre-buy demand in anticipation of the new emission control regulations enforced in September 2017.
- We are not making any changes in our projection of full-year demand.

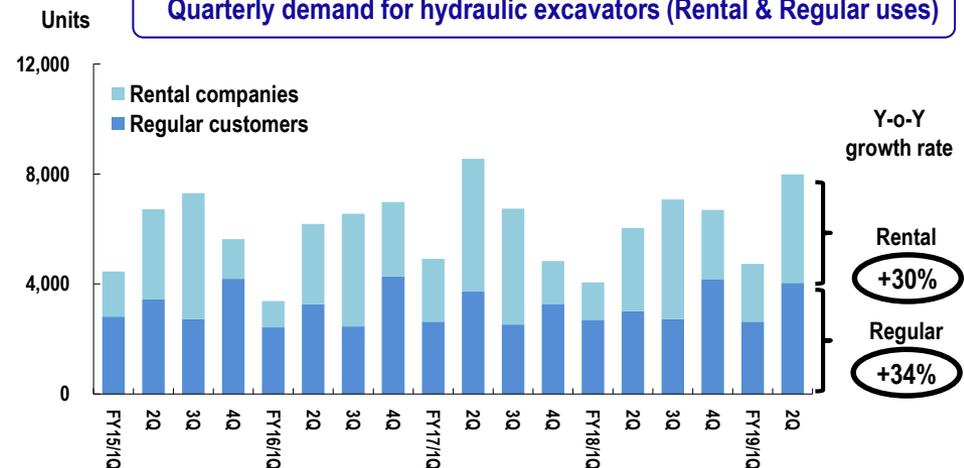
Demand for new equipment (7 major products) and construction investment



Quarterly demand for 7 major products



Quarterly demand for hydraulic excavators (Rental & Regular uses)

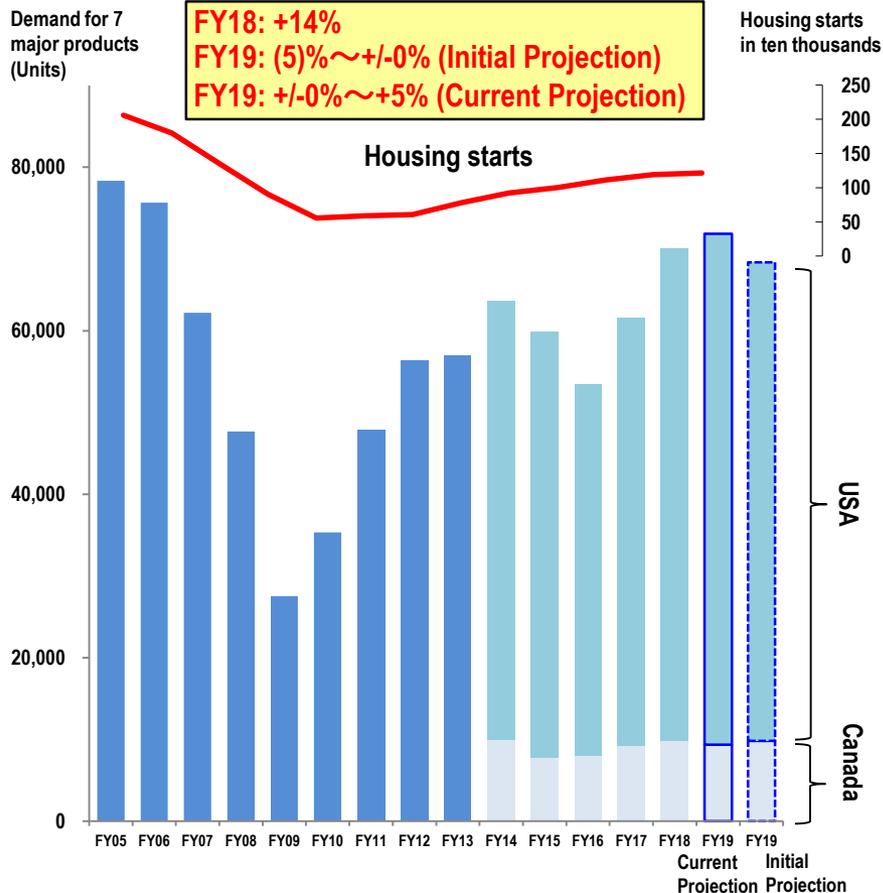


[Sources] Construction investment by the Ministry of Land, Infrastructure, Transport & Tourism, and Research Institute of Construction and Economy
Demand for 7 major products and No. of exported used equipment estimated by Komatsu

*1 Note: In September 2019, the Ministry of Land, Infrastructure, Transport and Tourism started to adding the collected data concerning renovation and renewal investment in buildings. Bar graphs above include retroactively added data until FY15.

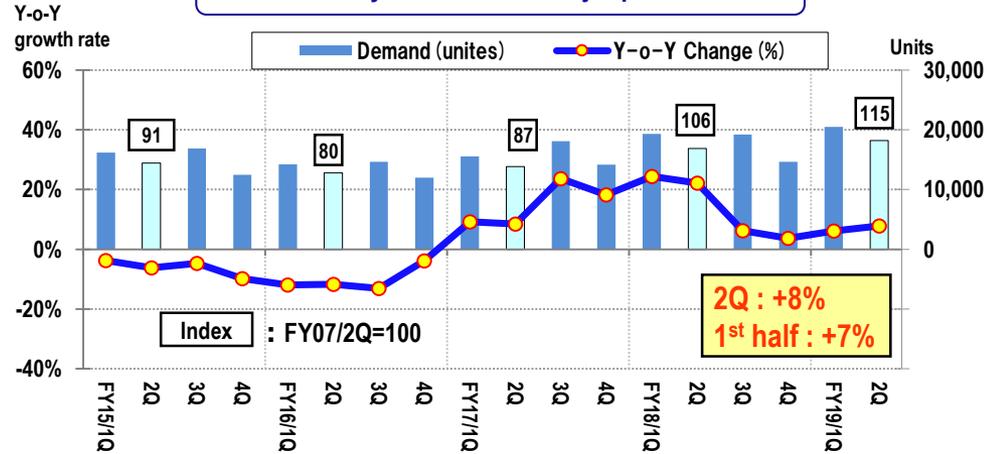
- In the first six-month period of FY2019, demand presumably increased by 7% from the corresponding period a year ago.
- Demand for construction equipment remained strong, centering on residential housing. Demand for mining equipment also remained steady.
- Demand increased for ten consecutive quarters.
- Against the backdrop of good market conditions, we have revised our projection of full-year demand upward to +/-0% to 5%.

Demand for 7 major products and US housing starts

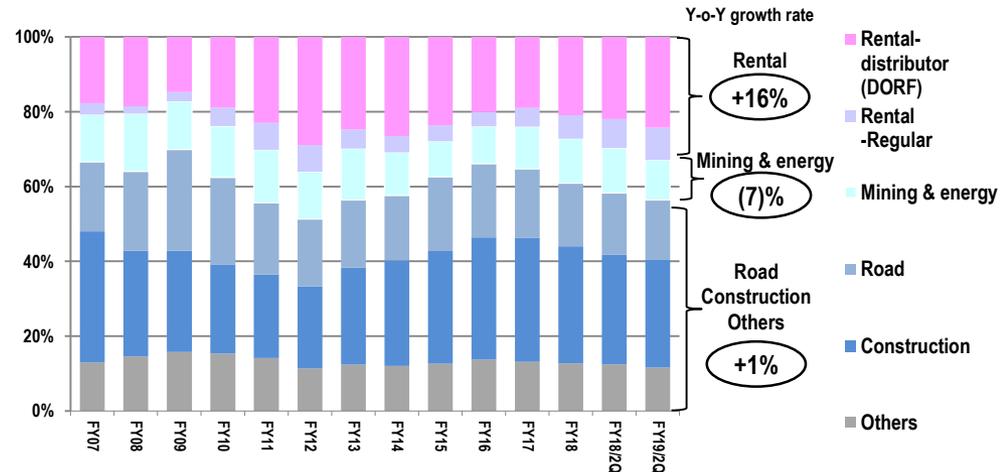


[Source]: Demand for 7 major products estimated by Komatsu

Quarterly demand for 7 major products

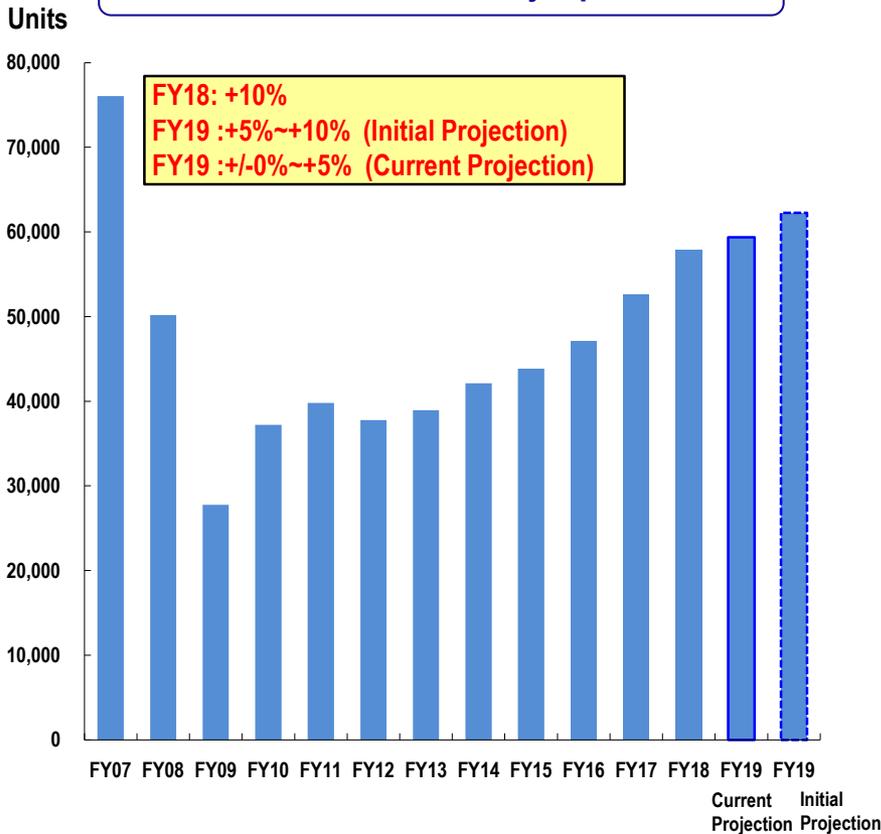


Breakdown of demand by segment (Unit basis)

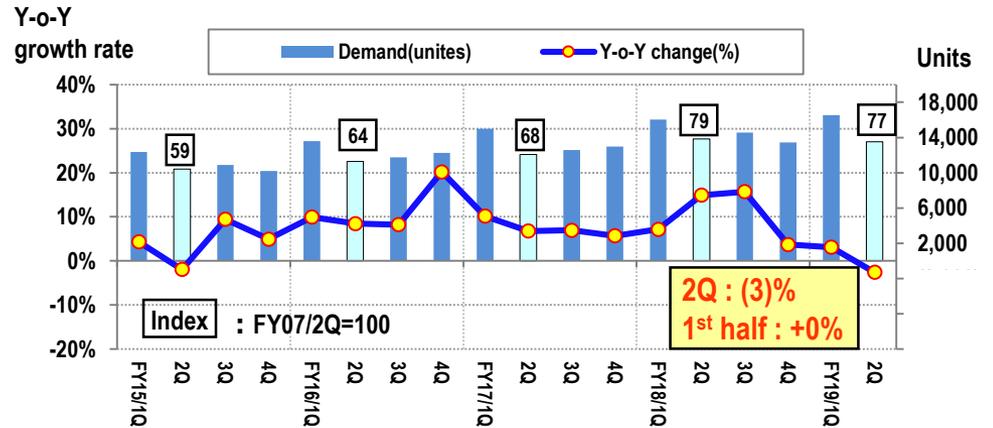


- In the first six-month period of FY2019, demand presumably remained about flat from the corresponding period a year ago.
- While demand remained firm in the major markets of Germany and France, demand downturned in the second quarter of FY2019, mainly affected by economic uncertainty against the backdrop of BREXIT.
- We have revised our projection of full-year demand downward to +/-0% to 5%.

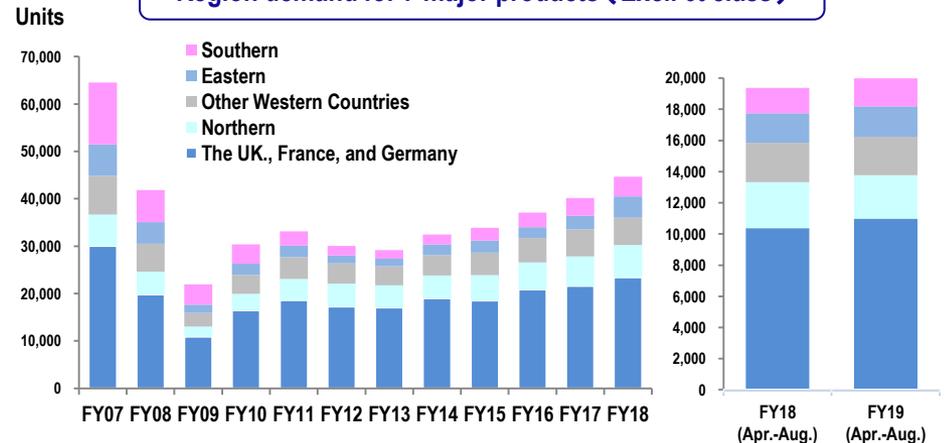
Annual demand for 7 major products



Quarterly demand for 7 major products



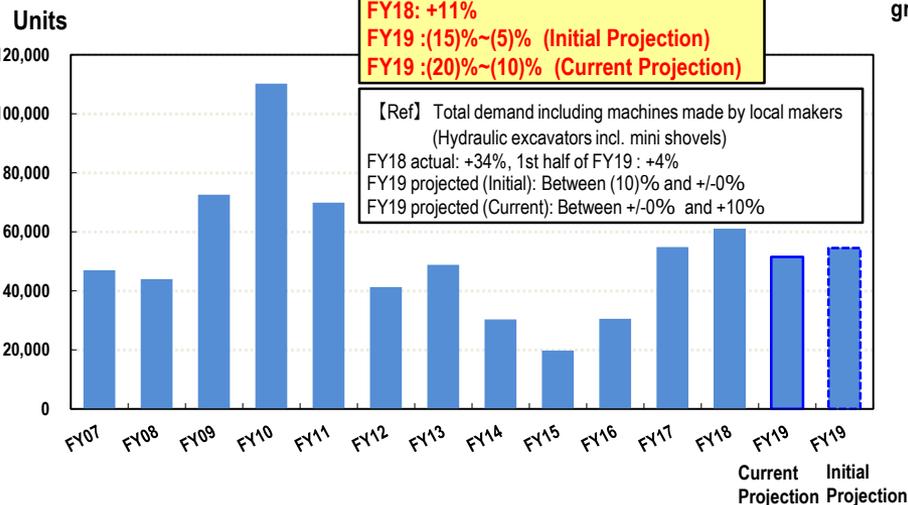
Region demand for 7 major products (Excl. 6t class)



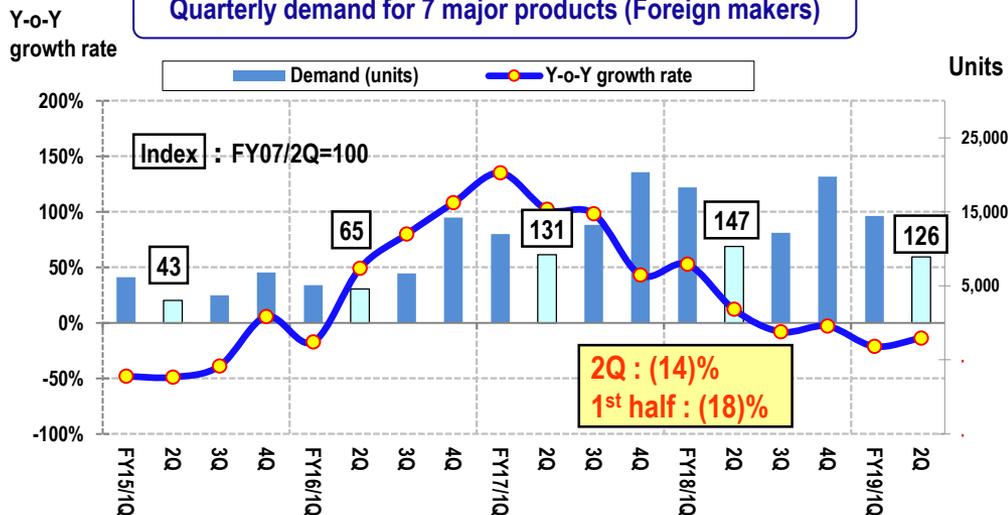
[Source]: Demand for 7 major products estimated by Komatsu

- In the first six-month period of FY2019, demand presumably declined by 18% from the corresponding period a year ago.
- While domestic manufacturers increased their market shares and economic uncertainty became more evident against the backdrop of prolonging China-United States trade war, demand for construction equipment declined.
- We have revised our projection of full-year demand downward to -20% to -10%, because demand underperformed the projection in the first six-month period.

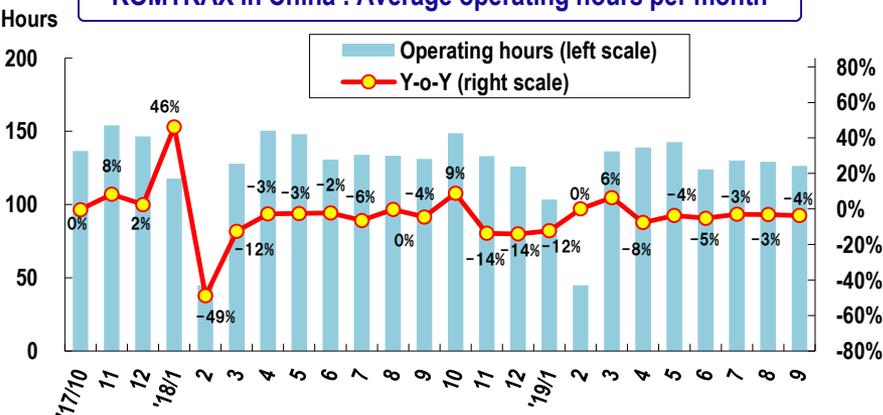
Annual demand for 7 major products (Foreign makers)



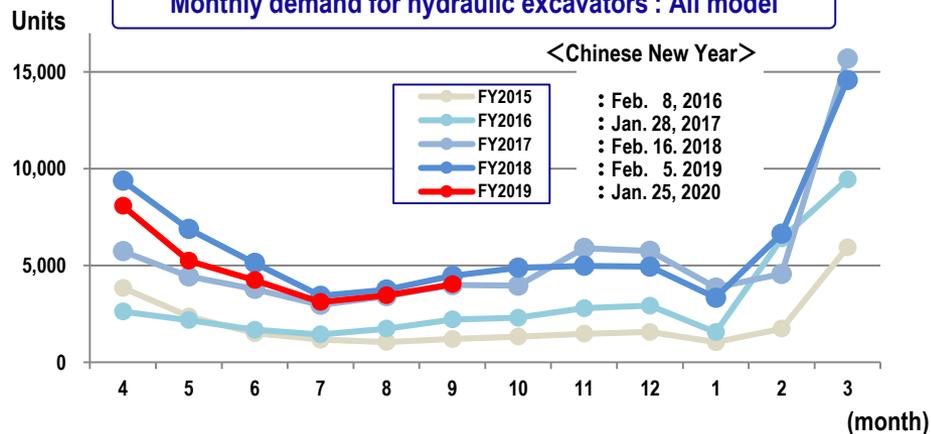
Quarterly demand for 7 major products (Foreign makers)



KOMTRAX in China : Average operating hours per month



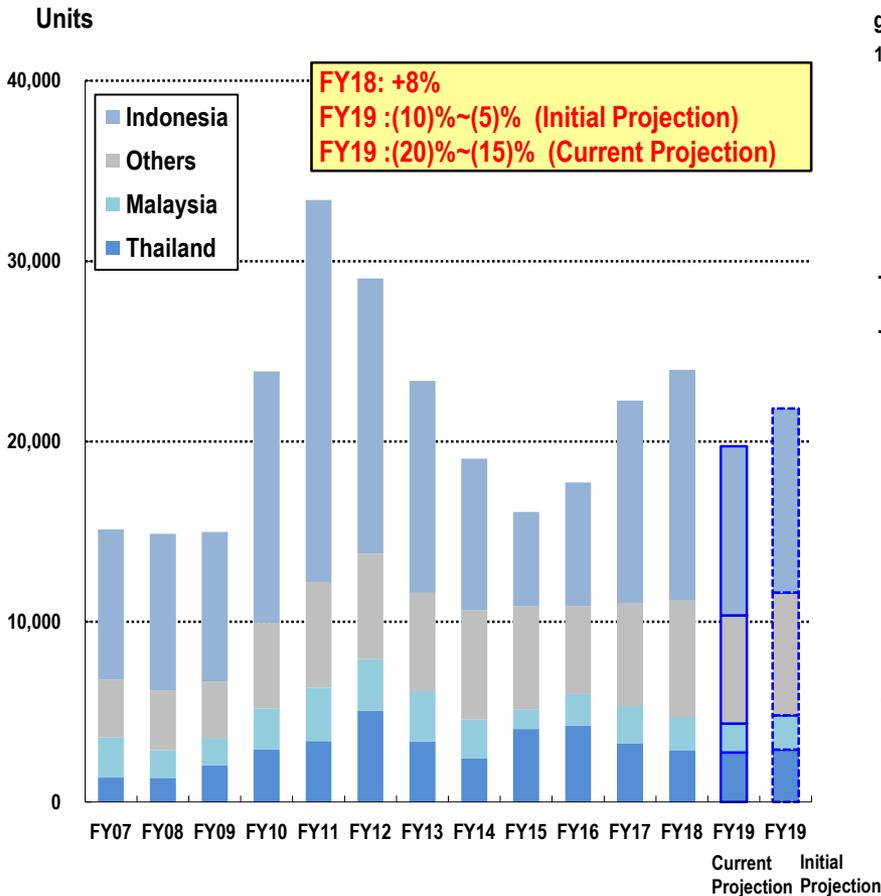
Monthly demand for hydraulic excavators : All model



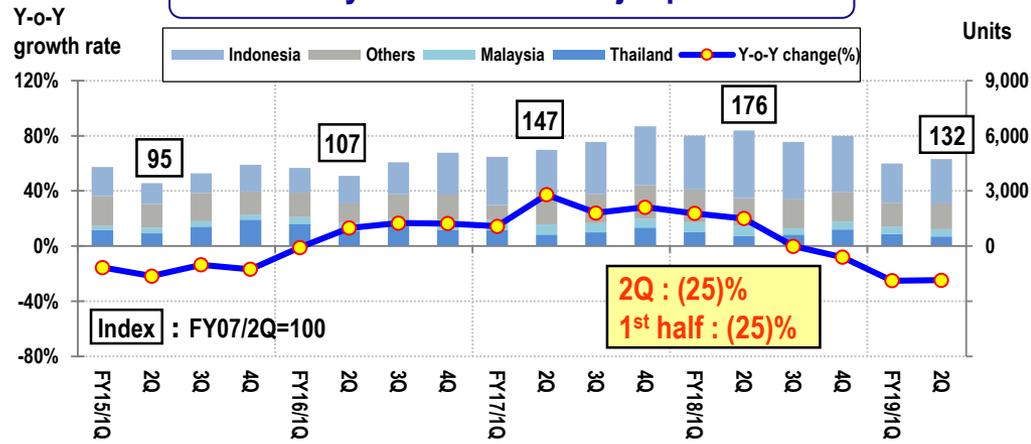
[Source]: Demand for 7 major products and hydraulic excavators estimated by Komatsu

- In the first six-month period of FY2019, demand presumably dropped by 25% from the corresponding period a year ago.
- In Indonesia, the largest market of the region, demand for construction and mining equipment declined, adversely affected the presidential election and sluggish price of thermal coal.
- As we project demand will remain slack in the second six-month period, we have revised our projection of full-year demand downward to -20% to -15%

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

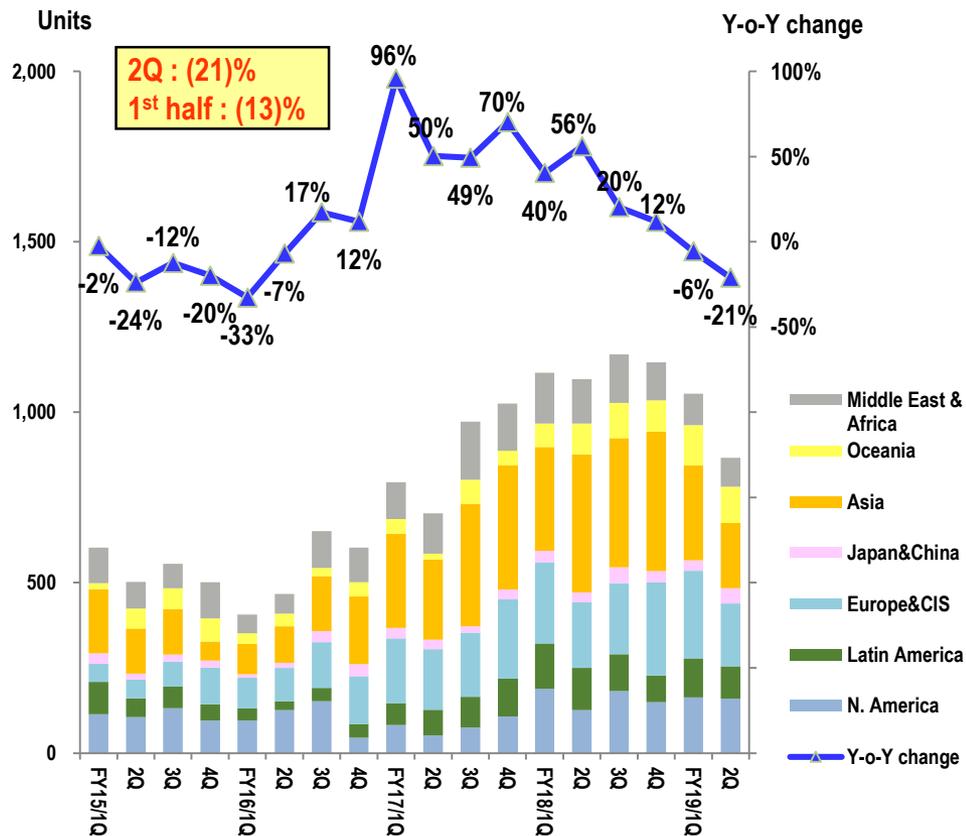
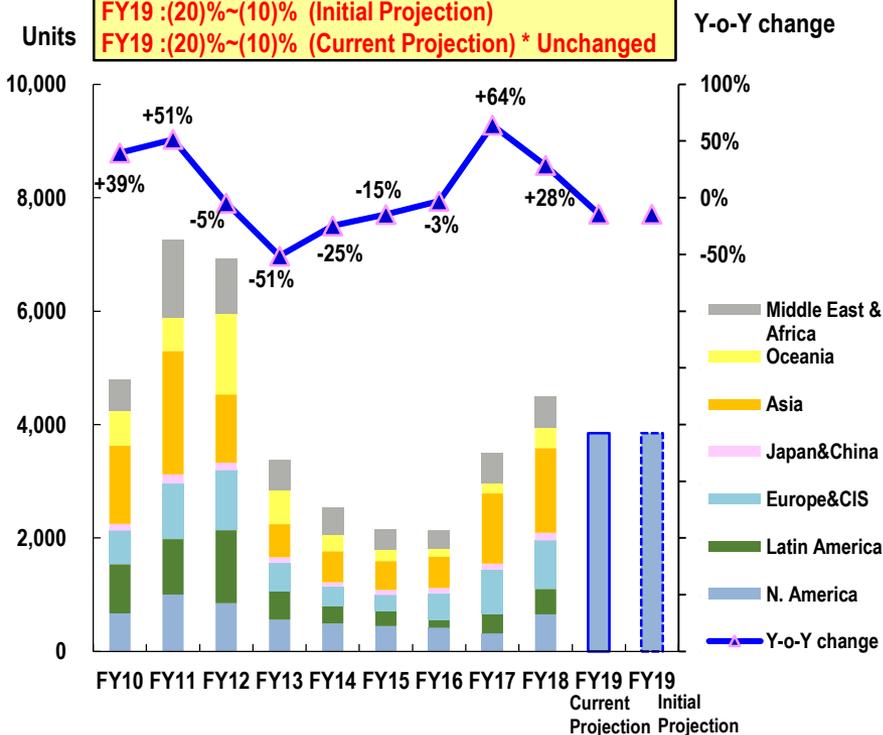
- In the first six-month period of FY2019, demand presumably declined by 13% from the corresponding period a year ago.
- In Indonesia and CIS, demand declined as mainly affected by sluggish price of thermal coal.
- We are not making any changes in our projection of full-year demand.

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

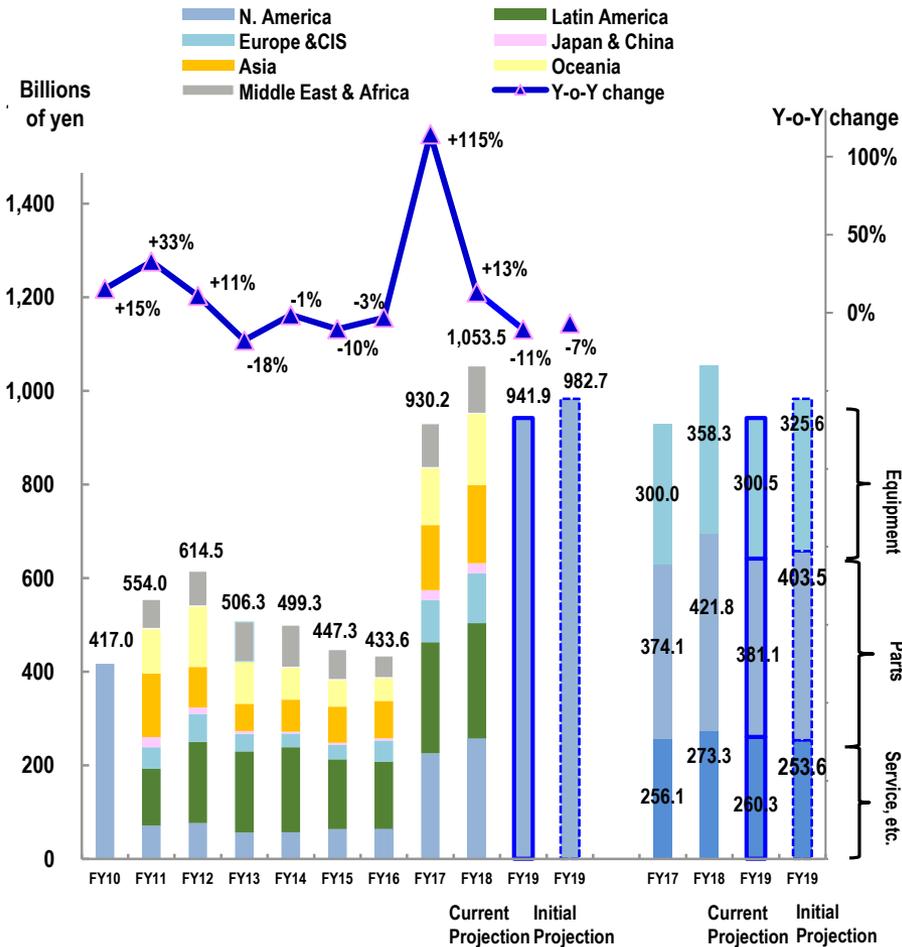
FY18: +28%
FY19 : (20)%~(10)% (Initial Projection)
FY19 : (20)%~(10)% (Current Projection) * Unchanged



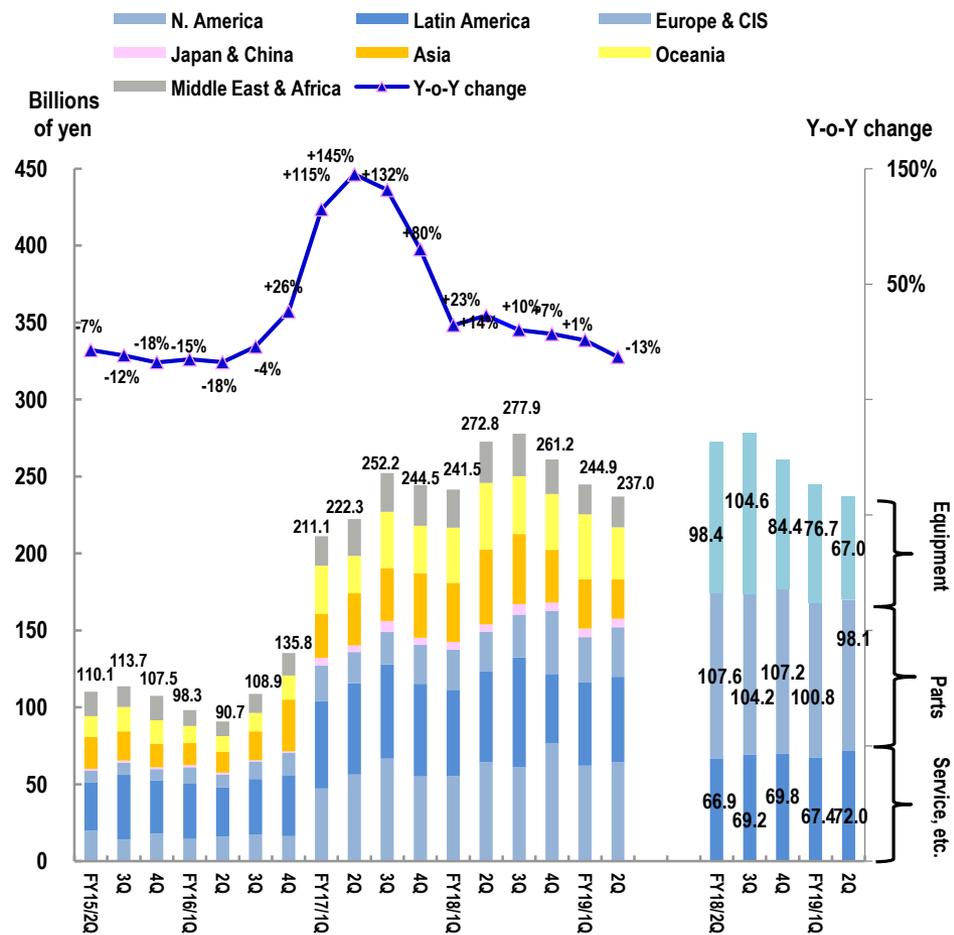
Note: Demand estimated by Komatsu

- For the second quarter of FY2019, sales declined by 13% from the corresponding period a year ago, to JPY237.0 billion.
- Sales declined mainly in Asia and Africa.
- We have revised our projection of full-year demand downward to JPY941.9 billion, a decline of 11% from FY2018.

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



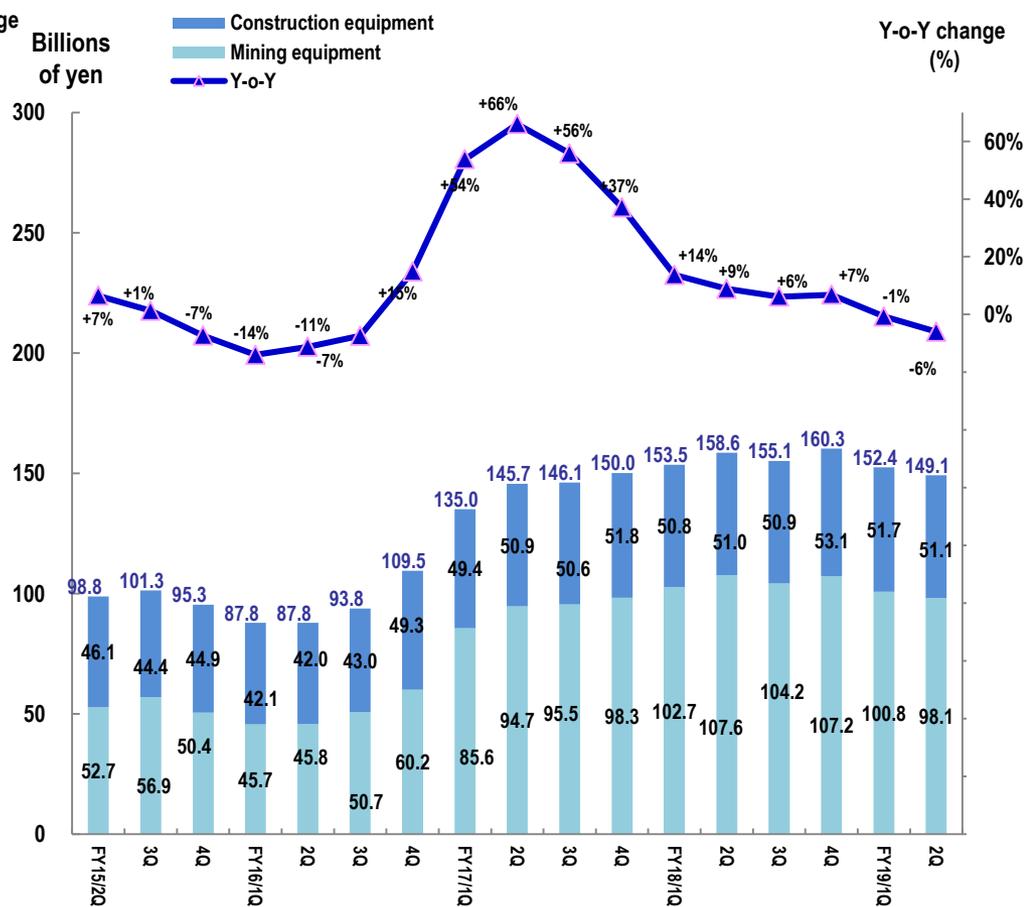
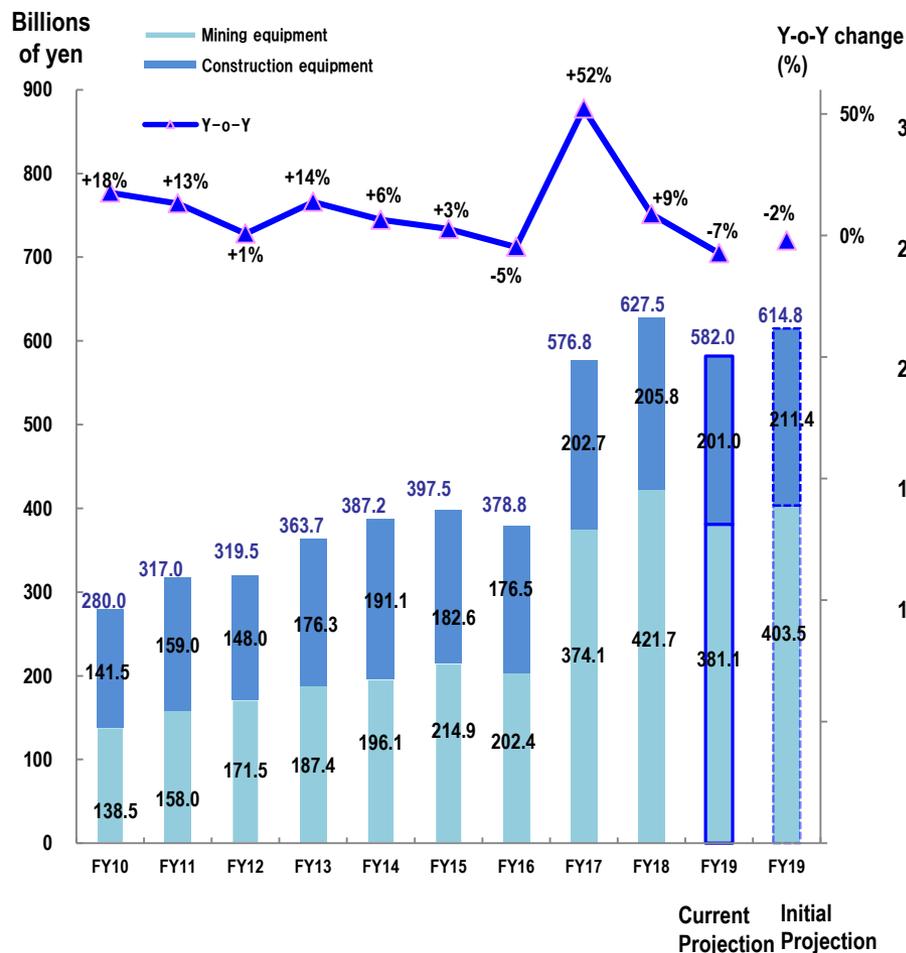
Quarterly sales of mining equipment (incl. parts and service)



- For the second quarter of FY2019, sales of parts decreased by 6% from the corresponding period a year ago, to JPY149.1 billion.
- We have revised our projection of full-year demand downward to JPY582.0 billion, a decline of 7% from FY2018.

Annual sales of parts

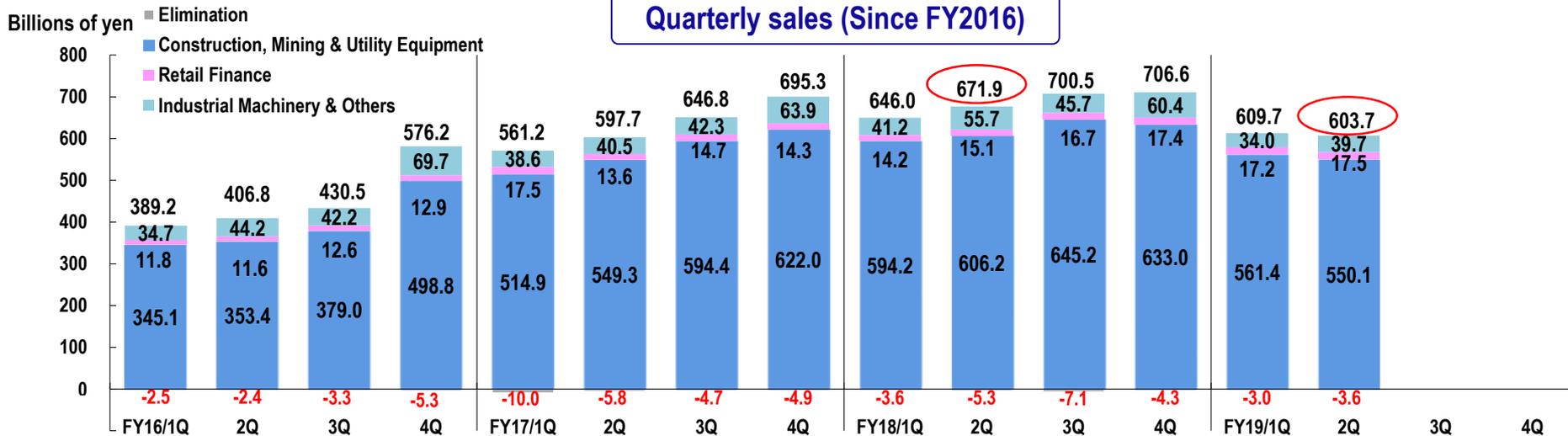
Quarterly sales of parts



Appendix

<Appendix> Quarterly Sales and Operating Income

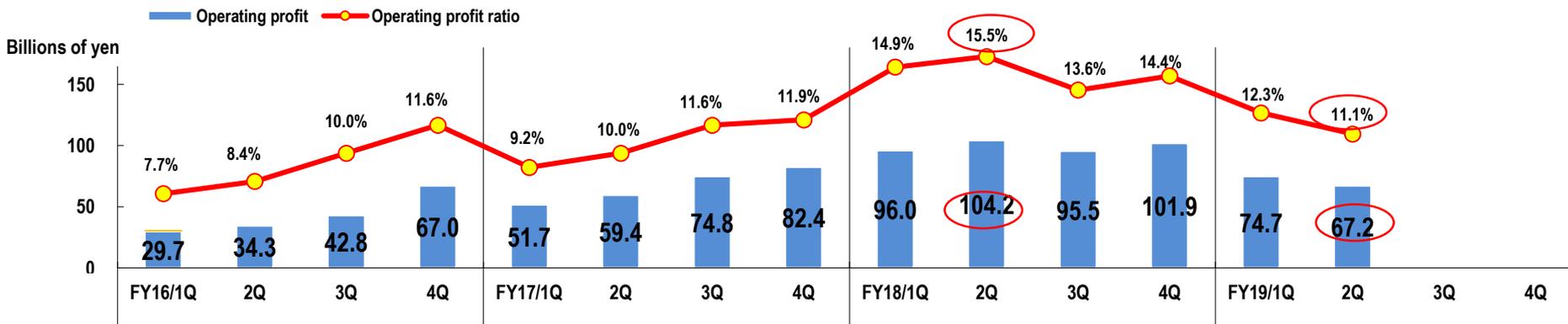
Quarterly sales (Since FY2016)



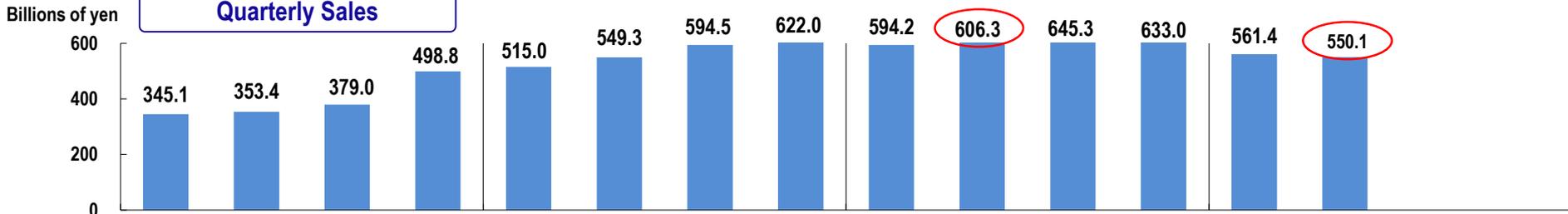
Exchange rates

	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q	18/1Q	18/2Q	18/3Q	18/4Q	19/1Q	19/2Q	19/3Q	19/4Q
¥/USD	109.8	102.9	106.9	114.7	111.2	110.9	113.0	109.6	108.2	111.2	113.5	109.4	110.0	107.9		
¥/EUR	124.3	114.6	116.7	121.4	121.6	129.9	133.2	133.7	130.1	129.6	129.6	124.7	123.2	120.0		
¥/RMB	16.9	15.4	15.7	16.7	16.3	16.6	17.0	17.2	17.1	16.4	16.4	16.2	16.2	15.5		

Quarterly operating income (Since FY2016)



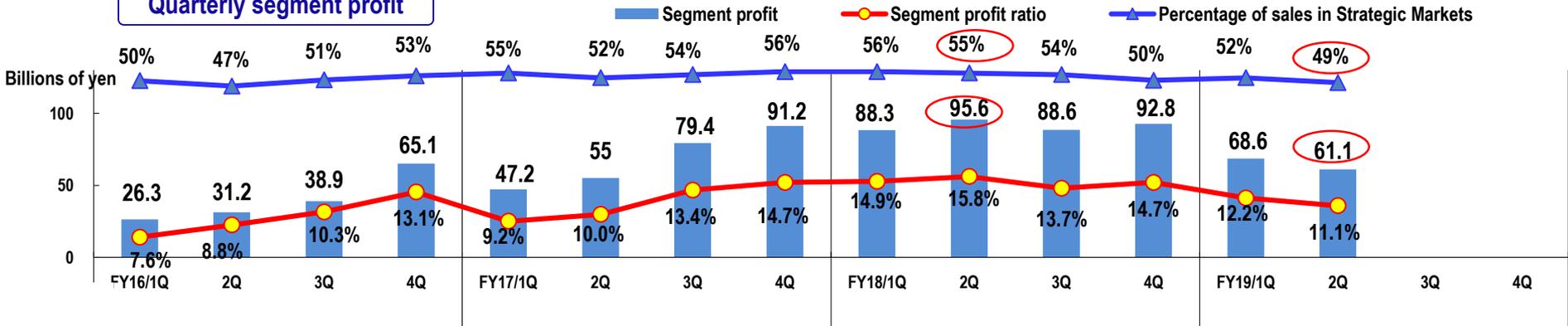
Quarterly Sales



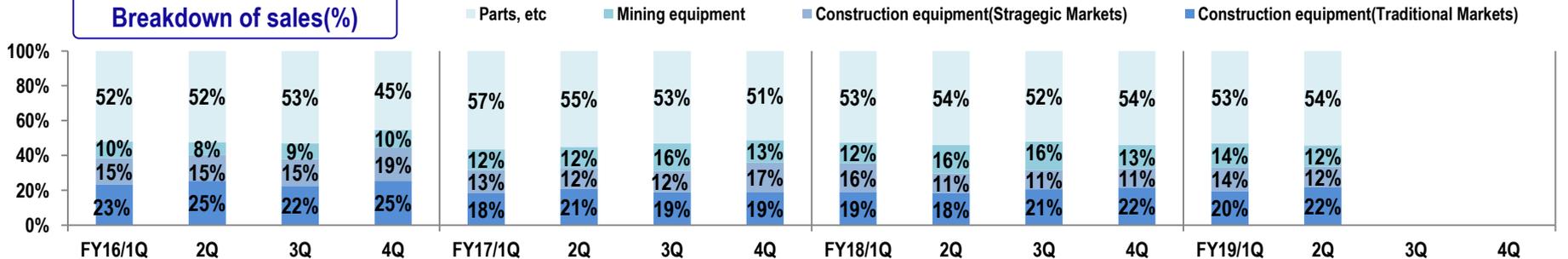
Exchange rates

Exchange rates	FY16/1Q				FY17/1Q				FY18/1Q				FY19/1Q			
	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q	18/1Q	18/2Q	18/3Q	18/4Q	19/1Q	19/2Q	19/3Q	19/4Q
¥/USD	109.8	102.9	106.9	114.7	111.2	110.9	113.0	109.6	108.2	111.2	113.5	109.4	110.0	107.9		
¥/EUR	124.3	114.6	116.7	121.4	121.6	129.9	133.2	133.7	130.1	129.6	129.6	124.7	123.2	120.0		
¥/RMB	16.9	15.4	15.7	16.7	16.3	16.6	17.0	17.2	17.1	16.4	16.4	16.2	16.2	15.5		

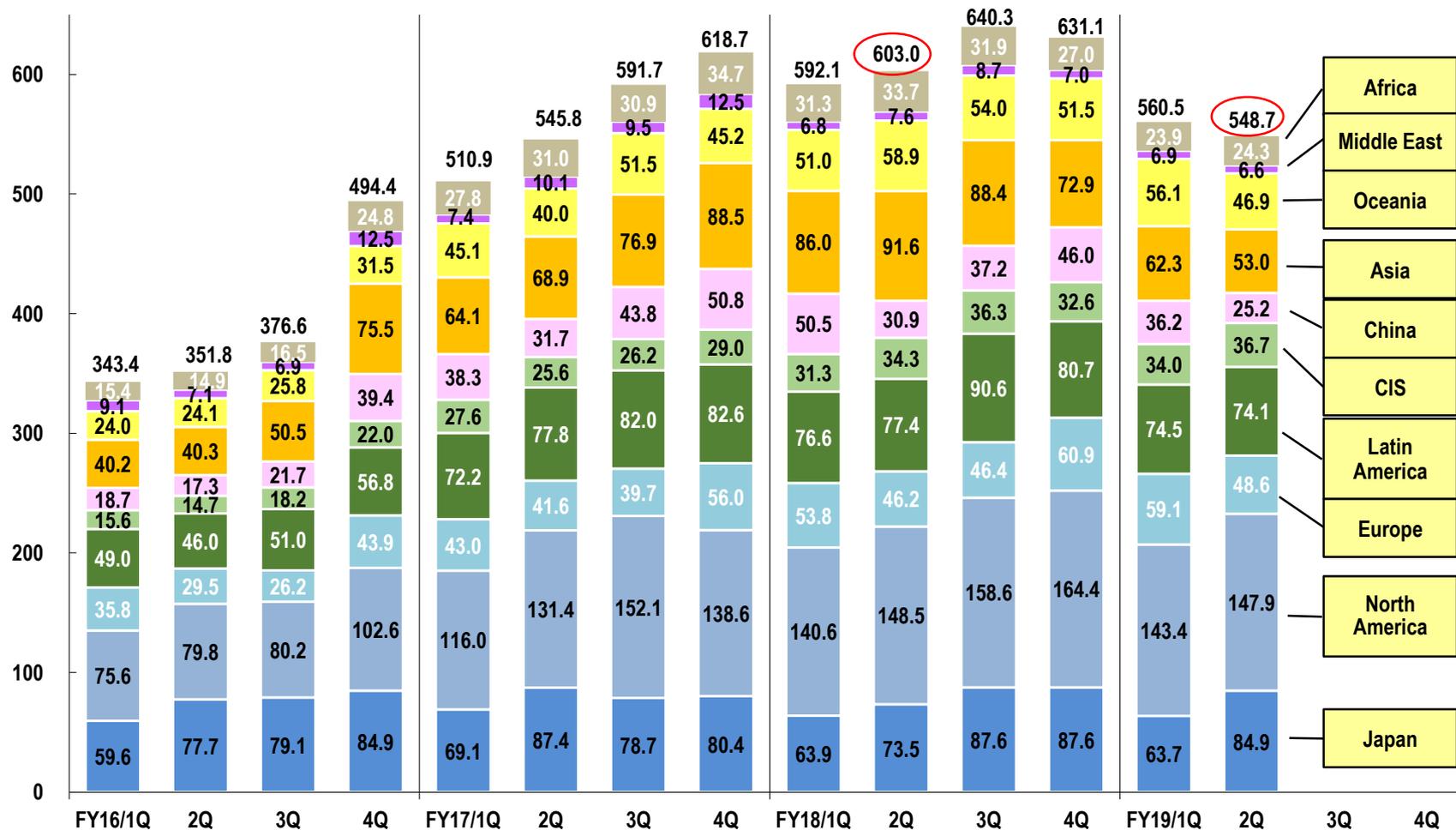
Quarterly segment profit



Breakdown of sales(%)



Billions of yen



- Africa
- Middle East
- Oceania
- Asia
- China
- CIS
- Latin America
- Europe
- North America
- Japan

Exchange rates

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

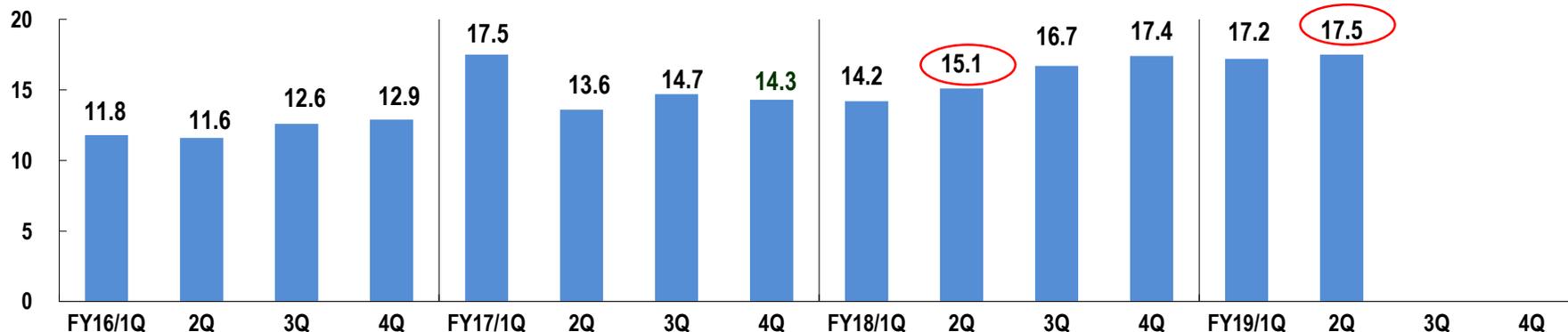
	17/1Q	17/2Q	17/3Q	17/4Q
¥/USD	111.2	110.9	113.0	109.6
¥/EUR	121.6	129.9	133.2	133.7
¥/RMB	16.3	16.6	17.0	17.2

	18/1Q	18/2Q	18/3Q	18/4Q
¥/USD	108.2	111.2	113.5	109.4
¥/EUR	130.1	129.6	129.6	124.7
¥/RMB	17.1	16.4	16.4	16.2

	19/1Q	19/2Q	19/3Q	19/4Q
¥/USD	110.0	107.9		
¥/EUR	123.2	120.0		
¥/RMB	16.2	15.5		

Billions of yen

Quarterly sales

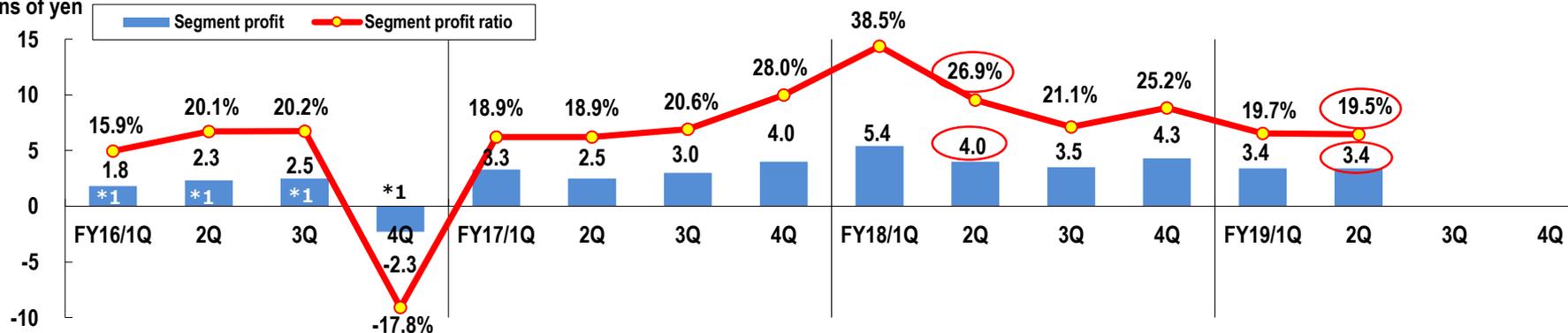


Exchange rates

	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q	18/1Q	18/2Q	18/3Q	18/4Q	19/1Q	19/2Q	19/3Q	19/4Q
¥/USD	109.8	102.9	106.9	114.7	111.2	110.9	113.0	109.6	108.2	111.2	113.5	109.4	110.0	107.9		
¥/EUR	124.3	114.6	116.7	121.4	121.6	129.9	133.2	133.7	130.1	129.6	129.6	124.7	123.2	120.0		
¥/RMB	16.9	15.4	15.7	16.7	16.3	16.6	17.0	17.2	17.1	16.4	16.4	16.2	16.2	15.5		

Billions of yen

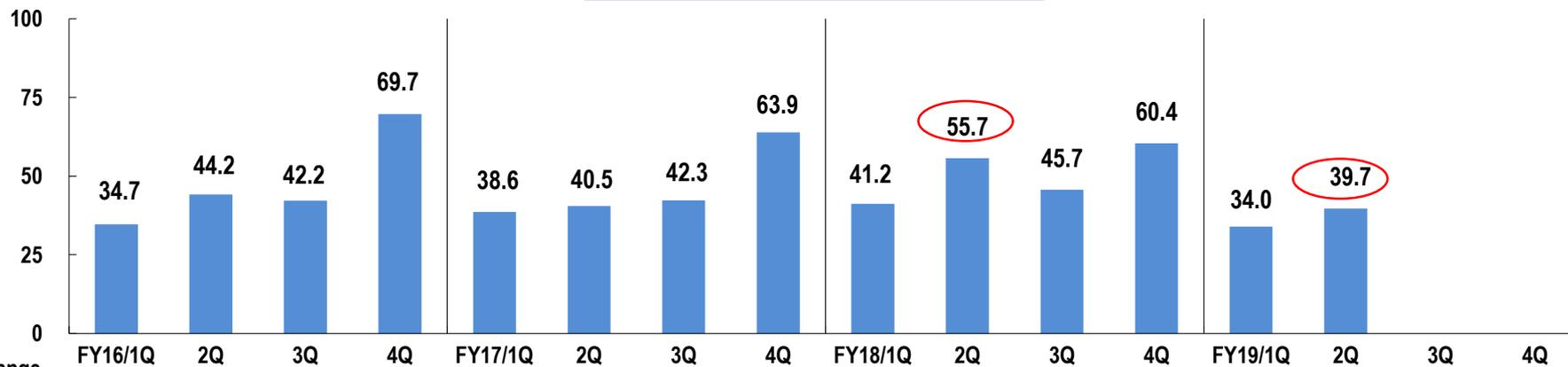
Quarterly segment profit



*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)

Billions of yen

Quarterly sales

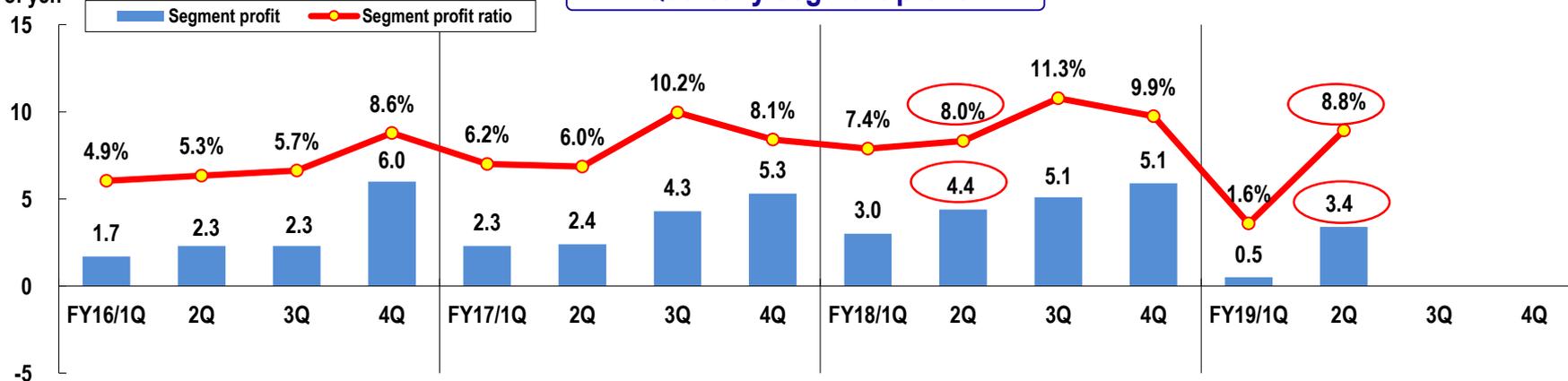


Exchange rates

	16/1Q	16/2Q	16/3Q	16/4Q	17/1Q	17/2Q	17/3Q	17/4Q	18/1Q	18/2Q	18/3Q	18/4Q	19/1Q	19/2Q	19/3Q	19/4Q
¥/USD	109.8	102.9	106.9	114.7	111.2	110.9	113.0	109.6	108.2	111.2	113.5	109.4	110.0	107.9		
¥/EUR	124.3	114.6	116.7	121.4	121.6	129.9	133.2	133.7	130.1	129.6	129.6	124.7	123.2	120.0		
¥/RMB	16.9	15.4	15.7	16.7	16.3	16.6	17.0	17.2	17.1	16.4	16.4	16.2	16.2	15.5		

Billions of yen

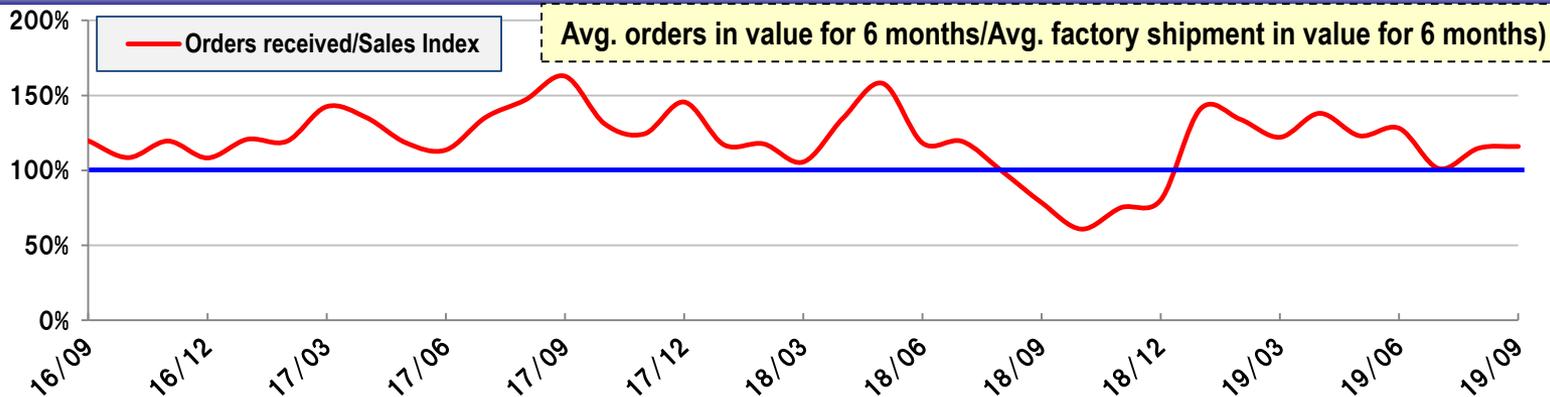
Quarterly segment profit



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

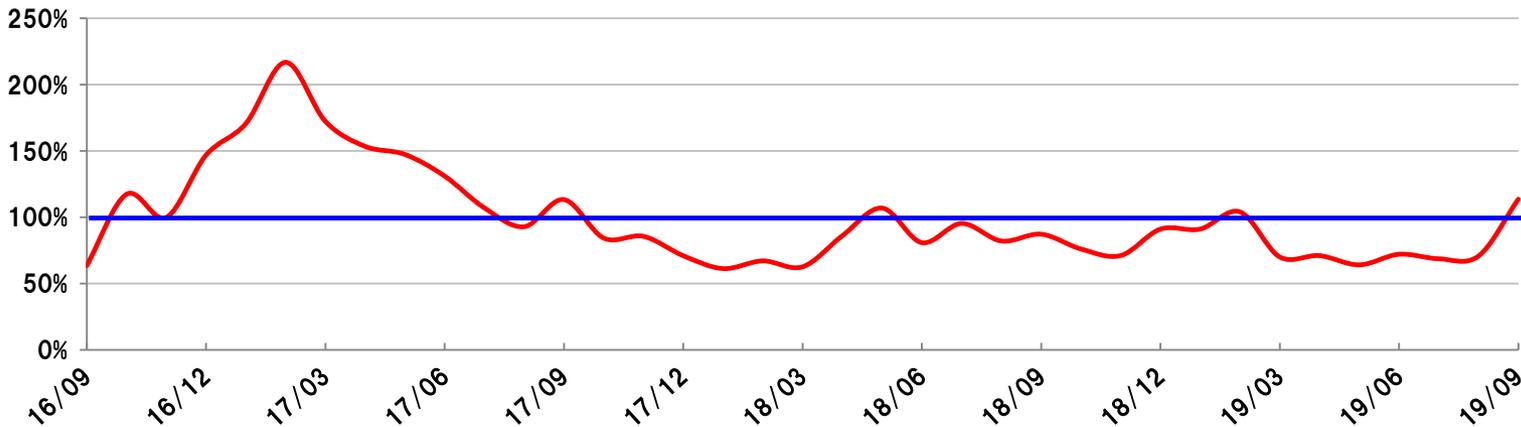
**Komatsu America
(Mining eqpt)**

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



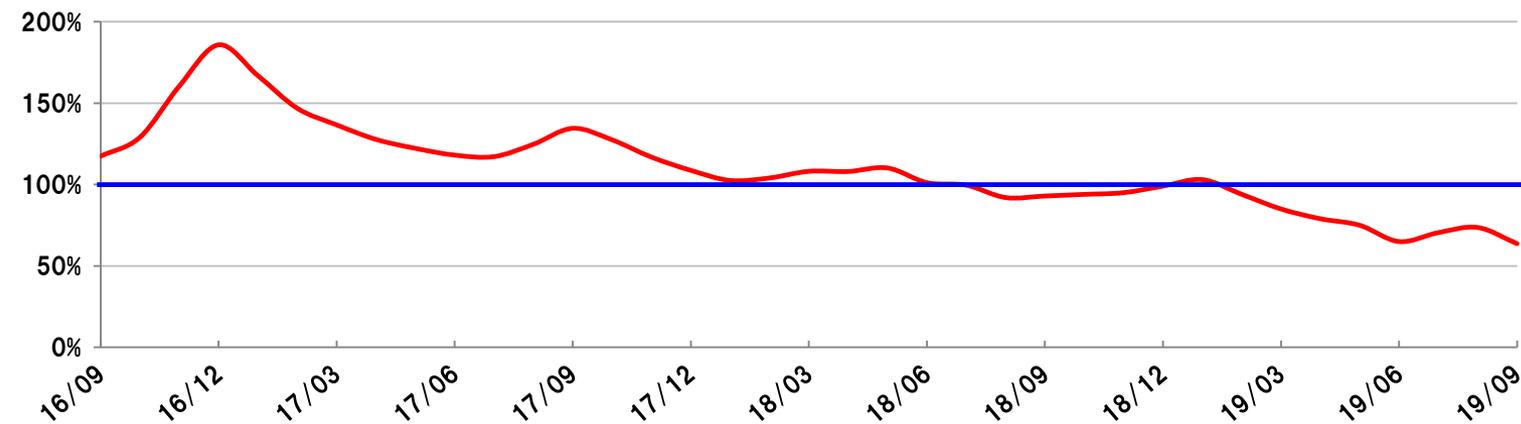
**Komatsu Germany
(Mining eqpt)**

PC3000, PC4000
PC5500, PC7000
PC8000



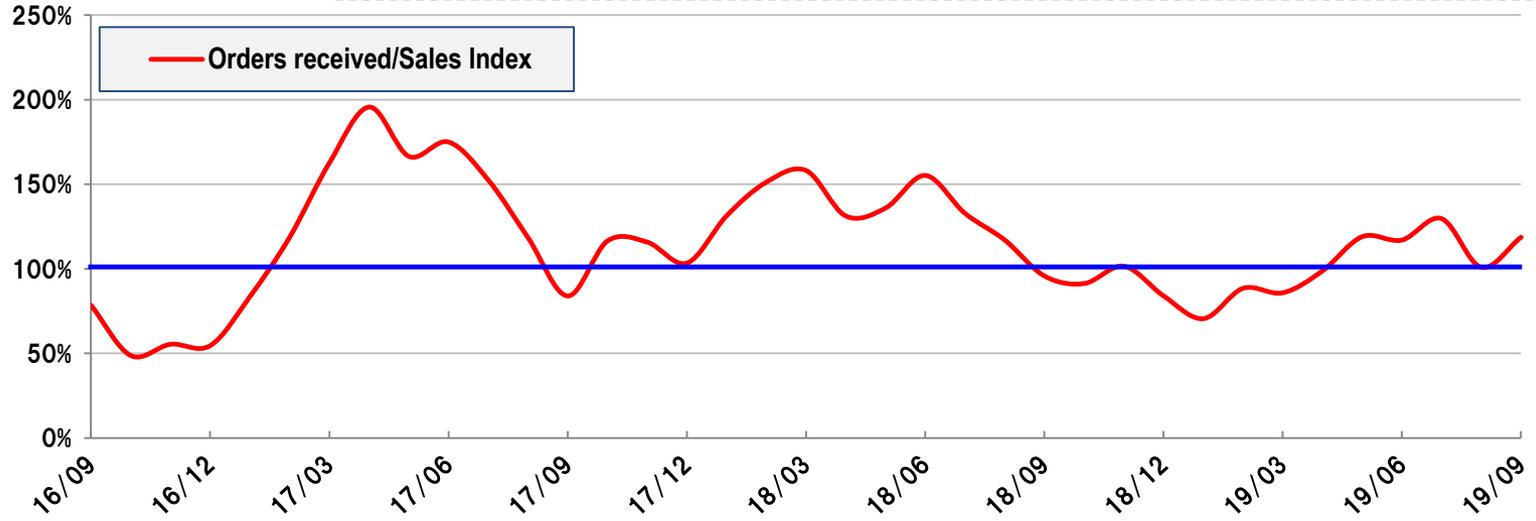
**Komatsu Ltd.
(Mining eqpt)**

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



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

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



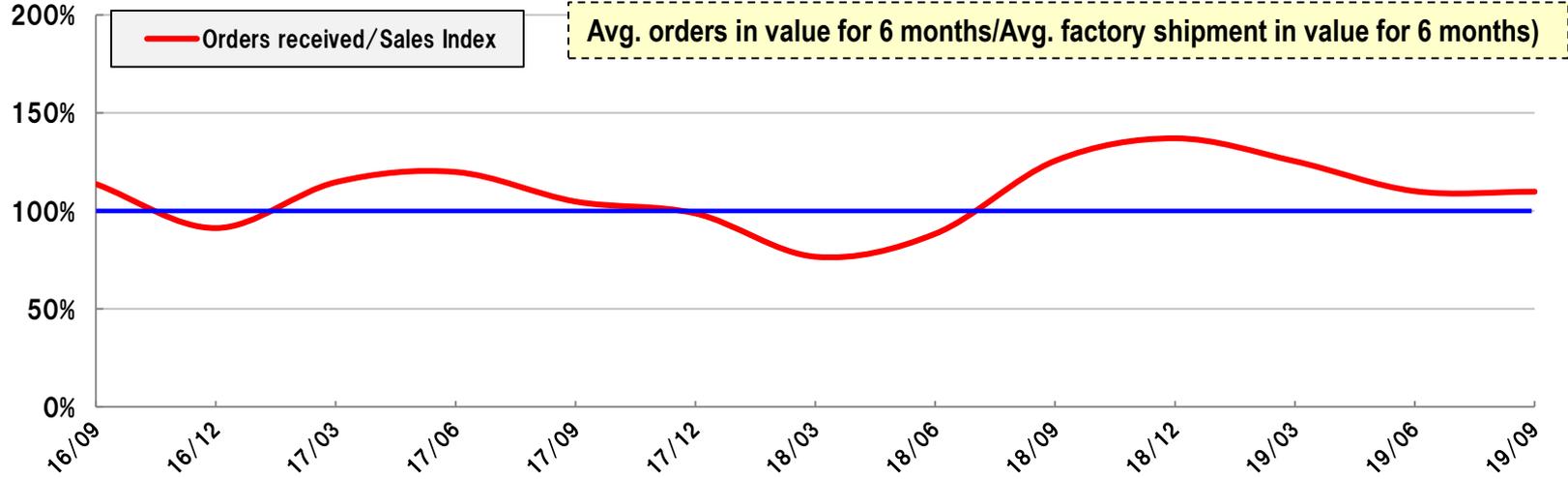
**KMC
(Mining eqpt)**

- < Surface >
- Rope Shovel
- Blasthole Drills
- Dragline ,etc

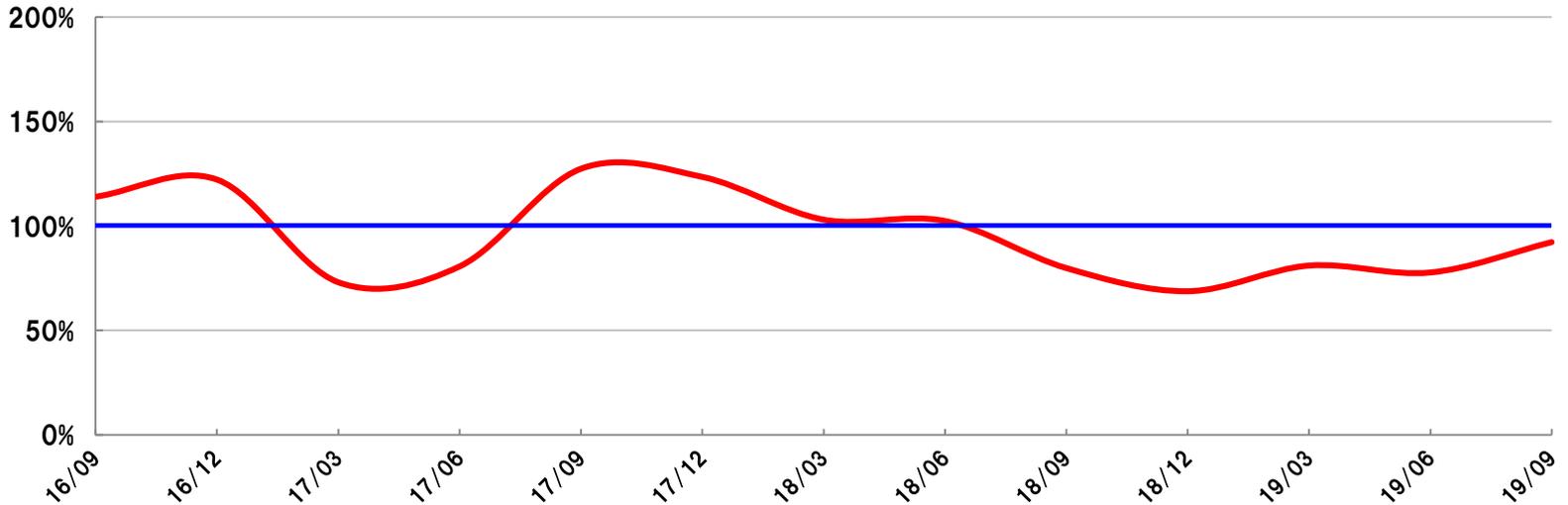
- < Underground >
- Continuous Miner
- Sheerer
- Load Haul Dump Machine
- Jumbo Drills,etc

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

Komatsu Industries



Komatsu NTC



KOMATSU

KOMATSU REPORT 2019



This Integrated Report mainly focuses on the value creation business model of working for **sustainable growth by turning a positive cycle of improving earnings (financial indexes) and solving ESG issues (non-financial indexes)** as it implements growth strategies in the mid-term management plan. It also includes the following,

- the President's message (the mid-term management plan)
- the CFO's message (financial strategy)
- The KPIs designed to track Komatsu's contribution to solving ESG issues
- the human rights policy

The KPIs designed to track Komatsu's contribution to solving ESG issues ⇒ Komatsu will disclose the progress in the next report and onward.

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.