

# **Business Results for Nine Months (April-December, 2017) of FY2017 【Telephone conference】**

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**Presented by**

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## **I . Business Results for Nine Months (April – December, 2017) of FY2017<PP4-14>**

- PP4-6: Highlights of Business Results for the Third Quarter (Oct- Dec, 2017)**
- PP7-8: Highlights of Business Results for Nine Months (Apr- Dec, 2017)**
- PP9-11: Construction, Mining & Utility Equipment: Results for Nine Months (Apr- Dec, 2017)  
KMC's Business Results for Nine Months (Apr- Dec, 2017)\***
- P12: Retail Finance: Assets and Revenues for Nine Months (Apr- Dec, 2017)**
- P13: Industrial Machinery & Others: Results for Nine Months (Apr- Dec, 2017)**
- P14: Consolidated Balance Sheets**

## **II . Outlook of FY2017 Business Results <PP16-25>**

- PP16: Projection for FY2017 ending March 31, 2018: Outline and Segment Sales and Profit**
- PP17-22: Construction, Mining & Utility Equipment: Demand for 7 Major Products and Projection (Global and By Region)**
- PP23-24: Construction, Mining & Utility Equipment: Demand for and Sales of Mining Equipment and Projections**
- P25: Construction, Mining & Utility Equipment: Sales of Parts and Projection**

## **Appendix <PP27-34>**

- PP27-31: Quarterly Results**
- PP32-34: Book-to-Bill Ratio [Orders Received / Sales (6 Months)]**

\*KMC stands for Komatsu Mining Corp

## **I . Business Results for Nine Months (April – December, 2017) of FY2017**

### **Note**

**On April 5, 2017, we completed the acquisition of Joy Global Inc. On April 19, Joy Global Inc. changed its trade name to Komatsu Mining Corp. (hereafter “KMC”). From the first 3-month period of FY2017, our consolidated business results include those of KMC as a consolidated subsidiary.**

- Consolidated net sales increased by 50.2% from the corresponding period a year ago, to JPY646.8 billion.
- Operating income advanced by 76.1% to JPY75.5 billion. Operating income ratio increased by 1.7 points to 11.7%.
- Net income attributable to Komatsu Ltd. improved by 73.0% to JPY53.3 billion.

| Billions of yen                   | Oct.-Dec.,2016                        | Oct.-Dec.,2017                        |                               | Changes |                        |             |
|-----------------------------------|---------------------------------------|---------------------------------------|-------------------------------|---------|------------------------|-------------|
|                                   | ¥106.9/USD<br>¥116.7/EUR<br>¥15.7/RMB | ¥113.0/USD<br>¥133.2/EUR<br>¥17.0/RMB | Komatsu<br>conventional<br>*1 | KMC     | Increase<br>(decrease) | Change<br>% |
| Net sales                         | 430.5                                 | 646.8                                 | 561.4                         | 85.3    | +216.2                 | +50.2%      |
| Segment profit (loss)             | 43.6                                  | 87.1                                  | 82.4                          | *2 4.6  | +43.5                  | +99.9%      |
| Other operating income (expenses) | (0.7)                                 | (11.5)                                | (11.7)                        | 0.1     | (10.8)                 | -           |
| Operating income (loss)           | 42.8                                  | 75.5                                  | 70.7                          | *2 4.8  | +32.6                  | +76.1%      |
| Profit ratio (loss ratio)         | 10.0%                                 | 11.7%                                 | 12.6%                         | 5.7%    | +1.7pts.               | -           |
| Other income (expenses)           | 2.2                                   | (4.3)                                 |                               |         | (6.6)                  | -           |
| Income before income taxes        | 45.1                                  | 71.2                                  |                               |         | +26.0                  | +57.7%      |
| Net income *3                     | 30.8                                  | 53.3                                  |                               |         | +22.4                  | +73.0%      |

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

2) KMC's segment and operating losses include temporary expenses in the table on the right.

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

|                          |              |
|--------------------------|--------------|
| Depreciation after PPA * | (3.6)        |
| Start-up expenses, etc.  | (0.4)        |
| <b>Total</b>             | <b>(4.1)</b> |

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

- Construction, Mining & Utility Equipment: Sales advanced by 56.8% from the corresponding period a year ago, to JPY594.5 billion. Segment profit expanded by 106.0% to JPY80.1 billion. Segment profit ratio improved by 3.2 points to 13.5%.
- Retail Finance: Revenues increased by 16.6% to JPY14.7 billion. Segment profit improved by 19.3% to JPY3.0 billion.
- Industrial Machinery & Others: Sales amounted to JPY42.3 billion, remaining about flat from the corresponding period a year ago. Segment profit expanded by 79.9% to JPY4.3 billion.

% : Profit ratio

[ ] : Sales after elimination of inter-segment transactions

| Billions of yen                          | Oct.-Dec.,2016 |             | Oct.-Dec.,2017 |             | Komatsu conventional |             | KMC         |            | Changes             |               |          |        |
|--|----------------|-------------|----------------|-------------|----------------------|-------------|-------------|------------|---------------------|---------------|----------|--------|
|  |                |             |                |             |                      |             |             |            | Increase (decrease) | % Change      |          |        |
| <b>Net sales</b>                         | 430.5          |             | 646.8          |             | 561.4                |             | 85.3        |            | +216.2              | +50.2%        |          |        |
| Construction, mining & utility equipment | [376.6]        | 379.0       | [591.7]        | 594.5       | [506.4]              | 509.1       | [85.3]      | 85.3       | [+215.1]            | +215.4        | [+57.1%] | +56.8% |
| Retail finance                           | [12.0]         | 12.6        | [13.0]         | 14.7        | [13.0]               | 14.7        | -           | -          | [+1.0]              | +2.0          | [+8.9%]  | +16.6% |
| Industrial machinery & others            | [41.9]         | 42.2        | [41.9]         | 42.3        | [41.9]               | 42.3        | -           | -          | [(0.0)]             | +0.0          | [(0.0)%] | +0.2%  |
| Elimination                              | (3.3)          |             | (4.7)          |             | (4.7)                |             | -           |            | (1.3)               | -             |          |        |
| <b>Segment profit</b>                    | <b>10.1%</b>   | <b>43.6</b> | <b>13.5%</b>   | <b>87.1</b> | <b>14.7%</b>         | <b>82.4</b> | <b>5.5%</b> | <b>4.6</b> | <b>+43.5</b>        | <b>+99.9%</b> |          |        |
| Construction, mining & utility equipment | 10.3%          | 38.9        | 13.5%          | 80.1        | 14.8%                | 75.5        | 5.5%        | 4.6        | +41.2               | +106.0%       |          |        |
| Retail finance                           | 20.2%          | 2.5         | 20.6%          | 3.0         | 20.6%                | 3.0         | -           | -          | +0.4                | +19.3%        |          |        |
| Industrial machinery & others            | 5.7%           | 2.3         | 10.2%          | 4.3         | 10.2%                | 4.3         | -           | -          | +1.9                | +79.9%        |          |        |
| Corporate & elimination                  | (0.2)          |             | (0.4)          |             | (0.4)                |             | -           |            | (0.1)               | -             |          |        |

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

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

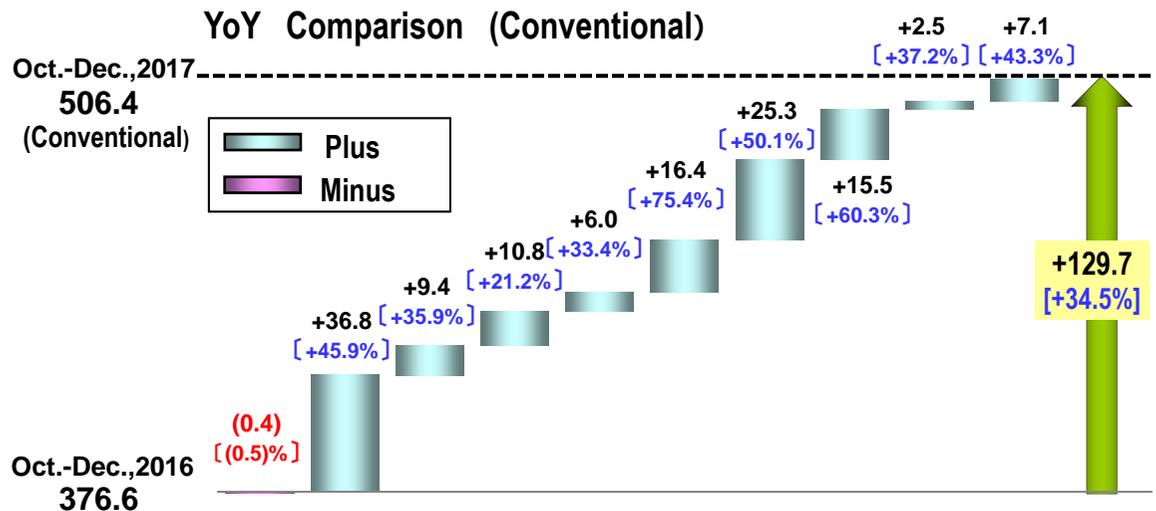
**■ Retail Finance:**

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

**■ Industrial Machinery & Others**

Sales remained about flat from the corresponding period a year ago. Profit expanded, mainly supported by increased sales of machine tools to the automobile manufacturing industry.

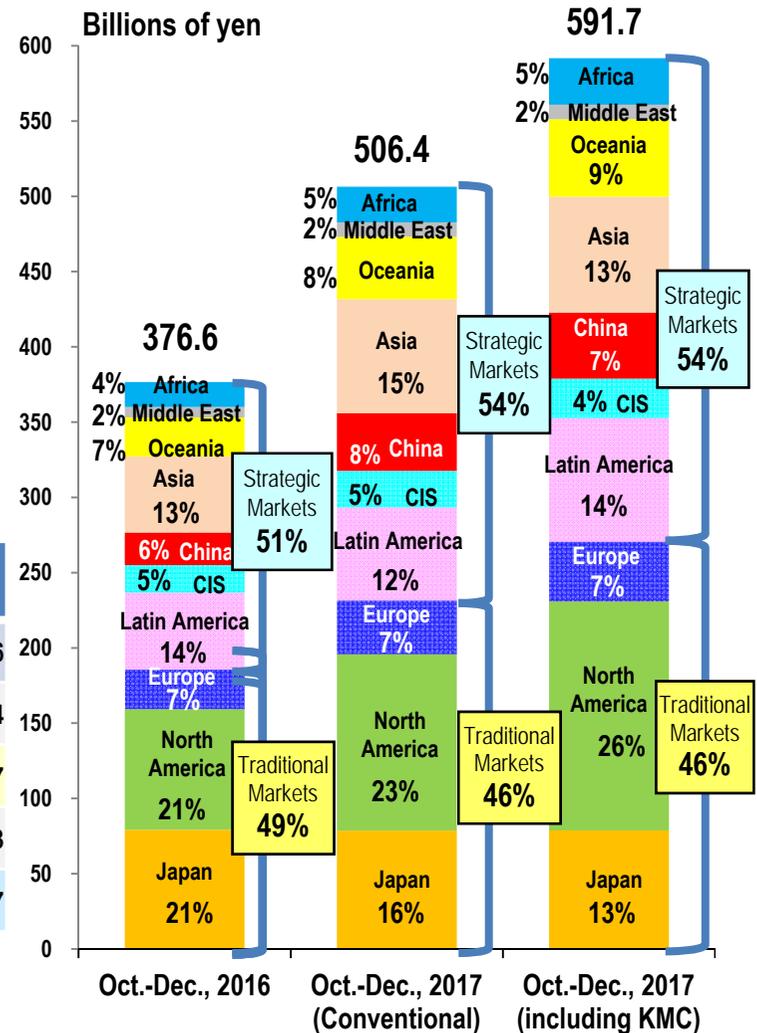
- Sales to outside customers advanced by 57.1% from the corresponding period a year ago, to JPY591.7 billion. When KMC's sales are excluded, sales increased by 34.5% to JPY506.4 billion.
- Excluding those of KMC, sales improved in all regions except for Japan. Sales expanded sharply, especially in North America, China, Asia and Oceania.
- The ratio of sales in Strategic Markets increased to 54% of total sales. (The ratio of Strategic Market was also 54%, when KMC's sales were included.)



| Billions of yen                          | Japan | North America | Europe | Latin America | CIS  | China | Asia  | Oceania | Middle East | Africa | Total  |
|--|-------|---------------|--------|---------------|------|-------|-------|---------|-------------|--------|--------|
| Oct.-Dec., 2016                          | 79.1  | 80.2          | 26.2   | 51.0          | 18.2 | 21.7  | 50.5  | 25.8    | 6.9         | 16.5   | 376.6  |
| Komatsu Conventional Increase (decrease) | (0.4) | +36.8         | +9.4   | +10.8         | +6.0 | +16.4 | +25.3 | +15.5   | +2.5        | +7.1   | +129.7 |
| KMC                                      | 0.0   | 35.0          | 4.0    | 20.1          | 1.9  | 5.7   | 1.1   | 10.0    | 0.0         | 7.1    | 85.3   |
| Oct.-Dec., 2017                          | 78.7  | 152.1         | 39.7   | 82.0          | 26.2 | 43.8  | 76.9  | 51.5    | 9.5         | 30.9   | 591.7  |

Traditional Markets

Strategic Markets



- Consolidated net sales increased by 47.2% from the corresponding period a year ago, to JPY1,805.8 billion.
- Operating income advanced by 75.8% to JPY188.1 billion. Operating income ratio was 10.4%, up 1.7 percentage points.
- Net income attributable to Komatsu Ltd. expanded by 126.9% to JPY155.0 billion.

| Billions of yen                   | Apr.-Dec.,2016                        | Apr.-Dec.,2017                        |                            | Y-O-Y     |                        |             |
|-----------------------------------|---------------------------------------|---------------------------------------|----------------------------|-----------|------------------------|-------------|
|                                   | ¥106.5/USD<br>¥118.5/EUR<br>¥16.0/RMB | ¥111.7/USD<br>¥128.2/EUR<br>¥16.6/RMB | *1 Komatsu<br>conventional | KMC       | Increase<br>(decrease) | Change<br>% |
| Net sales                         | 1,226.7                               | 1,805.8                               | 1,569.4                    | 236.3     | +579.0                 | +47.2 %     |
| Segment profit (loss)             | 107.8                                 | 200.8                                 | 216.0                      | *2 (15.2) | +93.0                  | +86.3 %     |
| Other operating income (expenses) | (0.8)                                 | (12.6)                                | (12.7)                     | 0.0       | (11.8)                 | -           |
| Operating income (loss)           | 107.0                                 | 188.1                                 | 203.3                      | *2 (15.1) | +81.1                  | +75.8%      |
| Profit ratio (loss ratio)         | 8.7%                                  | 10.4%                                 | 13.0%                      | (6.4)%    | +1.7pts.               | -           |
| Other income (expenses)           | (3.7)                                 | 27.1                                  |                            |           | +30.9                  | -           |
| Income before income taxes        | 103.2                                 | 215.3                                 |                            |           | +112.0                 | +108.5%     |
| Net income *3                     | 68.3                                  | 155.0                                 |                            |           | +86.7                  | +126.9%     |

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

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

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

Note: PPA stands for Purchase Price Allocation.

It is an accounting process of valuing and allocating acquired assets and liabilities to fair prices.

|                        | Billions of yen |
|------------------------|-----------------|
| Depreciation after PPA | (36.7)          |
| Start-up cost etc.     | (4.1)           |
| Total                  | (40.8)          |

- Construction, Mining & Utility Equipment: Sales advanced by 53.9% from the corresponding period a year ago, to JPY1,658.9 billion. Segment profit expanded by 90.5% to JPY183.9 billion. Segment profit ratio improved by 2.1 points to 11.1%.
- Retail Finance: Revenues advanced by 27.3% to JPY45.9 billion. Segment profit expanded by 32.3% to JPY8.9 billion.
- Industrial Machinery & Others: Sales amounted to JPY121.4 billion, remaining about flat from the corresponding period a year ago. Segment profit improved by 41.7% to JPY9.1 billion.

% : Profit ratio

[ ] : Sales after elimination of inter-segment transactions

| Billions of yen                          | Apr.-Dec.,2016 |            | Apr.-Dec.,2017 |             | Komatsu conventional |             | KMC     |               | Changes             |          |                 |
|--|----------------|------------|----------------|-------------|----------------------|-------------|---------|---------------|---------------------|----------|-----------------|
|  |                |            |                |             |                      |             |         |               | Increase (decrease) | % Change |                 |
| <b>Net sales</b>                         |                | 1,226.7    |                | 1,805.8     |                      | 1,569.4     |         | 236.3         |                     | +579.0   | +47.2%          |
| Construction, mining & utility equipment | [1,071.9]      | 1,077.7    | [1,648.6]      | 1,658.9     | [1,412.3]            | 1,422.6     | [236.3] | 236.3         | [+576.7]            | +581.2   | [+53.8%] +53.9% |
| Retail finance                           | [34.3]         | 36.1       | [36.7]         | 45.9        | [36.7]               | 45.9        | -       | -             | [+2.4]              | +9.8     | [+7.2%] +27.3%  |
| Industrial machinery & others            | [120.4]        | 121.2      | [120.4]        | 121.4       | [120.4]              | 121.4       | -       | -             | [(0.0)]             | +0.2     | [(0.1)%] +0.2%  |
| Elimination                              |                | (8.3)      |                | (20.6)      |                      | (20.6)      |         | -             |                     | (12.2)   | -               |
| <b>Segment profit</b>                    |                | 8.8% 107.8 |                | 11.1% 200.8 |                      | 13.8% 216.0 |         | (6.4)% (15.2) |                     | +93.0    | +86.3%          |
| Construction, mining & utility equipment |                | 9.0% 96.5  |                | 11.1% 183.9 |                      | 14.0% 199.1 |         | (6.4)% (15.2) |                     | +87.4    | +90.5%          |
| Retail finance                           |                | 18.7% 6.7  |                | 19.5% 8.9   |                      | 19.5% 8.9   |         | -             |                     | +2.1     | +32.3%          |
| Industrial machinery & others            |                | 5.3% 6.4   |                | 7.5% 9.1    |                      | 7.5% 9.1    |         | -             |                     | +2.6     | +41.7%          |
| Corporate & elimination                  |                | (1.9)      |                | (1.1)       |                      | (1.1)       |         | -             |                     | +0.7     | -               |

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

Sales expanded, supported by increased sales of construction equipment, centering on North America, China and Asia as well as the benefits of the new addition of KMC to consolidated accounting. With respect to profits, while KMC recorded an operating loss, impacted by its temporary expenses, Komatsu (excluding KMC) expanded profit. As a result, segment profit increased sharply as a whole from the corresponding period a year ago.

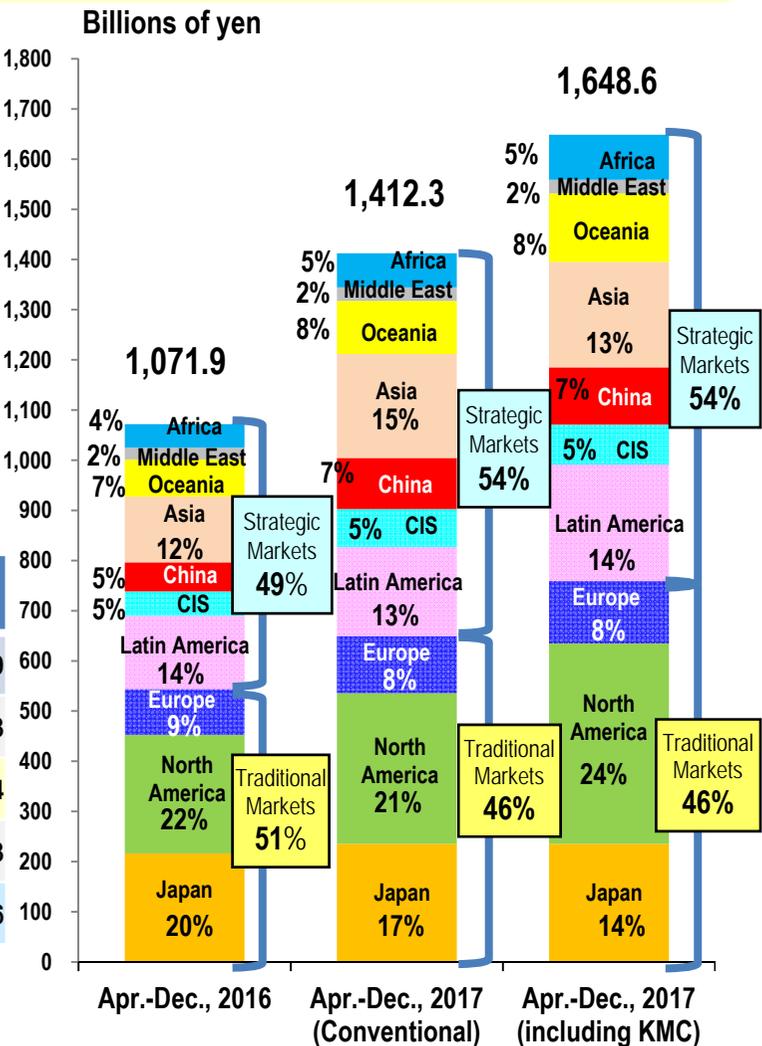
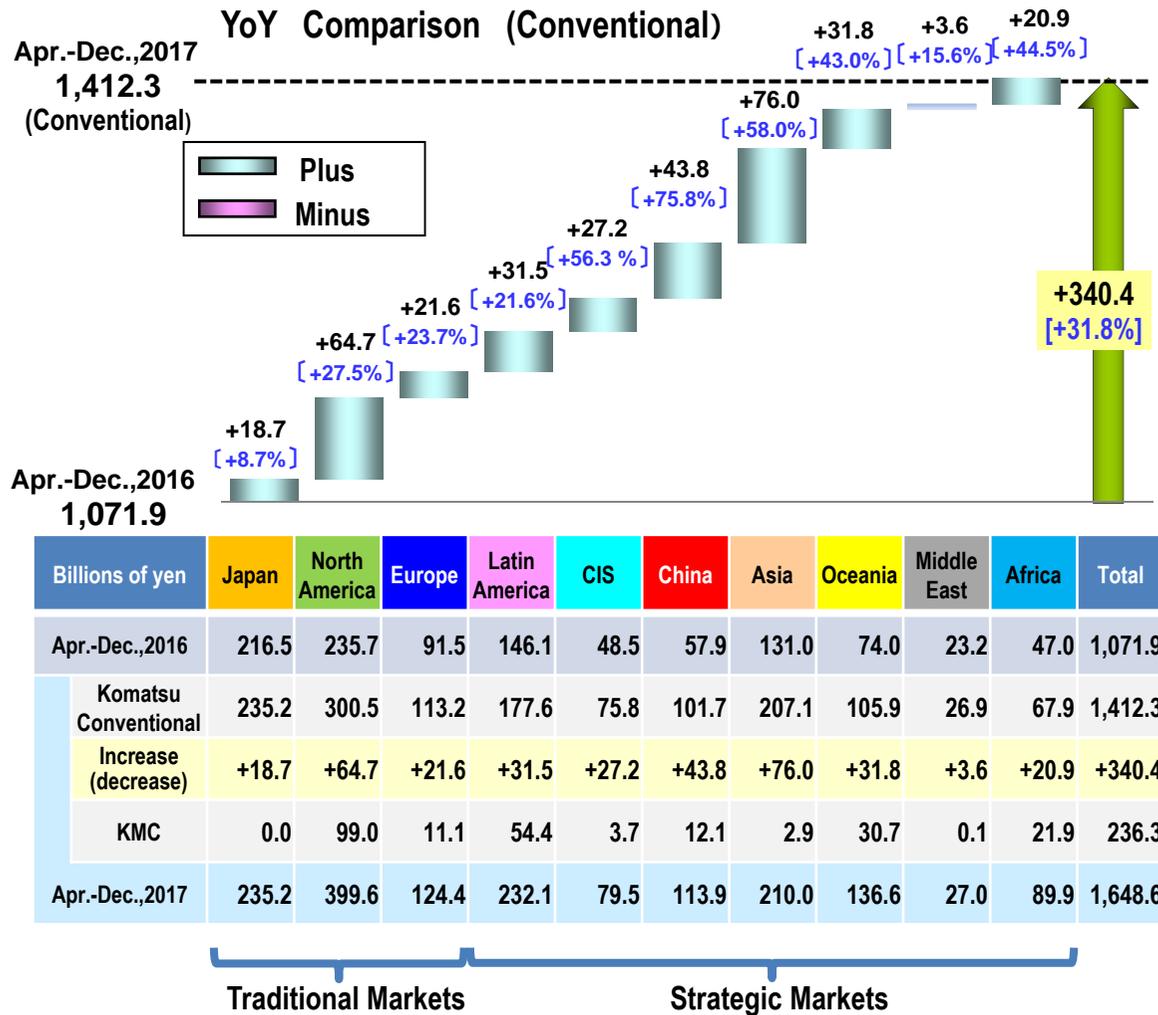
**■ Retail Finance:**

Revenues increased, mainly supported by increased assets in North America. Segment profit also improved, reflecting no more adverse effects of allowance for doubtful accounts recorded in China for the corresponding period a year ago.

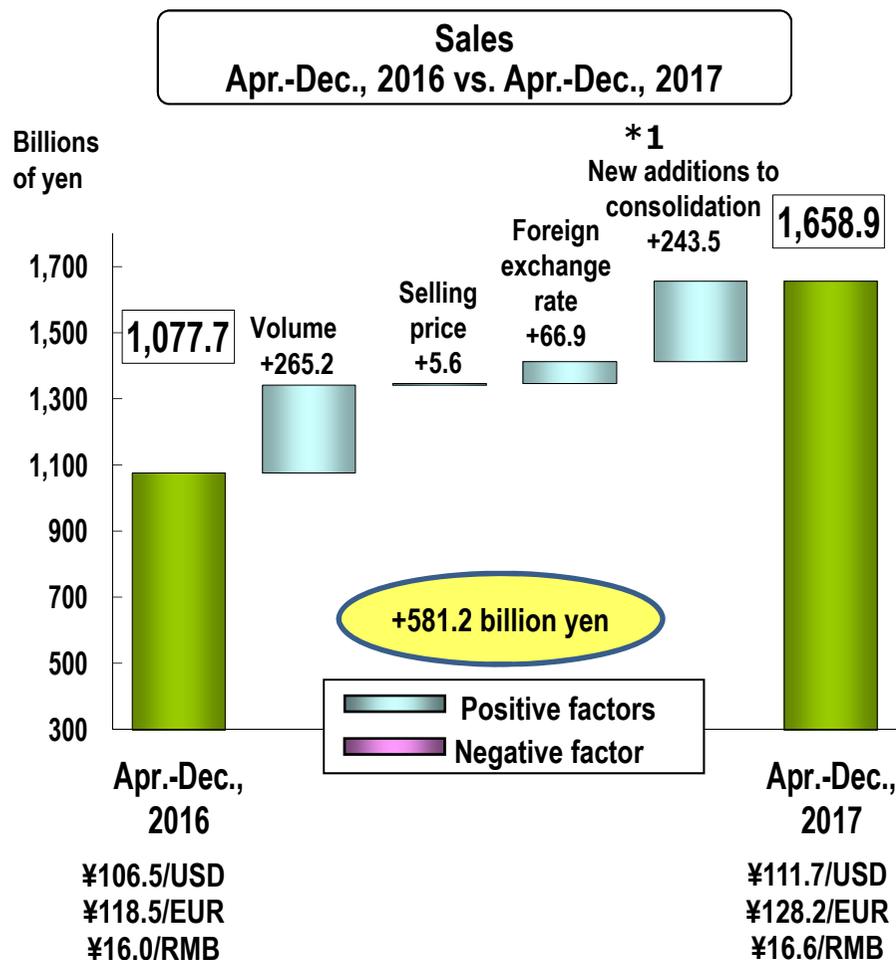
**■ Industrial Machinery & Others:**

Sales remained about flat from corresponding period a year ago. Profit improved, supported by increased sales of machine tools to the automobile manufacturing industry.

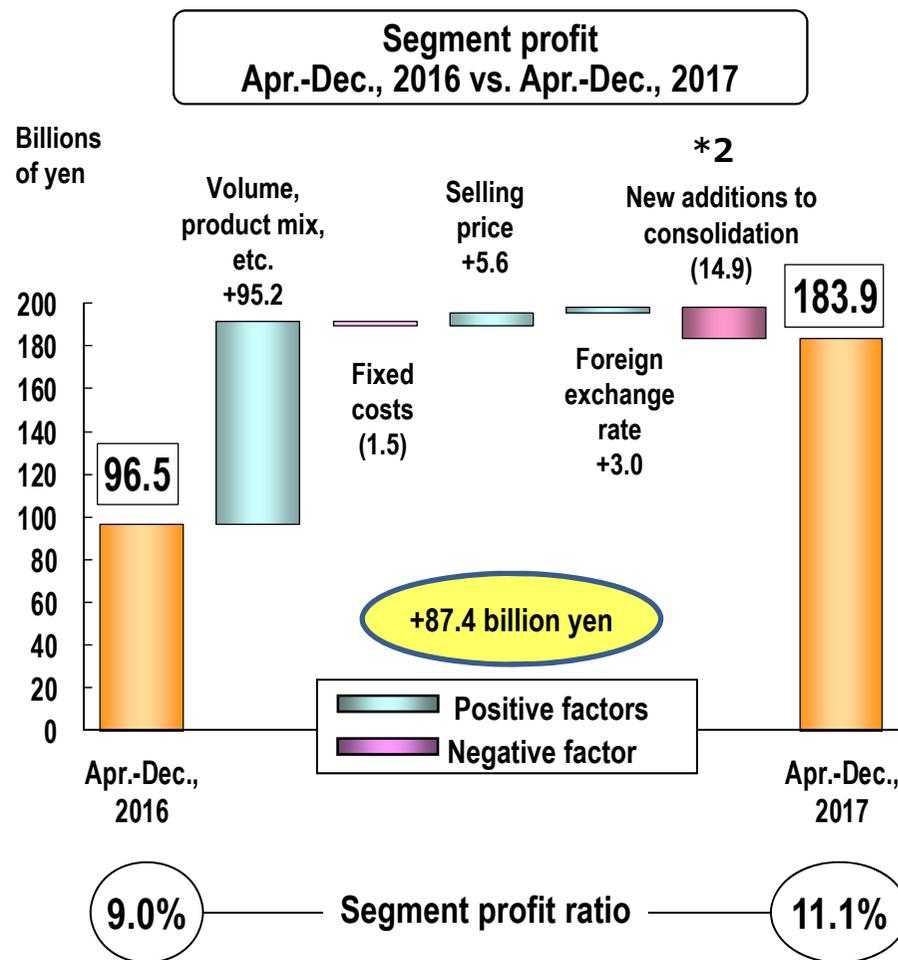
- Sales to outside customers advanced by 53.8% from the corresponding period a year ago, to JPY1,648.6 billion. When KMC's sales are excluded, sales increased by 31.8% to JPY1,412.3 billion.
- Excluding those of KMC, sales improved in all regions. Sales expanded sharply, especially in North America, China and Asia.
- The ratio of sales in Strategic Markets increased to 54% of total sales. (The ratio of Strategic Market was also 54%, when KMC's sales were included.)



- Sales increased by JPY581.2 billion from the corresponding period a year ago, supported by increased volume of sales, the positive factor of foreign exchange rates and the benefits of the new addition of KMC to consolidated accounting. Although segment profit was adversely affected by temporary expenses of KMC, it increased by JPY87.4 billion as a whole.
- Segment profit ratio improved by 2.1 points to 11.1%.



\*1: Including JPY236.3 billion resulting from the new addition of KMC to consolidated accounting



\*2: Including JPY(15.2) billion resulting from the new addition of KMC to consolidated accounting.

**KMC's Business Results for Nine Months (Apr-Dec, 2017) of FY2017**

- Sales increased by 20.7% from the corresponding period a year ago, to JPY236.3 billion.
- Excluding temporary expenses, operating income was JPY25.6 billion. When the temporary expenses of JPY40.8 billion were included, KMC recorded an operating loss of JPY15.1 billion.

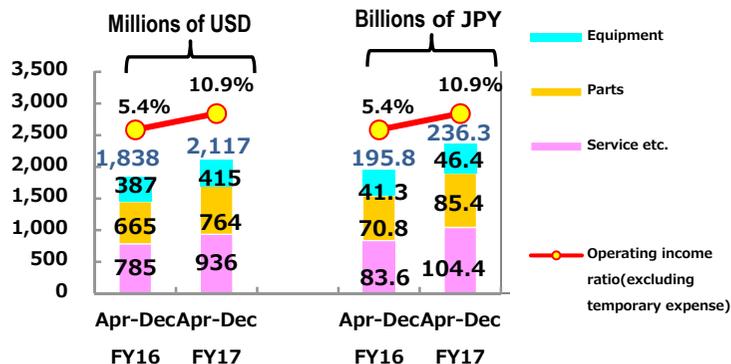
| Billions of yen   | Apr.-Dec.,2016<br>(Reference)<br>¥106.5/USD *1 |           | Apr.-Dec.,2017<br>¥111.7/USD |               | Changes (Reference)    |          |
|---|--|-----------|------------------------------|---------------|------------------------|----------|
|   |  |           |                              |               | Increase<br>(decrease) | % Change |
| <b>Net sales</b>  |  | 195.8     |                              | 236.3         | +40.4                  | +20.7%   |
| Equipment   |  | 41.3      |                              | 46.4          | +5.1                   | +12.4%   |
| Parts   |  | 70.8      |                              | 85.4          | +14.6                  | +20.6%   |
| Service etc.  |  | 83.6      |                              | 104.4         | +20.8                  | +24.9%   |
| <b>Operating income (loss) &lt;excluding Temporary Expenses&gt;</b> |  | 5.4% 10.4 |                              | 10.9% 25.6    | +15.2                  | +145.6%  |
| <b>Temporary Expenses (negative figure)</b>                         |  | (9.3)     |                              | (40.8)        | (31.4)                 | -        |
| Depreciation after PPA *2   |  | -         |                              | *3 (36.7)     | (36.7)                 | -        |
| Start-up expenses etc.  |  | (9.3)     |                              | (4.1)         | +5.2                   | -        |
| <b>Operating income (loss) &lt;including Temporary Expenses&gt;</b> |  | 0.6% 1.0  |                              | (6.4%) (15.1) | (16.2)                 | -        |

\* 1: Figures for the corresponding period a year ago (April - Dec 2016) are rearranged for Komatsu's fiscal year for your reference.

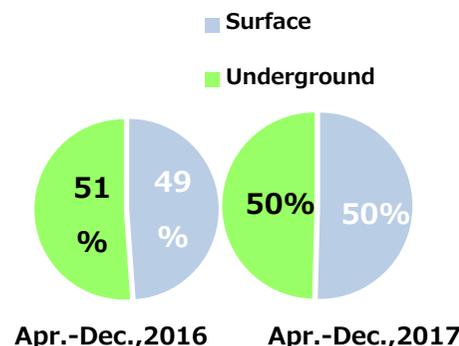
\* 2: PPA stands for Purchase Price Allocation. It is an accounting process of valuating and allocating acquired assets and liabilities to fair prices.

\* 3: Including JPY(25.8) billion for inventories after PPA. KMC wrote off all inventories in the first half period.

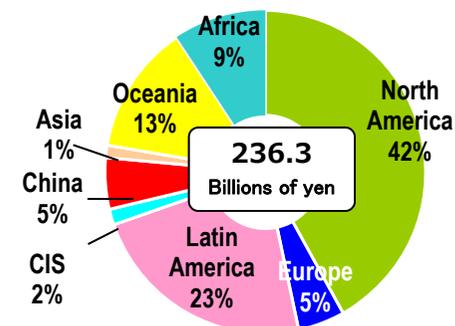
**Sales & Operating Income Ratio**



**Sales by segments**

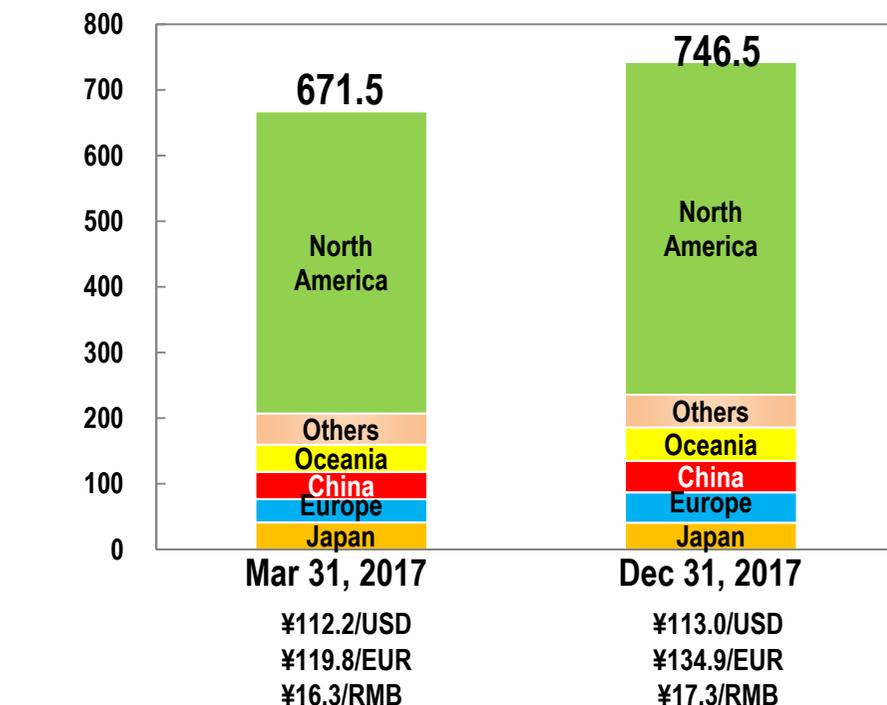


**Sales by regions  
(To Outside Customers)Apr.-Dec.,2017**

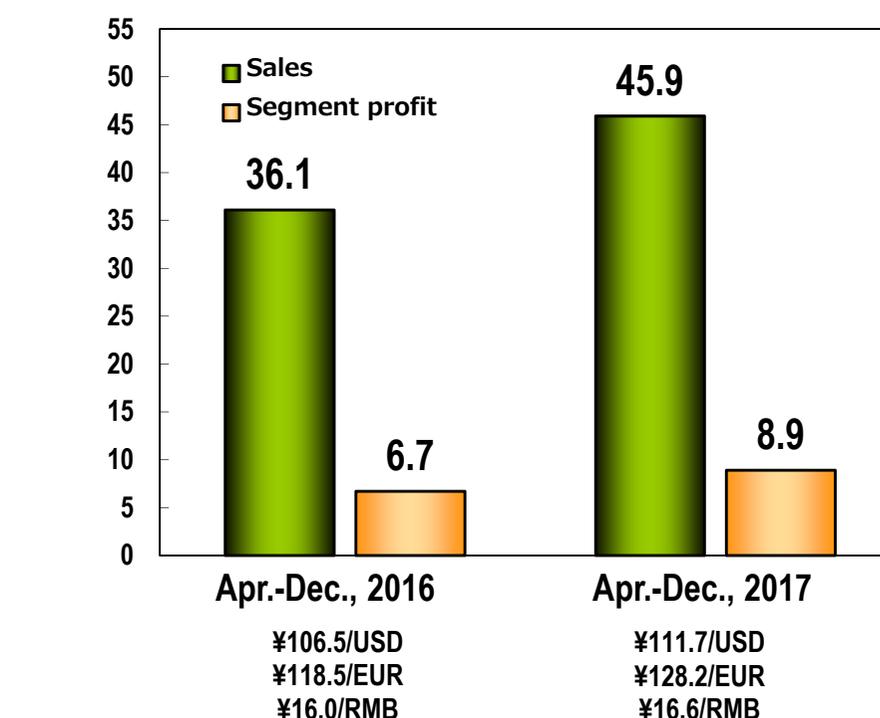


- Assets increased, mainly due to increased financing contracts, centering on North America.
- Segment profit improved, mainly supported by no more adverse effects of allowance for doubtful accounts recorded in China for the corresponding period a year ago.

**Assets**  
Mar 31, 2017 vs. Dec 31, 2017

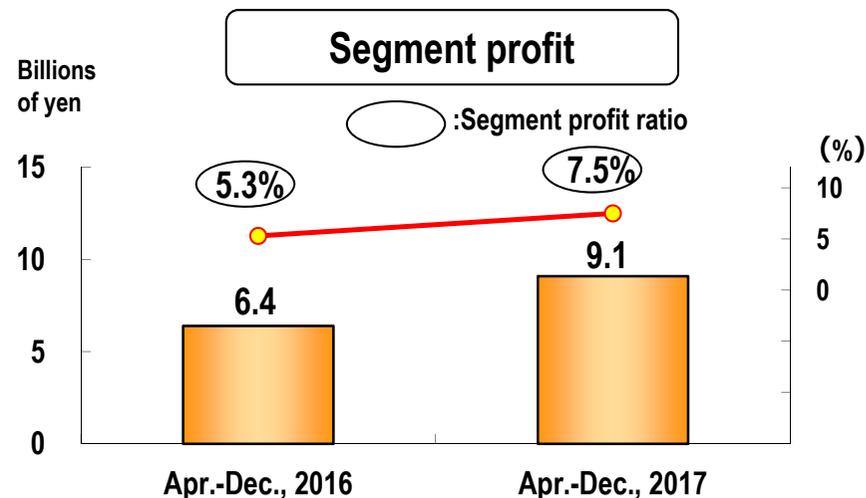
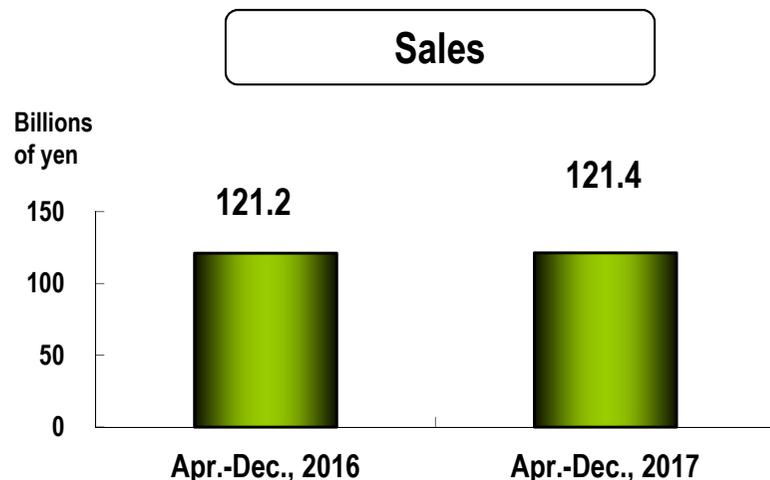


**Revenues**  
Apr.-Dec., 2016 vs. Apr.-Dec., 2017



| Billions of yen            | 2017/3E | 2017/12E | Changes   |
|----------------------------|---------|----------|-----------|
| Interest-bearing debt      | 506.0   | 566.7    | +60.7     |
| Interest-bearing debt, net | 501.2   | 559.7    | +58.4     |
| Net D/E ratio              | 3.65    | 3.77     | +0.12pts. |

- Sales remained about flat at JPY121.4 billion from the corresponding period a year ago.
- Segment profit increased, mainly due to increased sales of machine tools to the automobile manufacturing industry. Segment profit ratio was 7.5%.



| Breakdown of sales<br>Billions of yen                                       | Apr.-Dec., 2016 | Apr.-Dec., 2017 | Changes             |                     |
|---|-----------------|-----------------|---------------------|---------------------|
|   |                 |                 | Increase (decrease) | % change            |
| Komatsu Industries Corp., etc.<br>[total of press and sheet-metal machines] | 36.5            | 32.7            | (3.7)               | (10.3)%             |
| Komatsu NTC Ltd.<br>[represented by wire saws]                              | 33.5<br>[8.6]   | 43.2<br>[4.8]   | +9.7<br>[(3.7)]     | +29.1%<br>[(43.6)%] |
| Gigaphoton  | 23.3            | 27.2            | +3.8                | +16.3%              |
| Others  | 27.8            | 18.3            | (9.5)               | (34.4)%             |
| <b>Total</b>  | <b>121.2</b>    | <b>121.4</b>    | <b>+0.2</b>         | <b>+0.2%</b>        |

## Consolidated Balance Sheets

- Total assets grew by JPY803.5 billion from the previous fiscal year-end, affected by the new addition of KMC to consolidated accounting and increased inventories.
- Interest-bearing debt increased by JPY476.0 billion to JPY884.7 billion, mainly affected by the acquisition of KMC.  
Komatsu Ltd. shareholders' equity ratio declined by 10.7 points to 48.7%.

| Billions of yen   | Mar. 31, 2017<br>¥112.2/USD<br>¥119.8/EUR<br>¥16.3/RMB | Dec. 31, 2017<br>¥113.0/USD<br>¥134.9/EUR<br>¥ 17.3/RMB | Increase<br>(decrease) | Dec 31, 2017<br>Affect of new<br>addition of KMC<br>to consolidation |
|---|--|---|------------------------|--|
| Cash & deposits (incl. time deposits) [a]               | 122.1  | 167.7   | +45.6                  | 23.5   |
| Accounts receivable (incl. long-term trade receivables) | 933.2  | 1,139.0   | +205.8                 | 85.8   |
| Inventories   | 533.8  | 757.4   | +223.5                 | 114.4  |
| Tangible fixed assets                                   | 679.0  | 767.8   | +88.8                  | 84.8   |
| Other assets  | 388.1  | 627.8   | +239.6                 | 278.6  |
| <b>Total assets</b>                                     | <b>2,656.4</b>   | <b>3,459.9</b>  | <b>+803.5</b>          | <b>587.2</b>   |
| Accounts payable  | 240.1  | 303.3   | +63.2                  | 31.9   |
| Interest-bearing debt [b]                               | 408.7  | 884.7   | +476.0                 | 128.3  |
| Other liabilities                                       | 359.1  | 505.3   | +146.2                 | 108.0  |
| <b>Total liabilities</b>                                | <b>1,007.9</b>   | <b>1,693.4</b>  | <b>+685.4</b>          | <b>268.2</b>   |
| [Shareholders' equity ratio]                            | [59.4%]  | [48.7%]   | [ (10.7)pts. ]         |  |
| Komatsu Ltd. shareholders' equity                       | 1,576.6  | 1,684.9   | +108.2                 |  |
| Non-controlling interests                               | 71.8   | 81.5  | +9.7                   |  |
| <b>Liabilities &amp; Equity</b>                         | <b>2,656.4</b>   | <b>3,459.9</b>  | <b>+803.5</b>          |  |
| <b>Interest-bearing debt, net [b-a]</b>                 | <b>286.5</b>   | <b>716.4</b>  | <b>+430.4</b>          |  |
| <b>Net D/E ratio</b>                                    | <b>0.18</b>  | <b>0.43</b>   |                        |  |

## **II . Outlook of FY2017 Business Results**

## Outline of Projection for FY2017

• For the nine-month period of FY2017, consolidated net sales and profits are better than our projection of October 2017, and we believe this condition will continue in the fourth quarter. However, we are not changing the projection for full-year business results, as we consider such factors as foreign exchange rates and the post-Chinese New Year demand. (See below for the projection of October.)

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

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

2) KMC's segment and operating losses include temporary expenses in the table on the right.

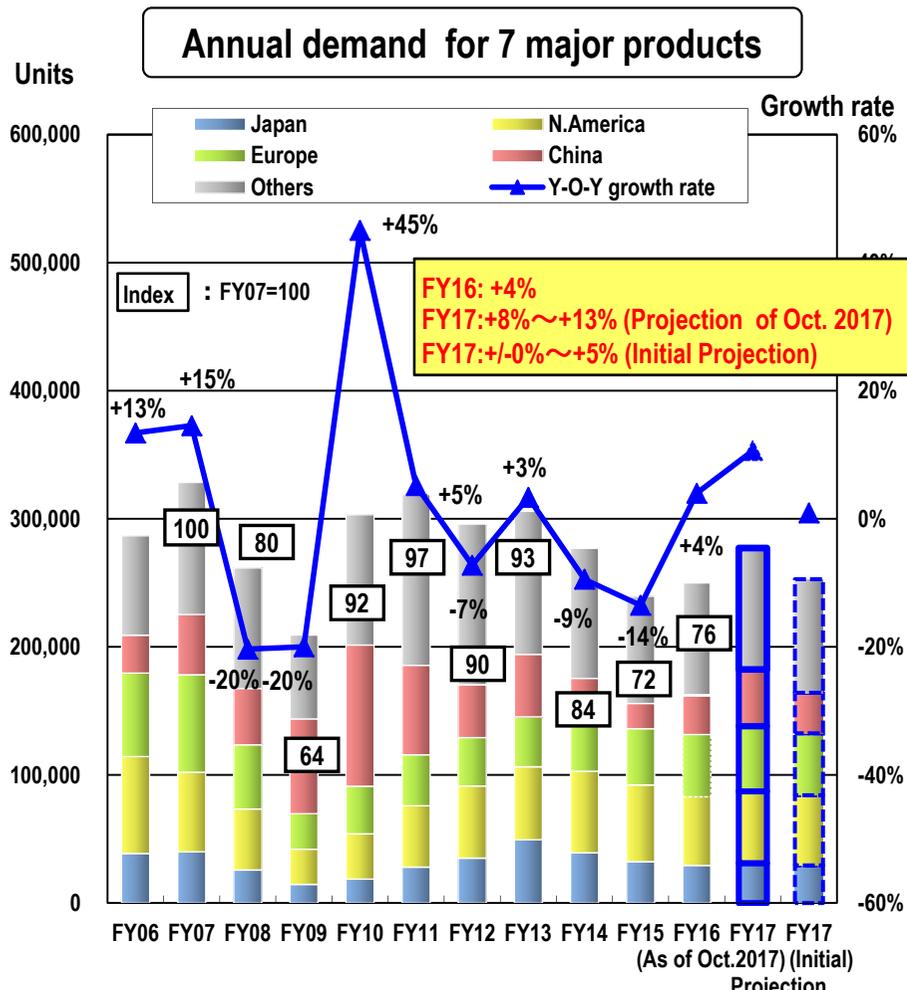
3) Upon adoption of ASC 810, "Net income" is equivalent to "Net income attributable to Komatsu Ltd."

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

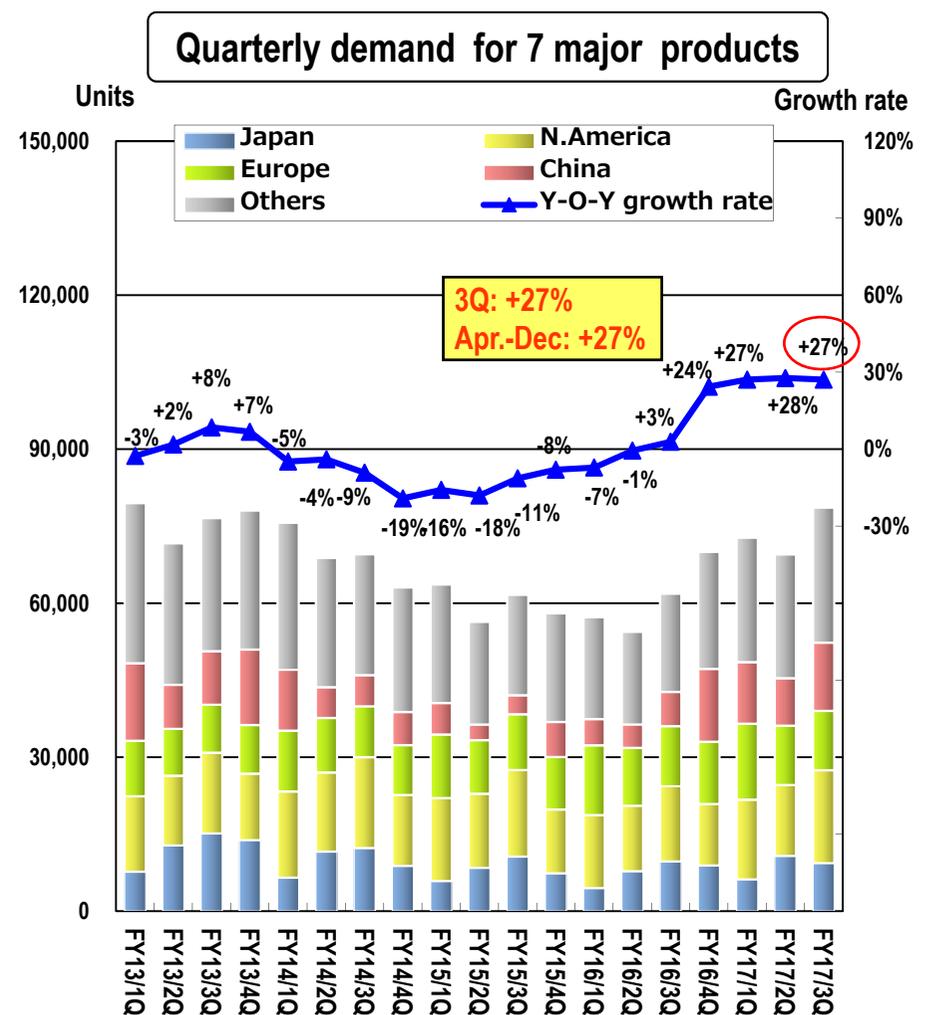
Note:  
PPA stands for Purchase Price Allocation. It is an accounting process of valuating and allocating acquired assets and liabilities to fair prices.

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

- In the third quarter and nine-month period, demand increased by 27% each from the corresponding period a year ago.
- Quarterly demand has been increasing year on year. We anticipate that this trend will continue in North America and other regions in the fourth quarter. With respect to full-year demand, we are not changing our projection of October last year.



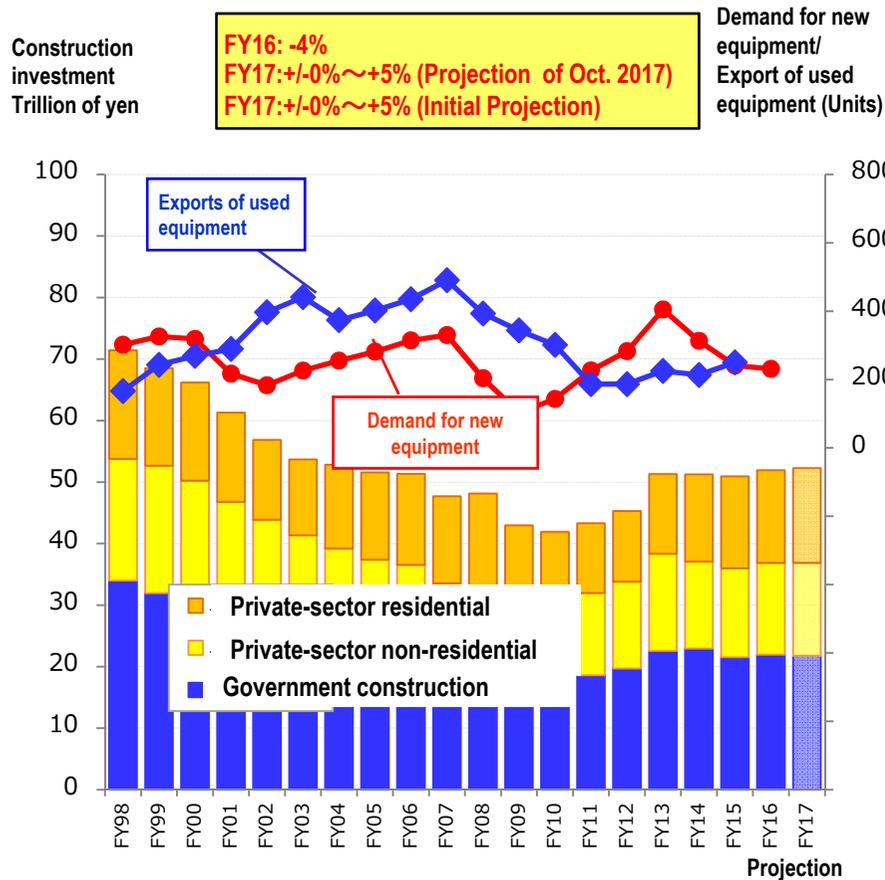
Note: Estimated by Komatsu



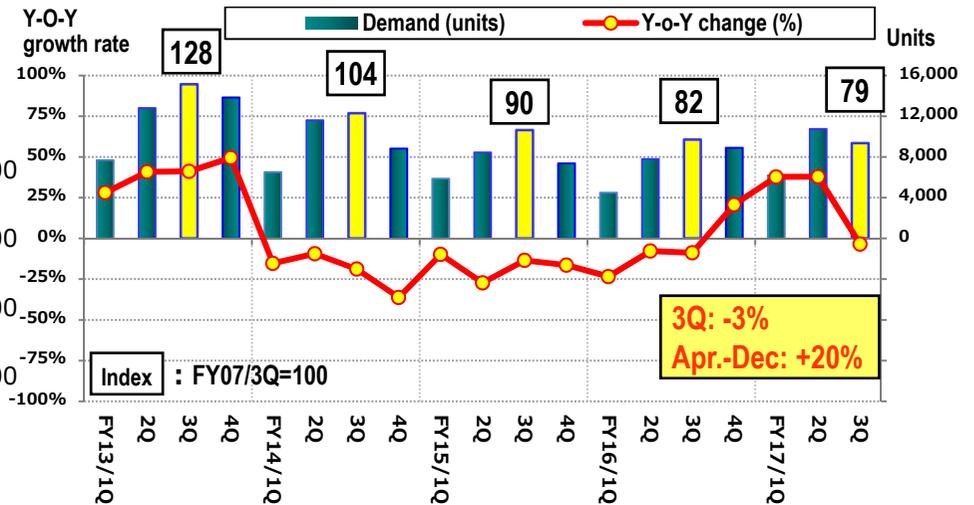
**Construction, Mining & Utility Equipment : Demand in Major Markets (1) Japan**

- For the third quarter period of FY2017, demand decreased by 3% from the corresponding period a year ago .
- Demand for new equipment declined, mainly due to the reactionary drop of pre-buy demand triggered by Japanese emission controls (effective September 2017).

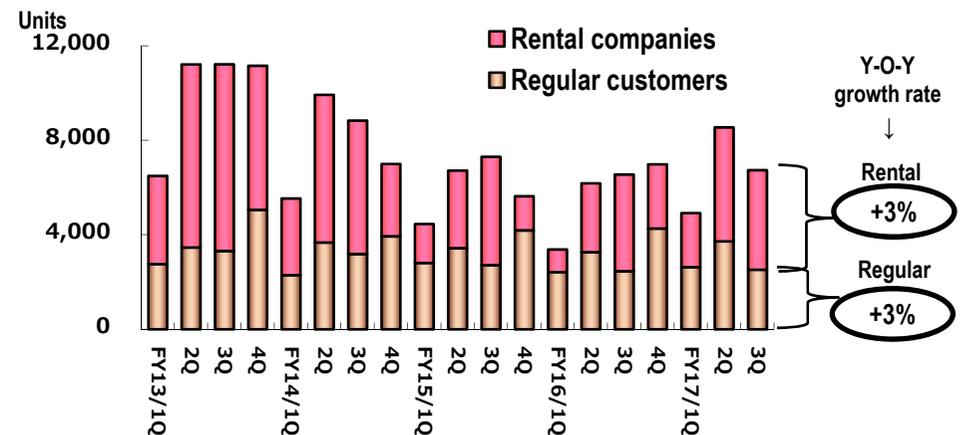
**Demand for new equipment (7 major products) and construction investment**



**Quarterly demand for 7 major products**



**Quarterly demand for hydraulic excavators (Rental & regular uses)**

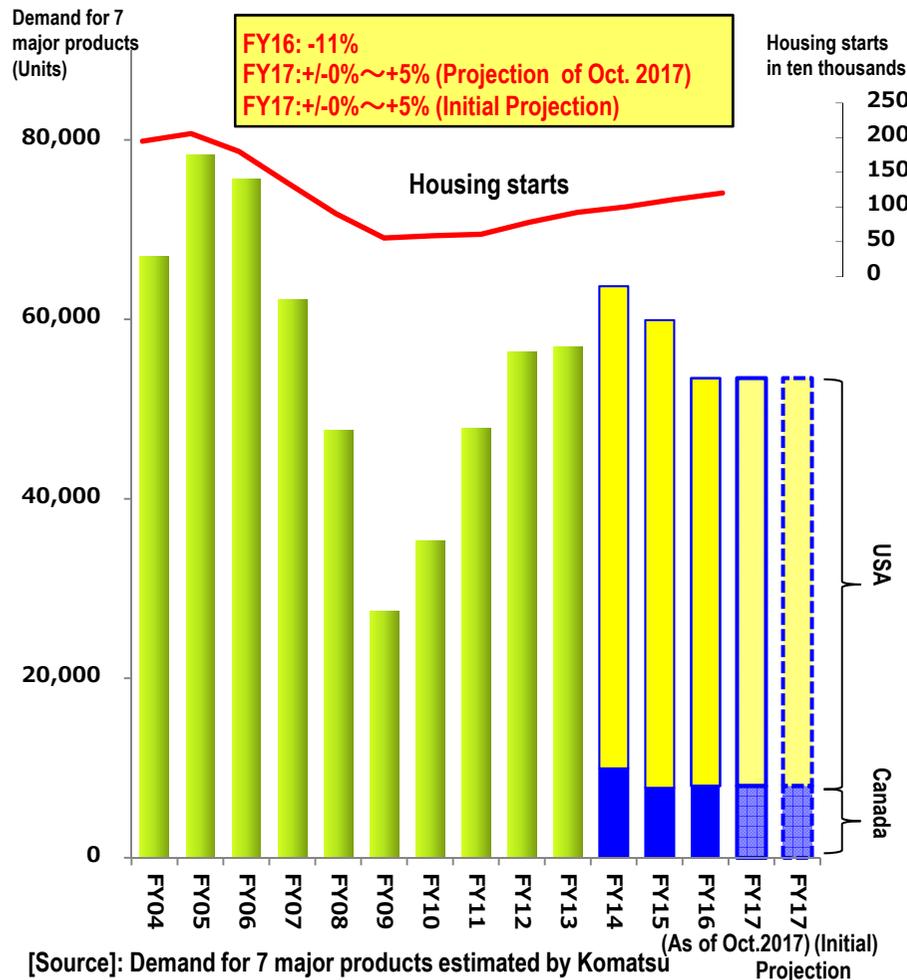


[Sources] Construction investment by the Ministry of Land, Infrastructure, Transport & Tourism, and Research Institute of Construction and Economy  
 Demand for 7 major products and No. of exported used equipment estimated by Komatsu

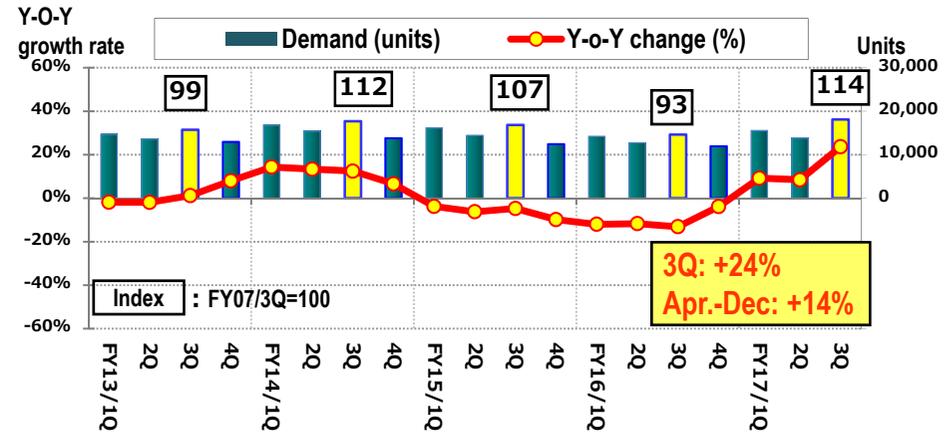
**Construction, Mining & Utility Equipment : Demand in Major Markets (2) North America**

- In the third quarter period of FY2017, demand increased by 24% from the corresponding period a year ago.
- In the United States, demand remained steady, centering on the infrastructure development and energy-related sectors. In the rental industry, demand increased after having been sluggish.
- Quarterly demand has been increasing year-on-year. We anticipate that this trend will continue in the fourth quarter.

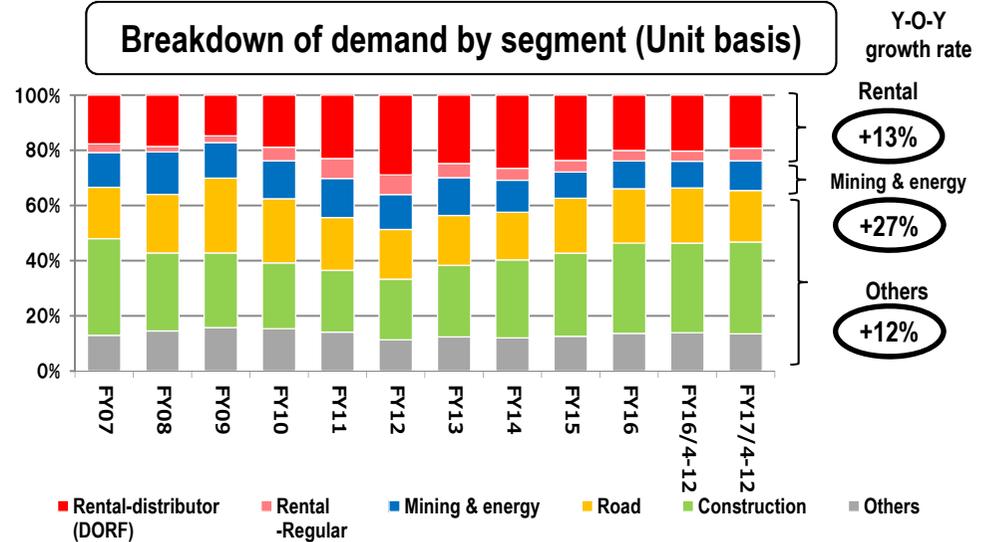
**Demand for 7 major products and US housing starts**



**Quarterly demand for 7 major products**



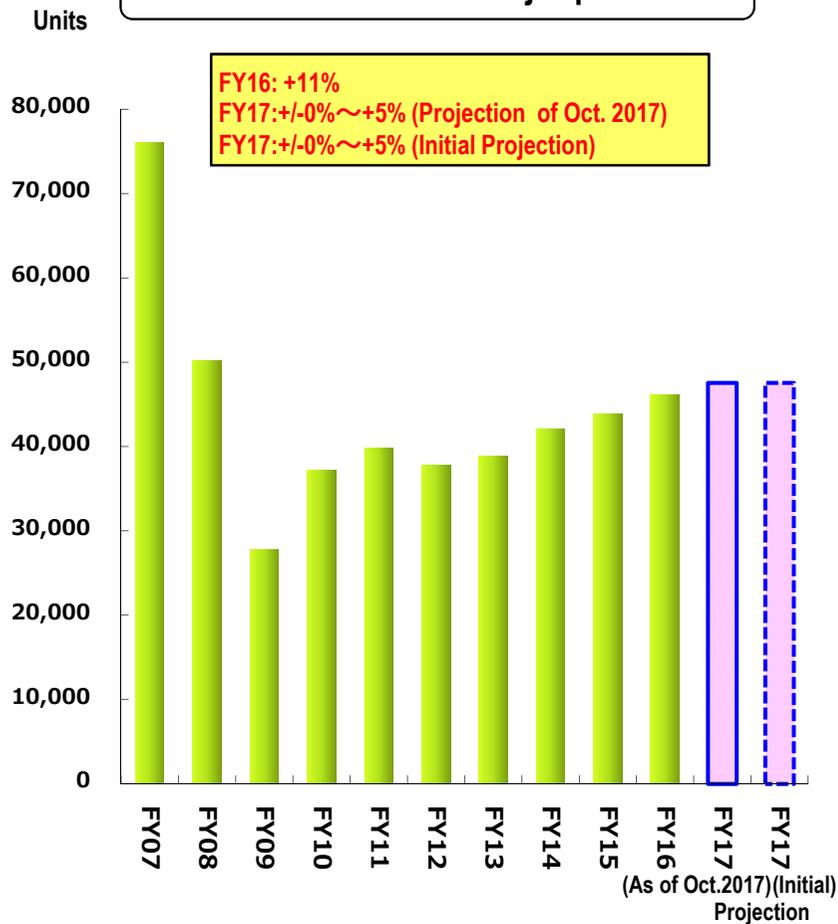
**Breakdown of demand by segment (Unit basis)**



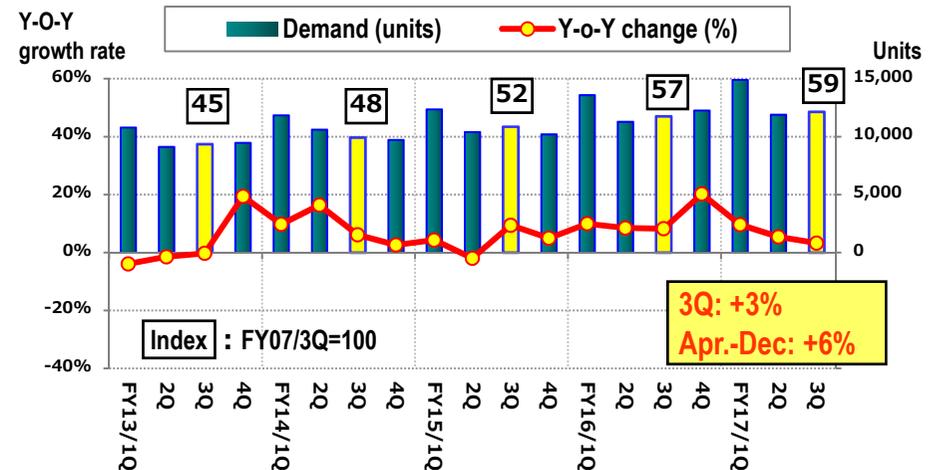
### Construction, Mining Equipment and Utility : Demand in Major Markets (3) Europe

- In the third quarter period of FY2017, European demand increased by 3% from the corresponding period a year ago.
- Demand remained steady, centering on a major market of Germany.

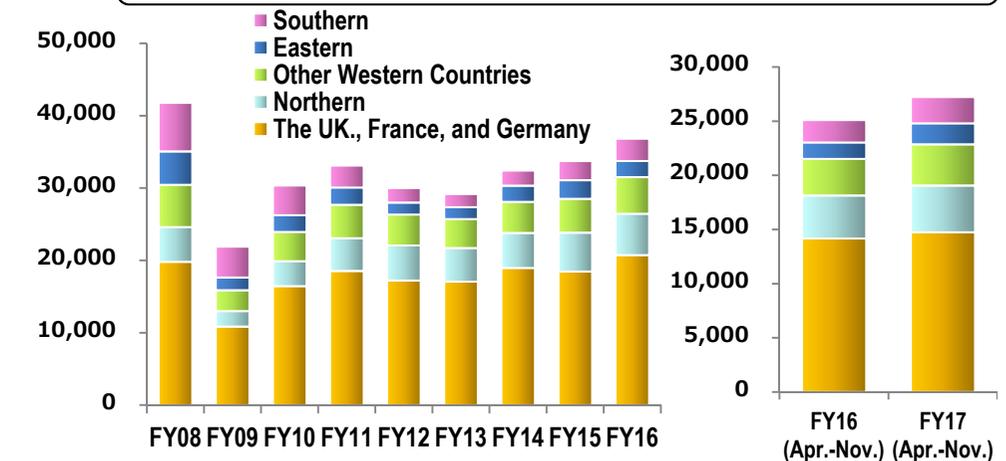
Annual demand for 7 major products



Quarterly demand for 7 major products



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

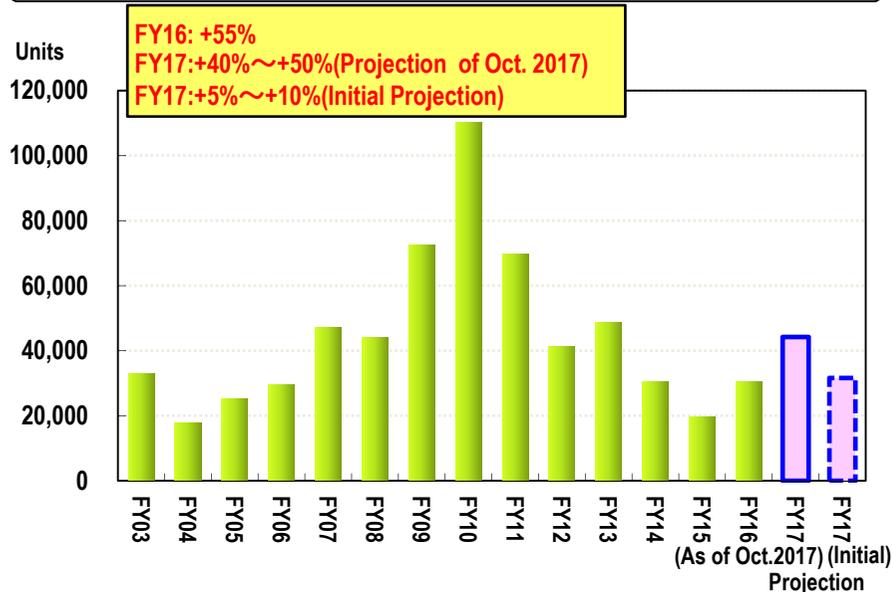


[Source]: Demand for 7 major products estimated by Komatsu

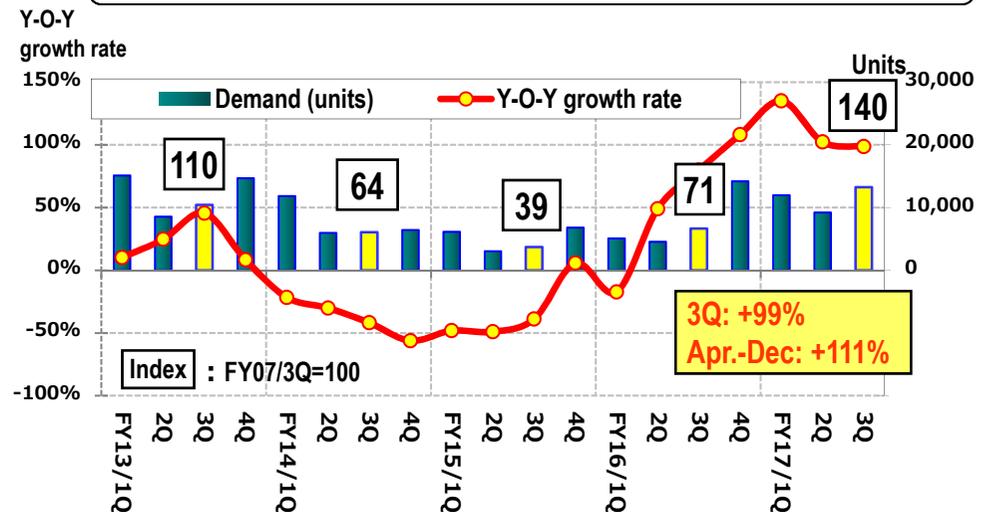
**Construction, Mining & Utility Equipment : Demand in Major Markets (4) China**

- In the third quarter period of FY2017, demand expanded by 99% from the corresponding period a year ago.
- Demand for construction equipment is growing, supported by growing construction projects for infrastructure development.

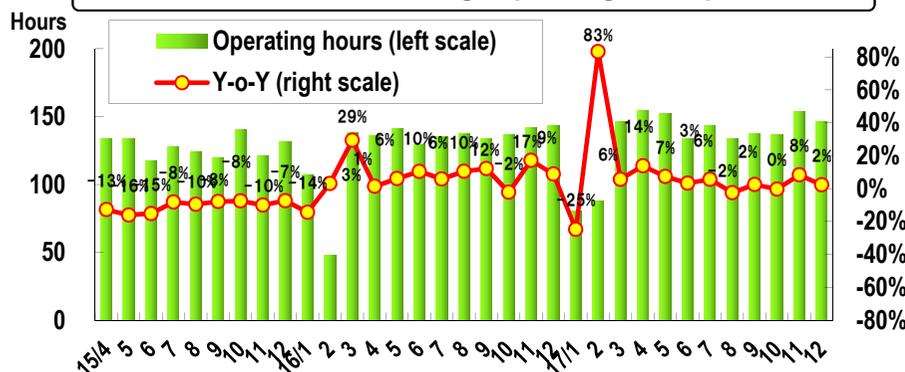
**Annual demand for 7 major products (Foreign makers)**



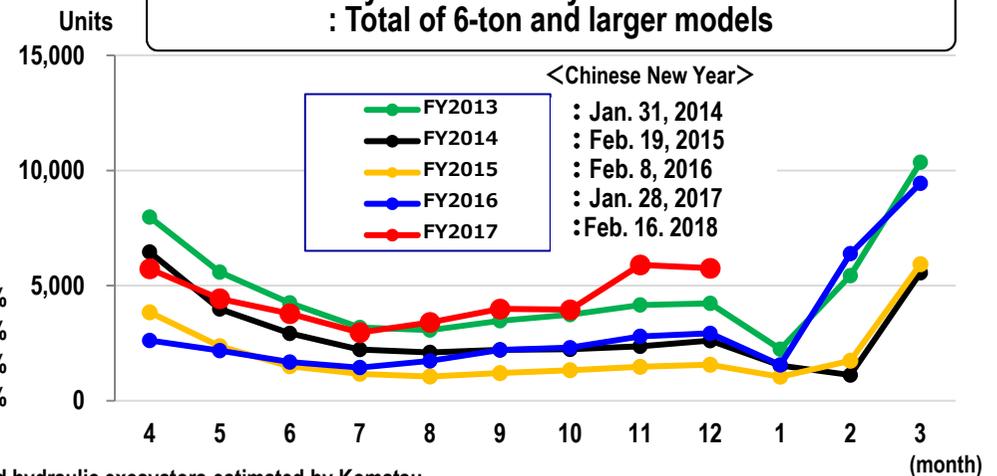
**Quarterly demand for 7 major products (Foreign makers)**



**KOMTRAX in China : Average operating hours per month**



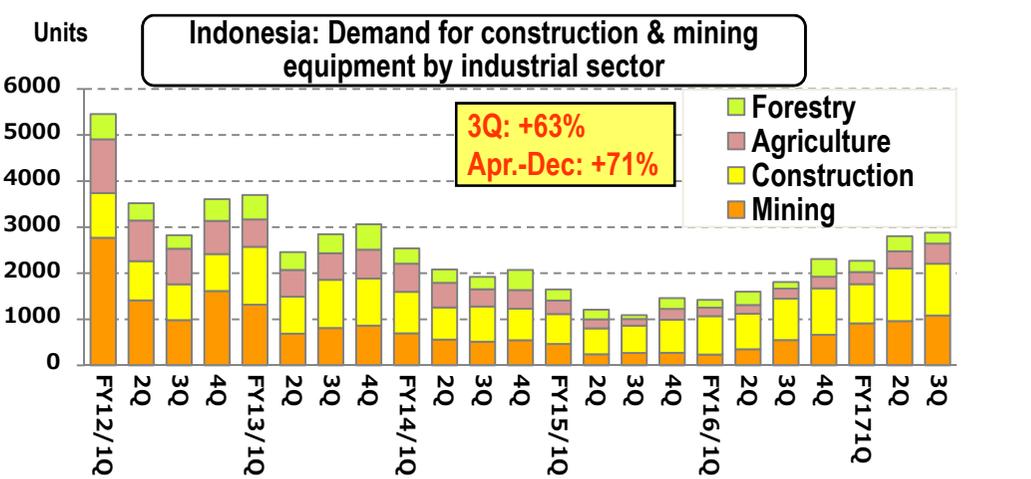
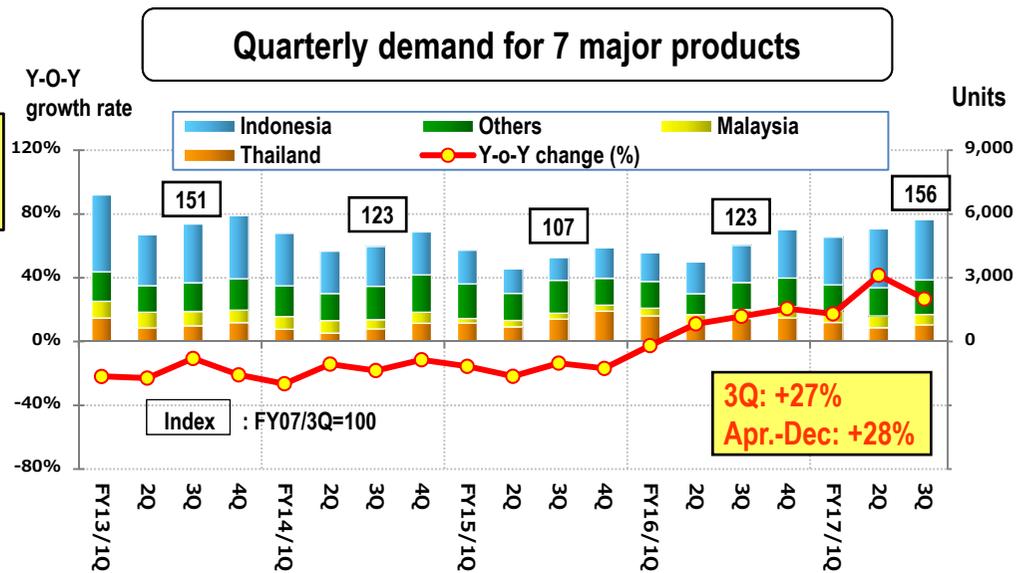
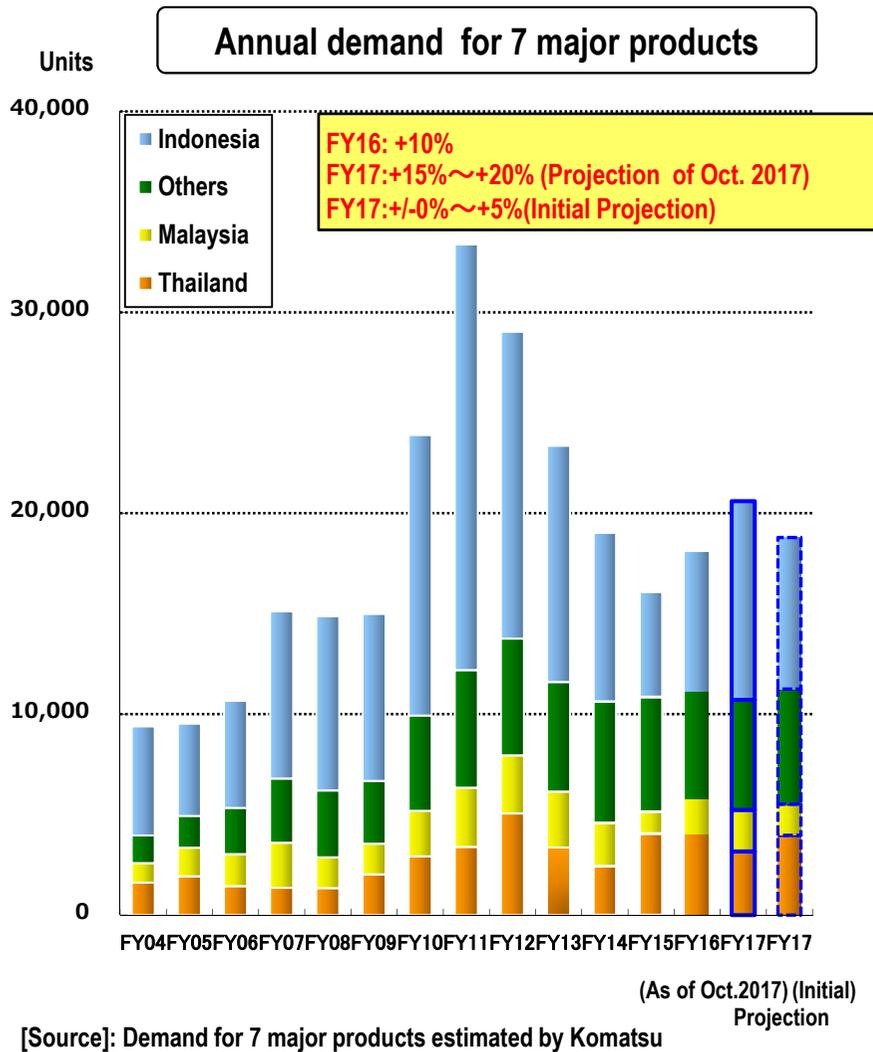
**Monthly demand for hydraulic excavators : Total of 6-ton and larger models**



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

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

- In the third quarter period of FY2017, demand advanced by 27% from the corresponding period a year ago.
- Especially, demand for mining equipment has increased sharply in Indonesia, the largest market of Southeast Asia.

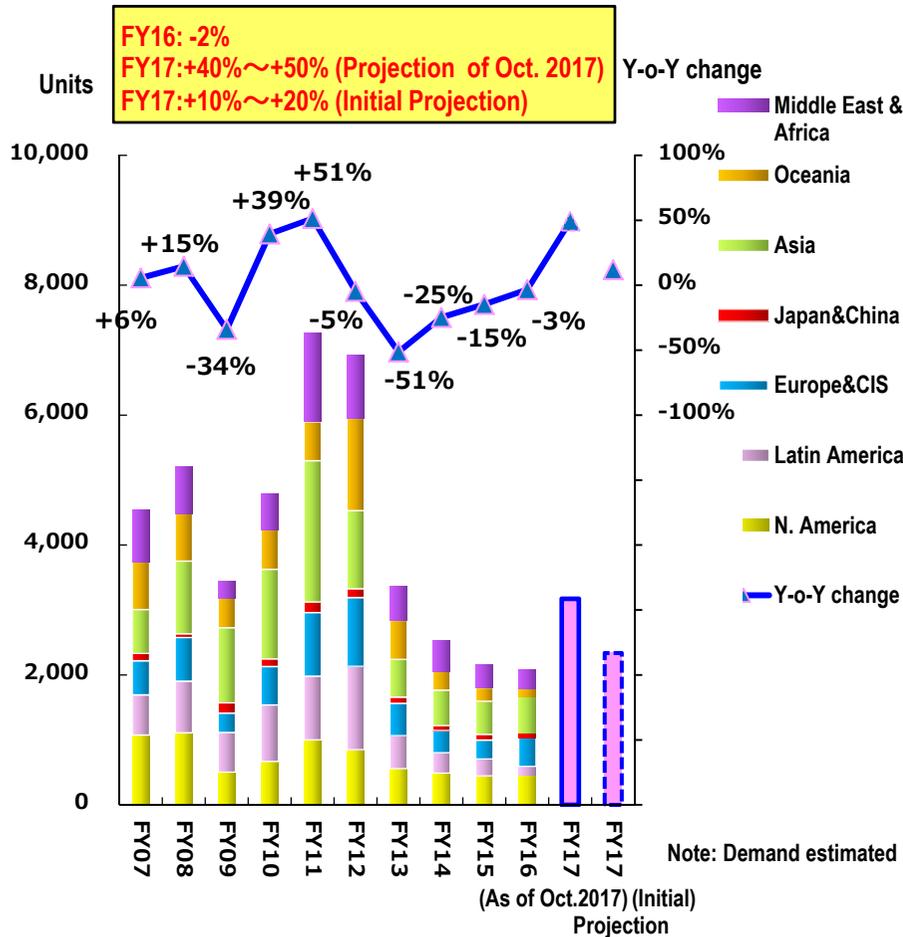


### Construction, Mining Equipment and Utility : Actual and Projected Demand for Mining Equipment 23

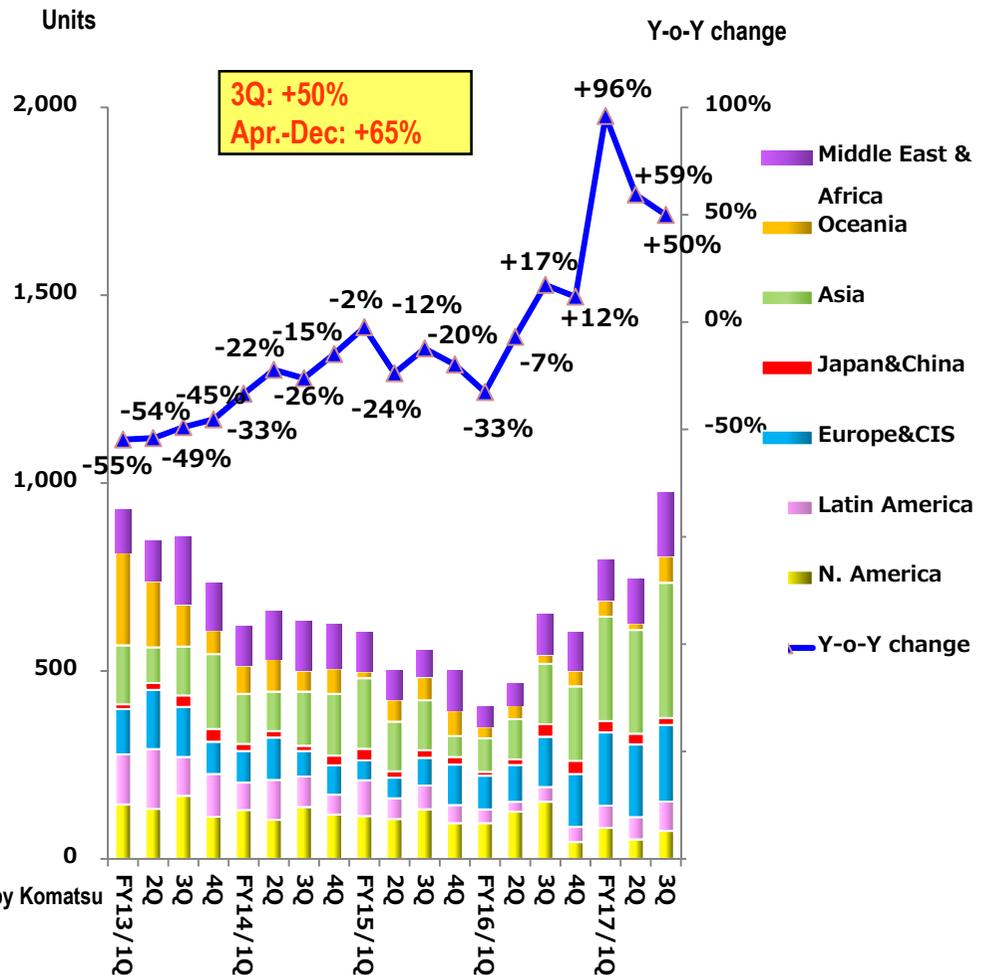
- In the third quarter period of FY2017, global demand increased by 50% from the corresponding period a year ago.
- Demand continues to advance, centering on Indonesia.
- Concerning full-year demand, we are not changing our projection of October last year.

#### Annual demand for mining equipment

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

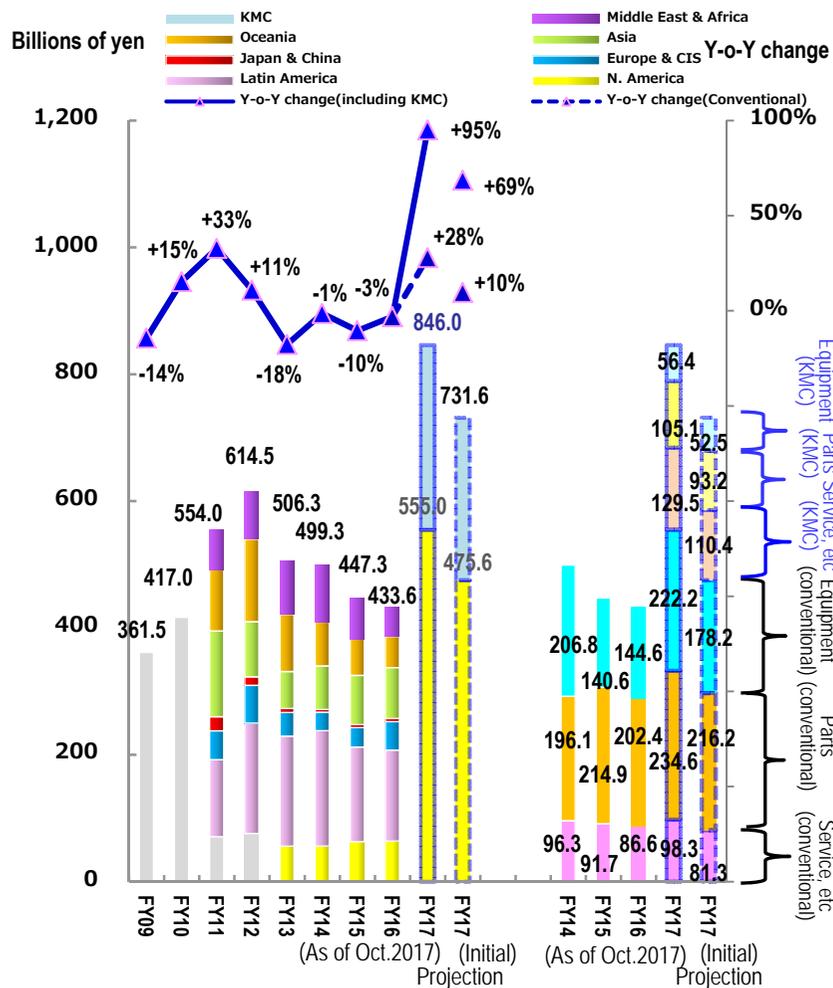


#### Quarterly demand for mining equipment

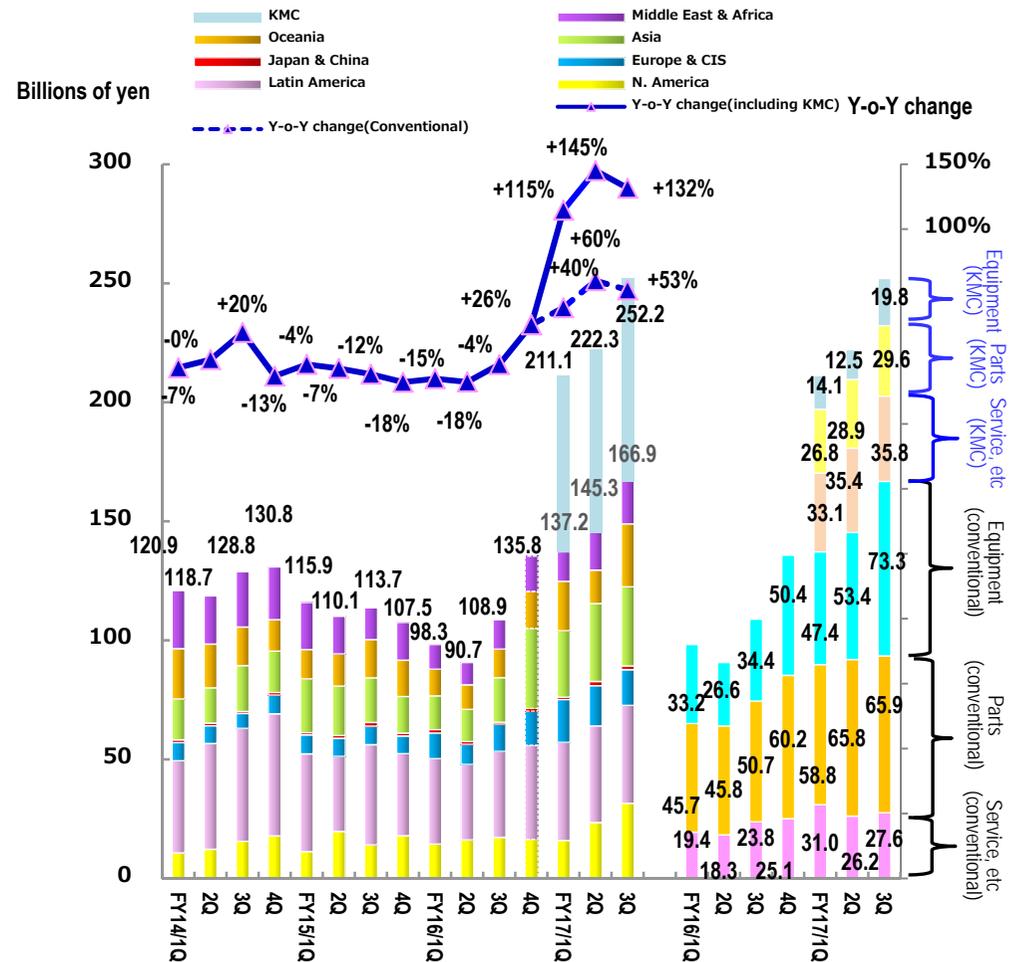


- For the third quarter period of FY2017, sales expanded by 132% from the corresponding period a year ago, to JPY252.2 billion. When KMC's sales are excluded, sales advanced by 53% to JPY166.9 billion.
- When the effects of KMC are excluded, sales of equipment, parts and service advanced, supported by growing demand in Indonesia and some other countries.

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

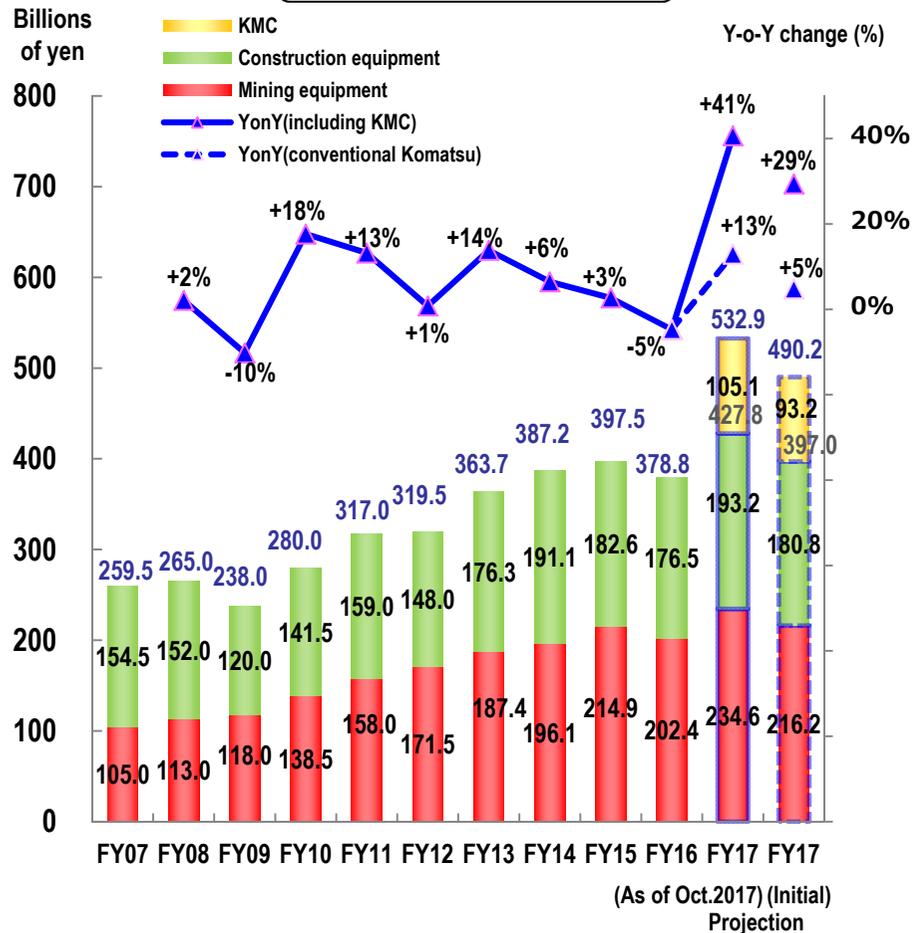


Quarterly sales of mining equipment (incl. parts and service, etc.)

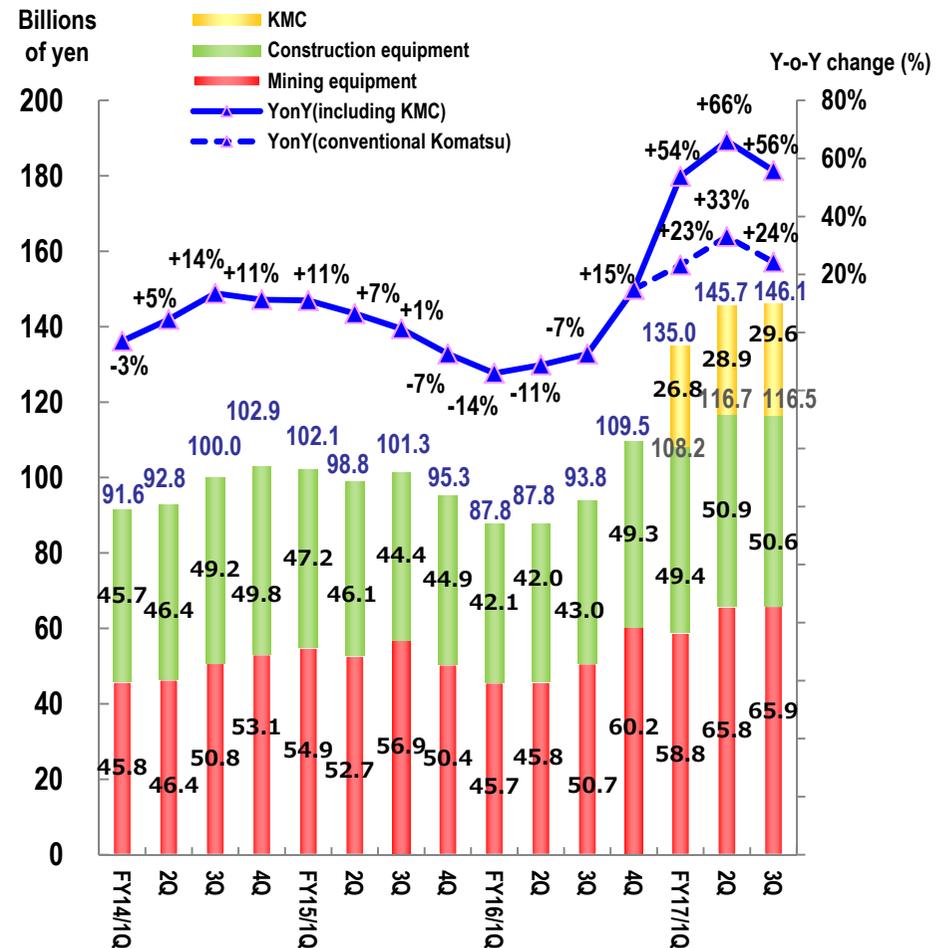


- For the third quarter period of 2017, sales of parts increased by 56% to JPY146.1 billion from the corresponding period a year ago.
- When KMC's sales are excluded, sales of parts advanced by 24% to JPY116.5 billion.
- Sales advanced as a result of capturing demand for aftermarket products.

### Annual sales of parts



### Quarterly sales of parts

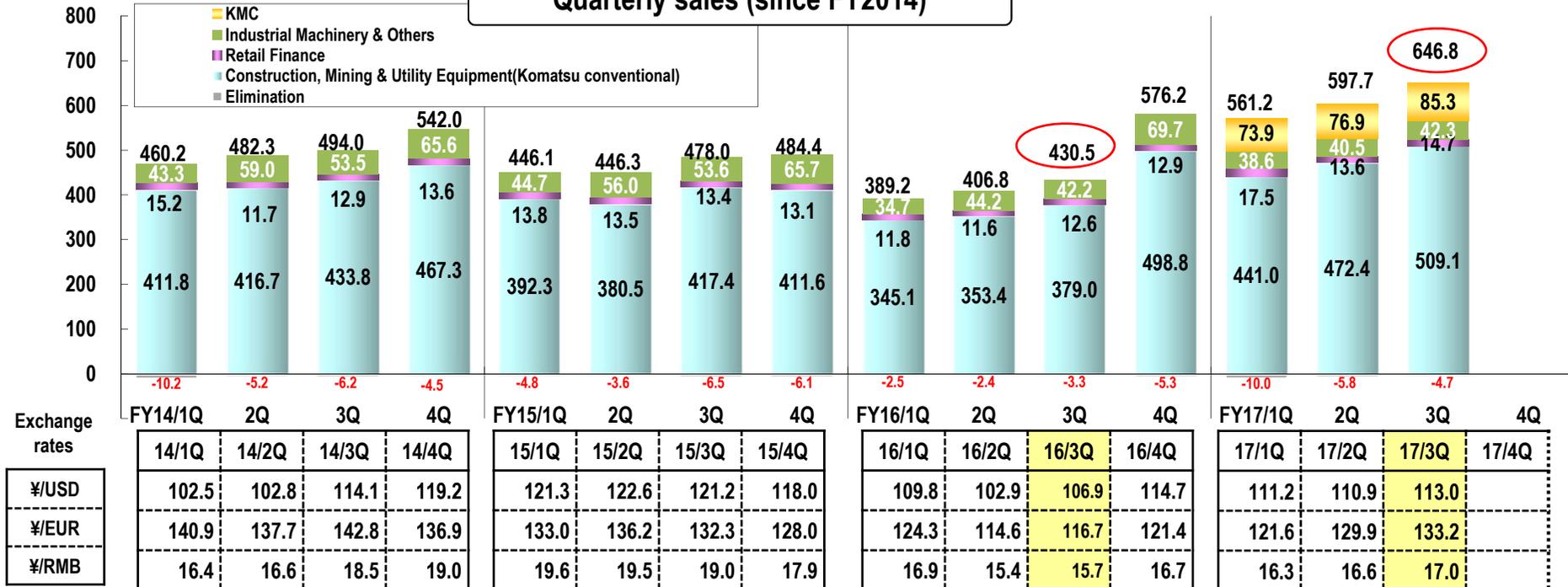


# Appendix

**Quarterly Sales and Operating Income**

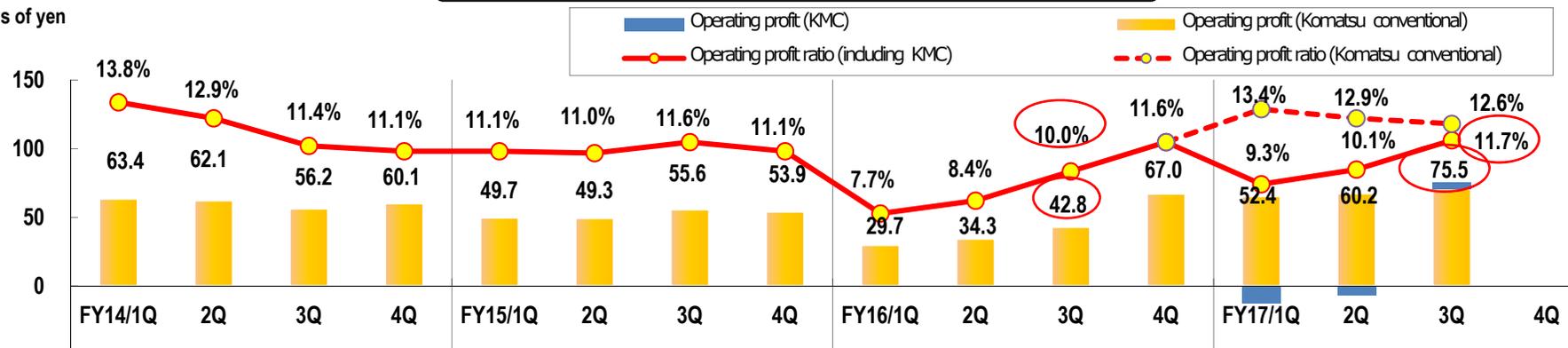
Billions of yen

**Quarterly sales (since FY2014)**

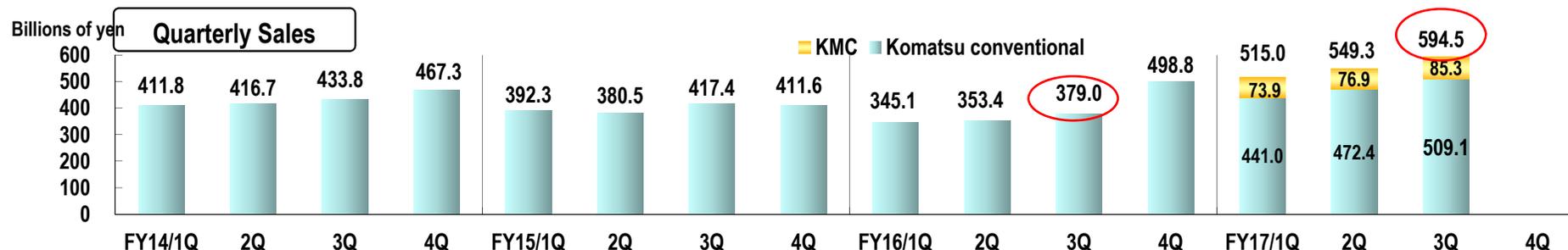


**Quarterly operating income (Since FY2014)**

Billions of yen

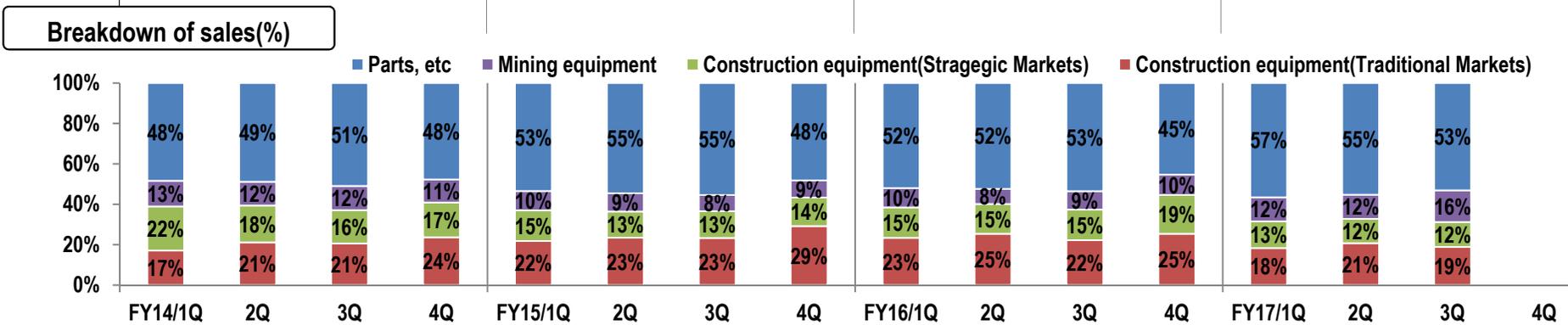
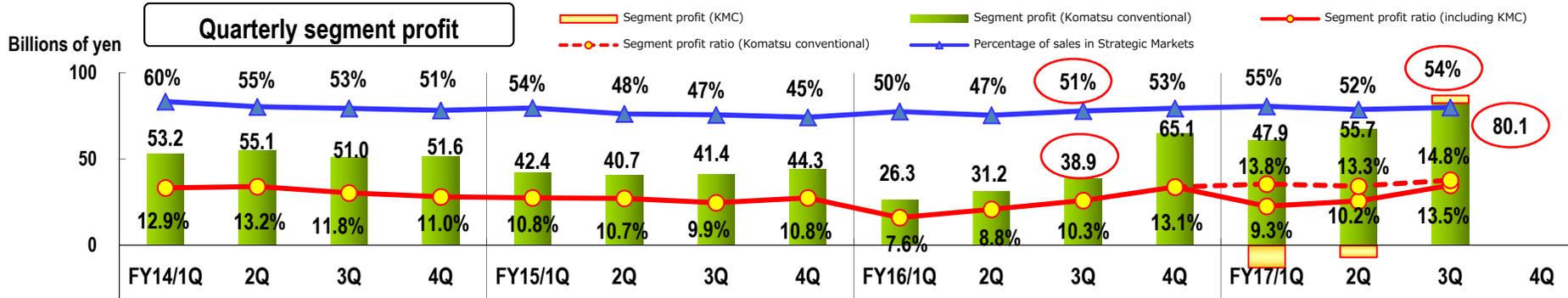


## Construction, Mining & Utility Equipment: Quarterly Sales and Segment Profit

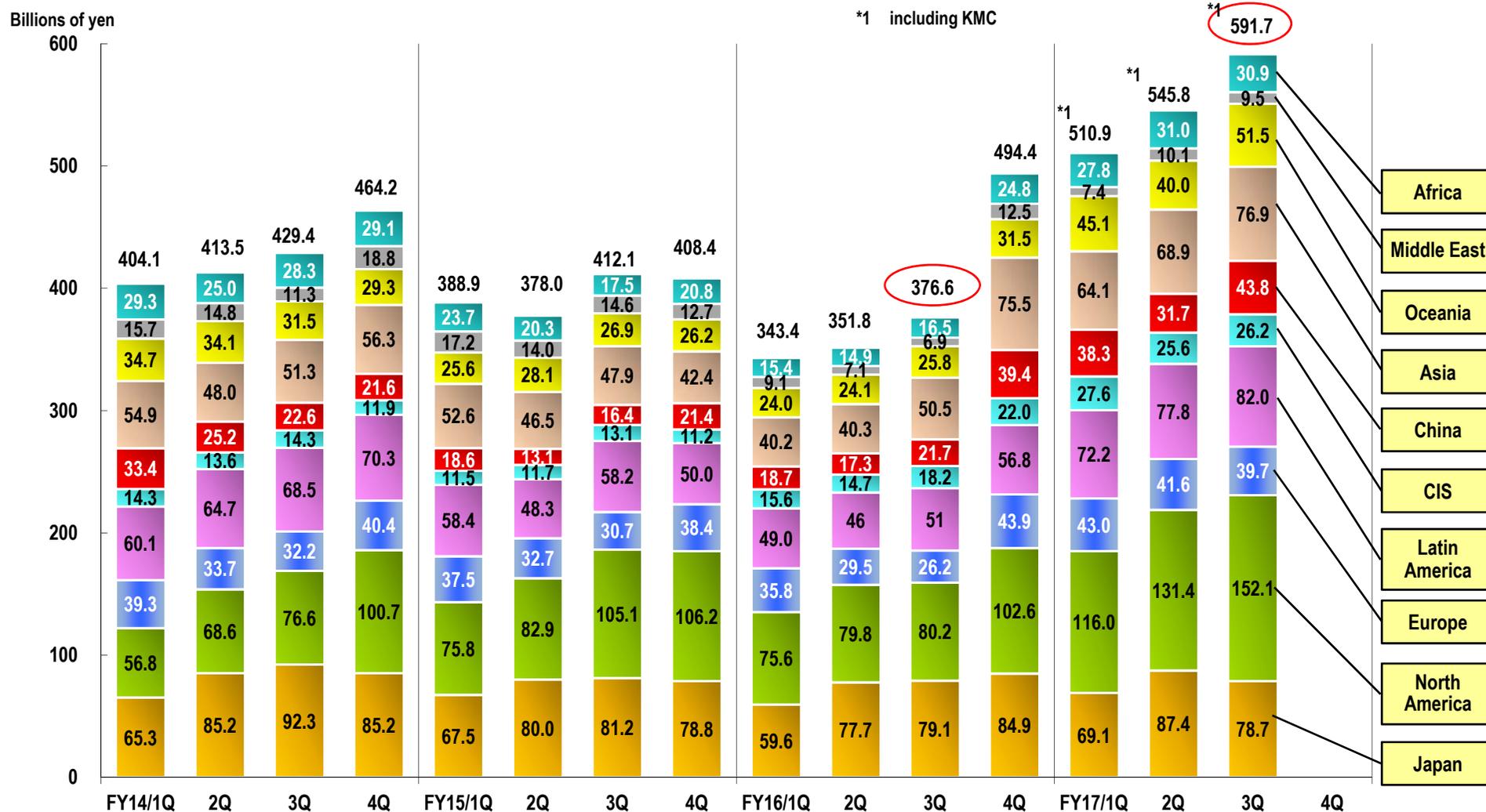


### Exchange rates

|       | 14/1Q | 14/2Q | 14/3Q | 14/4Q | 15/1Q | 15/2Q | 15/3Q | 15/4Q | 16/1Q | 16/2Q | 16/3Q | 16/4Q | 17/1Q | 17/2Q | 17/3Q | 17/4Q |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| ¥/USD | 102.5 | 102.8 | 114.1 | 119.2 | 121.3 | 122.6 | 121.2 | 118.0 | 109.8 | 102.9 | 106.9 | 114.7 | 111.2 | 110.9 | 113.0 | -     |
| ¥/EUR | 140.9 | 137.7 | 142.8 | 136.9 | 133.0 | 136.2 | 132.3 | 128.0 | 124.3 | 114.6 | 116.7 | 121.4 | 121.6 | 129.9 | 133.2 | -     |
| ¥/RMB | 16.4  | 16.6  | 18.5  | 19.0  | 19.6  | 19.5  | 19.0  | 17.9  | 16.9  | 15.4  | 15.7  | 16.7  | 16.3  | 16.6  | 17.0  | -     |



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

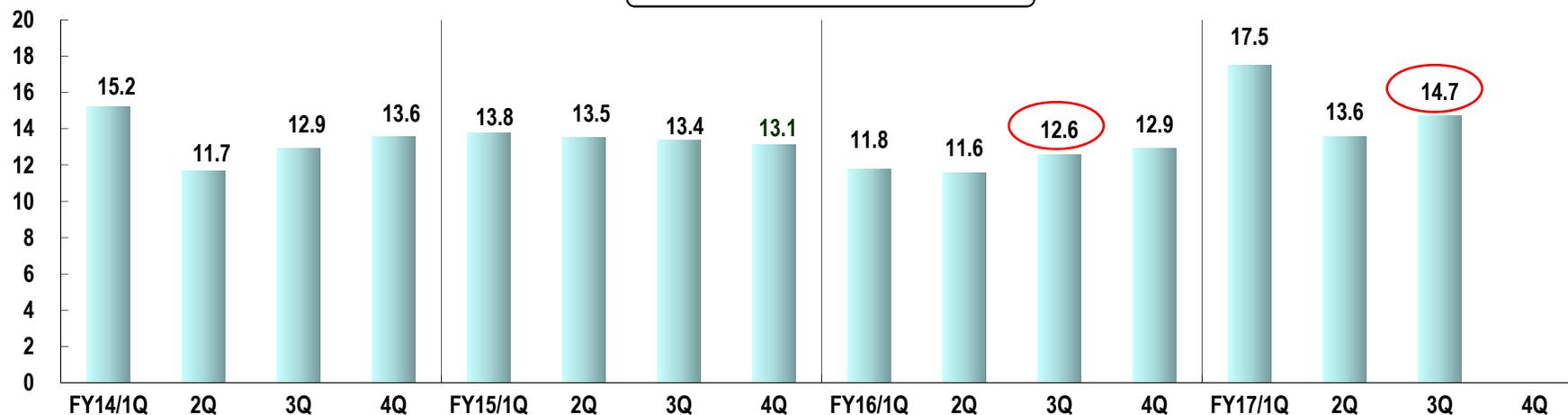


Exchange rates

|       | 14/1Q | 14/2Q | 14/3Q | 14/4Q | 15/1Q | 15/2Q | 15/3Q | 15/4Q | 16/1Q | 16/2Q | 16/3Q | 16/4Q | 17/1Q | 17/2Q | 17/3Q | 17/4Q |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| ¥/USD | 102.5 | 102.8 | 114.1 | 119.2 | 121.3 | 122.6 | 121.2 | 118.0 | 109.8 | 102.9 | 106.9 | 114.7 | 111.2 | 110.9 | 113.0 | -     |
| ¥/EUR | 140.9 | 137.7 | 142.8 | 136.9 | 133.0 | 136.2 | 132.3 | 128.0 | 124.3 | 114.6 | 116.7 | 121.4 | 121.6 | 129.9 | 133.2 | -     |
| ¥/RMB | 16.4  | 16.6  | 18.5  | 19.0  | 19.6  | 19.5  | 19.0  | 17.9  | 16.9  | 15.4  | 15.7  | 16.7  | 16.3  | 16.6  | 17.0  | -     |

Billions of yen

Quarterly sales

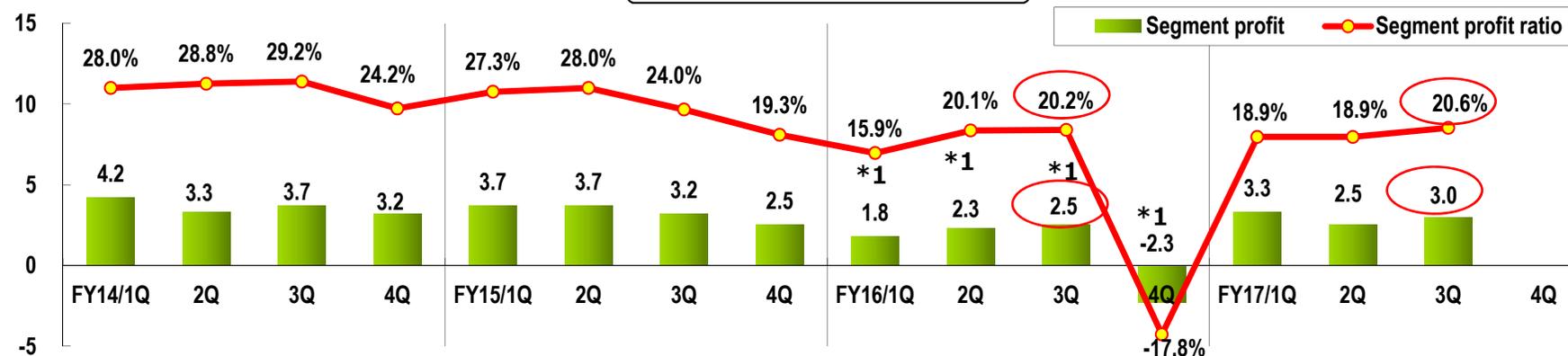


Exchange rates

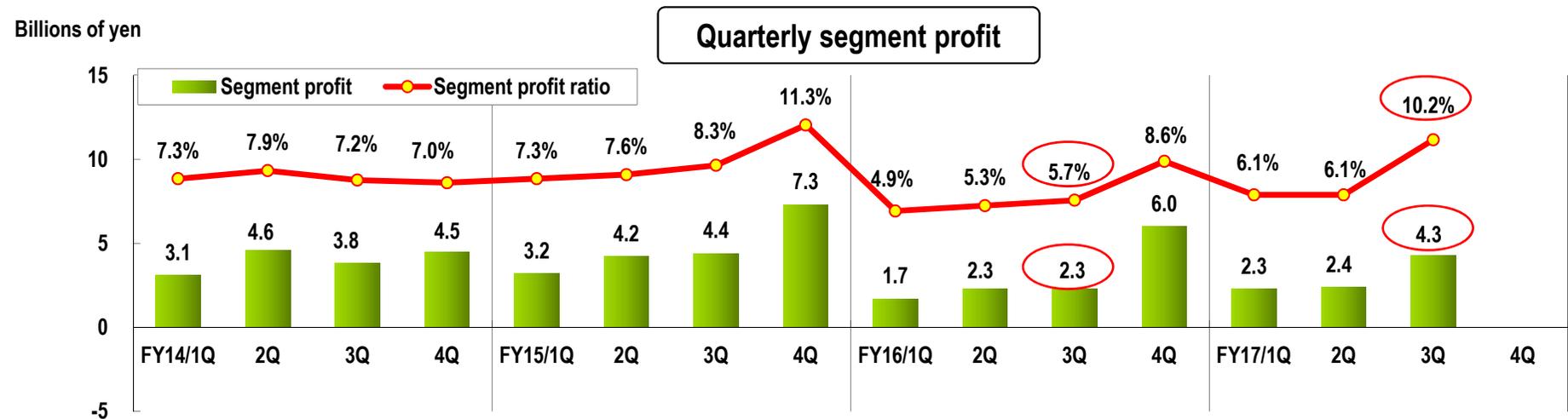
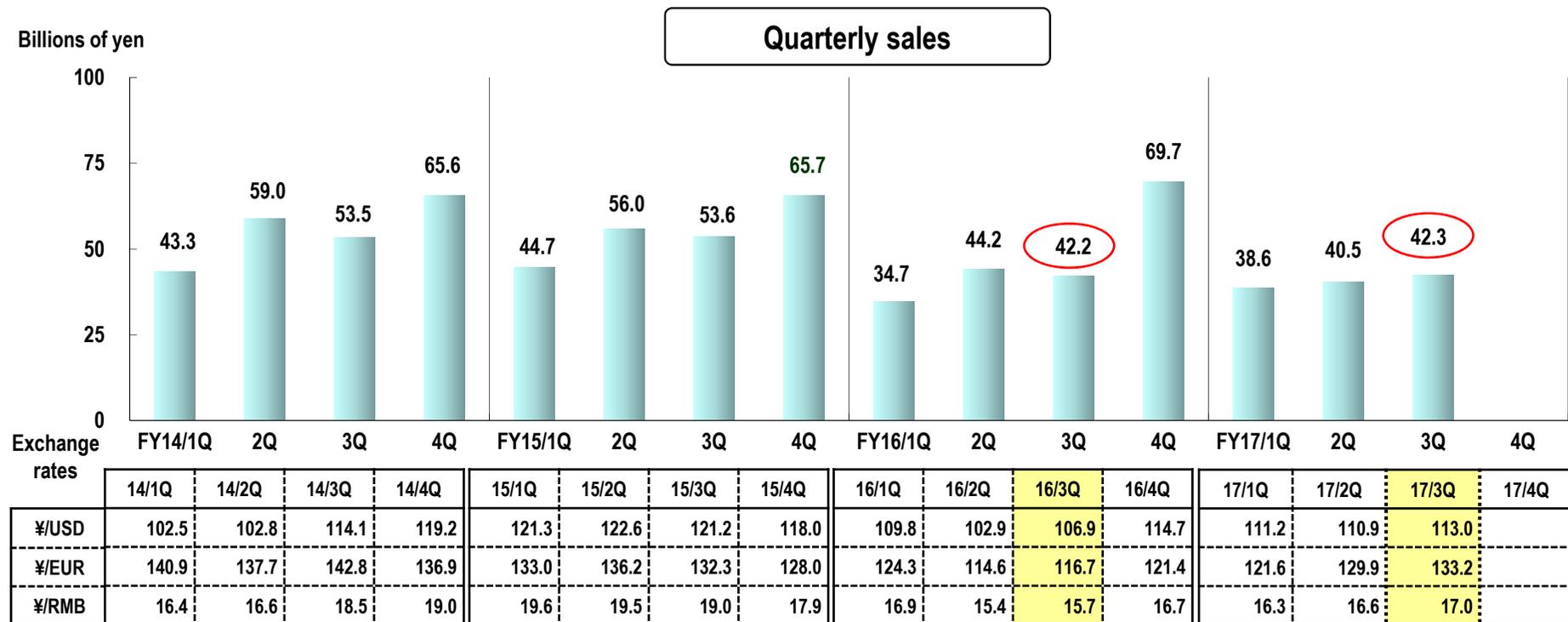
|       | 14/1Q | 14/2Q | 14/3Q | 14/4Q | 15/1Q | 15/2Q | 15/3Q | 15/4Q | 16/1Q | 16/2Q | 16/3Q | 16/4Q | 17/1Q | 17/2Q | 17/3Q | 17/4Q |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| ¥/USD | 102.5 | 102.8 | 114.1 | 119.2 | 121.3 | 122.6 | 121.2 | 118.0 | 109.8 | 102.9 | 106.9 | 114.7 | 111.2 | 110.9 | 113.0 |       |
| ¥/EUR | 140.9 | 137.7 | 142.8 | 136.9 | 133.0 | 136.2 | 132.3 | 128.0 | 124.3 | 114.6 | 116.7 | 121.4 | 121.6 | 129.9 | 133.2 |       |
| ¥/RMB | 16.4  | 16.6  | 18.5  | 19.0  | 19.6  | 19.5  | 19.0  | 17.9  | 16.9  | 15.4  | 15.7  | 16.7  | 16.3  | 16.6  | 17.0  |       |

Billions of yen

Quarterly segment profit



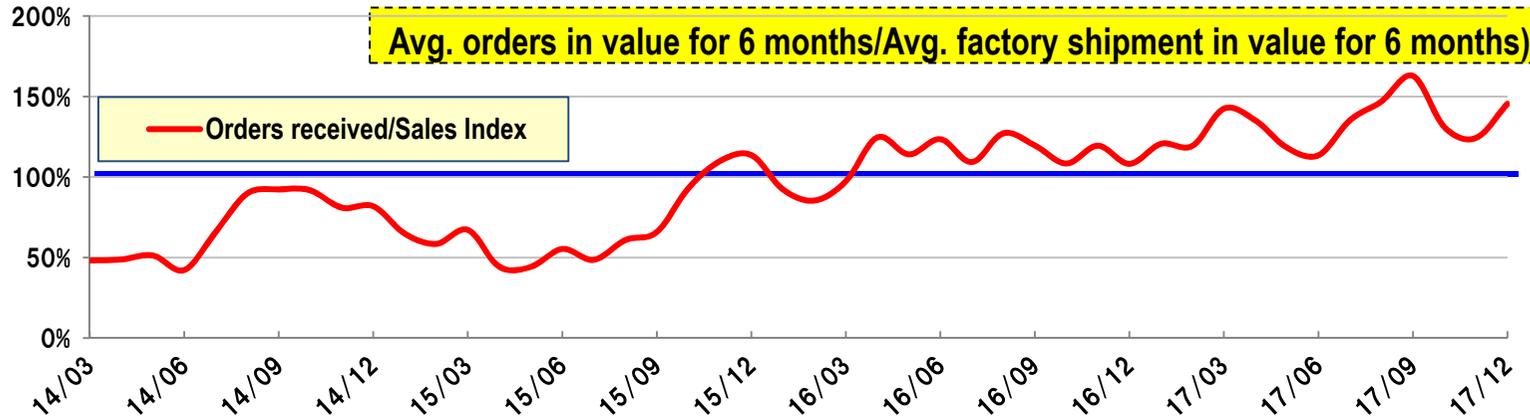
\*1 | Including allowances for bad doubtful accounts in China (FY16/1Q: JPY-1.0 bn, 2Q: JPY -0.5bn, 3Q: JPY-0.2bn, 4Q: JPY-4.9bn)



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

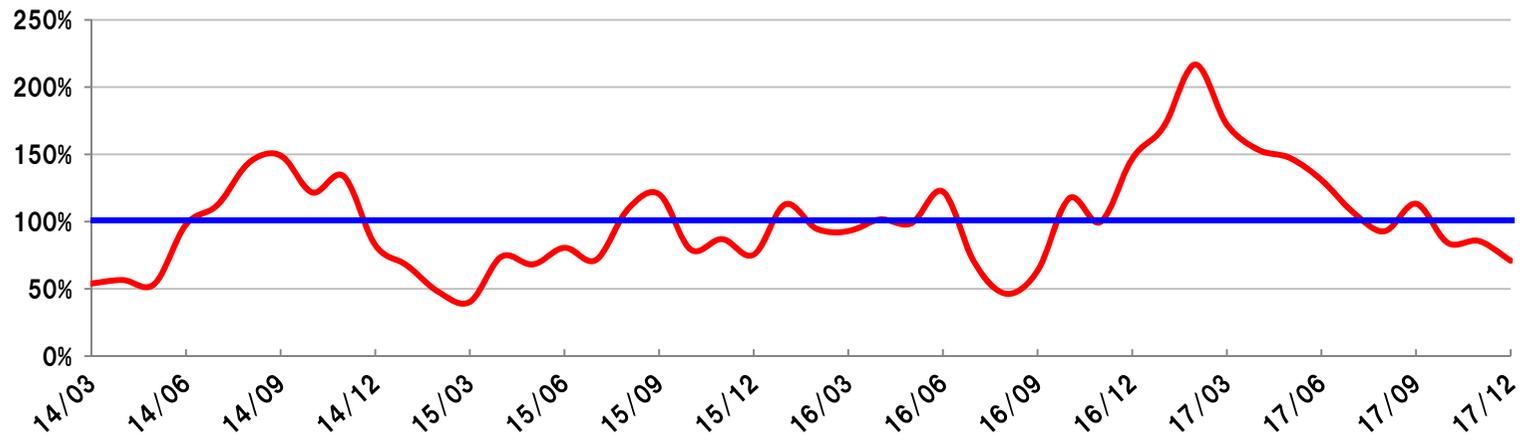
**Komatsu America  
(Mining eqpt)**

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



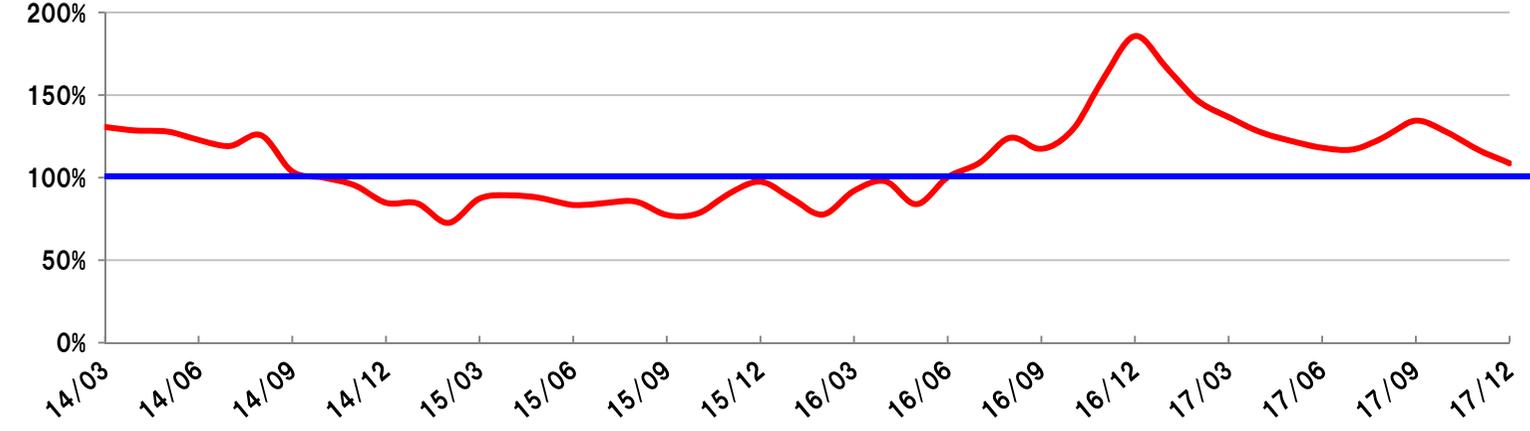
**Komatsu Germany  
(Mining eqpt)**

PC3000, PC4000  
PC5500, PC7000  
PC8000



**Komatsu Ltd.  
(Mining eqpt)**

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

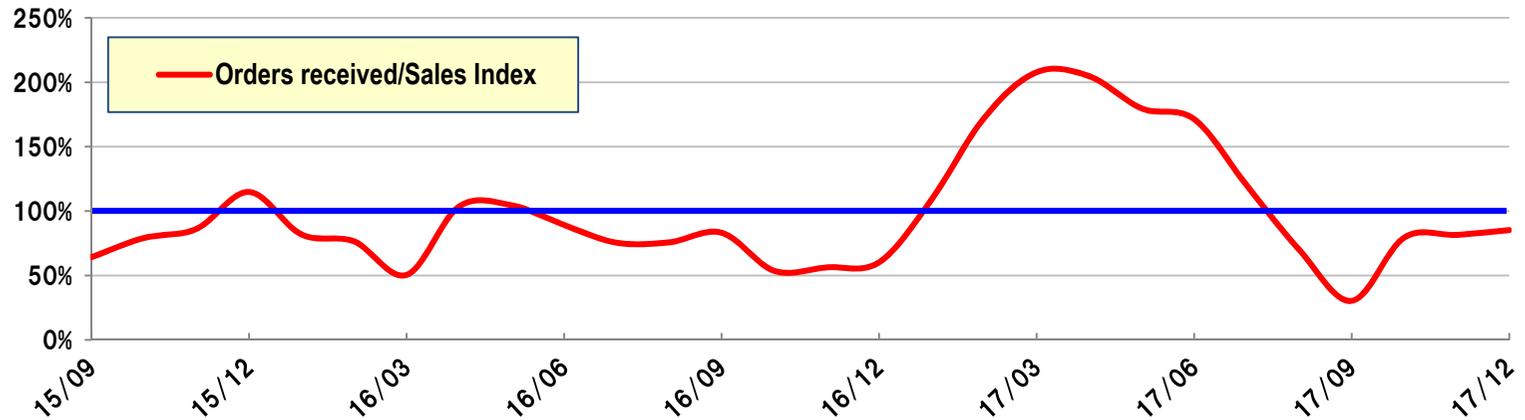


**Book-to-Bill Ratio of KMC Mining Equipment (6 Months)**

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

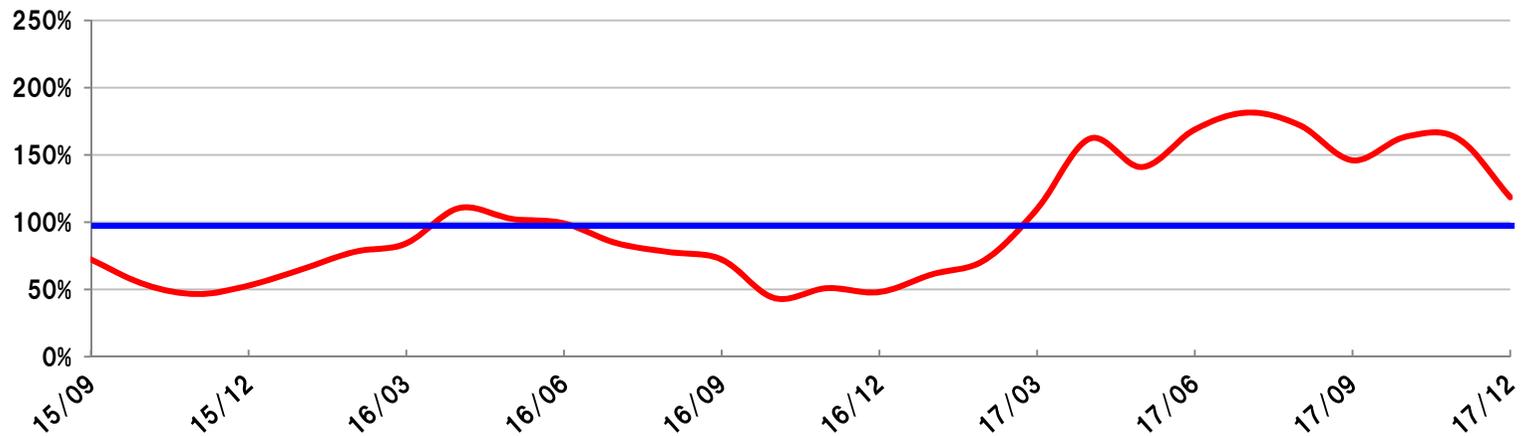
**KMC  
(Surface)**

Rope shovels  
Blast hole drills  
Draglines, etc.



**KMC  
(Underground)**

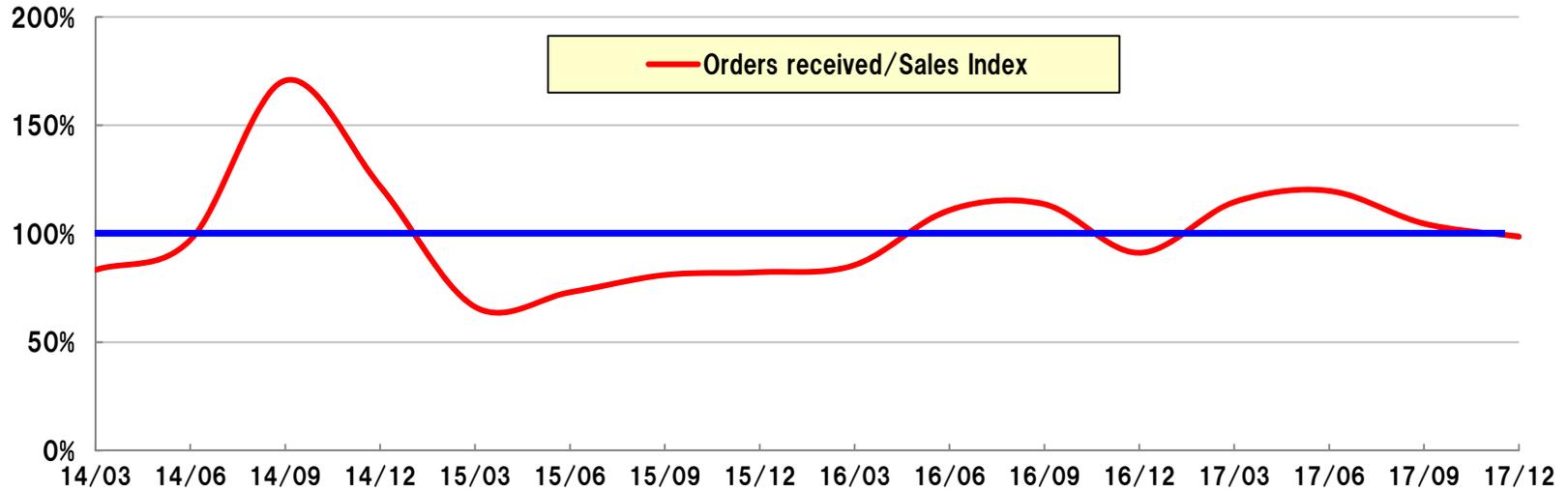
Continuous miners  
Shearers  
Load haul dumps  
Jumbo drills, etc.



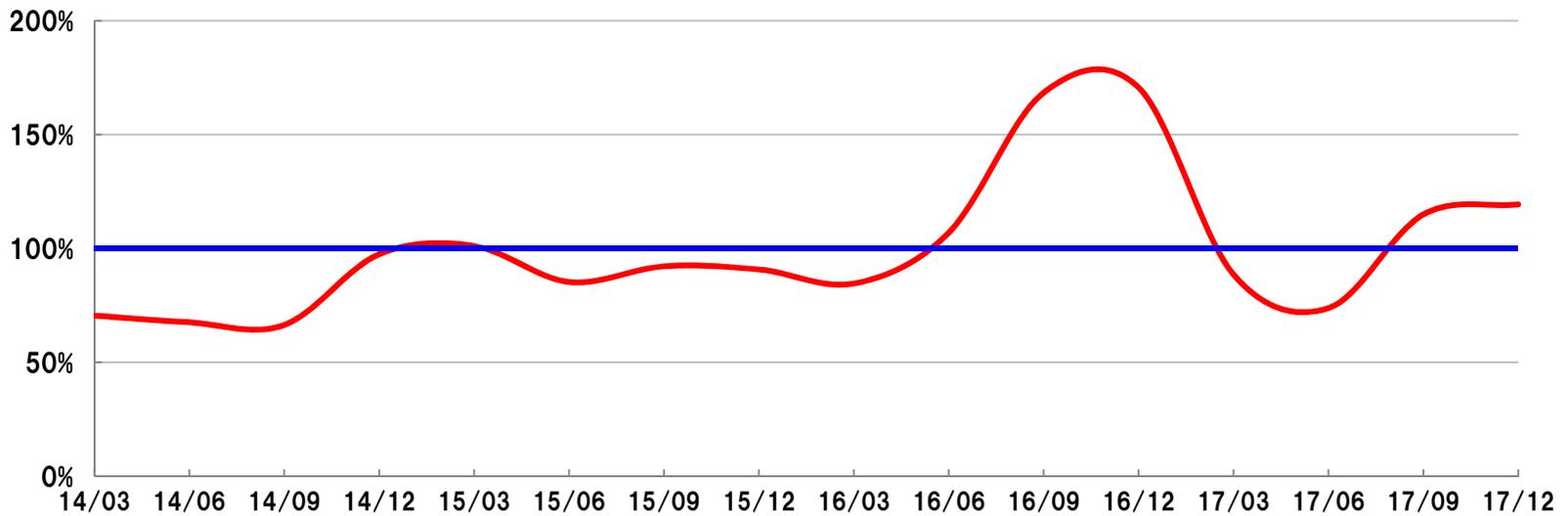
**Book-to-Bill Ratio of Industrial Machinery (6 Months)**

**Komatsu Industries**

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



**Komatsu NTC  
(Excl. wire saws)**



We have celebrated the tenth anniversary of the commercial deployment of its Autonomous Haulage System (hereafter “AHS”). Today, more than 100 AHS trucks operate in Australia, North and South America. Based on the 10-year proven record of safety, productivity, environmental resistance and system flexibility in an array of mining environments, Komatsu plans to accelerate the pace of AHS deployment.



*A standard truck 830E with the AHS retrofit kit running in autonomous mode at Rio Tinto's mine in Australia*

## Komatsu to acquire Quadco & Southstar operations

We have signed an agreement to acquire from Prenbec Equipment (CEO: Charles MacLennan) based in Quebec, Canada, the attachment business, namely, the Quadco and Southstar brands, owned by Prenbec Equipment and its subsidiaries. We plan to complete the acquisition by the end of February.



*Komatsu's forest machine with Quadco's felling head*

<Attachments owned by Prenbec Equipment>  
 【Quadco-brand felling head】



【Southstar-brand harvester head】

### 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.

Business Coordination Department, KOMATSU LTD.

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