

**Komatsu Ltd.**

Corporate Communications Dept.

Tel: +81-(0)3-5561-2616

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 URL: <https://home.komatsu/en/>

## Consolidated Business Results for Nine Months of the Fiscal Year Ending March 31, 2019 (U.S. GAAP)

### 1. Results for Nine Months Ended December 31, 2018

(Amounts are rounded to the nearest million yen)

#### (1) Consolidated Financial Highlights

Millions of yen except per share amounts

	Nine Months ended December 31, 2018	Nine Months ended December 31, 2017	Changes Increase (Decrease)	
	[A]		[B]	[A-B]
Net sales	2,018,609	1,805,801	212,808	11.8%
Operating income	295,835	186,020	109,815	59.0%
Income before income taxes and equity in earnings of affiliated companies	277,980	215,340	62,640	29.1%
Net income attributable to Komatsu Ltd.	184,197	155,064	29,133	18.8%
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	¥ 195.22	¥ 164.41	¥ 30.81	
Diluted	¥ 194.99	¥ 164.19	¥ 30.80	

Note: Comprehensive income for nine months ended December 31, 2018 and 2017

2018: 162,061 millions of yen, down 10.3% from 2017

2017: 180,657 millions of yen, up 96.2% from 2016

#### (2) Consolidated Financial Position

Millions of yen except per share amounts

	As of December 31, 2018	As of March 31, 2018
Total assets	3,509,299	3,372,538
Total equity	1,800,093	1,743,590
Komatsu Ltd. shareholders' equity	1,717,691	1,664,540
Komatsu Ltd. shareholders' equity ratio	48.9%	49.4%
Komatsu Ltd. shareholders' equity per share (Yen)	¥ 1,819.96	¥ 1,764.58

## 2. Dividends

(For the fiscal years ended March 31, 2018 and ending March 31, 2019)

Yen

	The entire FY ending March 31, 2019		The entire FY ended March 31, 2018
	Results	2019 Projections	
First quarter period			
Second quarter period	51.00		36.00
Third quarter period			
Year-end		51.00	48.00
Total		102.00	84.00

Note: Changes in the projected cash dividend as of January 31, 2019: None

## 3. Projections for the Fiscal Year Ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

Millions of yen except per share amounts

	2019	
		Changes Increase (Decrease)
Net sales	<b>2,662,000</b>	6.4 %
Operating income	<b>381,000</b>	41.9 %
Income before income taxes and equity in earnings of affiliated companies	<b>362,000</b>	24.1 %
Net income attributable to Komatsu Ltd.	<b>240,000</b>	22.2 %
Net income attributable to Komatsu Ltd. per share - Basic (Yen)	<b>¥ 254.35</b>	

Note: Changes in the projected consolidated business results as of January 31, 2019: None

## 4. Others

(1) Changes in important subsidiaries during the nine-month period under review: None

(2) Use of simplified accounting procedures and adoption of specific accounting procedures for the preparation of consolidated quarterly financial statements: None

(3) Changes in significant accounting rules, procedures and presentation and changes in significant accounting policies and estimates

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

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

Note: See (4) Others on page 9 for more details.

(4) Number of common shares outstanding

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

As of December 31, 2018: 972,252,460 shares

As of March 31, 2018: 971,967,660 shares

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

As of December 31, 2018: 28,445,816 shares

As of March 31, 2018: 28,662,171 shares

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

Nine months ended December 31, 2018: 943,418,372 shares

Nine months ended December 31, 2017: 943,135,301 shares

**[Reference]**

**Results for Three Months ended December 31, 2018**

Millions of yen except per share amounts

	Three Months ended December 31, 2018	Three Months ended December 31, 2017	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Net sales	<b>700,568</b>	646,843	53,725	8.3%
Operating income	<b>95,528</b>	74,836	20,692	27.6%
Income before income taxes and equity in earnings of affiliated companies	<b>85,471</b>	71,223	14,248	20.0%
Net income attributable to Komatsu Ltd.	<b>58,812</b>	53,309	5,503	10.3%
Net income attributable to Komatsu Ltd. per share (Yen)				
Basic	<b>¥ 62.32</b>	¥ 56.52	¥ 5.80	
Diluted	<b>¥ 62.25</b>	¥ 56.44	¥ 5.81	

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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 nine-month period (April 1 - December 31, 2018) of the fiscal year ending March 31, 2019, consolidated net sales totaled JPY2,018.6 billion, up 11.8% from the corresponding period a year ago. In the construction, mining and utility equipment business, Komatsu steadfastly captured growing demand in many regions of the world, centering on North America and Asia. As a result, sales improved from the corresponding period a year ago. In the industrial machinery and others business, nine-month sales increased from the corresponding period a year ago, mainly supported by increased sales of presses and machine tools to the automobile manufacturing industry.

With respect to profits for the nine-month period under review, operating income expanded by 59.0% from the corresponding period a year ago, to JPY295.8 billion, driven by increased sales in many regions of the world and reflecting reduced temporary expenses in association with the acquisition of Komatsu Mining Corp., which became a consolidated subsidiary in April 2017. The operating income ratio improved by 4.4 percentage points to 14.7%. Income before income taxes and equity in earnings of affiliated companies advanced to JPY277.9 billion, up 29.1%. Net income attributable to Komatsu Ltd. totaled JPY 184.1 billion, up 18.8%.

[Consolidated Financial Highlights]

Millions of yen

	<b>Nine Months ended December 31, 2018 1USD=JPY111.0 1EUR=JPY129.8 1RMB=JPY16.6</b>	Nine Months ended December 31, 2017 1USD=JPY111.7 1EUR=JPY128.2 1RMB=JPY16.6	Changes  Increase (Decrease)
	[A]	[B]	[(A-B)/B]
Net sales	<b>2,018,609</b>	1,805,801	11.8 %
Construction, Mining and Utility Equipment	<b>1,845,898</b>	1,658,935	11.3 %
Retail Finance	<b>46,172</b>	45,992	0.4 %
Industrial Machinery and Others	<b>142,745</b>	121,491	17.5 %
Elimination	<b>(16,206)</b>	(20,617)	-
Segment profit	<b>296,288</b>	198,692	49.1 %
Construction, Mining and Utility Equipment	<b>272,545</b>	181,787	49.9 %
Retail Finance	<b>13,120</b>	8,952	46.6 %
Industrial Machinery and Others	<b>12,678</b>	9,135	38.8 %
Corporate & elimination	<b>(2,055)</b>	(1,182)	-
Operating income	<b>295,835</b>	186,020	59.0 %
Income before income taxes and equity in earnings of affiliated companies	<b>277,980</b>	215,340	29.1 %
Net income attributable to Komatsu Ltd.	<b>184,197</b>	155,064	18.8 %

Notes: 1) Unless otherwise noted, all sales by segment in this report indicate the amounts before elimination of inter-segment transactions.

2) From the three months ended June 30, 2018, Komatsu has adopted the Accounting Standards Update (“ASU”) 2017-07, “Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”. Accordingly, the figures for the nine months ended December 31, 2017, were reclassified in accordance with ASU 2017-07.

Business results by operation are described below.

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

For the nine-month period under review, sales of the construction, mining and utility equipment business expanded by 11.3% from the corresponding period a year ago, to JPY1,845.8 billion. Segment profit reached JPY272.5 billion, an increase of 49.9% from the corresponding period a year ago.

In April 2018, Komatsu Construction Equipment Sales & Service Japan Ltd., which engaged in sales and service of construction equipment in Japan, Komatsu Rental Ltd., a rental subsidiary of construction equipment in Japan, and Komatsu Forklift Ltd., which engaged in sales, service and rental of forklift trucks were merged to establish Komatsu Customer Support Japan, Ltd. As these former three separate companies integrate their operations and improve their collaborations, the new company is working to further enhance customer satisfaction by meeting the changing external environment and strengthening customer support operation.

With respect to “SMARTCONSTRUCTION”, a solutions business for construction jobsites, which Komatsu launched in Japan in February 2015, Komatsu has made steady progress, introducing this new business to over 6,900 construction jobsites to date (cumulative). In May 2018, Komatsu embarked on a new service under the name of “EverydayDrone”. This new service uses special fully automated drones and edge computing capable of on-site high-speed data processing. For example, it generates 3D site survey data in about 20 minutes, which used to take a whole day, enabling the management of daily progress of jobsite work.

In October 2018, Komatsu participated in CEATEC JAPAN 2018, Asia's largest class CPS/IoT exhibition, for the first time. Under the theme of safer, more productive and smarter construction jobsites of the future, Komatsu introduced new challenges taken up by its SMARTCONSTRUCTION, including autonomous construction equipment currently under development. Komatsu will advance R&D efforts for the early commercialization of autonomous construction equipment and other machines, thereby accelerating the speed of achieving Jobsites of the Future with enhanced safety and productivity.

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

Millions of yen

	<b>Nine Months ended December 31, 2018</b>	Nine Months ended December 31, 2017	Changes Increase (Decrease)	
	[A]	[B]	[A-B]	[(A-B)/B]
Japan	<b>225,182</b>	235,278	(10,096)	(4.3 %)
Americas	North America	399,647	48,158	12.1 %
	Latin America	244,812	232,139	12,673
Americas	<b>692,617</b>	631,786	60,831	9.6 %
Europe & CIS	Europe	124,431	22,169	17.8 %
	CIS	102,043	79,522	22,521
Europe & CIS	<b>248,643</b>	203,953	44,690	21.9 %
China	<b>118,728</b>	113,918	4,810	4.2 %
Asia* & Oceania	Asia*	210,061	56,000	26.7 %
	Oceania	164,026	136,696	27,330
Asia* & Oceania	<b>430,087</b>	346,757	83,330	24.0 %
Middle East & Africa	Middle East	27,030	(3,821)	(14.1 %)
	Africa	97,093	89,899	7,194
Middle East & Africa	<b>120,302</b>	116,929	3,373	2.9 %
<b>Total</b>	<b>1,835,559</b>	1,648,621	186,938	11.3 %

Note: \*Excluding Japan and China

Komatsu's operations by region are described below.

### Japan

For the nine-month period under review, sales decreased from the corresponding period a year ago, as affected mainly by a rebound of pre-buy demand in anticipation of the new emission control regulations enforced in September 2017, while demand increased in the rental industry mainly against the backdrop of recovery work from natural disasters.

### Americas

In North America, demand for construction equipment remained brisk, centering on the energy-related and infrastructure development sectors, and sales advanced from the corresponding period a year ago. In Latin America, sales improved, mainly reflecting increased demand in Brazil and Chile, while demand declined in Argentina resulting from deteriorating market conditions.

### Europe and CIS

In Europe, sales advanced from the corresponding period a year ago, reflecting steady demand for construction equipment, especially in Germany and the United Kingdom, a major market of the region. In CIS, sales expanded from the corresponding period a year ago, as demand for both construction and mining equipment remained brisk.

**China**

While the rate of demand growth was slower than the corresponding period a year ago, sales improved, mainly supported by nationwide progress in infrastructure development.

**Asia and Oceania**

In Asia, sales expanded from the corresponding period a year ago, mainly as demand remained strong for mining equipment in Indonesia, the largest market of the region, resulting from the growing price of coal. In Oceania, sales advanced from the corresponding period a year ago, supported by an increase in demand for both construction and mining equipment.

**Middle East and Africa**

In the Middle East, sales decreased from the corresponding period a year ago, mainly affected by reduced demand in public works in the region as governments tightened their budgets resulting from prolonged civil war in Yemen, as well as depreciated Turkish lira. In Africa, sales improved from the corresponding period a year ago, mainly supported by an increase in demand for mining equipment in South Africa.

**Retail Finance**

While revenues mainly increased in North America, total revenues remained about flat from the corresponding period a year ago, amounting to JPY46.1 billion and showing an increase of 0.4%, as affected by an extraordinary factor in which Komatsu had to sell used equipment resulting from the cancellation of a leasing contract in Chile in the corresponding period a year ago. Segment profit advanced by 46.6% to JPY13.1 billion, mainly because Komatsu was able to recover some of the doubtful accounts for which it recorded allowances in FY2016 and performed a reversal of allowances for doubtful accounts in China.

**Industrial Machinery and Others**

For the nine-month period under review, sales advanced by 17.5% from the corresponding period a year ago, to JPY142.7 billion, mainly supported by increased sales of presses and machine tools to the automobile manufacturing industry, as well as improved sales of Excimer laser-related business against the backdrop of brisk semiconductor market conditions. Segment profit improved by 38.8% to JPY12.6 billion.

In December 2018, Komatsu Industries Corp. launched sales of the “SF100H-1” leveler feeder. It is designed to not only enhance the feeding capacity, but also synchronize operation with the “H2FM” servo press introduced in March 2018. Design to synchronize the operation of the press and leveler feeder, in particular, enables about 30% improvement of productivity through simple operations, when compared to using conventional machines.

**(2) Financial Conditions**

As of December 31, 2018, total assets increased by JPY 136.7 billion from the previous fiscal year-end, to JPY3,509.2 billion, mainly reflecting increased inventories. Interest-bearing debt increased by JPY155.6 billion from the previous fiscal year-end, to JPY 966.2 billion. Komatsu Ltd. shareholders' equity increased by JPY 53.1 billion from the previous fiscal year-end, to JPY 1,717.6 billion. As a result, Komatsu Ltd. shareholders' equity ratio decreased by 0.5 percentage points from the previous fiscal year-end, to 48.9%.

For the nine-month period under review, net cash provided by operating activities increased by JPY 18.7 billion from the corresponding period a year ago, to JPY 100.3 billion, mainly due to increased net income, which more than offset increased working capital. Net cash used in investing activities amounted to JPY 142.2 billion, mainly due to the purchase of fixed assets. This amount shows a decline of JPY 177.9 billion from the corresponding period a year ago, as expenses associated with the acquisition of Joy Global Inc. were recorded for the period. Net cash



provided by financing activities totaled JPY 50.7 billion, due to financing the payments of taxes and cash dividends. For the corresponding period a year ago net cash provided by financing activities was JPY 281.7 billion, mainly due to financing for paying the consideration of the acquisition of Joy Global Inc. After adding the effects of foreign exchange fluctuations, cash and cash equivalents, as of December 31, 2018, totaled JPY 148.2 billion, an increase of JPY 3.8 billion from the previous fiscal year-end.

### **(3) Projection for the Fiscal Year Ending March 31, 2019**

(From April 1, 2018 to March 31, 2019)

Komatsu makes no change in the projection of October 29, 2018, concerning consolidated business results for the fiscal year ending March 31, 2019, which are shown on page 2 of this report.

### **(4) Others**

- 1) Changes in important subsidiaries during the nine-month period under review: None
- 2) Use of simplified accounting procedures and adoption of specific accounting procedures for the preparation of consolidated quarterly financial statements: None
- 3) Changes in significant accounting rules, procedures and presentation and changes in significant accounting policies and estimates
  - a) Changes resulting from revisions in accounting standards, etc.

From the three months ended June 30, 2018, Komatsu (the Company and its consolidated subsidiaries) has adopted the Accounting Standards Update (hereinafter “ASU”) 2014-09 “Revenue from Contracts with Customers”. This update requires that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Komatsu has adopted the update to all contracts at the date of initial application under the modified retrospective approach, and primarily in particular transactions, combined two or more contracts provided for a single purpose and recognized revenue for each distinct good or service. Accordingly, a reduction of JPY 515 million was made as an adjustment of cumulative effect from retained earnings as of April 1, 2018. In comparison with the case where the previous accounting standard had been applied, there is no significant impact on Komatsu’s financial position and results of operations.

From the three months ended June 30, 2018, Komatsu has adopted ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities”. This update changes the impact on net income from fair value changes of equity investments held by an entity and also changes recognition of fair value changes of financial liability held by an entity with the fair value option. In principle, this update requires that equity investments, excluding investments in consolidated subsidiaries and affiliated companies accounted for by the equity method, be measured at fair value with changes in the fair value recognized in net income. This update has been adopted under the modified retrospective approach through a cumulative effect adjustment to retained earnings at the beginning of the initial application period. Consequently, Komatsu added JPY 681 million of unrealized gains, net of tax, on available-for-sale securities, which was recognized as accumulated other comprehensive income, as an adjustment of cumulative effect to retained earnings as of April 1, 2018.

From the three months ended June 30, 2018, Komatsu has adopted ASU 2016-16 “Intra-Entity Transfers of Assets Other Than Inventory”. This update requires both the seller and the buyer in an intra-entity transfer of assets other than inventory to immediately recognize tax consequences of that transaction as current and deferred taxes. This update has been adopted under the modified retrospective approach through a cumulative effect adjustment to retained earnings at the beginning of the initial application period. Consequently, Komatsu reduced JPY 860 million as an adjustment of cumulative effect from retained earnings as of April 1, 2018.

From the three months ended June 30, 2018, Komatsu has adopted ASU 2017-07 “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”. This update requires an entity to divide net periodic pension cost and net periodic postretirement benefit cost into the service cost component and other components, and present the former in the same line item as other personnel expenses while presenting the latter in non-operating income or expenses. Of net periodic pension cost and net periodic postretirement benefit cost, only the service cost component is allowed to be capitalized into inventory and others. The presentation change is applied retrospectively, whereas the capitalization change is applied prospectively. Due to the application of the provision requiring the division into the service cost component and other components, Komatsu reclassified JPY 76 million and JPY 2,093 million from cost of sales and selling, general and administrative expenses, respectively, to other, net under other income (expenses), net for the nine months ended December 31, 2017. As a result, operating income for the nine months ended December 31, 2017 decreased by JPY 2,169 million compared with that before the reclassification. Komatsu reclassified JPY 8 million and JPY 722 million from cost of sales and selling, general and administrative expenses into other income (expenses), net for the three months ended December 31, 2017. As a result, operating income for the three months ended December 31, 2017 decreased by JPY 730 million compared with that before the reclassification. The application of the provision that limits cost eligible for capitalization to the service cost component has no significant impact on Komatsu’s financial position and results of operations.

Excluding the above, there is no material change for summary of significant accounting policies stated in annual report for the fiscal year ended March 31, 2018.

b) Changes in other matters except for a) above: None

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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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## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

#### Assets

Millions of yen

	As of December 31, 2018		As of March 31, 2018	
		Ratio (%)		Ratio (%)
<b>Current assets</b>				
Cash and cash equivalents	¥ 148,215		¥ 144,397	
Time deposits	2,378		2,460	
Trade notes and accounts receivable, net	790,743		792,714	
Inventories	825,588		730,288	
Other current assets	136,763		127,732	
<b>Total current assets</b>	<b>1,903,687</b>	<b>54.3</b>	1,797,591	53.3
<b>Long-term trade receivables, net</b>	<b>373,940</b>	<b>10.7</b>	362,367	10.8
<b>Investments</b>				
Investments in and advances to affiliated companies	36,555		32,879	
Investment securities	7,491		9,213	
Other	2,506		2,655	
<b>Total investments</b>	<b>46,552</b>	<b>1.3</b>	44,747	1.3
<b>Property, plant and equipment</b>				
- less accumulated depreciation and amortization	759,304	21.6	740,528	22.0
<b>Goodwill</b>	<b>165,057</b>	<b>4.7</b>	155,881	4.6
<b>Other intangible assets</b>				
- less accumulated amortization	169,887	4.8	173,215	5.1
<b>Deferred income taxes and other assets</b>	<b>90,872</b>	<b>2.6</b>	98,209	2.9
<b>Total</b>	<b>¥ 3,509,299</b>	<b>100.0</b>	¥ 3,372,538	100.0

**Liabilities and Equity**

Millions of yen

	As of December 31, 2018		As of March 31, 2018	
		Ratio (%)		Ratio (%)
<b>Current liabilities</b>				
Short-term debt	¥ 438,705		¥ 259,093	
Current maturities of long-term debt	73,573		70,806	
Trade notes, bills and accounts payable	255,622		303,556	
Income taxes payable	28,230		66,541	
Other current liabilities	290,787		289,665	
<b>Total current liabilities</b>	<b>1,086,917</b>	<b>31.0</b>	989,661	29.3
<b>Long-term liabilities</b>				
Long-term debt	453,973		480,698	
Liability for pension and retirement benefits	86,186		86,374	
Deferred income taxes and other liabilities	82,130		72,215	
<b>Total long-term liabilities</b>	<b>622,289</b>	<b>17.7</b>	639,287	19.0
<b>Total liabilities</b>	<b>1,709,206</b>	<b>48.7</b>	1,628,948	48.3
<b>Komatsu Ltd. shareholders' equity</b>				
Common stock	68,311		67,870	
Capital surplus	136,989		138,450	
Retained earnings:				
Appropriated for legal reserve	46,152		45,828	
Unappropriated	1,581,687		1,491,965	
Accumulated other comprehensive income (loss)	(65,395)		(29,150)	
Treasury stock	(50,053)		(50,423)	
<b>Total Komatsu Ltd. shareholders' equity</b>	<b>1,717,691</b>	<b>48.9</b>	1,664,540	49.4
<b>Noncontrolling interests</b>	<b>82,402</b>	<b>2.4</b>	79,050	2.3
<b>Total equity</b>	<b>1,800,093</b>	<b>51.3</b>	1,743,590	51.7
<b>Total</b>	<b>¥ 3,509,299</b>	<b>100.0</b>	¥ 3,372,538	100.0

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

Nine months ended December 31, 2018 and 2017

### Consolidated Statements of Income

Millions of yen except per share amounts

	Nine Months ended December 31, 2018		Nine Months ended December 31, 2017	
		Ratio (%)		Ratio (%)
Net sales	¥ 2,018,609	100.0	¥ 1,805,801	100.0
Cost of sales	1,392,524	69.0	1,283,151	71.1
Selling, general and administrative expenses	329,797	16.3	323,958	17.9
Other operating income (expenses), net	(453)	(0.0)	(12,672)	(0.7)
<b>Operating income</b>	<b>295,835</b>	<b>14.7</b>	186,020	10.3
<b>Other income (expenses), net</b>				
Interest and dividend income	5,470	0.3	4,059	0.2
Interest expense	(17,755)	(0.9)	(13,427)	(0.7)
Gain on sales of investment securities	-	-	48,287	2.7
Other, net	(5,570)	(0.3)	(9,599)	(0.5)
<b>Total other income (expenses)</b>	<b>(17,855)</b>	<b>(0.9)</b>	29,320	1.6
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>277,980</b>	<b>13.8</b>	215,340	11.9
<b>Income taxes</b>	<b>81,635</b>	<b>4.0</b>	53,959	3.0
<b>Income before equity in earnings of affiliated companies</b>	<b>196,345</b>	<b>9.7</b>	161,381	8.9
<b>Equity in earnings of affiliated companies</b>	<b>2,854</b>	<b>0.1</b>	2,851	0.2
<b>Net income</b>	<b>199,199</b>	<b>9.9</b>	164,232	9.1
<b>Less: Net income attributable to noncontrolling interests</b>	<b>15,002</b>	<b>0.7</b>	9,168	0.5
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 184,197</b>	<b>9.1</b>	¥ 155,064	8.6
<b>Net income attributable to Komatsu Ltd. per share (Yen)</b>				
Basic	¥ 195.22		¥ 164.41	
Diluted	¥ 194.99		¥ 164.19	

## Consolidated Statements of Comprehensive Income

Millions of yen

	<b>Nine Months ended December 31, 2018</b>	Nine Months ended December 31, 2017
<b>Net income</b>	<b>¥ 199,199</b>	¥ 164,232
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments	<b>(35,179)</b>	41,971
Net unrealized holding gains (losses) on securities available for sale	-	(28,554)
Pension liability adjustments	<b>(1,178)</b>	1,648
Net unrealized holding gains (losses) on derivative instruments	<b>(781)</b>	1,360
<b>Total other comprehensive income (loss), for the period, net of tax</b>	<b>(37,138)</b>	16,425
<b>Comprehensive income (loss)</b>	<b>162,061</b>	180,657
<b>Less: Comprehensive income (loss) attributable to noncontrolling interests</b>	<b>11,382</b>	11,667
<b>Comprehensive income (loss) attributable to Komatsu Ltd.</b>	<b>¥ 150,679</b>	¥ 168,990

**Three months ended December 31, 2018 and 2017**

**Consolidated Statements of Income**

Millions of yen except per share amounts

	<b>Three Months ended December 31, 2018</b>		<b>Three Months ended December 31, 2017</b>	
		<b>Ratio (%)</b>		<b>Ratio (%)</b>
Net sales	¥ 700,568	100.0	¥ 646,843	100.0
Cost of sales	492,005	70.2	450,439	69.6
Selling, general and administrative expenses	111,408	15.9	109,993	17.0
Other operating income (expenses), net	(1,627)	(0.2)	(11,575)	(1.8)
<b>Operating income</b>	<b>95,528</b>	<b>13.6</b>	74,836	11.6
<b>Other income (expenses), net</b>				
Interest and dividend income	1,787	0.3	1,107	0.2
Interest expense	(6,345)	(0.9)	(5,190)	(0.8)
Gain on sales of investment securities	-	-	8,724	1.3
Other, net	(5,499)	(0.8)	(8,254)	(1.3)
<b>Total other income (expenses)</b>	<b>(10,057)</b>	<b>(1.4)</b>	(3,613)	(0.6)
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>85,471</b>	<b>12.2</b>	71,223	11.0
<b>Income taxes</b>	<b>24,096</b>	<b>3.4</b>	15,709	2.4
<b>Income before equity in earnings of affiliated companies</b>	<b>61,375</b>	<b>8.8</b>	55,514	8.6
<b>Equity in earnings of affiliated companies</b>	<b>592</b>	<b>0.1</b>	1,102	0.2
<b>Net income</b>	<b>61,967</b>	<b>8.8</b>	56,616	8.8
<b>Less: Net income attributable to noncontrolling interests</b>	<b>3,155</b>	<b>0.5</b>	3,307	0.5
<b>Net income attributable to Komatsu Ltd.</b>	<b>¥ 58,812</b>	<b>8.4</b>	¥ 53,309	8.2
<b>Net income attributable to Komatsu Ltd. per share (Yen)</b>				
<b>Basic</b>	<b>¥ 62.32</b>		¥ 56.52	
<b>Diluted</b>	<b>¥ 62.25</b>		¥ 56.44	

## Consolidated Statements of Comprehensive Income

Millions of yen

	<b>Three Months ended December 31, 2018</b>	Three Months ended December 31, 2017
<b>Net income</b>	¥ <b>61,967</b>	¥ 56,616
<b>Other comprehensive income (loss), for the period, net of tax</b>		
Foreign currency translation adjustments	(76,884)	11,301
Net unrealized holding gains (losses) on securities available for sale	-	(4,951)
Pension liability adjustments	(1,768)	800
Net unrealized holding gains (losses) on derivative instruments	1,909	78
<b>Total other comprehensive income (loss), for the period, net of tax</b>	<b>(76,743)</b>	7,228
<b>Comprehensive income (loss)</b>	<b>(14,776)</b>	63,844
<b>Less: Comprehensive income (loss) attributable to noncontrolling interests</b>	<b>(2,319)</b>	4,015
<b>Comprehensive income (loss) attributable to Komatsu Ltd.</b>	¥ <b>(12,457)</b>	¥ 59,829



### (3) Consolidated Statements of Cash Flows

Millions of yen

	Nine Months ended December 31, 2018	Nine Months ended December 31, 2017
<b>Operating activities</b>		
Net income	¥ 199,199	¥ 164,232
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	98,114	98,857
Deferred income taxes	(5,399)	(23)
Impairment loss and net loss (gain) from sale of investment securities	600	(48,146)
Net loss (gain) on sale of property	(486)	(376)
Loss on disposal of fixed assets	1,556	1,858
Pension and retirement benefits, net	(1,622)	(2,779)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(22,445)	(115,732)
Decrease (increase) in inventories	(115,117)	(86,229)
Increase (decrease) in trade payables	(45,097)	22,259
Increase (decrease) in income taxes payable	(37,571)	20,013
Other, net	28,610	27,690
Net cash provided by (used in) operating activities	100,342	81,624
<b>Investing activities</b>		
Capital expenditures	(144,862)	(122,996)
Proceeds from sale of property	9,567	16,256
Proceeds from sale of available for sale investment securities	1,815	60,823
Purchases of available for sale investment securities	(342)	(589)
Proceeds from sale of subsidiaries and equity investees, net of cash disposed	42	570
Acquisition of subsidiaries and equity investees, net of cash acquired	(8,025)	(273,534)
Collection of loan receivables	838	136
Disbursement of loan receivables	(1,307)	(775)
Decrease (increase) in time deposits, net	54	(100)
Net cash provided by (used in) investing activities	(142,220)	(320,209)
<b>Financing activities</b>		
Proceeds from debt issued (Original maturities greater than three months)	272,607	423,248
Payment on debt (Original maturities greater than three months)	(203,315)	(175,336)
Short-term debt, net (Original maturities three months or less)	87,909	101,830
Repayments of capital lease obligations	(48)	(36)
Sale (purchase) of treasury stock, net	(17)	62
Dividends paid	(93,457)	(61,335)
Other, net	(12,957)	(6,711)
Net cash provided by (used in) financing activities	50,722	281,722
<b>Effect of exchange rate change on cash and cash equivalents</b>	(5,026)	2,266
<b>Net increase (decrease) in cash and cash equivalents</b>	3,818	45,403
<b>Cash and cash equivalents, beginning of year</b>	144,397	119,901
<b>Cash and cash equivalents, end of period</b>	¥ 148,215	¥ 165,304

#### (4) Note to the Going Concern Assumption

None

#### (5) Business Segment Information

##### 1) Information by Operating Segments

##### Nine Months ended December 31, 2018 and 2017

(For Nine Months ended December 31, 2018)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	1,835,559	41,764	141,286	2,018,609	-	2,018,609
Intersegment	10,339	4,408	1,459	16,206	(16,206)	-
Total	1,845,898	46,172	142,745	2,034,815	(16,206)	2,018,609
Segment profit	272,545	13,120	12,678	298,343	(2,055)	296,288

(For Nine Months ended December 31, 2017)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	1,648,621	36,780	120,400	1,805,801	-	1,805,801
Intersegment	10,314	9,212	1,091	20,617	(20,617)	-
Total	1,658,935	45,992	121,491	1,826,418	(20,617)	1,805,801
Segment profit	181,787	8,952	9,135	199,874	(1,182)	198,692

##### Three Months ended December 31, 2018 and 2017

(For Three Months ended December 31, 2018)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	640,373	15,139	45,056	700,568	-	700,568
Intersegment	4,929	1,596	647	7,172	(7,172)	-
Total	645,302	16,735	45,703	707,740	(7,172)	700,568
Segment profit	88,607	3,538	5,164	97,309	(154)	97,155

(For Three Months ended December 31, 2017)

Millions of yen

	Construction, Mining and Utility Equipment	Retail Finance	Industrial Machinery and Others	Subtotal	Corporate & elimination	Total
Net sales:						
Customers	591,797	13,099	41,947	646,843	-	646,843
Intersegment	2,719	1,651	359	4,729	(4,729)	-
Total	594,516	14,750	42,306	651,572	(4,729)	646,843
Segment profit	79,442	3,043	4,326	86,811	(400)	86,411

Notes:1) 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, underground mining equipment, 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

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

3) From the three months ended June 30, 2018, Komatsu has adopted the Accounting Standards

Update (“ASU”) 2017-07, “Compensation Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Period Postretirement Benefit Cost”. Accordingly, the figures for the nine and three months ended December 31, 2017, were reclassified in accordance with ASU 2017-07.

## 2) Geographic Information

Net sales determined by customer location were as follows:

### For Nine Months ended December 31, 2018 and 2017

Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
<b>FY2018</b>	<b>285,345</b>	<b>749,307</b>	<b>261,619</b>	<b>138,620</b>	<b>463,265</b>	<b>120,453</b>	<b>2,018,609</b>
FY2017	284,255	683,169	214,146	132,864	374,099	117,268	1,805,801

### For Three Months ended December 31, 2018 and 2017

Millions of yen

	Japan	Americas	Europe & CIS	China	Asia* & Oceania	Middle East & Africa	Total
<b>FY2018</b>	<b>106,436</b>	<b>267,285</b>	<b>87,310</b>	<b>45,114</b>	<b>153,581</b>	<b>40,842</b>	<b>700,568</b>
FY2017	94,467	251,039	69,577	53,626	137,465	40,669	646,843

Note: \* Excluding Japan and China

### **(6) Note in Case of Notable Changes in the Amount of Shareholders' Equity**

None

(end)