

**Komatsu Ltd.**

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**Consolidated Business Results for the Fiscal Year Ended March 31, 2017 (U.S. GAAP)**

**1. Results for the Fiscal Year Ended March 31, 2017**

(Amounts are rounded to the nearest million yen)

(1) Consolidated Financial Highlights

(For the fiscal years ended March 31, 2017 and 2016)

Millions of yen except per share amounts

	2017	2016	Changes	
	[A]	[B]	[A-B]	[(A-B)/B] (%)
Net sales	<b>1,802,989</b>	1,854,964	(51,975)	(2.8)%
Operating income	<b>174,097</b>	208,577	(34,480)	(16.5)%
Income before income taxes and equity in earnings of affiliated companies	<b>166,469</b>	204,881	(38,412)	(18.7)%
Net income attributable to Komatsu Ltd.	<b>113,381</b>	137,426	(24,045)	(17.5)%
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	<b>¥ 120.26</b>	¥ 145.80	¥ (25.54)	
Diluted	<b>¥ 120.10</b>	¥ 145.61	¥ (25.51)	
Return on equity	<b>7.3%</b>	9.0%	(1.7)%	
Return on total assets	<b>6.3%</b>	7.6%	(1.3)%	
Return on sales	<b>9.7%</b>	11.2%	(1.5)%	

Notes: 1) Comprehensive income:

2017: 118,510 millions of yen, up 178.4% from 2016

2016: 42,570 millions of yen, down 82.9% from 2015

2) Equity in earnings of affiliated companies:

2017: 3,302 millions of yen

2016: 1,973 millions of yen

3) Return on equity is calculated by using net income attributable to Komatsu Ltd. and total Komatsu Ltd. shareholders' equity.

4) Return on total assets is calculated by using income before income taxes and equity in earnings of affiliated companies.

5) Return on sales is calculated by using operating income.

(2) Consolidated Financial Position

(As of March 31, 2017 and 2016)

Millions of yen except per share amounts

	2017	2016
Total assets	2,656,482	2,614,654
Total equity	1,648,515	1,587,760
Komatsu Ltd. shareholders' equity	1,576,674	1,517,414
Komatsu Ltd. shareholders' equity ratio	59.4%	58.0%
Komatsu Ltd. shareholders' equity per share (Yen)	¥ 1,672.01	¥ 1,609.69

(3) Consolidated Cash Flows

(For the fiscal years ended March 31, 2017 and 2016)

Millions of yen

	2017	2016
Net cash provided by (used in) operating activities	256,126	319,634
Net cash provided by (used in) investing activities	(133,299)	(148,642)
Net cash provided by (used in) financing activities	(107,718)	(173,079)
Cash and cash equivalents, end of year	119,901	106,259

2. Dividends

(For the fiscal years ending March 31, 2018 and ended March 31, 2017 and 2016)

	2017	2016	2018 Projections
Cash dividends per share (Yen)			
Interim	29.00	29.00	29.00
Year-end	29.00	29.00	29.00
Total	58.00	58.00	58.00
Annual dividends (Millions of yen)	54,720	54,704	-
Payout ratio (Consolidated basis) (%)	48.2%	39.8%	59.5%
Dividends as percentage of equity (Consolidated basis) (%)	3.5%	3.6%	-

### 3. Projections for the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to March 31, 2018)

Millions of yen except per share amounts

	2018	
		Changes Increase (Decrease)
Net sales	<b>2,135,000</b>	18.4 %
Operating income	<b>156,000</b>	(10.4) %
Income before income taxes and equity in earnings of affiliated companies	<b>141,000</b>	(15.3) %
Net income attributable to Komatsu Ltd.	<b>92,000</b>	(18.9) %
Net income attributable to Komatsu Ltd. per share – Basic (Yen)	<b>¥ 97.56</b>	

Notes: 1) Percentages shown above represent the rates of change compared with the corresponding periods a year ago.

2) Refer to “Management Performance and Financial Conditions” for preconditions of the projections above and other related issues.

### 4. Others

(1) Changes in important subsidiaries during the year under review: None

(2) Changes in accounting standards, procedures and presentations

1) Changes resulting from revisions in accounting standards, etc.: Applicable

2) Change in other matters except for 1) above: None

Note: See “Basis of Consolidated Financial Statements” on page 19 for more details.

(3) Number of common shares outstanding

1) The numbers of common shares issued (including treasury stock) as of March 31 were as follows:

2017: 971,967,660 shares

2016: 971,967,660 shares

2) The numbers of shares of treasury as of March 31 were as follows:

2017: 28,984,435 shares

2016: 29,292,304 shares

3) The weighted average numbers of common shares outstanding were as follows:

2017: 942,793,249 shares

2016: 942,538,069 shares

Note: See “Net Income per Share” on page 21 for the number of common shares, which was used as the basis for calculating the amount of net income attributable to Komatsu Ltd. per share.

[Reference]

**Financial Highlights of Komatsu Ltd. (“Company”)**

The following financial information is prepared based on the non-consolidated financial results of the Company in accordance with generally accepted accounting principles and practices in Japan.

**1. Results for the Fiscal Year Ended March 31, 2017**

(1) Non-Consolidated Financial Highlights

(For the fiscal years ended March 31, 2017 and 2016)

Millions of yen except per share amounts

	2017	2016	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B] (%)
Net sales	<b>685,938</b>	692,482	(6,543)	(0.9) %
Ordinary profit	<b>76,747</b>	78,629	(1,882)	(2.4) %
Net income	<b>67,320</b>	75,756	(8,435)	(11.1) %
Net income per share (Yen)				
Basic	¥ <b>71.36</b>	¥ 80.33	¥ (8.97)	
Diluted	¥ <b>71.27</b>	¥ 80.23	¥ (8.96)	

(2) Non-Consolidated Financial Position

(As of March 31, 2017 and 2016)

Millions of yen except per share amounts

	2017	2016
Total assets	<b>1,150,396</b>	1,137,971
Net assets	<b>768,240</b>	744,523
Equity ratio (%)	<b>66.6%</b>	65.2%
Net assets per share (Yen)	¥ <b>811.73</b>	¥ 786.65

Note: Shareholders' equity: 2017: 765,894 million yen 2016: 741,983 million yen

**2. Projections for the Fiscal Year Ending March 31, 2018**

(From April 1, 2017 to March 31, 2018)

Millions of yen except per share amounts

	2018	
		Changes Increase (Decrease)
Net sales	<b>738,000</b>	7.6 %
Ordinary profit	<b>94,000</b>	22.5 %
Net income	<b>73,000</b>	8.4 %
Net income per share – Basic (Yen)	¥ <b>77.37</b>	

Note: Percentages shown above represent the rates of change compared with the corresponding period a year ago.

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## Management Performance and Financial Conditions

### (1) Outline of Operations and Business Results

Komatsu Ltd. (“Company”) and its consolidated subsidiaries (together “Komatsu”) have upheld the “Together We Innovate GEMBA Worldwide: Growth Toward Our 100th Anniversary (2021) and Beyond” three-year mid-range management plan to be completed in the fiscal year ending March 31, 2019. Under this plan, Komatsu is focusing its efforts on 1) Growth strategies based on innovation, 2) Growth strategies of existing businesses, and 3) Structural reforms designed to reinforce the business foundation.

For the fiscal year under review (April 1, 2016 – March 31, 2017), while both sales and profits outperformed our projection announced on April 27, 2016, they declined from the previous fiscal year. Consolidated net sales totaled JPY 1,802.9 billion, down 2.8% from the previous fiscal year. In the construction, mining and utility equipment business, demand for construction and mining equipment remained slack in the Middle East and some other regions, but was strong mainly in China, CIS and Indonesia. As a result, sales improved from the previous fiscal year on a local currency basis; however, they declined from the previous fiscal year, as adversely affected by the Japanese yen’s appreciation. In the retail finance business, revenues decreased from the previous fiscal year, affected by the Japanese yen’s appreciation, even though there was an increase in assets in North America and some other regions. In the industrial machinery and others business, sales declined from the previous fiscal year, affected by reduced sales of presses and machine tools, especially to the automobile manufacturing industry.

With respect to profits, Komatsu continued to reduce fixed costs and improve selling prices in particular. Operating income, however, decreased by 16.5 % from the previous fiscal year, to JPY 174.0 billion, as adversely affected by the Japanese yen's appreciation. The operating income ratio translated into 9.7 %, down 1.5 percentage points. Income before income taxes and equity in earnings of affiliated companies totaled JPY 166.4 billion, down 18.7 %. Net income attributable to Komatsu Ltd. amounted to JPY 113.3 billion, down 17.5%.

	2017 USD1=JPY108.6 EUR1=JPY119.3 RMB1=JPY16.2	2016 USD1=JPY120.8 EUR1=JPY132.4 RMB1=JPY19.0	Changes Increase (Decrease)
	[A]	[B]	[(A-B)/B]
Net sales	<b>1,802,989</b>	1,854,964	(2.8) %
Construction, Mining and Utility Equipment	<b>1,576,572</b>	1,602,046	(1.6) %
Retail Finance	<b>49,093</b>	53,941	(9.0) %
Industrial Machinery and Others	<b>191,027</b>	220,165	(13.2) %
Elimination	<b>(13,703)</b>	(21,188)	-
Segment profit	<b>176,579</b>	202,058	(12.6) %
Construction, Mining and Utility Equipment	<b>161,686</b>	169,001	(4.3) %
Retail Finance	<b>4,453</b>	13,321	(66.6) %
Industrial Machinery and Others	<b>12,464</b>	19,386	(35.7) %
Corporate & elimination	<b>(2,024)</b>	350	-
Operating income	<b>174,097</b>	208,577	(16.5) %
Income before income taxes and equity in earnings of affiliated companies	<b>166,469</b>	204,881	(18.7) %
Net income attributable to Komatsu Ltd.	<b>113,381</b>	137,426	(17.5) %

Notes: 1) Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. Starting in the three months ended June 30, 2016, and after the reassessment of its management decision-making units, Komatsu has changed to three operating segments of 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Accordingly, the figures for the fiscal year ended March 31, 2016, were reclassified and restated in agreement with the figures for the fiscal year ended March 31, 2017.

2) Unless otherwise noted, all sales by segment in this report indicate the amounts before elimination of inter-segment transactions.

Business results by operation are described below.

### **Construction, Mining and Utility Equipment**

Sales of the construction, mining and utility equipment business amounted to JPY 1,576.5 billion, down 1.6 % from the previous fiscal year. Segment profit declined by 4.3 % to JPY 161.6 billion.

With respect to “SMARTCONSTRUCTION”, a solutions business for construction jobsites, which Komatsu launched in Japan in February 2015, Komatsu made steady progress in promoting intelligent Machine Control construction equipment by starting their sales, while continuing their rental, resulting in their use at over 2,800 jobsites (cumulative). To aggressively introduce “SMARTCONSTRUCTION” overseas in the future, Komatsu gave demonstrations at “CONEXPO-CON/AGG 2017”, an international trade fair of construction equipment held in Las Vegas.

In October last year, Komatsu established the Asia Development Center on the premises of PT Komatsu Indonesia, its main production base in Indonesia. Komatsu is better positioned to promptly develop and launch attachments and construction equipment to meet customer and other needs in Asian countries. In November, Komatsu also opened the Asia Training & Demonstration Center in Thailand, where it conducts

trainings of products and technical skills for distributors in Asia while also demonstrating machines for customers.

In April this year, Komatsu completed the acquisition of Joy Global Inc., a leading U.S. manufacturer of mining equipment, of which it announced the acquisition in July last year. Joy Global Inc., under the new trade name of Komatsu Mining Corp., has joined the Komatsu Group.

[Sales to Outside Customers of Construction, Mining and Utility Equipment by Region]

Millions of yen

	2017	2016	Changes Increase(Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Japan	<b>301,509</b>	307,675	(6,166)	(2.0) %
North America	<b>338,414</b>	370,232	(31,818)	(8.6) %
Latin America	<b>202,999</b>	215,038	(12,039)	(5.6) %
Americas	<b>541,413</b>	585,270	(43,857)	(7.5) %
Europe	<b>135,528</b>	139,507	(3,979)	(2.9) %
CIS	<b>70,520</b>	47,766	22,754	47.6 %
Europe & CIS	<b>206,048</b>	187,273	18,775	10.0 %
China	<b>97,389</b>	69,660	27,729	39.8 %
Asia*	<b>206,621</b>	189,544	17,077	9.0 %
Oceania	<b>105,670</b>	106,972	(1,302)	(1.2) %
Asia* & Oceania	<b>312,291</b>	296,516	15,775	5.3 %
Middle East	<b>35,832</b>	58,697	(22,865)	(39.0) %
Africa	<b>71,858</b>	82,468	(10,610)	(12.9) %
Middle East & Africa	<b>107,690</b>	141,165	(33,475)	(23.7) %
Total	<b>1,566,340</b>	1,587,559	(21,219)	(1.3) %

Notes: 1) Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. Starting in the three months ended June 30, 2016, and after the reassessment of its management decision-making units, Komatsu has changed to three operating segments of 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Accordingly, the figures for the fiscal year ended March 31, 2016, were reclassified and restated in agreement with the figures for the fiscal year ended March 31, 2017.

2) \* Excluding Japan and China

Komatsu's operations by region are described below.

### Japan

Sales declined from the previous fiscal year, affected by reduced demand for new emission controls-compliant construction equipment having run its course, especially in the rental industry.

### Americas

In North America, while demand was slack in the rental industry, that for construction equipment remained steady in the United States, resulting in an increase of sales, on a local currency basis, from the previous fiscal year. However, as the Japanese yen appreciated, sales decreased year-on-year.

In Latin America, demand for construction and mining equipment was sluggish, mainly in Brazil. On



the other hand, sales improved from the previous fiscal year on a local currency basis, reflecting sales of super-large dump trucks to major mines as well as the new addition of a distributor, Komatsu acquired in Mexico in FY2015, into consolidated accounting. However, sales declined from the previous fiscal year, adversely affected by the Japanese yen's appreciation.

### **Europe & CIS**

In Europe, demand was firm for construction equipment, centering on Germany, a major market of the region. Komatsu added Lehnhoff Hartstahl GmbH, a German manufacturer of attachments, which Komatsu acquired in FY2015, to consolidated business results. As a result, sales increased, on a local currency basis, but decreased from the previous fiscal year, as adversely affected by the Japanese yen's appreciation.

In CIS, sales expanded sharply from the previous fiscal year, driven by a continued increase in demand for mining equipment, centering on gold mines.

### **China**

Sales advanced sharply from the previous fiscal year. This was supported by continued expansion of demand for construction equipment resulting from the progress of infrastructure development nationwide.

### **Asia & Oceania**

In Asia, infrastructure investment remained brisk in Thailand and demand for mining equipment increased in Indonesia, the largest market of the region, in tandem with the growing price of coal. As a result, sales improved from the previous fiscal year, while the Japanese yen appreciated.

In Oceania, Komatsu steadfastly captured the market needs for parts and services of mining equipment. As a result, sales increased from the previous fiscal year, on a local currency basis, but declined as adversely affected by the Japanese yen's appreciation.

### **Middle East & Africa**

In the Middle East, sales decreased drastically from the previous fiscal year. This was mainly due to a decline in demand for construction equipment in Gulf nations, where the governments reduced their budgets against lowered crude prices.

In Africa, sales declined from the previous fiscal year, affected by a drop in demand for mining equipment in South Africa, the major market of the region.

### **Retail Finance**

Revenues declined by 9.0% from the previous fiscal year, to JPY 49.0 billion, as adversely affected by the Japanese yen's appreciation, even though an increase in assets in North America and some other regions. Segment profit dropped by 66.6% from the previous fiscal year, to JPY 4.4 billion, mainly affected by allowance for doubtful account recorded mainly in China.

### **Industrial Machinery and Others**

Sales declined by 13.2% from the previous fiscal year, to JPY 191.0 billion. This decline came about mainly from reduced sales of presses and machine tools to the automobile manufacturing industry and the exclusion of former Komatsu House Ltd. (currently, System House R&C Co., Ltd.) from consolidated accounting. Segment profit dropped by 35.7% from the corresponding period a year ago, to JPY 12.4 billion.

In June last year, Komatsu Industries Corp. opened the Techno Innovation Center on the premises of the Awazu Plant of Komatsu. The Center exhibits Komatsu Industries' flagship machines, including its latest sheet-metal and press machines, respectively "PVS1353" and the "H1F200-2" servo press. It also offers visitors the opportunity to experience the latest IoT-based network of sheet-metal machines.

In February this year, Gigaphoton Inc. unveiled "GT65A", a new ArF excimer light source at "SPIE Advanced Lithography 2017", an international conference for cutting-edge lithography, in the United States.

The “GT65A” supports sub 10 nm lithography processes and reduces environmental impact at the same time. Gigaphoton Inc. plans to ship it in 2017.

**[Projections for the Fiscal Year Ending March 31, 2018]**

(From April 1, 2017 to March 31, 2018)

In the construction, mining and utility equipment business, Komatsu expects an increase in sales for FY2017 from FY2016, as it anticipates a recovery of demand for mining equipment, which has been slack for the last few years, and the effects of adding Joy Global Inc., a leading U.S. manufacturer of mining equipment, to its consolidated accounting. Komatsu closed the acquisition of Joy Global Inc. and changed its trade name to Komatsu Mining Corp. in April 2017. With respect to profits, Komatsu projects a decline, mainly affected by a significant amount of temporary expenses (such as fair values of inventory assets in cost of sales and amortization of intangible assets) to record for the first year of acquisition.

In the retail finance business, Komatsu anticipates a decrease in revenues, affected by the Japanese yen’s appreciation. Meanwhile, Komatsu expects an increase in segment profit, as no more allowance will be needed for doubtful accounts in China.

In the industrial machinery and others business, Komatsu expects an increase in both sales and segment profit, as it anticipates an increase in the volume of sales of presses and machine tools.

As preconditions for our projection, we are assuming the foreign exchange rates as follows: USD1=JPY 105, EUR1=JPY 115 and RMB1=JPY 15.0.

[Projections]

Millions of yen

	<b>2018 Projection</b> USD1=JPY105.0 EUR1=JPY115.0 RMB1=JPY15.0	2017 Results USD1=JPY108.6 EUR1=JPY119.3 RMB1=JPY16.2	Changes Increase (Decrease)
	[A]	[B]	[(A-B)/B]
Net sales	<b>2,135,000</b>	1,802,989	18.4 %
Construction, Mining and Utility Equipment	<b>1,901,000</b>	1,576,572	20.6 %
Retail Finance	<b>48,000</b>	49,093	(2.2) %
Industrial Machinery and Others	<b>200,000</b>	191,027	4.7 %
Elimination	<b>(14,000)</b>	(13,703)	-
Segment profit	<b>164,000</b>	176,579	(7.1) %
Construction, Mining and Utility Equipment	<b>139,000</b>	161,686	(14.0) %
Retail Finance	<b>10,500</b>	4,453	135.8 %
Industrial Machinery and Others	<b>16,500</b>	12,464	32.4 %
Corporate & elimination	<b>(2,000)</b>	(2,024)	-
Operating income	<b>156,000</b>	174,097	(10.4) %
Income before income taxes and equity in earnings of affiliated companies	<b>141,000</b>	166,469	(15.3) %
Net income attributable to Komatsu Ltd.	<b>92,000</b>	113,381	(18.9) %

Note: Unless otherwise noted, all sales by segment in this report indicate the amounts before elimination of inter-segment transactions.

## (2) Financial Conditions

As of March 31, 2017, total assets increased by JPY 41.8 billion from the previous fiscal year-end, to JPY 2,656.4 billion, mainly due to increased trade receivables. Meanwhile, the Japanese yen appreciated, more than the previous fiscal year-end, against the U.S. dollar, euro, renminbi and some other currencies. Interest-bearing debt decreased by JPY 48.8 billion from the previous fiscal year-end, to JPY 408.7 billion, mainly due to the redemption of bonds and repayment of debt. Komatsu Ltd. shareholders' equity increased by JPY 59.2 billion from the previous fiscal year-end, to JPY 1,576.6 billion. As a result, Komatsu Ltd. shareholders' equity ratio increased by 1.4 percentage points from the previous fiscal year-end, to 59.4%.

For the fiscal year under review, net cash provided by operating activities totaled JPY 256.1 billion, a decrease of JPY 63.5 billion from the previous fiscal year, mainly due to net income and depreciation and amortization, while working capital increased from the previous fiscal year. Net cash used in investing activities amounted to JPY 133.2 billion, a decrease of JPY 15.3 billion from the previous fiscal year, mainly due to the purchase of fixed assets. Net cash used in financing activities totaled JPY 107.7 billion, mainly due to the payment of cash dividends and repayment of debt, as compared to JPY 173.0 billion used for the previous fiscal year. After adding the effects of foreign exchange fluctuations, cash and cash equivalents, as of March 31, 2017, totaled JPY 119.9 billion, an increase of JPY 13.6 billion from the previous fiscal year-end.

[Trends of Financial Conditions Indicators]

(Fiscal years ended March 31, 2017, 2016 and 2015)

	2017	2016	2015
Komatsu Ltd. shareholders' equity ratio (%)	59.4	58.0	54.6
Komatsu Ltd. shareholders' equity ratio at aggregate market value (%)	103.0	69.1	79.6
Years of debt redemption	1.6	1.4	1.7

Notes: 1) Komatsu Ltd. shareholders' equity ratio: Komatsu Ltd. shareholders' equity/Total assets

2) Komatsu Ltd. shareholders' equity ratio at aggregate market value: Aggregate market value of outstanding shares of common stock/Total assets

3) Years of debt redemption: Interest-bearing debt/Net cash provided by operating activities

## (3) Basic Policy for Redistribution of Profits and Dividends for the Fiscal Year under Review and Next Fiscal Year

Komatsu is building a sound financial position as well as flexible and agile corporate strengths to increase its corporate value. Concerning the policy for cash dividends to shareholders, the Company redistributes profits by considering consolidated business results and continues to pay stable dividends.

Concerning the year-end cash dividend from surplus funds, the Company is planning to pay JPY 29 per share in accordance with its policy of redistribution which sets the goal of a consolidated payout ratio of 40% or higher and no decrease of dividends, as long as the consolidated payout ratio does not surpass 60%. The Company has determined the dividend amount based on this policy and by reviewing the business results for the fiscal year under review, as well as current and future business prospects. (This dividend amount will be proposed to the 148th ordinary general meeting of shareholders scheduled for June 20, 2017.)

Annual cash dividends for the year under review, including the interim dividend of JPY 29 per share, amount to JPY 58 per share (the same amount for the previous fiscal year). This amount translates into a

consolidated payout ratio of 48.2%.

Regarding annual cash dividends for the fiscal year ending March 31, 2018, the Company plans to set them at JPY 58 per share, the same amount for the fiscal year ended March 31, 2017.

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**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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**Basic Stance on Selection of Accounting Standards**

The Company has been preparing its consolidated financial statements in accordance with the U.S. GAAP since before the Japanese government enacted its “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements”, pursuant to the provisions of Article 193 of the Securities and Exchange Act of Japan.

The Company is gathering information on trends in Japan and Overseas in relation to the International Financial Reporting Standards (IFRS).

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

#### Assets

Millions of yen

	As of March 31, 2017		As of March 31, 2016	
		Ratio (%)		Ratio (%)
<b>Current assets</b>				
Cash and cash equivalents	¥ 119,901		¥ 106,259	
Time deposits	2,289		2,212	
Trade notes and accounts receivable, net	619,265		583,390	
Inventories	533,897		539,611	
Assets held for sale	-		13,388	
Deferred income taxes and other current assets	144,169		141,593	
<b>Total current assets</b>	<b>1,419,521</b>	<b>53.4</b>	1,386,453	53.0
<b>Long-term trade receivables, net</b>	<b>313,946</b>	<b>11.8</b>	291,923	11.2
<b>Investments</b>				
Investments in and advances to affiliated companies	30,330		28,123	
Investment securities	67,716		51,590	
Other	2,424		2,640	
<b>Total investments</b>	<b>100,470</b>	<b>3.8</b>	82,353	3.2
<b>Property, plant and equipment</b>				
- Less accumulated depreciation and amortization	679,027	25.6	697,742	26.7
<b>Goodwill</b>	<b>40,072</b>	<b>1.5</b>	40,005	1.5
<b>Other intangible assets</b>				
- Less accumulated amortization	61,083	2.3	63,056	2.4
<b>Deferred income taxes and other assets</b>	<b>42,363</b>	<b>1.6</b>	53,122	2.0
<b>Total</b>	<b>¥ 2,656,482</b>	<b>100.0</b>	¥ 2,614,654	100.0

## Liabilities and Equity

Millions of yen

	As of March 31, 2017		As of March 31, 2016	
		Ratio (%)		Ratio (%)
<b>Current liabilities</b>				
Short-term debt	¥ 128,452		¥ 144,552	
Current maturities of long-term debt	89,391		100,364	
Trade notes, bills and accounts payable	240,113		205,411	
Income taxes payable	25,136		29,310	
Liabilities held for sale	-		7,057	
Deferred income taxes and other current liabilities	217,090		214,200	
<b>Total current liabilities</b>	<b>700,182</b>	<b>26.3</b>	700,894	26.8
<b>Long-term liabilities</b>				
Long-term debt	190,859		212,636	
Liability for pension and retirement benefits	65,247		67,972	
Deferred income taxes and other liabilities	51,679		45,392	
<b>Total long-term liabilities</b>	<b>307,785</b>	<b>11.6</b>	326,000	12.5
<b>Total liabilities</b>	<b>1,007,967</b>	<b>37.9</b>	1,026,894	39.3
<b>Komatsu Ltd. shareholders' equity</b>				
Common stock	67,870		67,870	
Capital surplus	138,285		138,243	
Retained earnings:				
Appropriated for legal reserve	45,368		44,018	
Unappropriated	1,357,350		1,300,030	
Accumulated other comprehensive income (loss)	18,682		18,667	
Treasury stock	(50,881)		(51,414)	
<b>Total Komatsu Ltd. shareholders' equity</b>	<b>1,576,674</b>	<b>59.4</b>	1,517,414	58.0
<b>Noncontrolling interests</b>	<b>71,841</b>	<b>2.7</b>	70,346	2.7
<b>Total equity</b>	<b>1,648,515</b>	<b>62.1</b>	1,587,760	60.7
<b>Total</b>	<b>¥ 2,656,482</b>	<b>100.0</b>	¥ 2,614,654	100.0

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(For the fiscal years ended March 31, 2017 and 2016)

### Consolidated Statements of Income

Millions of yen

	2017		2016	
		Ratio (%)		Ratio (%)
Net sales	¥ 1,802,989	100.0	¥ 1,854,964	100.0
Cost of sales	1,286,424	71.3	1,315,773	70.9
Selling, general and administrative expenses	339,986	18.9	337,133	18.2
Impairment loss on long-lived assets	1,743	0.1	3,032	0.2
Other operating income (expenses), net	(739)	(0.0)	9,551	0.5
<b>Operating income</b>	<b>174,097</b>	<b>9.7</b>	<b>208,577</b>	<b>11.2</b>
<b>Other income (expenses), net</b>				
Interest and dividend income	3,462	0.2	3,689	0.2
Interest expense	(8,212)	(0.5)	(8,771)	(0.5)
Other, net	(2,878)	(0.2)	1,386	0.1
<b>Total other income (expenses)</b>	<b>(7,628)</b>	<b>(0.4)</b>	<b>(3,696)</b>	<b>(0.2)</b>
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>166,469</b>	<b>9.2</b>	<b>204,881</b>	<b>11.0</b>
<b>Income taxes</b>	<b>50,405</b>	<b>2.8</b>	<b>63,717</b>	<b>3.4</b>
<b>Income before equity in earnings of affiliated companies</b>	<b>116,064</b>	<b>6.4</b>	<b>141,164</b>	<b>7.6</b>
<b>Equity in earnings of affiliated companies</b>	<b>3,302</b>	<b>0.2</b>	<b>1,973</b>	<b>0.1</b>
<b>Net income</b>	<b>119,366</b>	<b>6.6</b>	<b>143,137</b>	<b>7.7</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>5,985</b>	<b>0.3</b>	<b>5,711</b>	<b>0.3</b>
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 113,381</b>	<b>6.3</b>	<b>¥ 137,426</b>	<b>7.4</b>

Consolidated Statements of Comprehensive Income

Millions of yen

	<b>2017</b>	2016
<b>Net income</b>	¥ <b>119,366</b>	¥ 143,137
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments	(16,502)	(82,127)
Net unrealized holding gains (losses) on securities available for sale	10,861	(13,595)
Pension liability adjustments	4,908	(5,635)
Net unrealized holding gains (losses) on derivative instruments	(123)	790
<b>Total other comprehensive income (loss), for the period, net of tax</b>	<b>(856)</b>	(100,567)
<b>Comprehensive income</b>	<b>118,510</b>	42,570
<b>Less: Comprehensive income (loss) attributable to noncontrolling interests</b>	<b>5,114</b>	(112)
<b>Comprehensive income attributable to Komatsu Ltd.</b>	¥ <b>113,396</b>	¥ 42,682



### (3) Consolidated Statements of Equity

(For the fiscal year ended March 31, 2017)

Millions of yen

	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd shareholders' equity	Noncontrolling interests	Total equity
			Appropriated for legal reserve	Unappropriated					
Balance at March 31, 2016	¥67,870	¥138,243	¥44,018	¥1,300,030	¥18,667	¥(51,414)	¥1,517,414	¥70,346	¥1,587,760
Cash dividends				(54,711)			(54,711)	(3,330)	(58,041)
Transfer to retained earnings appropriated for legal reserve			1,350	(1,350)			-		-
Other changes		(74)					(74)	(289)	(363)
Net income				113,381			113,381	5,985	119,366
Other comprehensive income (loss), for the period, net of tax					15		15	(871)	(856)
Issuance and exercise of stock acquisition rights		3					3		3
Purchase of treasury stock						(38)	(38)		(38)
Sales of treasury stock		113				571	684		684
Balance at March 31, 2017	¥67,870	¥138,285	¥45,368	¥1,357,350	¥18,682	¥(50,881)	¥1,576,674	¥71,841	¥1,648,515

(For the fiscal year ended March 31, 2016)

Millions of yen

	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)	Treasury stock	Total Komatsu Ltd shareholders' equity	Noncontrolling interests	Total equity
			Appropriated for legal reserve	Unappropriated					
Balance at March 31, 2015	¥67,870	¥138,696	¥40,980	¥1,220,338	¥113,018	¥(51,936)	¥1,528,966	¥69,534	¥1,598,500
Cash dividends				(54,696)			(54,696)	(3,429)	(58,125)
Transfer to retained earnings appropriated for legal reserve			3,038	(3,038)			-		-
Other changes		(512)			393		(119)	4,353	4,234
Net income				137,426			137,426	5,711	143,137
Other comprehensive income (loss), for the period, net of tax					(94,744)		(94,744)	(5,823)	(100,567)
Issuance and exercise of stock acquisition rights		(5)					(5)		(5)
Purchase of treasury stock						(36)	(36)		(36)
Sales of treasury stock		64				558	622		622
Balance at March 31, 2016	¥67,870	¥138,243	¥44,018	¥1,300,030	¥18,667	¥(51,414)	¥1,517,414	¥70,346	¥1,587,760

#### (4) Consolidated Statements of Cash Flows

(For the fiscal years ended March 31, 2017 and 2016)

Millions of yen

	2017	2016
<b>Operating activities</b>		
Net income	¥ 119,366	¥ 143,137
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	104,295	112,467
Deferred income taxes	(1,586)	1,416
Impairment loss and net loss (gain) from sale of investment securities	(151)	(3,751)
Net loss (gain) on sale of property	(1,229)	(10,091)
Loss on disposal of fixed assets	2,825	3,015
Impairment loss on long-lived assets	1,743	3,032
Pension and retirement benefits, net	4,439	1,809
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(69,120)	(23,877)
Decrease (increase) in inventories	7,474	53,867
Increase (decrease) in trade payables	36,351	(13,446)
Increase (decrease) in income taxes payable	(3,890)	(9,640)
Other, net	55,609	61,696
Net cash provided by (used in) operating activities	256,126	319,634
<b>Investing activities</b>		
Capital expenditures	(150,614)	(166,479)
Proceeds from sale of property	18,828	30,786
Proceeds from sale of available for sale investment securities	611	5,353
Purchases of available for sale investment securities	(292)	(440)
Proceeds from sale of subsidiaries and equity investees, net of cash disposed	5,674	210
Acquisition of subsidiaries and equity investees, net of cash acquired	(7,289)	(16,198)
Collection of loan receivables	73	210
Disbursement of loan receivables	(221)	-
Decrease (increase) in time deposits, net	(69)	(2,084)
Net cash provided by (used in) investing activities	(133,299)	(148,642)
<b>Financing activities</b>		
Proceeds from debt issued (Original maturities greater than three months)	124,944	140,743
Payment on debt (Original maturities greater than three months)	(157,766)	(240,626)
Short-term debt, net (Original maturities three months or less)	(17,070)	(13,039)
Repayments of capital lease obligations	(54)	(669)
Sale (purchase) of treasury stock, net	237	64
Dividends paid	(54,711)	(54,696)
Other, net	(3,298)	(4,856)
Net cash provided by (used in) financing activities	(107,718)	(173,079)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(1,467)	2,441
<b>Net increase (decrease) in cash and cash equivalents</b>	13,642	354
<b>Cash and cash equivalents, beginning of year</b>	106,259	105,905
<b>Cash and cash equivalents, end of year</b>	¥ 119,901	¥ 106,259

**(5) Note to the Going Concern Assumption**

None

**(6) Basis of Consolidated Financial Statements**

1) Changes in important subsidiaries during the Year under Review: None

2) The number of consolidated subsidiaries and affiliated companies accounted for by the equity method

Number of consolidated subsidiaries: 143 companies

Number of affiliated companies accounted for by the equity method: 38 companies

3) Changes resulting from revisions in accounting standards, etc.: Applicable

From the fiscal year ended March 31, 2017, Komatsu has adopted the Accounting Standards Update (“ASU”) 2015-16, “Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments”. This update eliminates the requirement to retrospectively account for adjustments made to provisional amounts during the measurement period recognized in a business combination. This update also requires an acquirer in a business combination to recognize the adjustment to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This adoption did not have any impact on Komatsu’s financial position and results of operations.

4) Changes in other matters except for 3) above: None

## (7) Notes to Consolidated Financial Statements

### 1) Business Segment Information

#### < Information by Operating Segment >

(For the fiscal year ended March 31, 2017)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	1,566,340	46,715	189,934	1,802,989	-	1,802,989
Intersegment	10,232	2,378	1,093	13,703	(13,703)	-
Total	1,576,572	49,093	191,027	1,816,692	(13,703)	1,802,989
Segment profit	161,686	4,453	12,464	178,603	(2,024)	176,579
Assets	1,745,068	671,551	211,827	2,628,446	28,036	2,656,482
Depreciation and Amortization	73,806	23,233	6,180	103,219	-	103,219
Capital investment	81,720	54,783	5,503	142,006	-	142,006

(For the fiscal year ended March 31, 2016)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	1,587,559	50,851	216,554	1,854,964	-	1,854,964
Intersegment	14,487	3,090	3,611	21,188	(21,188)	-
Total	1,602,046	53,941	220,165	1,876,152	(21,188)	1,854,964
Segment profit	169,001	13,321	19,386	201,708	350	202,058
Assets	1,700,483	651,599	241,614	2,593,696	20,958	2,614,654
Depreciation and Amortization	81,730	22,421	7,023	111,174	-	111,174
Capital investment	102,471	50,555	7,025	160,051	-	160,051

Notes: 1) Komatsu has disclosed information of two operating segments of 1) Construction, Mining and Utility Equipment and 2) Industrial Machinery and Others for fiscal years up through the year ended March 31, 2016. Starting in the three months ended June 30, 2016, and after the reassessment of its management decision-making units, Komatsu has changed to three operating segments of 1) Construction, Mining and Utility Equipment, 2) Retail Finance, and 3) Industrial Machinery and Others. Accordingly, the figures for the fiscal year ended March 31, 2016, were reclassified and restated in agreement with the figures for the fiscal year ended March 31, 2017.

2) Business categories and principal products & services included in each operating segment are as follows:

#### a) Construction, Mining and Utility Equipment

Excavating equipment, loading equipment, grading & roadbed preparation equipment, hauling equipment, forestry equipment, tunneling machines, recycling equipment, industrial vehicles, other equipment, engines & components, casting products, and logistics

**b) Retail Finance**

Financing

**c) Industrial Machinery and Others**

Metal forging & stamping presses, sheet-metal machines, machine tools, defense systems, temperature-control equipment, and others

3) Transfers between segments are made at estimated arm's-length prices.

**< Geographic Information >**

Net sales determined by customer location were as follows:

(For the fiscal years ended March 31, 2017 and 2016)

Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
<b>2017</b>	<b>393,488</b>	<b>602,818</b>	<b>220,622</b>	<b>127,446</b>	<b>350,804</b>	<b>107,811</b>	<b>1,802,989</b>
2016	414,762	661,805	202,934	100,004	333,928	141,531	1,854,964

Note: \* Excluding Japan and China

**2) Net Income per Share**

(For the fiscal years ended March 31, 2017 and 2016)

Millions of yen

	<b>2017</b>	2016
Net income attributable to Komatsu Ltd.	<b>113,381</b>	137,426

Number of shares

	<b>2017</b>	2016
Weighted average common shares outstanding, less treasury stock	<b>942,793,249</b>	942,538,069
Dilutive effect of: Stock options	<b>1,260,080</b>	1,239,059
Weighted average diluted common shares outstanding	<b>944,053,329</b>	943,777,128

Yen

	<b>2017</b>	2016
Net income attributable to Komatsu Ltd. per share:		
Basic	<b>120.26</b>	145.80
Diluted	<b>120.10</b>	145.61

### **3) Significant Subsequent Events**

[Acquisition of the company]

On April 5, 2017 (local time: Eastern Standard Time, UTC-5), the Company acquired Joy Global Inc. (Head office: Wisconsin, USA, hereafter “Joy Global”, NYSE), which engages in the manufacture, sales and service of mining equipment in the United States. It was acquired through Komatsu America Corp., a wholly-owned subsidiary of Komatsu in the U.S., by purchasing all common shares of Joy Global for about JPY 312.0 billion (about USD 2,820 million). To pay the consideration of the acquisition of Joy Global and repay part of its debt, Komatsu America Corp. borrowed USD 3,300 million from financial institutions.

Komatsu projects that demand for mining equipment will grow over the long term, driven by population growth and rapid urbanization around the world, and, in terms of mining techniques, economic rationale will call for use of larger equipment in surface mining as well as further development of underground mining. Therefore, Komatsu will strengthen the core mining equipment business of Komatsu through the acquisition of Joy Global by adding to our product portfolio super large surface mining equipment and underground mining equipment, etc., which complement existing products of Komatsu.

As of today, Komatsu has not completed its initial accounting related to this acquisition. Therefore, detailed information concerning this business combination is not disclosed, including goodwill, as well as fair value of assets acquired and liabilities assumed as of the date of acquisition.

On April 19, 2017 (local time: Eastern Standard Time, UTC-5), Joy Global changed its trade name to Komatsu Mining Corp.

### **4) Others**

Other notes are omitted in this release of Consolidated Business Results for the Fiscal Year Ended March 31, 2017 (U.S. GAAP), because the need for their disclosure is considered insignificant.

(end)