

**Business Results of FY 2019
for the First 3-Month Period
(April-June, 2019)
【Telephone conference】**

July 29, 2019

Komatsu Ltd. Participants

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 the First 3-Month Period of FY2019 (April-June,2019)

- Consolidated net sales declined by 5.6% from the corresponding period a year ago, to JPY609.7 billion.
- Operating income declined by 22.2% to JPY74.7 billion. Operating income ratio was 12.3%, down 2.6 points.
- Net income attributable to Komatsu Ltd. declined by 24.6% to JPY47.4 billion.

Billions of yen	Apr.-Jun.,2018 (A) ¥108.2/USD ¥130.1/EUR ¥17.1/RMB	Apr.-Jun.,2019 (B) ¥110.0/USD ¥123.2/EUR ¥16.2/RMB	Changes (B-A)	
			increase (decrease)	Change %
Net sales	646.0	609.7	(36.2)	(5.6)%
Segment profit	95.9	72.7	(23.1)	(24.2)%
Other operating income	0.1	2.0	+1.8	-
Operating income	96.0	74.7	(21.2)	(22.2)%
Profit ratio	14.9%	12.3%	(2.6)pts.	-
Other income (expenses)	(3.1)	(7.8)	(4.7)	-
Income before income taxes	92.9	66.9	(26.0)	(28.0)%
Net income attributable to Komatsu Ltd	62.9	47.4	(15.4)	(24.6)%

- Construction, Mining & Utility Equipment: Sales decreased by 5.5% from the corresponding period a year ago, to JPY561.4 billion. Segment profit declined by 22.2% to JPY68.6 billion. Segment profit ratio worsened to 12.2%, down 2.7%.
- Retail Finance: Revenues expanded by 21.2% from the corresponding period a year ago, to JPY17.2 billion. Segment profit dropped by 38.0% to JPY3.4 billion.
- Industrial Machinery & Others: Sales decreased by 17.5% from the corresponding period a year ago, to JPY34.0 billion. Segment profit dropped by 81.8% to JPY0.5 billion.

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

Billions of yen	Apr.-Jun.,2018 (A)	Apr.-Jun.,2019 (B)	Changes (B-A)	
			increase (decrease)	Change %
Net sales	646.0	609.7	(36.2)	(5.6)%
Construction, mining & utility equipment	594.2 [592.1]	561.4 [560.5]	(32.7) [(31.5)]	(5.5)% [(5.3)%]
Retail finance	14.2 [12.9]	17.2 [15.4]	+3.0 [+2.4]	+21.2% [+19.2%]
Industrial machinery & others	41.2 [40.9]	34.0 [33.7]	(7.2) [(7.2)]	(17.5)% [(17.7)%]
Elimination	(3.6)	(3.0)	+0.6	-
Segment profit	□ 14.8% 95.9	□ 11.9% 72.7	□ (2.9)% (23.1)	(24.2)%
Construction, mining & utility equipment	□ 14.9% 88.3	□ 12.2% 68.6	□ (2.7)% (19.6)	(22.2)%
Retail finance	□ 38.5% 5.4	□ 19.7% 3.4	□ (18.8)% (2.0)	(38.0)%
Industrial machinery & others	□ 7.4% 3.0	□ 1.6% 0.5	□ (5.8)% (2.4)	(81.8)%
Corporate & elimination	(0.9)	0.0	+1.0	-

Review of three business segments

■ Construction, Mining & Utility Equipment:

Sales decreased from the corresponding period a year ago, as adversely affected by reduced sales volume and foreign exchange rates. Segment profit declined, mainly due to reduced sales volume and a change in the geographic composition of sales.

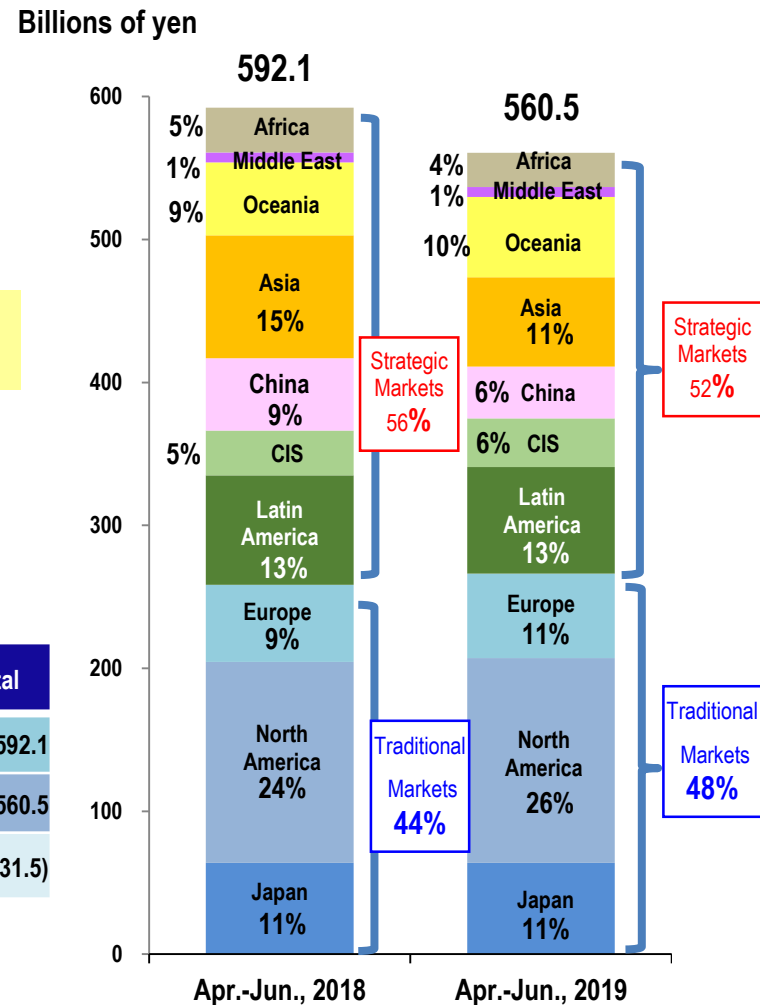
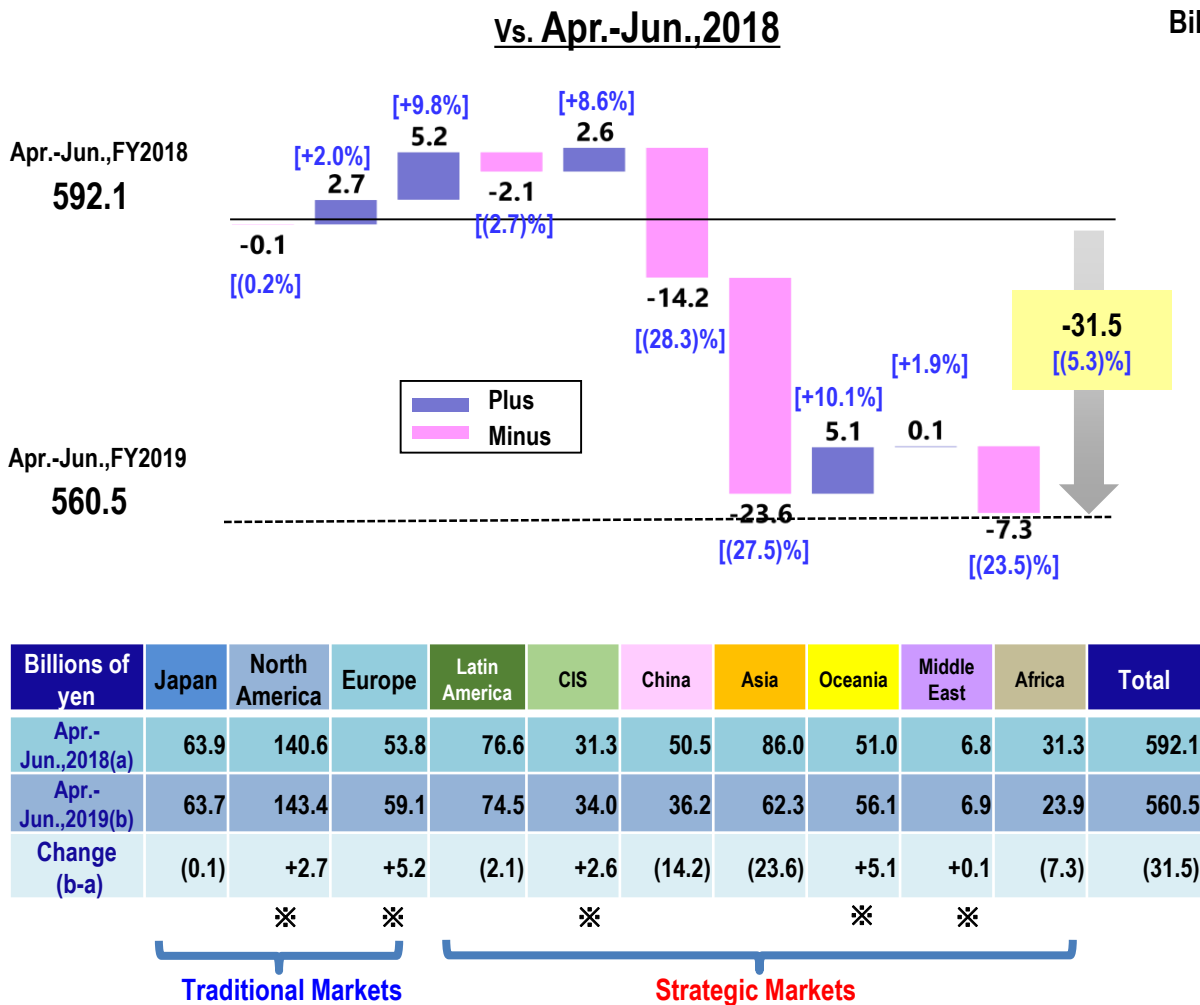
■ Retail Finance:

Revenues grew, supported by increased assets, especially in North America. Segment profit declined, mainly affected by no more reversal of allowances for doubtful accounts in China, which was recorded for FY2018.

■ 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 5.3% from the corresponding period a year ago, to JPY560.5 billion.
- While sales increased, especially in Europe and Oceania, those declined sharply in Asia and China. As a result, total sales declined.
- The ratio of sales in Traditional Markets increased to 48% of total sales.

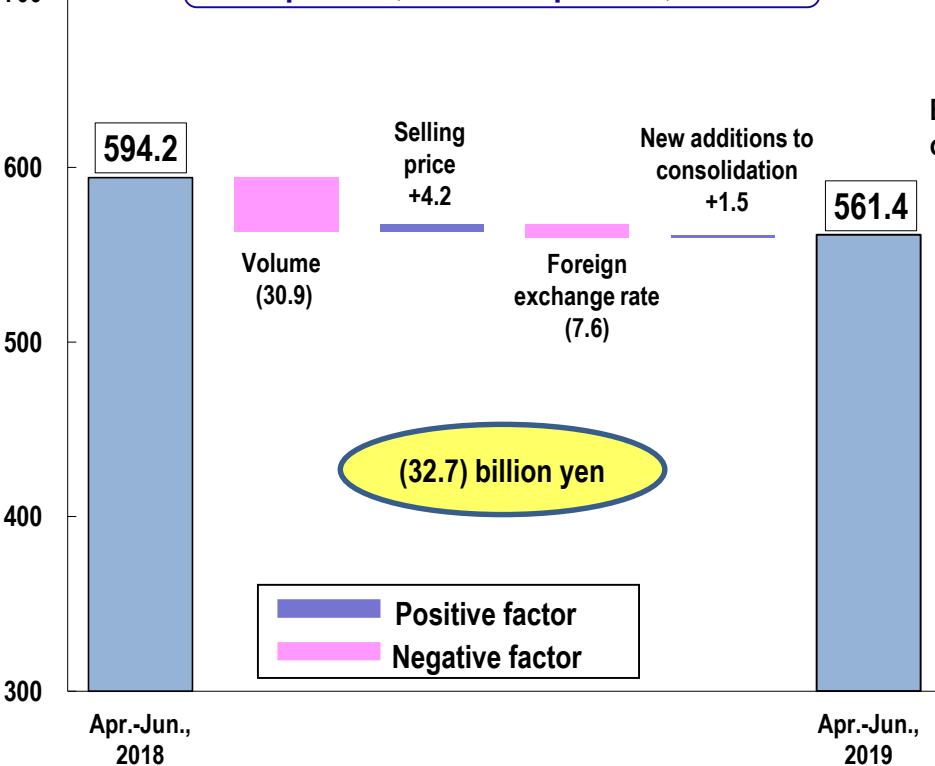


※ Region where sales increased, when foreign exchange effects were excluded.

- Sales decreased by JPY32.7 billion from the corresponding period a year ago, as adversely affected by reduced sales volume and foreign exchange rates.
- Segment profit declined by JPY19.6 billion, as adversely affected by reduced sales volume and a change in the geographic composition of sales.
- Segment profit ratio was 12.2%, down 2.7 points.

Billions of yen

Sales
Apr.-Jun.,2018 vs. Apr.-Jun.,2019

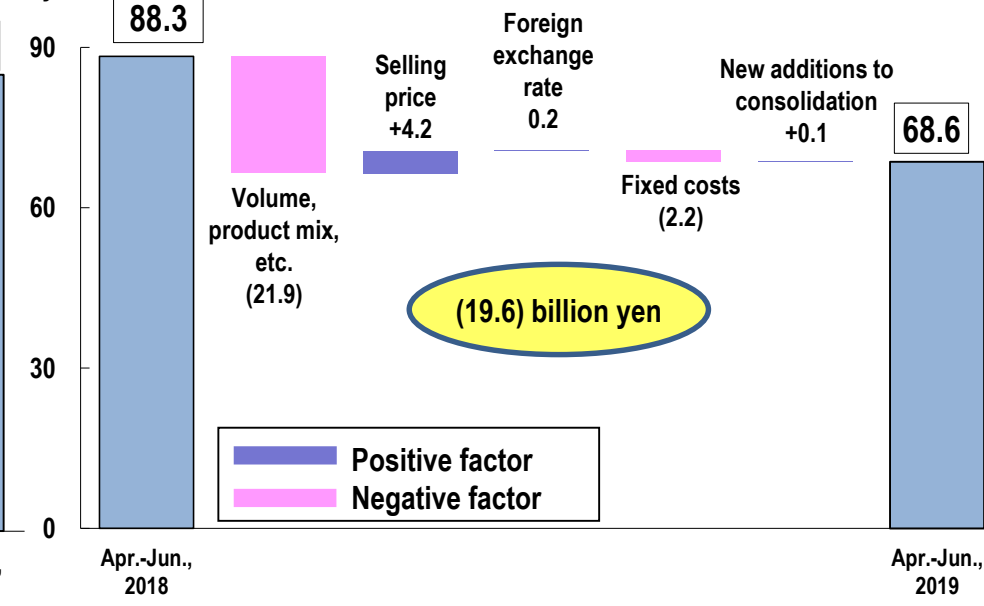


¥108.2/USD
¥130.1/EUR
¥17.1/RMB

¥110.0/USD
¥123.2/EUR
¥16.2/RMB

Segment profit
Apr.-Jun.,2018 vs. Apr.-Jun.,2019

Billions of yen



14.9%

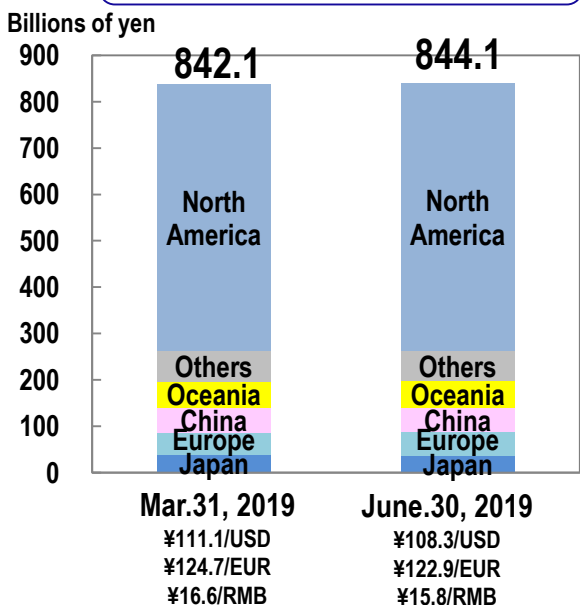
Segment profit ratio

12.2%

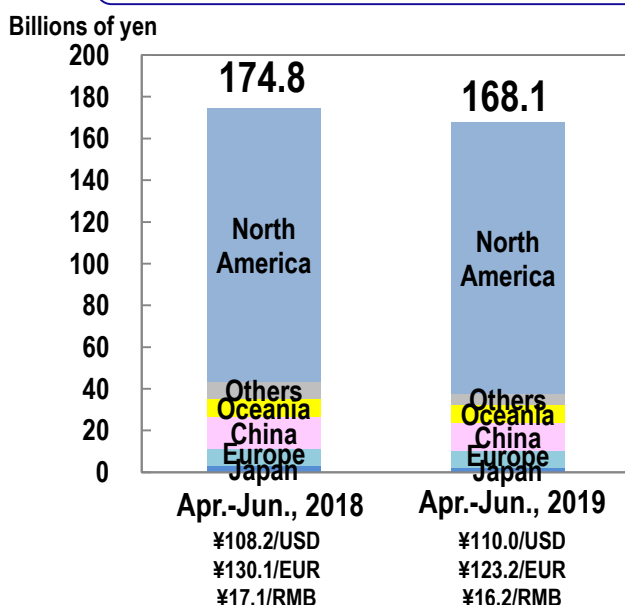
Retail Finance: Assets and Revenues for the First 3-Month Period (April-June, 2019) of FY2019

- Assets increased by JPY2.0 billion from the previous fiscal year-end, mainly due to increased credits centering on North America, Europe and Oceania.
- New contracts declined mainly in China.
- Revenues advanced due to increased assets, especially in North America.
- Segment profit declined mainly affected by no more reversal of allowances for doubtful accounts in China, which was recorded for FY2018.

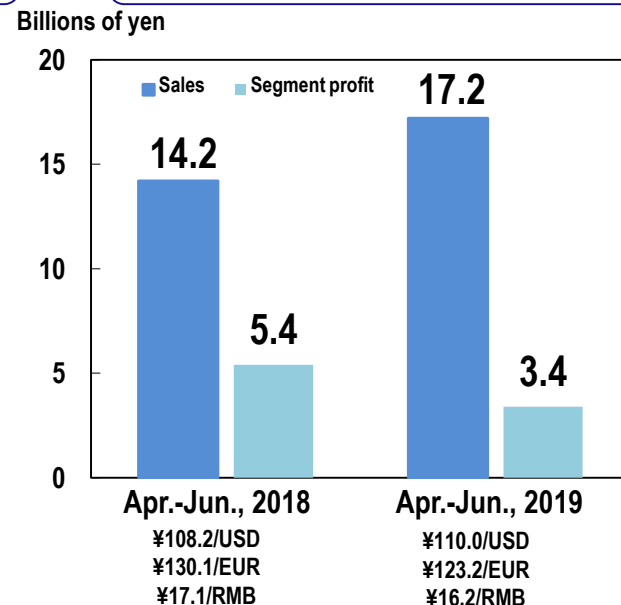
Assets
Mar.31, 2019 vs. June.30, 2019



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



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

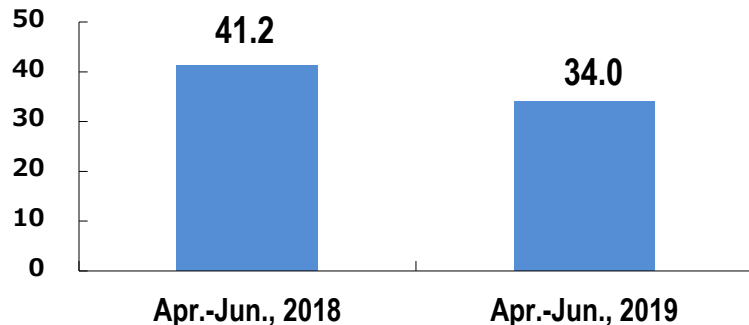


Billions of yen	2019/3E	2019/6E	Changes
Interest-bearing debt	638.0	648.4	+10.4
Interest-bearing debt, net	634.0	644.1	+10.1
Net D/E ratio	3.64	3.79	+0.15pts.

- Sales declined by 17.5% from the corresponding period a year ago, to JPY34.0 billion, mainly 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 1.6%.

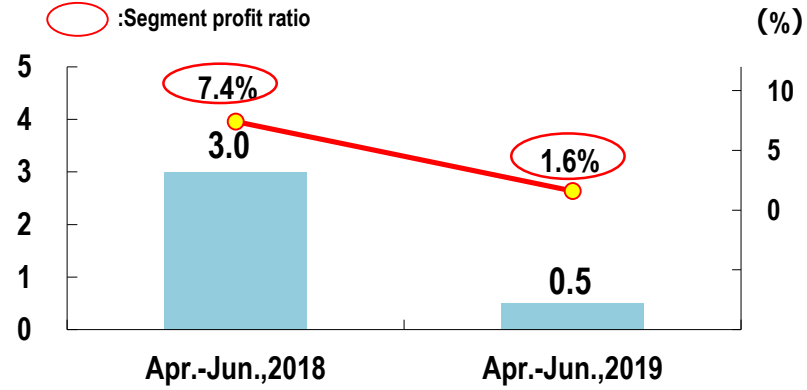
Sales
Apr.-Jun.,2018 vs. Apr.-Jun.,2019

Billions of yen



Segment profit
Apr.-Jun.,2018 vs. Apr.-Jun.,2019

Billions of yen



Breakdown of sales

Billions of yen	Apr.-Jun., 2018	Apr.-Jun., 2019	Changes	
			Increase (Decrease)	% Change
Komatsu Industries Corp.	9.8	8.5	(1.3)	(13.9)%
Komatsu NTC Ltd.	16.2	11.6	(4.5)	(28.3)%
Gigaphoton Inc.	9.5	8.2	(1.3)	(13.7)%
Others	5.5	5.6	+0.0	+1.0%
Total	41.2	34.0	(7.2)	(17.5)%

- Total assets grew by JPY53.3 billion from the previous fiscal year-end, mainly due to increased inventories.
- Komatsu Ltd. shareholders' equity ratio was 48.1%, down 1.8 points.

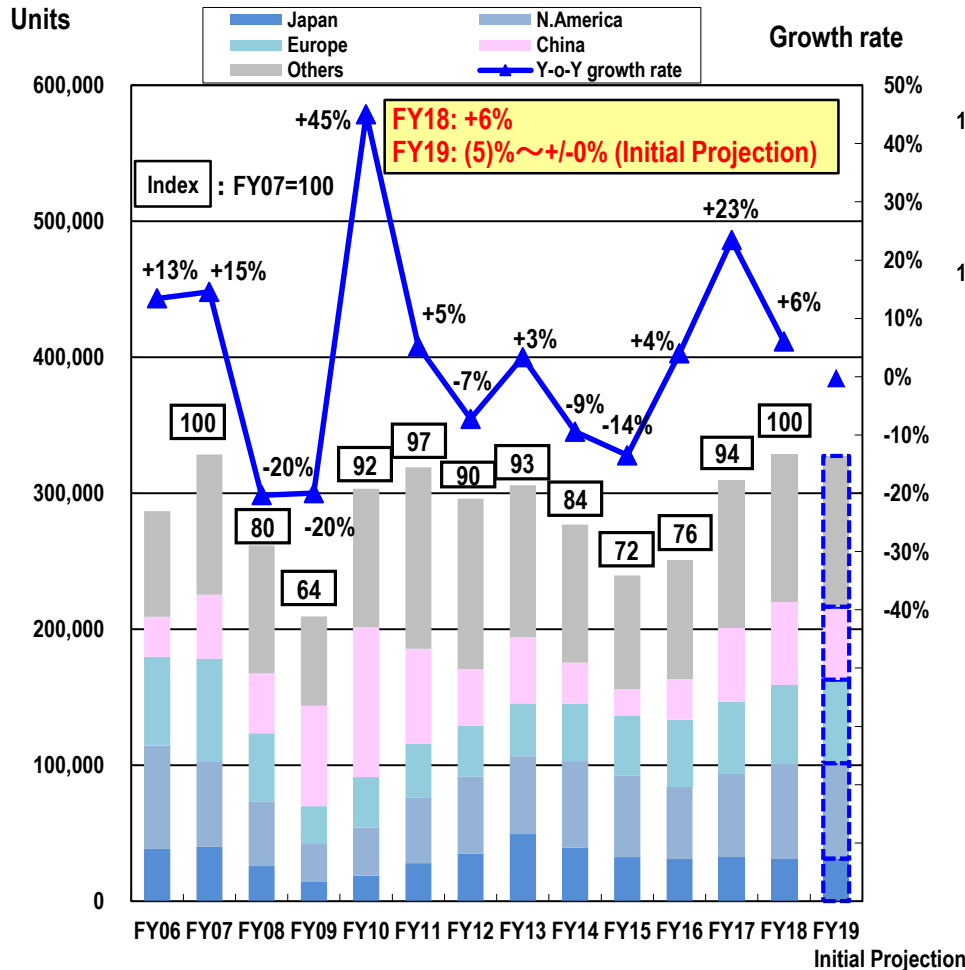
Billions of yen ○ : Net D/E ratio	Mar. 31, 2019 ¥111.1/USD ¥124.7/EUR ¥16.6/RMB	Jun. 30, 2019 ¥108.3/USD ¥122.9/EUR ¥15.8/RMB	Increase (Decrease)
Cash & deposits (incl. time deposits) [a]	150.8	195.7	+44.9
Accounts receivable (incl. long-term trade receivables)	1,258.5	1,195.3	(63.1)
Inventories	837.5	875.0	+37.4
Tangible fixed assets	776.4	762.6	(13.7)
Other assets	614.8	*1 662.7	+47.8
Total assets	3,638.2	3,691.5	+53.3
Accounts payable	266.9	255.3	(11.6)
Interest-bearing debt [b]	930.7	1,004.3	+73.6
Other liabilities	537.7	*1 571.7	+34.0
Total liabilities	1,735.3	1,831.4	+96.1
[Shareholders' equity ratio]	(49.9%)	(48.1%)	((1.8)pts.)
Komatsu Ltd. shareholders' equity	1,815.5	1,776.2	(39.2)
Non-controlling interests	87.2	83.8	(3.4)
Liabilities & Equity	3,638.2	3,691.5	+53.3
Interest-bearing debt, net [b-a]	○ 0.43 779.8	○ 0.46 808.6	+28.7
Net D/E ratio (excl. the retail finance business)	○ 0.09	○ 0.10	

*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 JPY51.0 billion from the previous fiscal year-end.

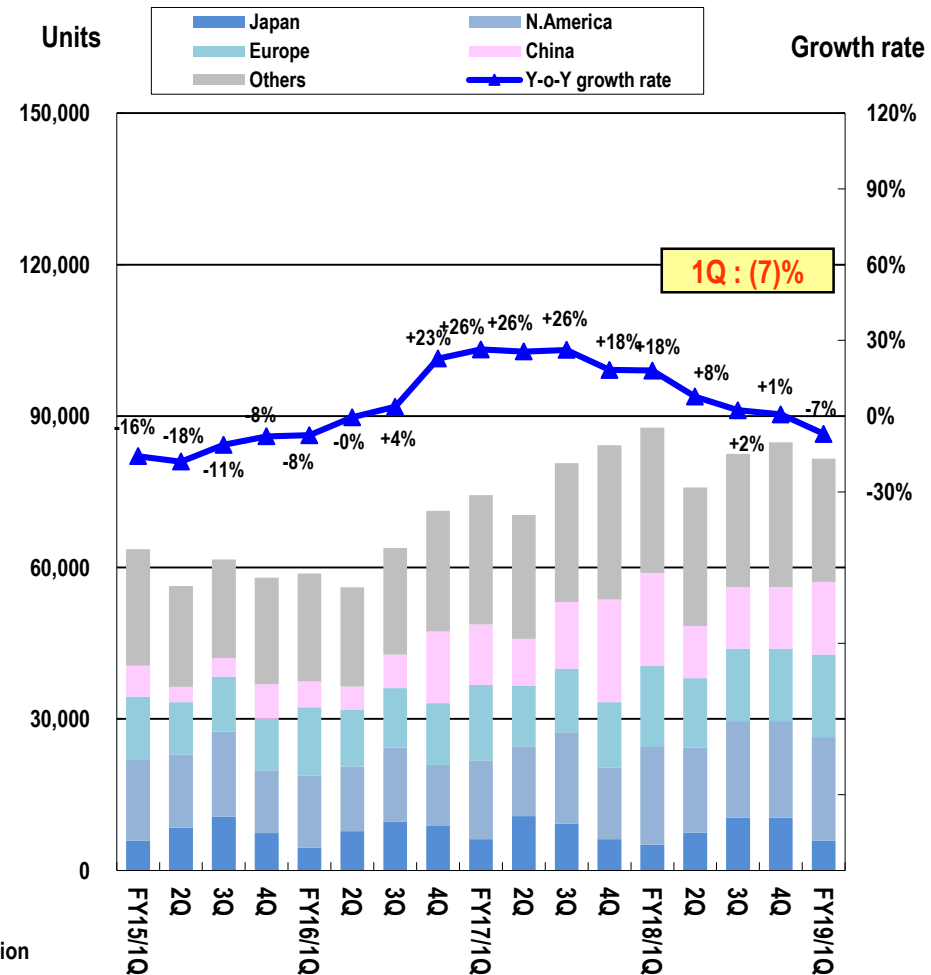
II . Construction, Mining & Utility Equipment: Demand and Outlook

- In 1Q FY2019, global demand declined by 7% from the corresponding period a year ago, recording a decline for the first time after 11 consecutive quarters.
- While demand was steady in Traditional Markets of Japan, North America and Europe, it declined in Strategic Markets, such as China and Southeast Asia.

Annual demand for 7 major products

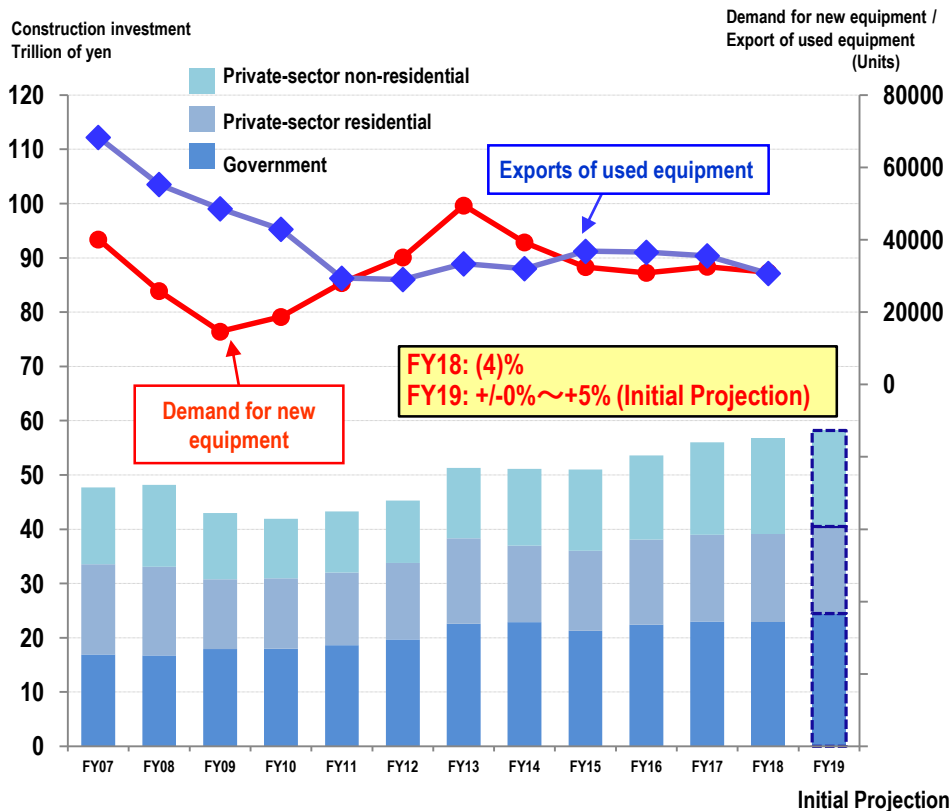


Quarterly demand for 7 major products



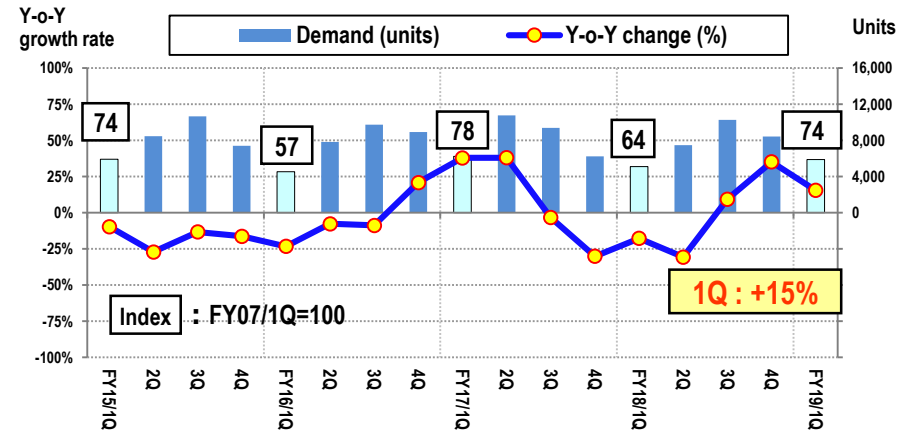
- In 1Q FY2019, demand advanced by 15% from the corresponding period a year ago.
- Demand increased as it recovered from the reactionary drop of pre-buy demand in anticipation of the new emission control regulations enforced in September 2017.

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

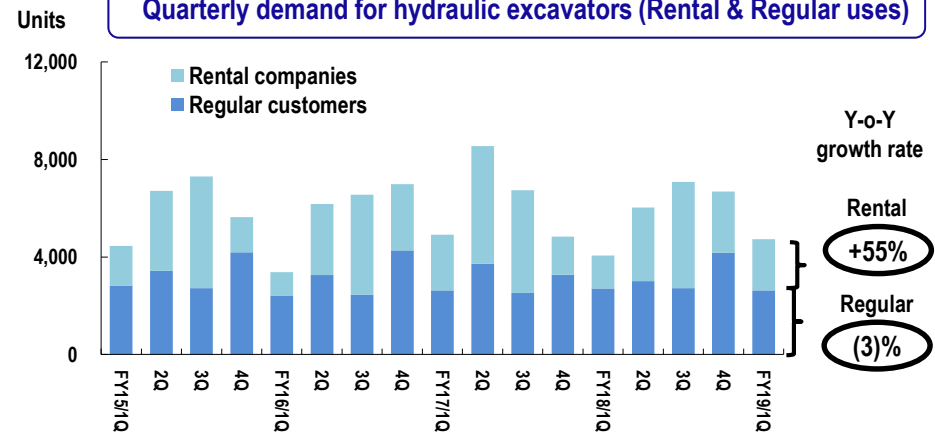


[Sources] Construction investment by the Ministry of Land, Infrastructure, Transport & Tourism, and Research Institute of Construction and Economy
Demand for 7 major products and No. of exported used equipment estimated by Komatsu

Quarterly demand for 7 major products

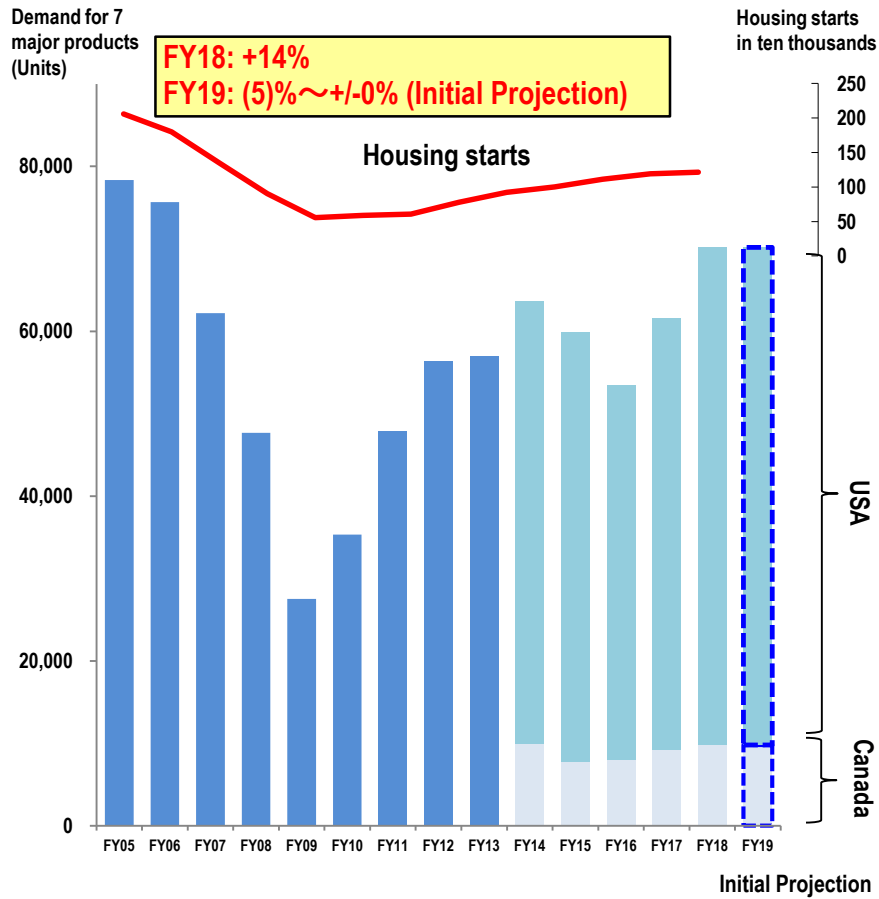


Quarterly demand for hydraulic excavators (Rental & Regular uses)

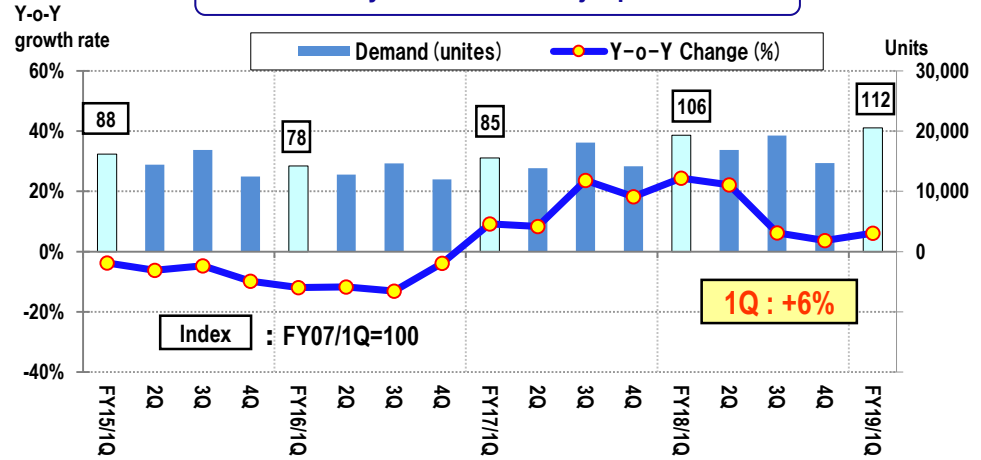


- In 1Q FY2019, demand increased by 6% from the corresponding period a year ago.
- Demand for both construction and mining equipment remained steady.

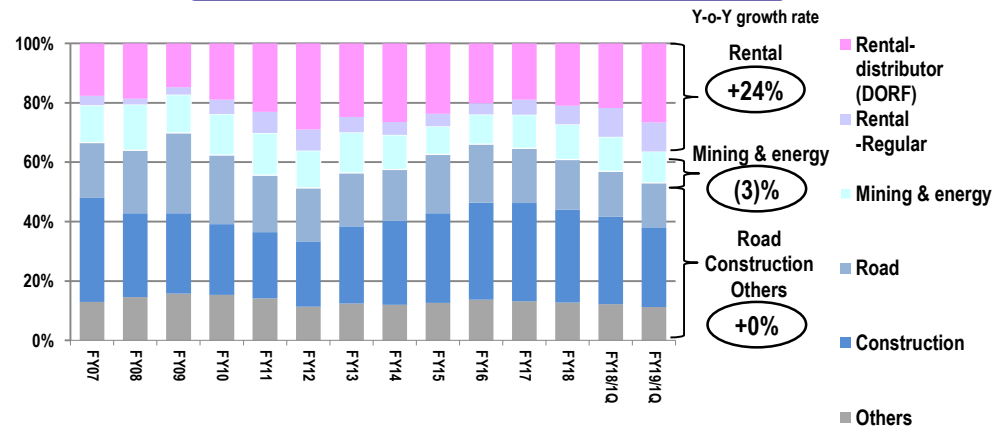
Demand for 7 major products and US housing starts



Quarterly demand for 7 major products



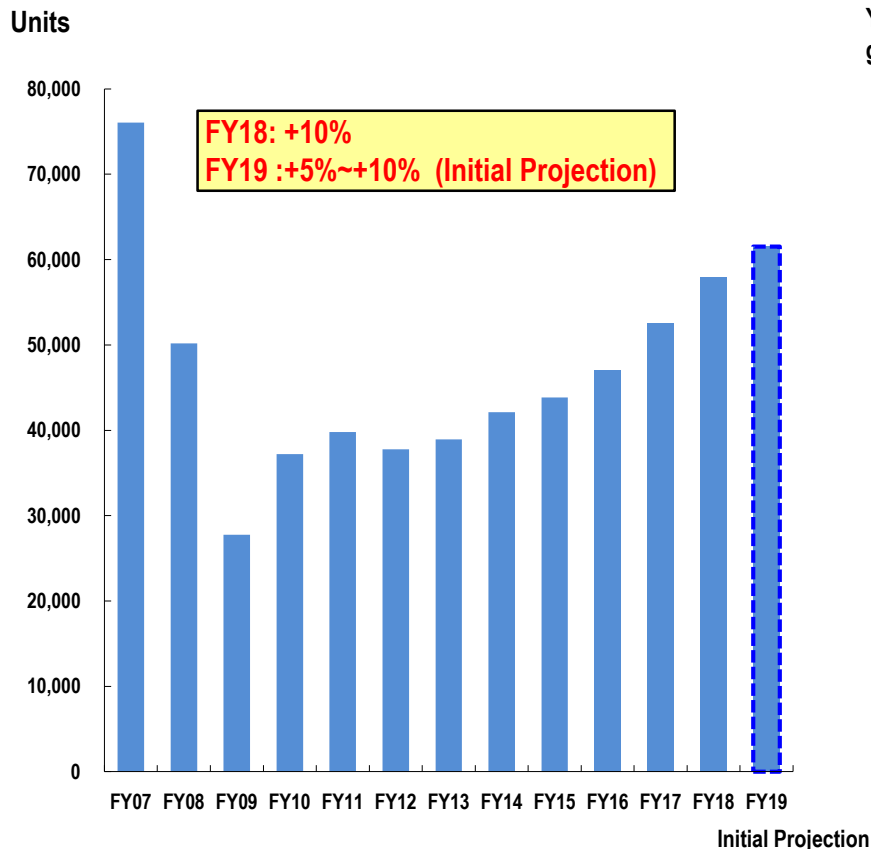
Breakdown of demand by segment (Unit basis)



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

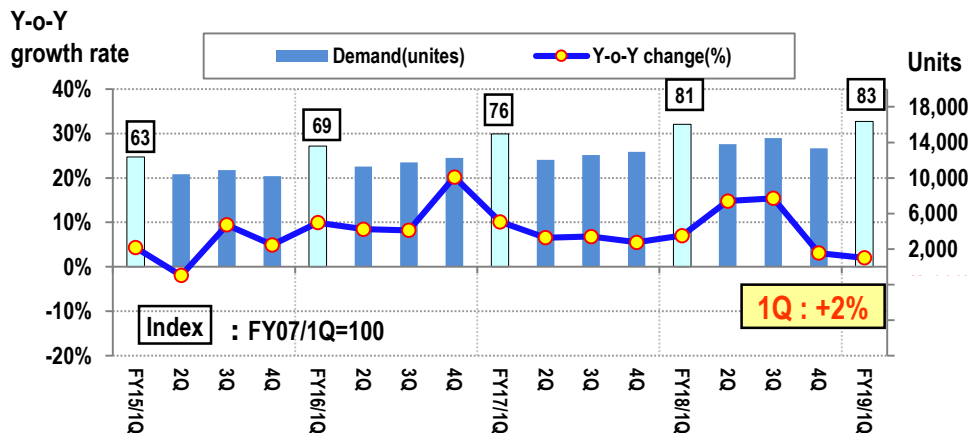
- In 1Q FY2019, demand increased by 2% from the corresponding period a year ago.
- Demand was steady, especially in major markets of Germany, the United Kingdom and France as well as eastern Europe.

Annual demand for 7 major products

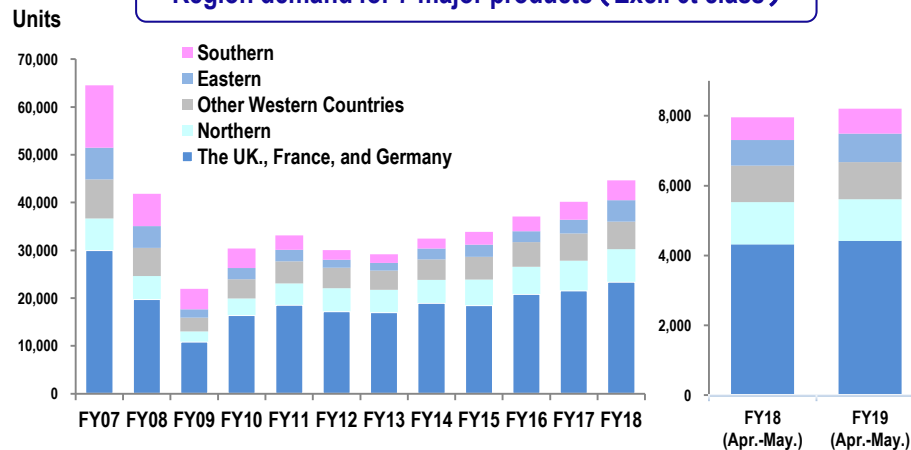


FY18: +10%
FY19 :+5%~+10% (Initial Projection)

Quarterly demand for 7 major products

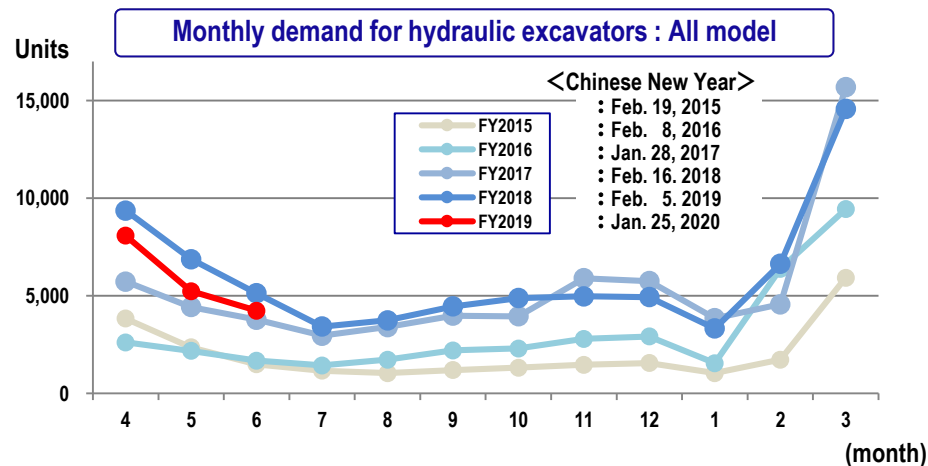
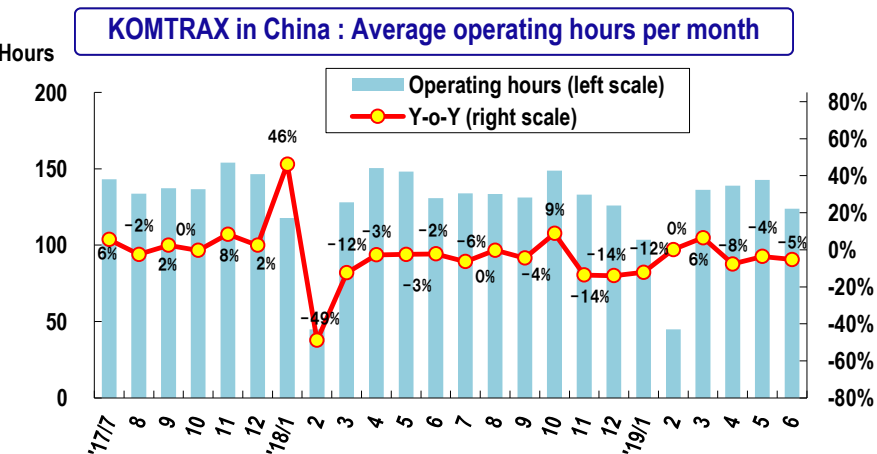
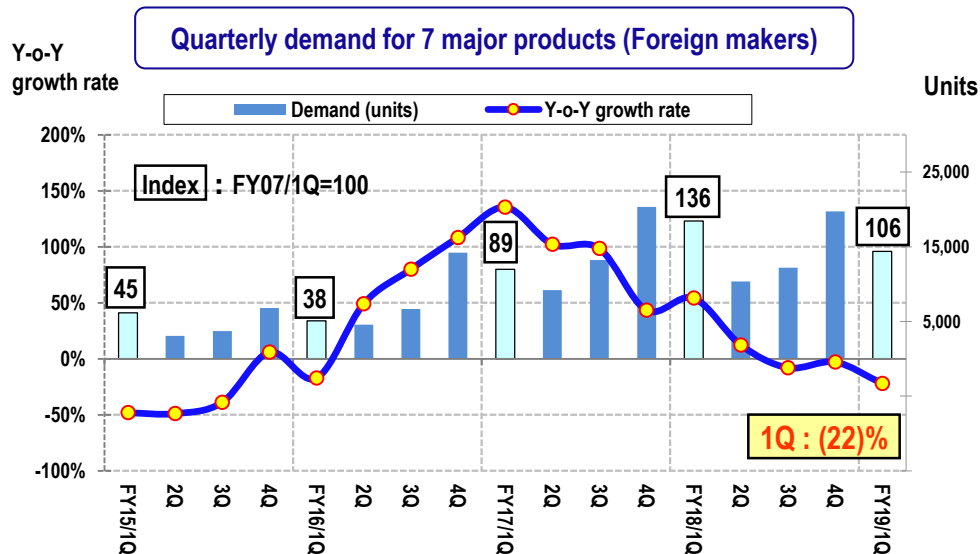
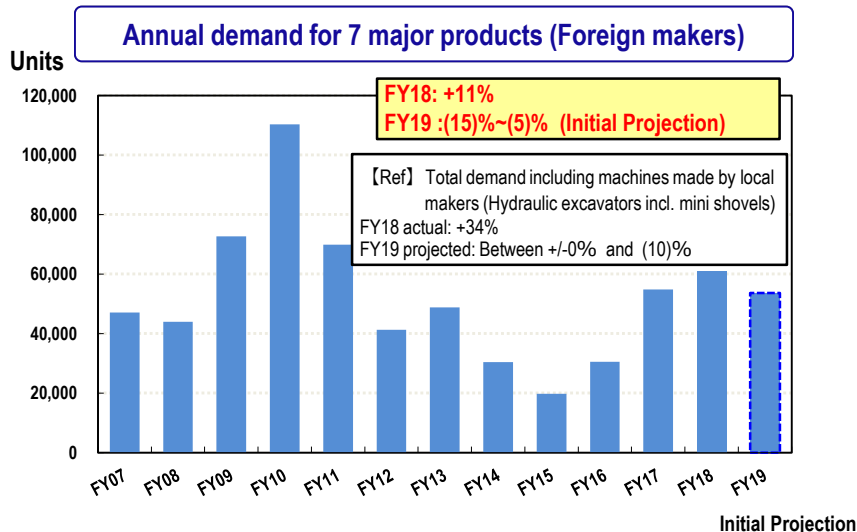


Region demand for 7 major products (Excl. 6t class)



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

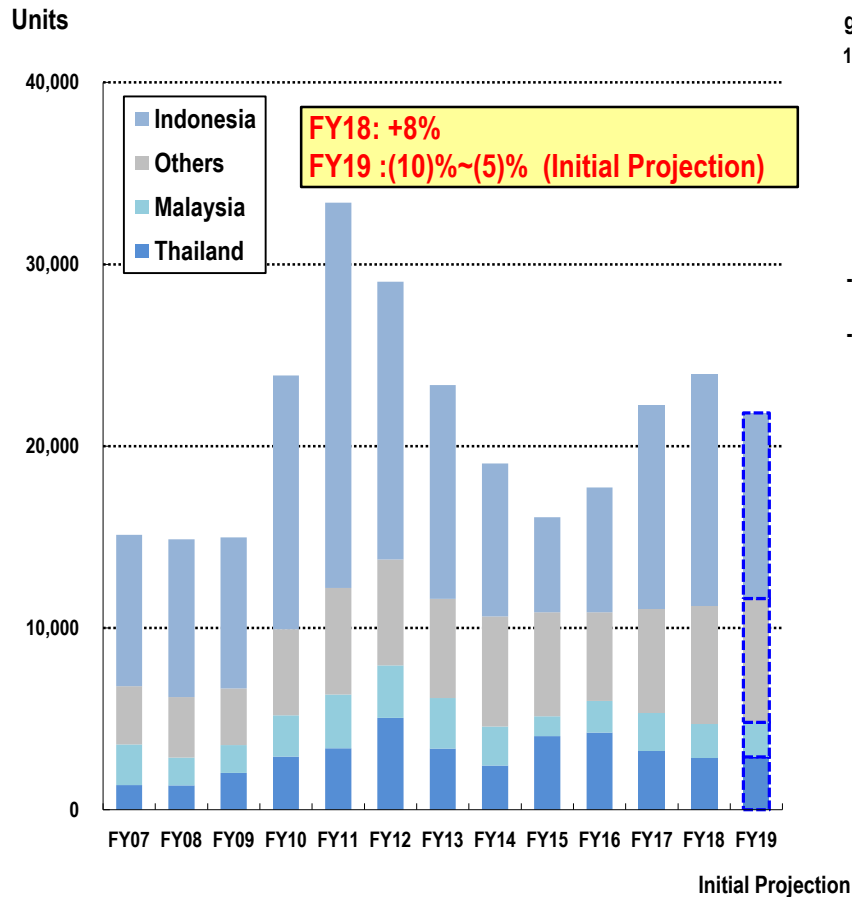
- In 1Q FY2019, demand declined by 22% from the corresponding period a year ago.
- Demand for construction equipment declined, due to growing uncertainty of the prospects of the domestic economy against the backdrop of prolonged US-China trade war.



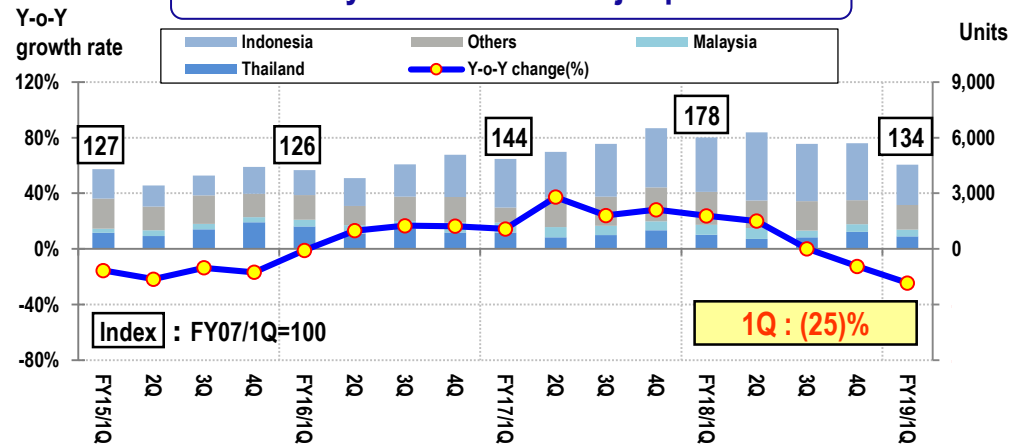
[Source]: Demand for 7 major products and hydraulic excavators estimated by Komatsu

- In 1Q FY2019, demand declined by 25% from the corresponding period a year ago.
- Demand for construction and mining equipment declined in Indonesia, the largest market of the region, as adversely affected by the presidential election and sluggish price of thermal coal.

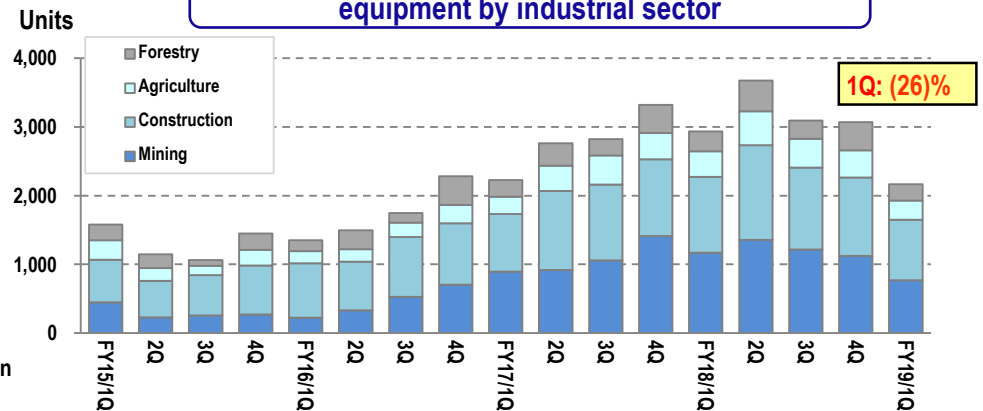
Annual demand for 7 major products



Quarterly demand for 7 major products



Indonesia: Demand for construction & mining equipment by industrial sector

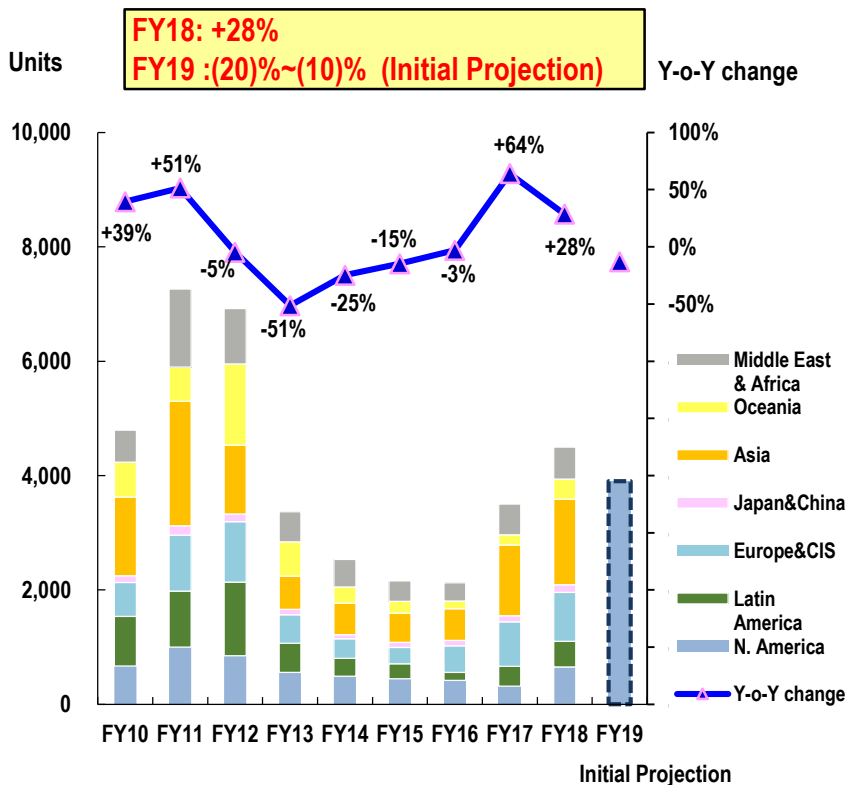


[Source]: Demand for 7 major products estimated by Komatsu

- In 1Q FY2019, global demand for mining equipment declined by 7% from the corresponding period a year ago.
- In particular, demand declined in Indonesia.

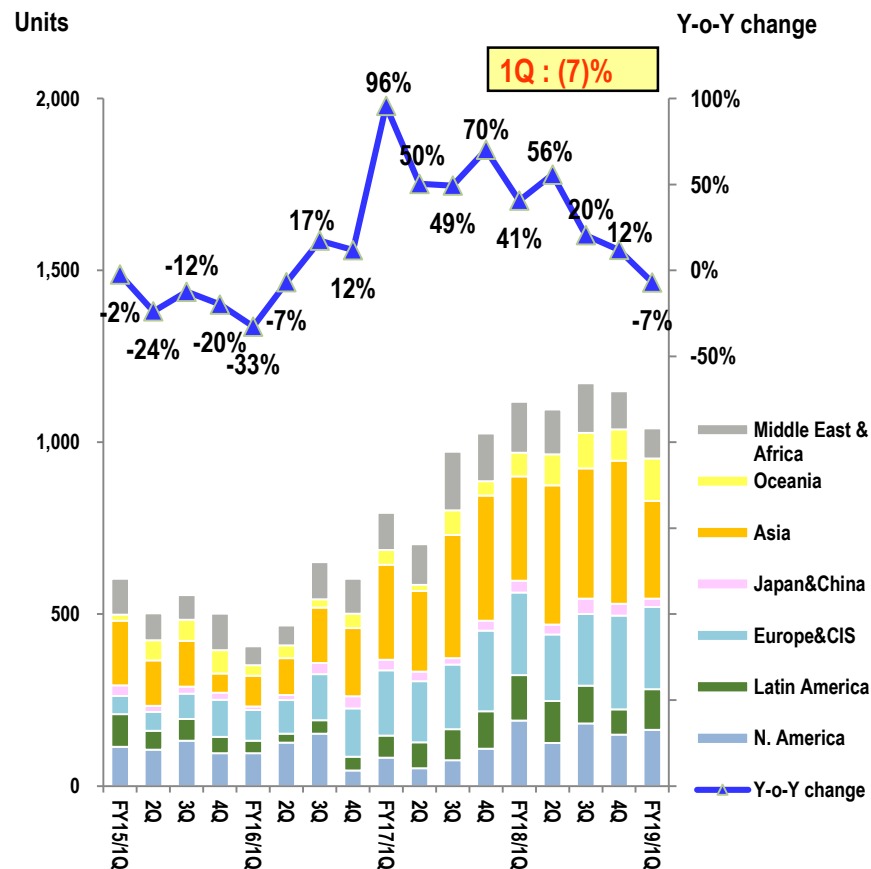
Annual demand for mining equipment

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



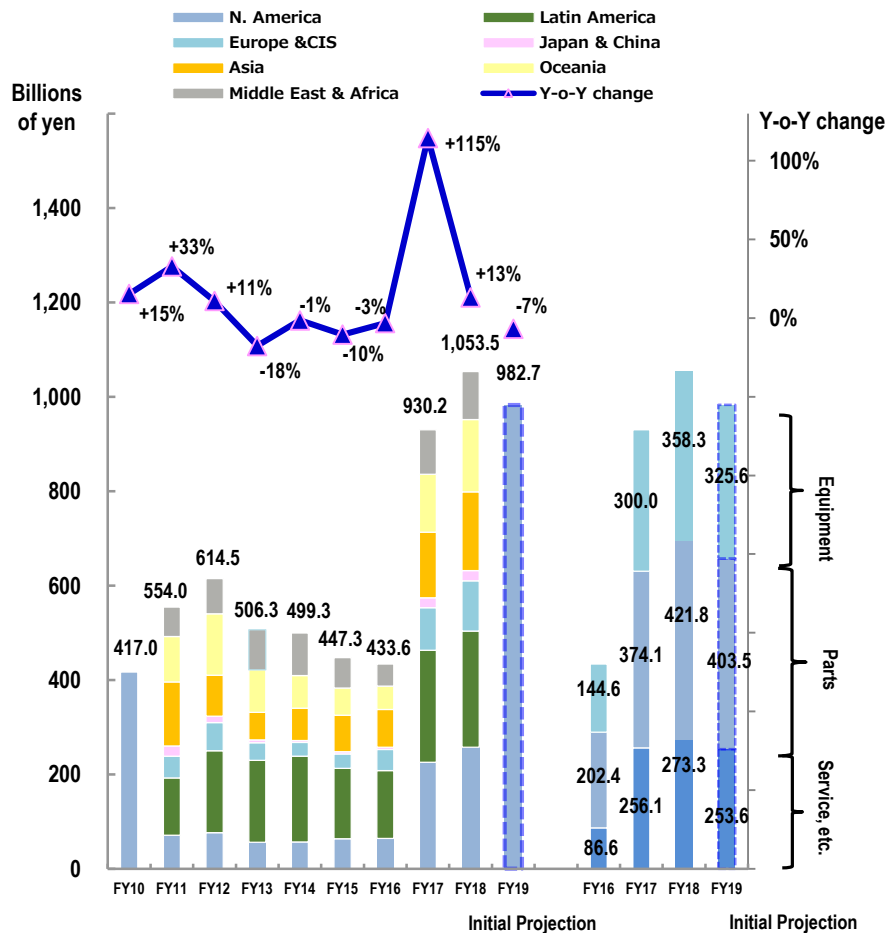
Note: Demand estimated by Komatsu

Quarterly demand for mining equipment

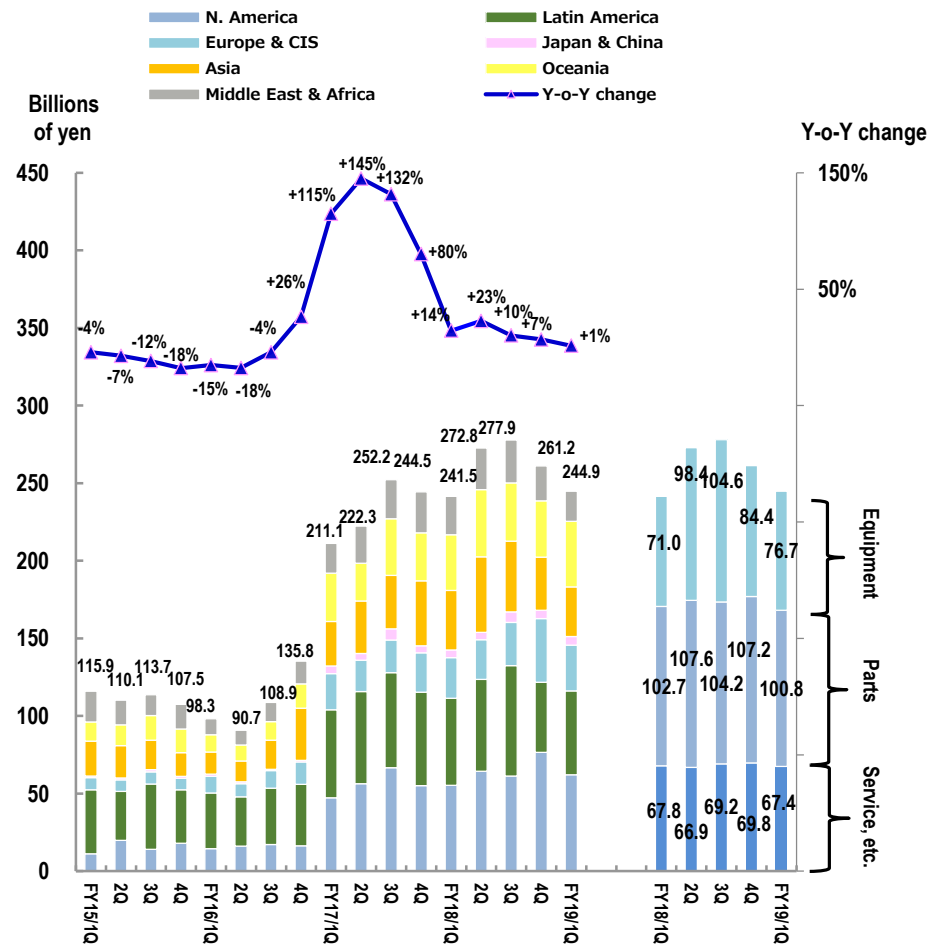


- For 1Q FY2019, sales increased by 1% from the corresponding period a year ago, to JPY244.9 billion.
- While sales declined, especially in Indonesia, they increased mainly in North America and Oceania.

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

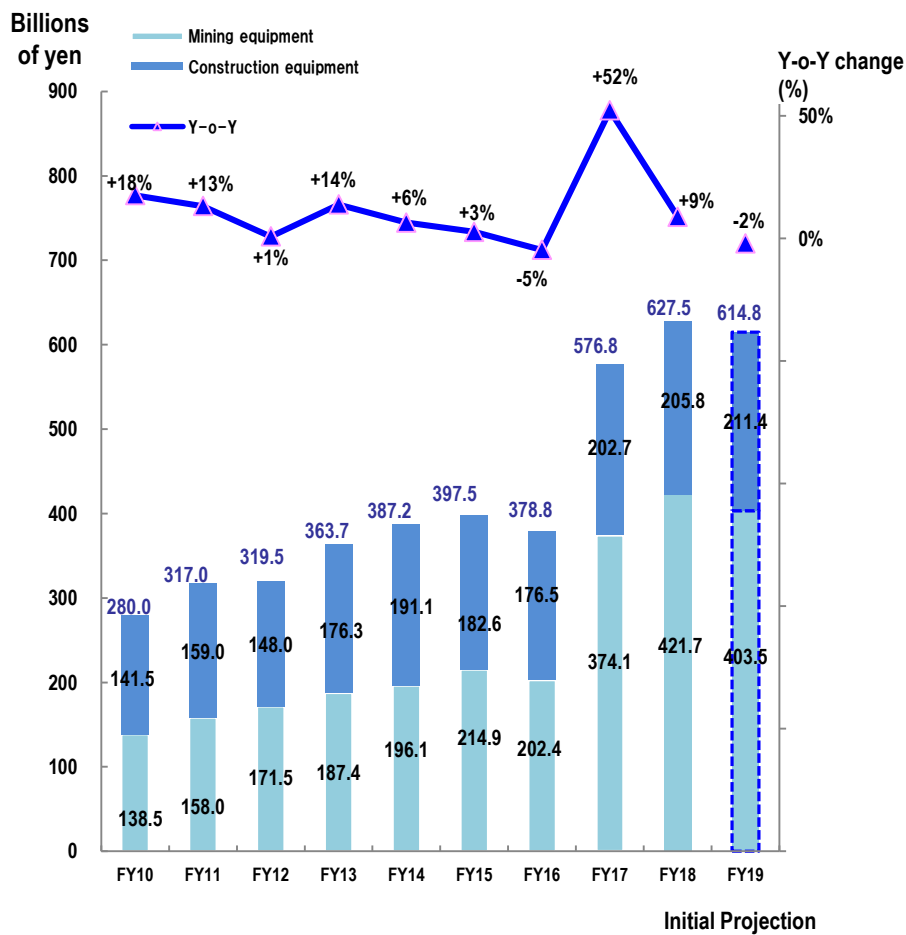


Quarterly sales of mining equipment (incl. parts and service)

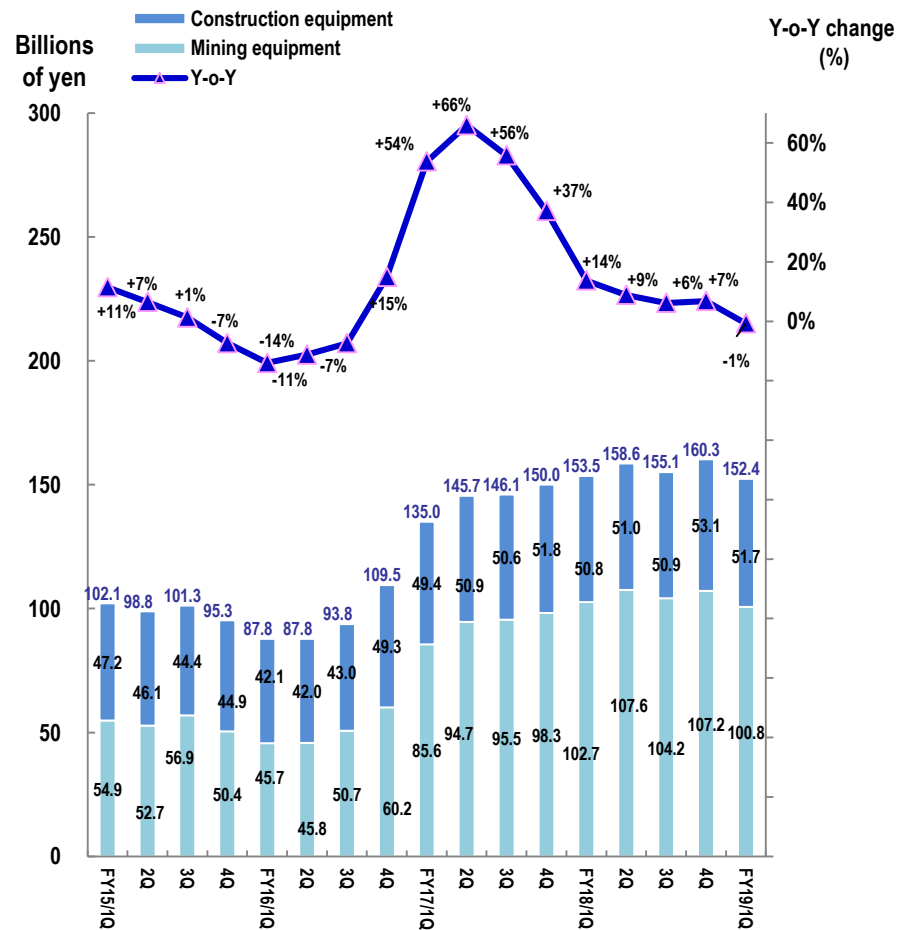


For 1Q FY2019, sales of parts decreased by 1% from the corresponding period a year ago, to JPY152.4 billion.

Annual sales of parts



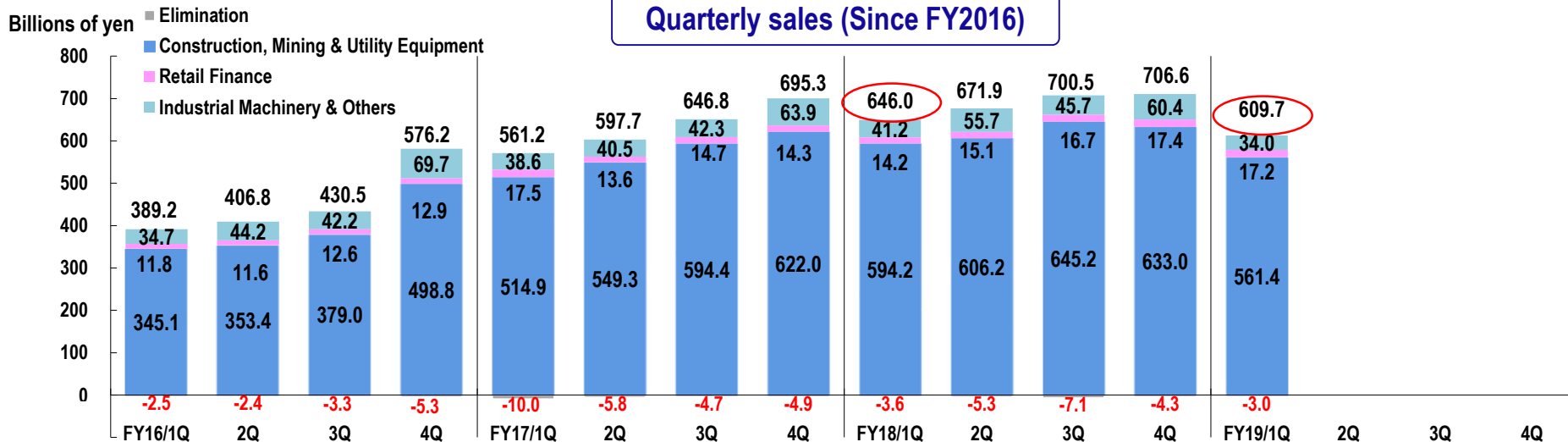
Quarterly sales of parts



Appendix

<Appendix> Quarterly Sales and Operating Income

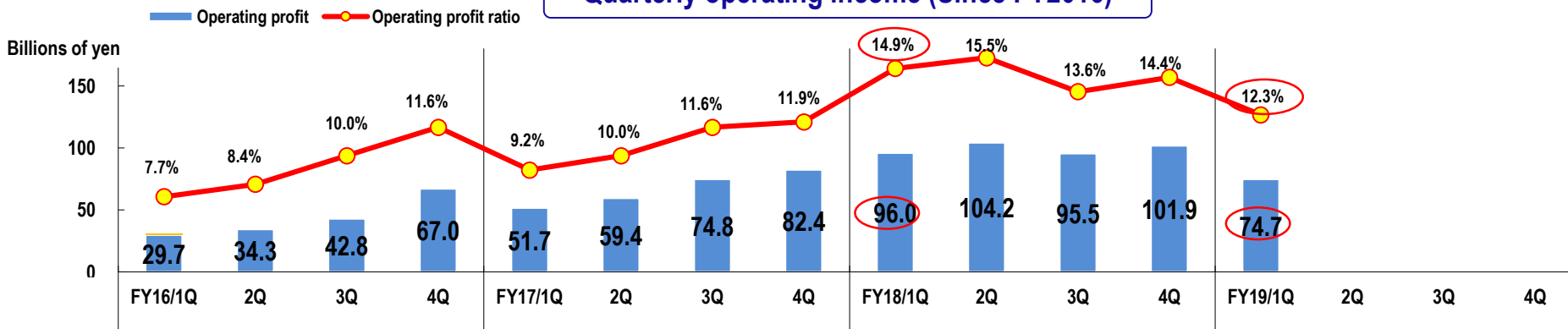
Quarterly sales (Since FY2016)



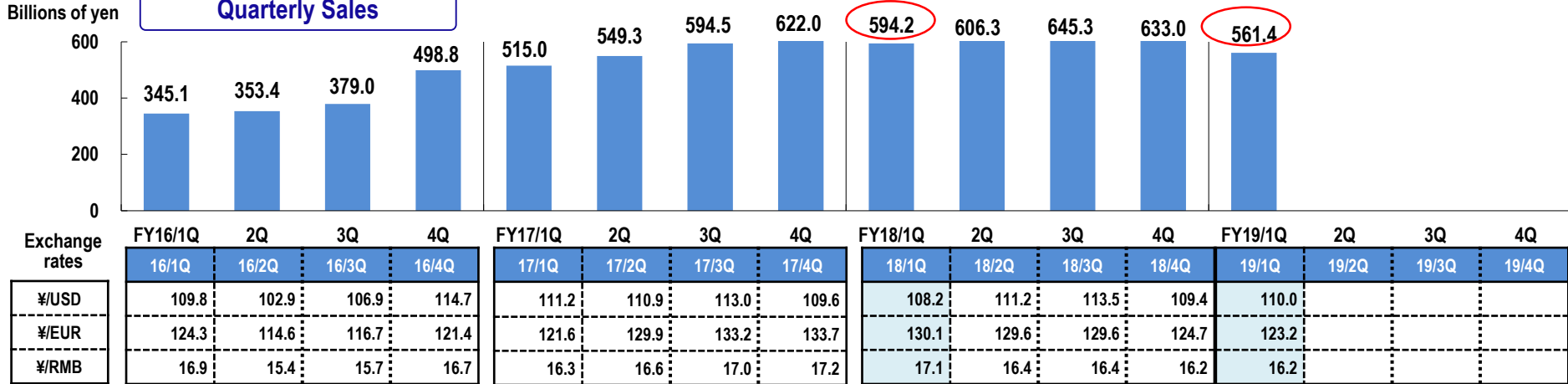
Exchange rates

	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			
¥/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			
¥/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			

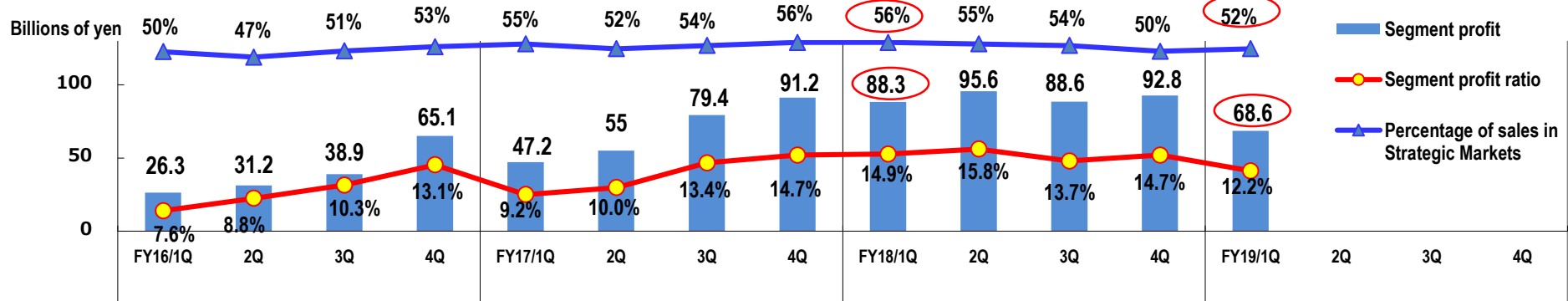
Quarterly operating income (Since FY2016)



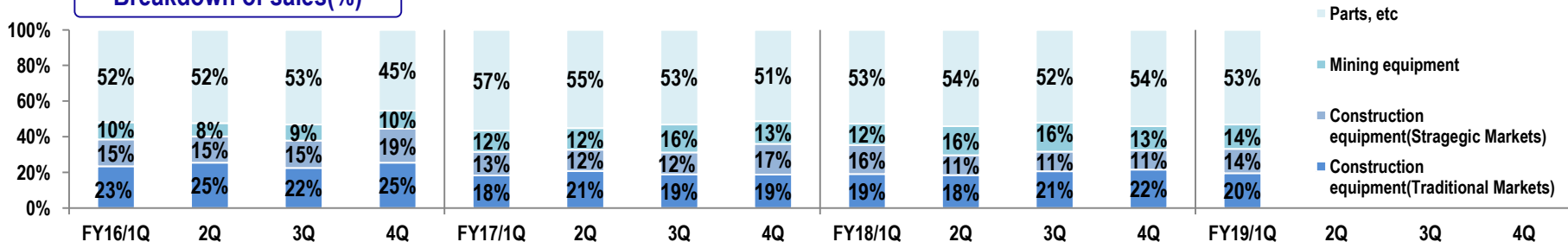
Quarterly Sales



Quarterly segment profit

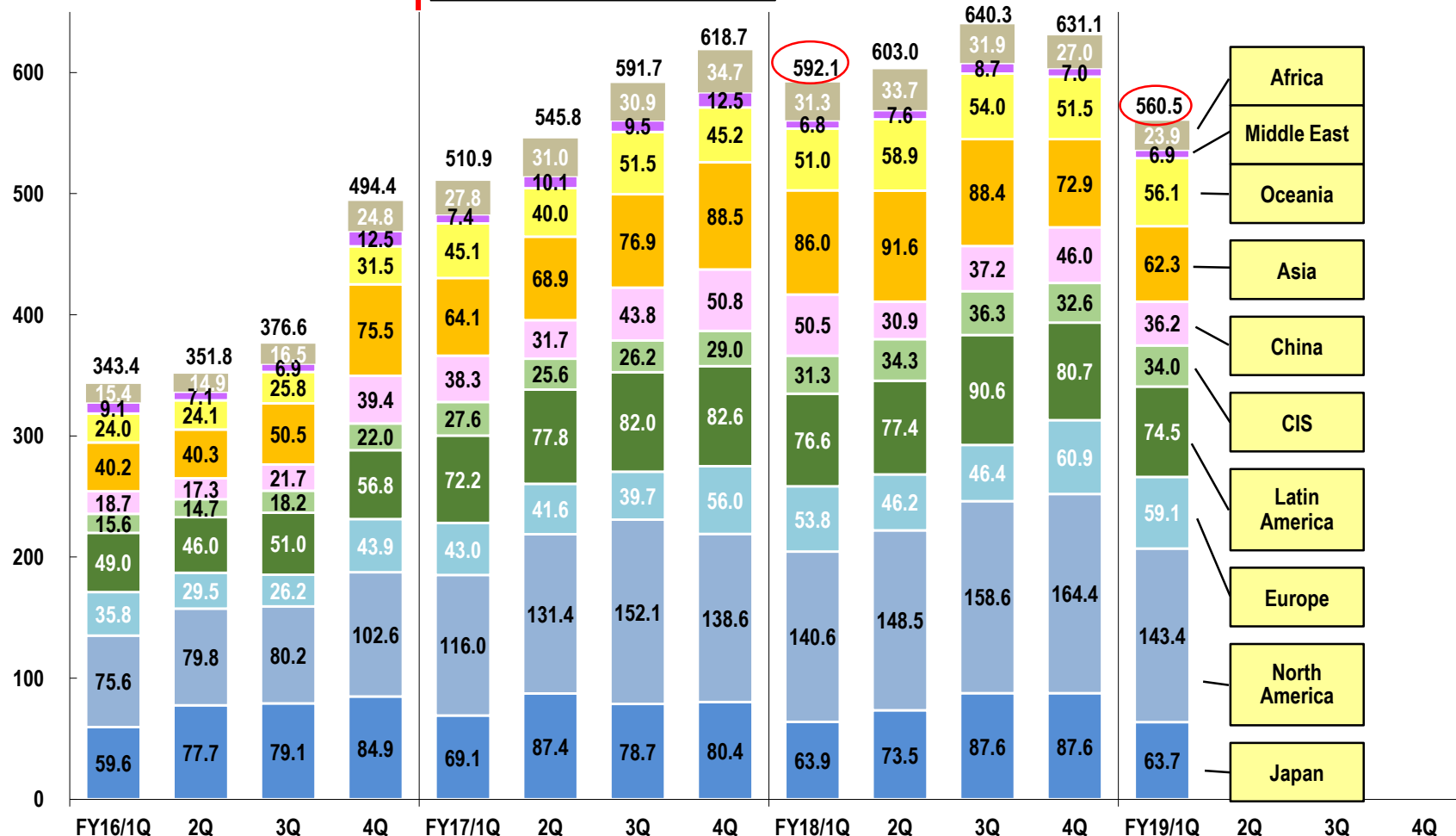


Breakdown of sales(%)



Billions of yen

Including KMC starting from FY17/1Q



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

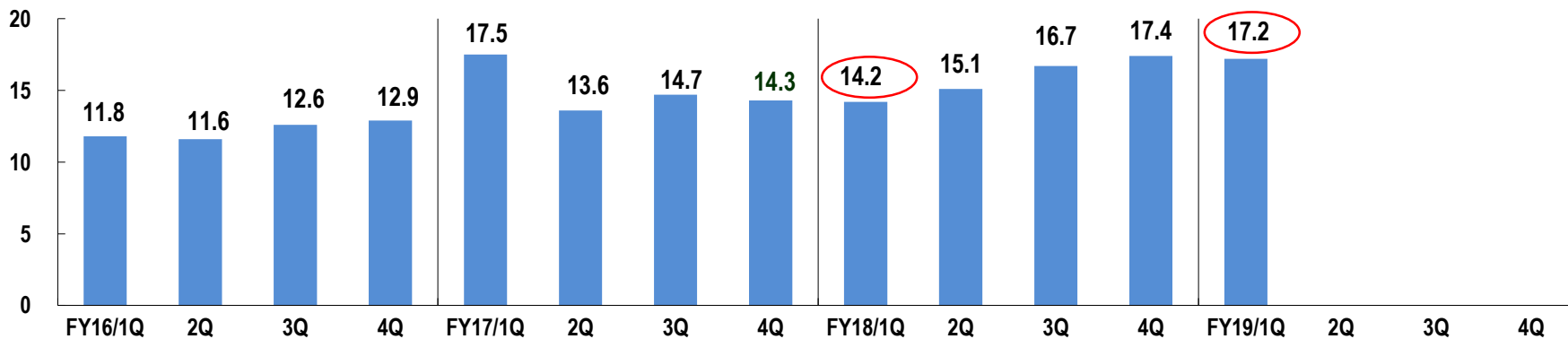
	17/1Q	17/2Q	17/3Q	17/4Q
¥/USD	111.2	110.9	113.0	109.6
¥/EUR	121.6	129.9	133.2	133.7
¥/RMB	16.3	16.6	17.0	17.2

	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			
¥/EUR	123.2			
¥/RMB	16.2			

Billions of yen

Quarterly sales

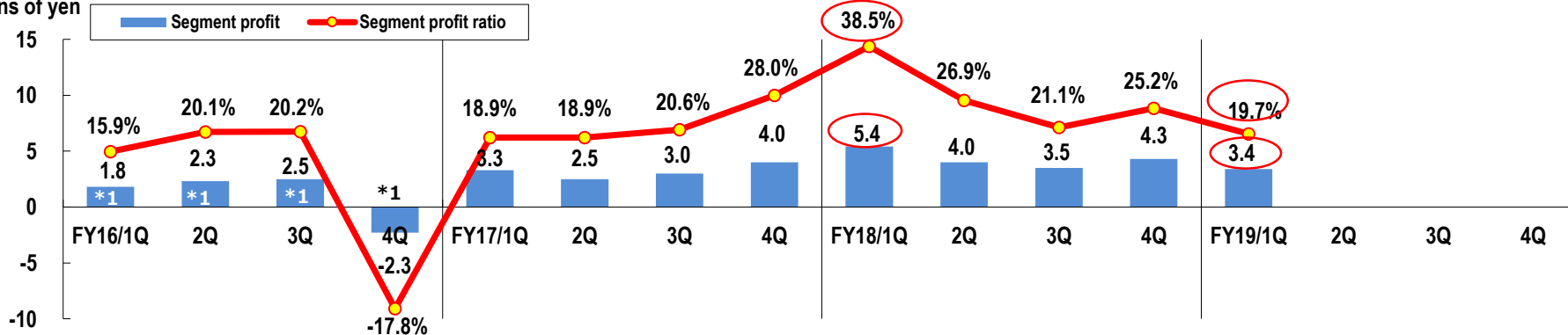


Exchange rates

	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			
¥/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			
¥/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			

Quarterly segment profit

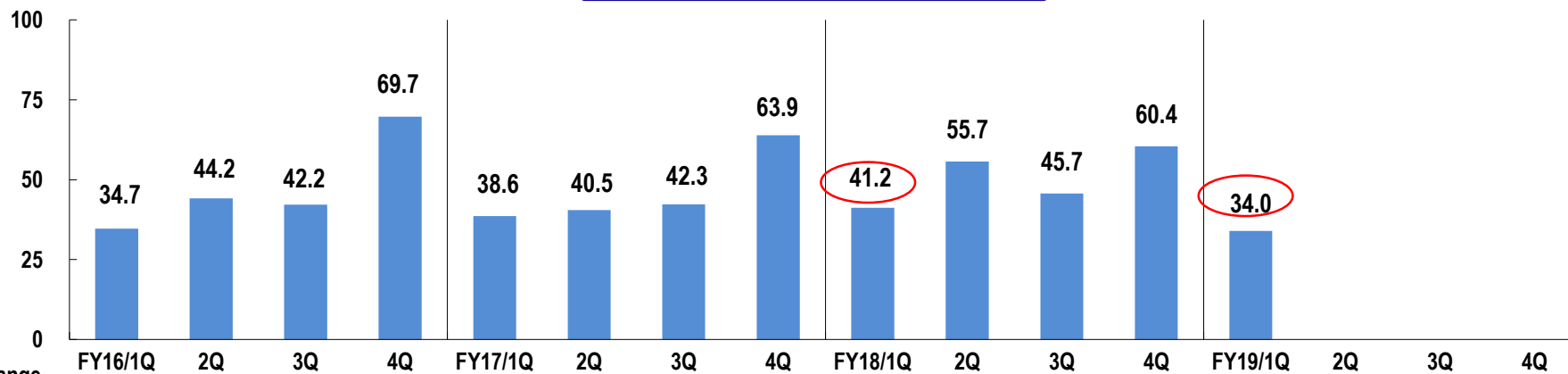
Billions of yen



*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

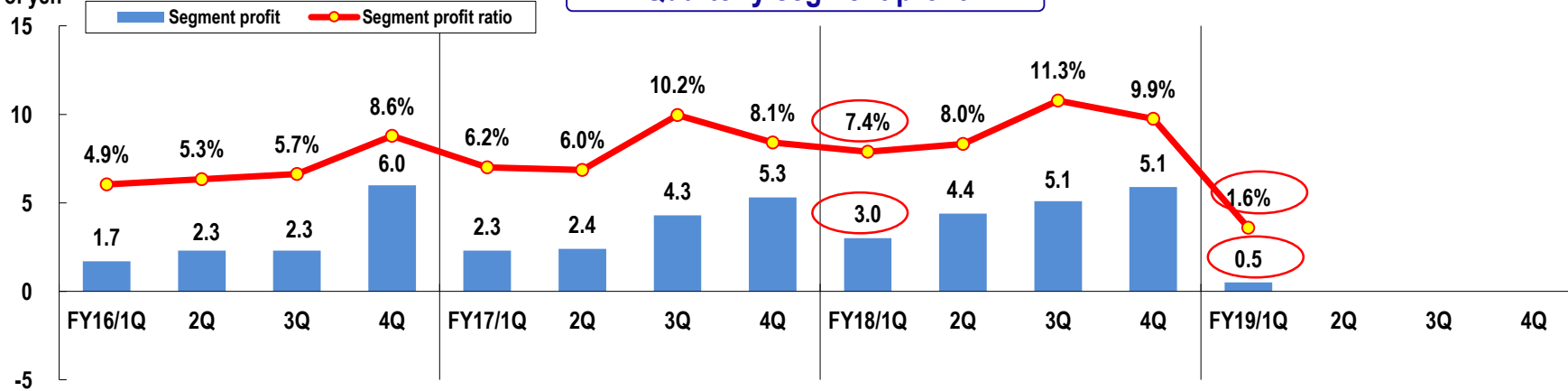


Exchange rates

	FY16				FY17				FY18				FY19			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	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			
¥/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			
¥/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			

Billions of yen

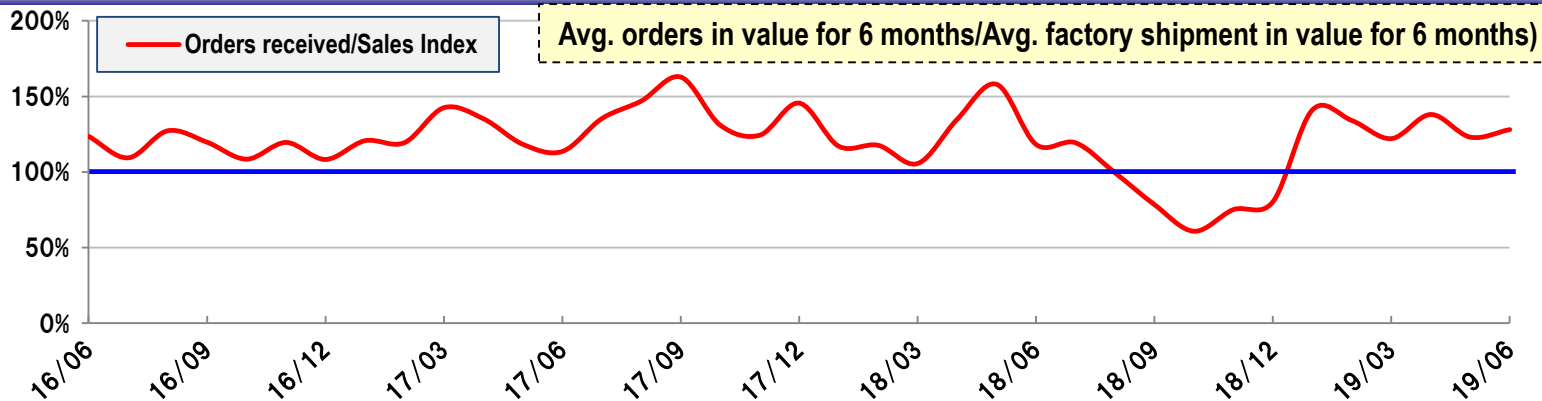
Quarterly segment profit



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

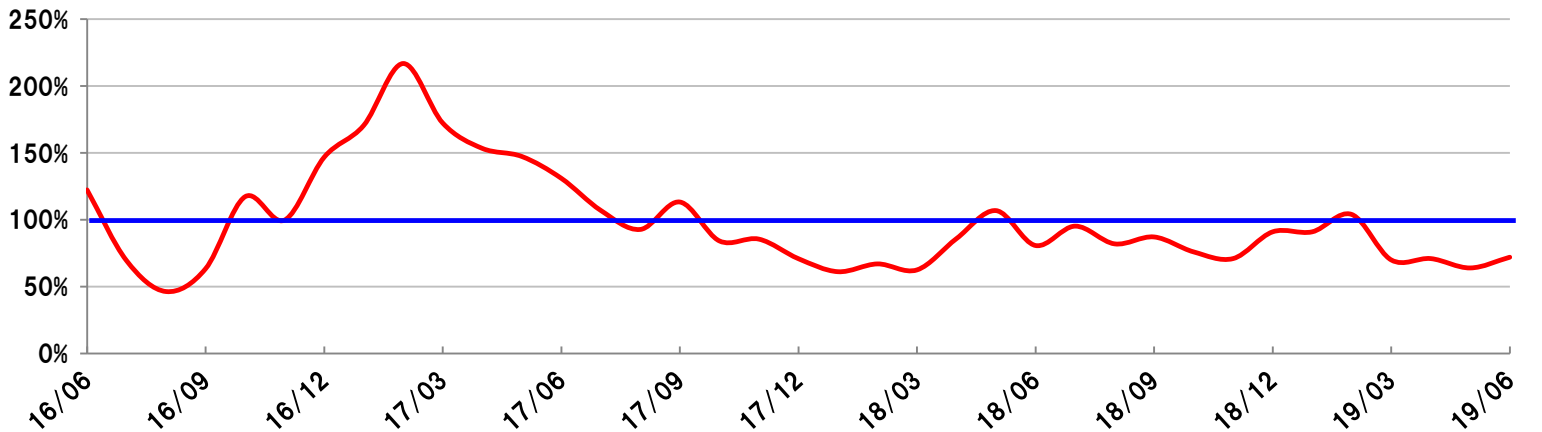
**Komatsu America
(Mining eqpt)**

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



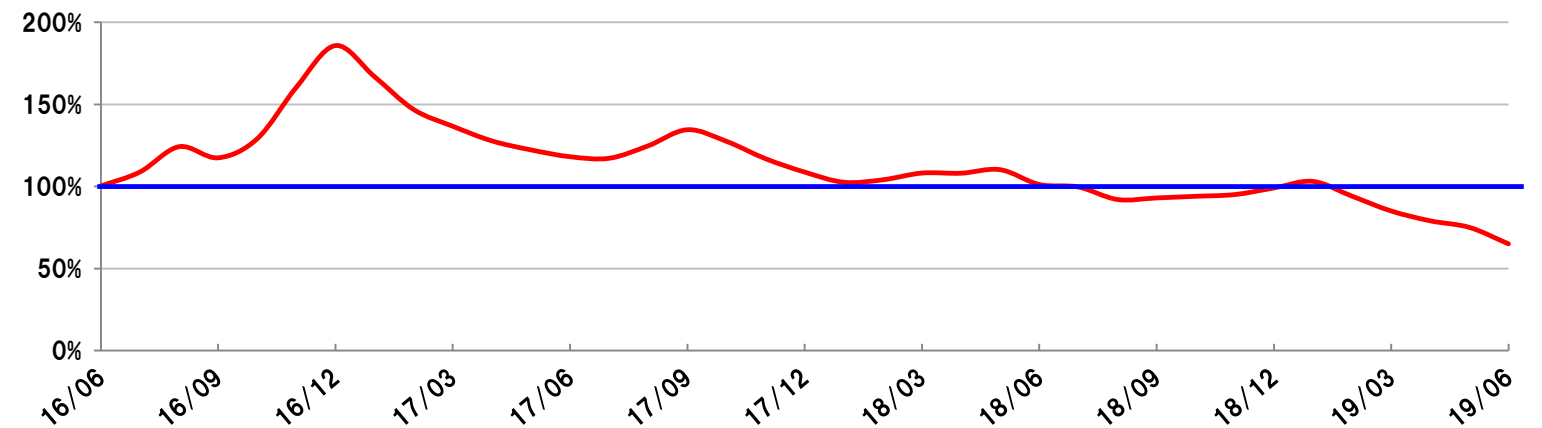
**Komatsu Germany
(Mining eqpt)**

PC3000, PC4000
PC5500, PC7000
PC8000



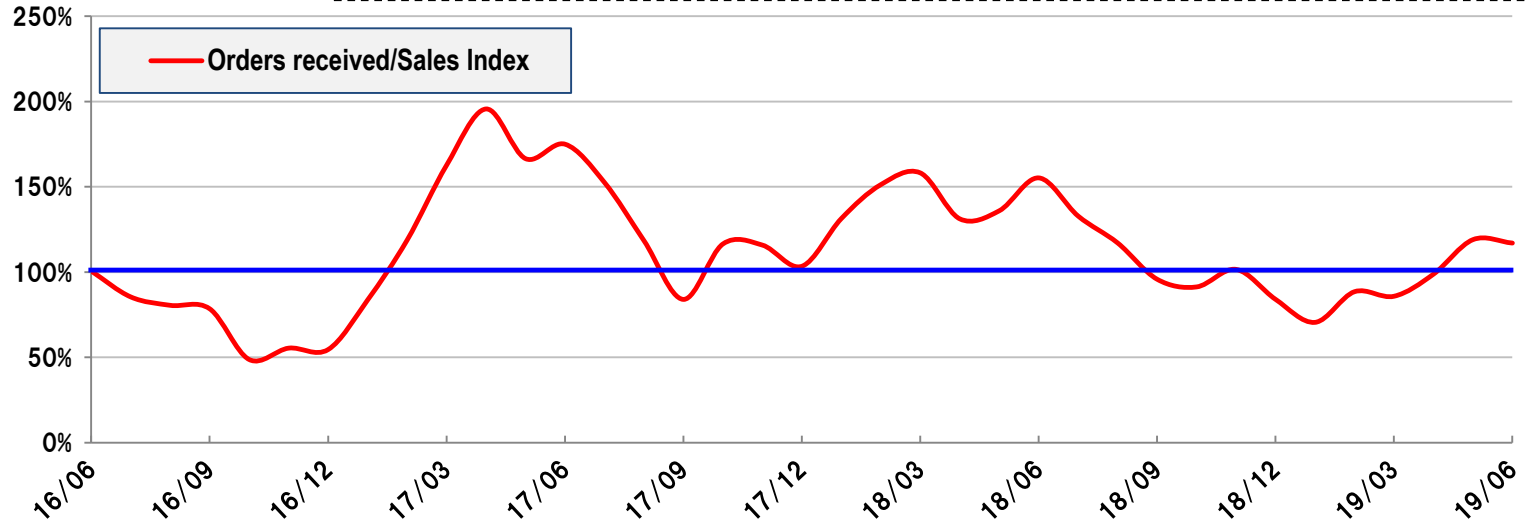
**Komatsu Ltd.
(Mining eqpt)**

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



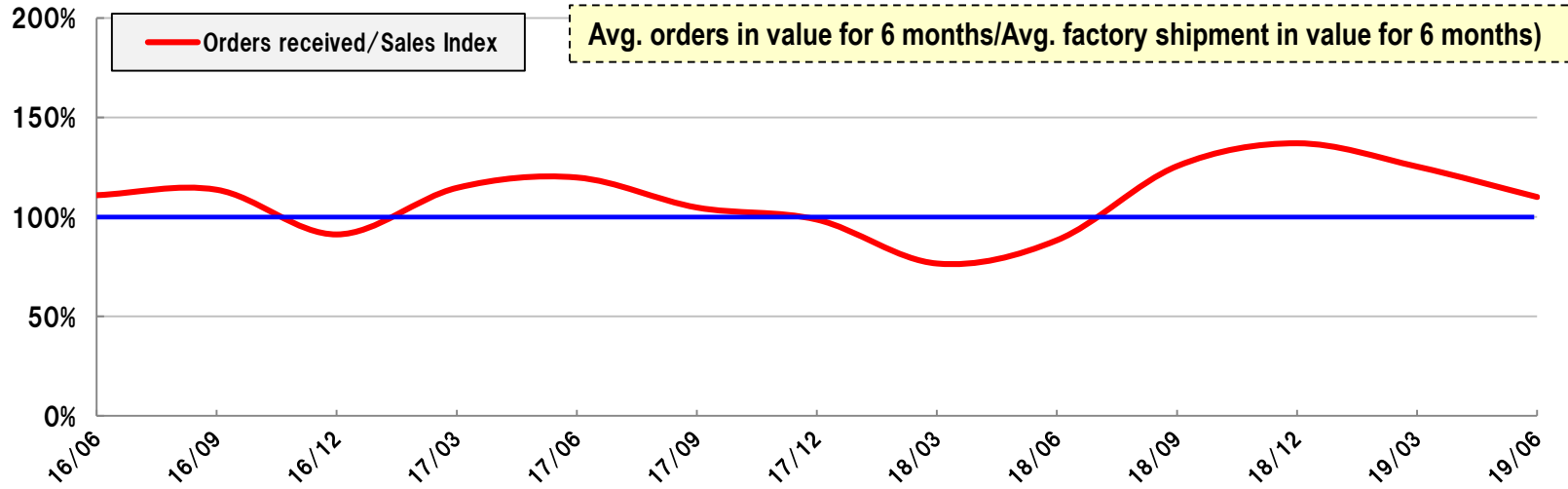
**KMC
(Mining eqpt)**

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

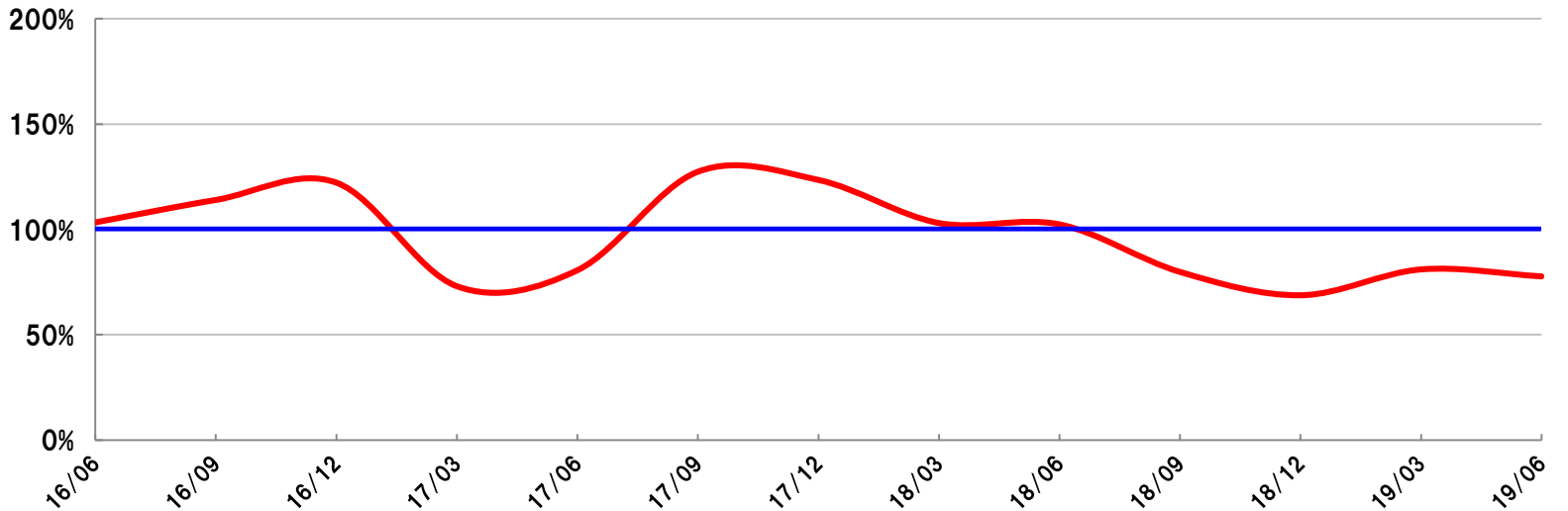
- < Underground >
- Continuous Miner
- Sheerer
- Load Haul Dump Machine
- Jumbo Drills,etc

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

Komatsu Industries



Komatsu NTC



Cautionary Statement

The announcement set forth herein contains forward-looking statements which reflect management's current views with respect to certain future events, including expected financial position, operating results, and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated cost or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new Information Technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; and, the impact of regulatory changes and accounting principles and practices.

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